Presentation to:

State of Wisconsin – Appraisal Committee of the Office of the Commissioner of Insurance

Sheboygan Falls Mutual Insurance Company

Valuation Analysis

September 30, 2008

StoneRidge Advisors, LLC

Disclaimer

This summary is not a complete description of the analyses performed by StoneRidge but contains the material elements of its analyses. The preparation of a valuation analysis is a complex process and is not necessarily susceptible to partial analysis or summary description. In arriving at its valuation range, StoneRidge considered the results of all such analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it. No company or transaction used in the analyses as a comparison is directly comparable to Sheboygan Falls Mutual Insurance Company ("Sheboygan" or the "Company").

The analyses were prepared for purposes of providing a report to the Appraisal Committee of the Office of the Commissioner of Insurance in the State of Wisconsin and do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold. In performing its analyses, StoneRidge made numerous assumptions with respect to industry performance, general business and economic conditions and other matters. The analyses performed by StoneRidge are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by such analyses. Because such analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Sheboygan or StoneRidge or any other person assumes responsibility if future results are materially different from those forecast.

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I. Executive Summary

Situation Overview

- Sheboygan Falls Mutual Insurance Company ("Sheboygan" or the "Company") elected to explore an affiliation with a larger company in 2006 as a result of several factors including:
  - Independent agents were expecting increasingly advanced information systems from insurance companies
  - An upgrade of Sheboygan's systems would require substantial capital expenditures (estimated to be \$3 - \$4 million by Sheboygan management)
  - Greater resources and financial strength of being part of a larger company

- Sheboygan entered into an affiliation agreement with Donegal Mutual Insurance Company (or "Donegal") on June 7, 2007.
  - Donegal provided a surplus note in the amount of \$3.5 million; as part of the agreement, Donegal Mutual Insurance entered into certain service support agreements
  - The Company obtained the right to use certain network and mainframe software platforms
  - The Company obtained the right to receive advisory services and assistance for the following:
    - Underwriting and risk management
    - Claims administration
    - Reinsurance
    - Investment management
    - Financial reporting, data processing, and tax administration

- As part of the affiliation Donegal received the right to nominate 6 of 10 Board members of Sheboygan

- As contemplated as part of the original affiliation, Sheboygan is currently evaluating a sponsored demutualization.

Engagement Overview

- StoneRidge Advisors, LLC ("StoneRidge") is pleased to present its valuation analysis of Sheboygan.

- As part of its due diligence and review of the Company, StoneRidge reviewed:
  - The Company's audited statutory financials for 2005-2007
  - Interim statutory financials for the periods ended June 30, 2007 and June 30, 2008
  - Projected financials for 2008-2012 provided by management

- Additionally, StoneRidge met with management to discuss the Company's business and future prospects. StoneRidge discussed the Company's audited financials with the Company's auditors and its reserve position with the Company's actuaries; no issues were noted.

- StoneRidge utilized several valuation techniques, including:
  - Comparable public company analysis
  - Comparable M&A transaction analysis
  - Sum of parts analysis
  - Discounted cash flow analysis

- The average of these four valuation methodologies implies a valuation range of Sheboygan between $5.8 million and $6.7 million (or approximately 0.95x to 1.09x 6/30/08 surplus). StoneRidge believes that the sum of the parts analysis most closely resembles the intent of the Wisconsin demutualization statutes; this analysis implies a valuation range between $6.3 million and $7.0 million (or approximately 1.03x to 1.14x 6/30/08 surplus).

II. Valuation Analysis

Valuation Methodology

Valuation Methodologies

Valuation excludes any financial impact of the surplus note provided by Donegal

Public Market Multiples	▸ Current trading multiples of publicly traded companies ▸ Primarily focused on price-to-tangible book value and price-to-earnings multiples, as well as analyzed the relationship between price to book value and return on average equity ▸ No trading peer is directly comparable to Sheboygan; certain market conditions may affect valuation and results may materially differ over periods of time
M&A Transaction Multiples	▸ Analysis of valuation multiples paid for similar insurance company transactions, as well as selected demutualization transactions ▸ Primarily focused on price-to-surplus and statutory net income metrics ▸ May encompass premiums paid for synergies and gain of control, as well as certain market conditions present at the time of transaction
Sum of Parts	▸ Adjusted statutory surplus to approximate fair market value as of June 30, 2008 ▸ Estimated potential redundancy on excess loss reserves as of June 30, 2008 based upon historical loss development and also estimated present value of reserve run off ▸ Accounted for value derived from unearned premiums based on historical loss & LAE ratios, as well as general expenses and tax rates ▸ Estimated value of marketing organization and book of business ▸ Captures the liquidation and run-off value of the current operations
Discounted Cash Flow	▸ Discounted management projections for the business back to the present using a range of discount rates and business assumptions ▸ Terminal value based on a range of multiples applied to the Company's projected terminal GAAP net income and GAAP book value in 2012 ▸ Captures the intrinsic value of the Company based on the future cash flows generated by the operations of the entity

Pro Forma and Projected Earnings Analysis

Quality of Earnings Analysis ($ in thousands)

	1st half 2008	2nd half 2008	Pro forma 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012
Reported pre-tax income	($1,029.5)	$419.5	($610.0)	$373.0	$487.0	$703.0	$824.0
Reported pre-tax income, excl. realized gains	(1,029.5)	419.5	($610.0)	373.0	487.0	703.0	824.0
Earnings adjustments:							
Pension expense	88.4	-	88.4	-	-	-	-
Demutualization expense	105.3	-	105.3	-	-	-	-
Interest income	(70.0)	(70.0)	(140.0)	(140.0)	(140.0)	(140.0)	(140.0)
Interest expense	192.5	96.3	288.8	192.5	192.5	192.5	192.5
LAE normalization	133.4	-	133.4	-	-	-	-
Loss normalization	624.0	-	624.0	-	-	-	-
Total expense adjustments	1,073.7	26.3	1,100.0	52.5	52.5	52.5	52.5
Incremental interest income	-	-	-	46.0	40.8	31.6	34.4
Pre-tax income, adjusted	44.2	445.8	490.0	471.5	580.3	787.1	910.9
Income tax	(15.0)	(151.6)	(166.6)	(109.0)	(139.0)	(197.0)	(237.0)
Net income, adjusted	**$29.2**	**$294.2**	**$323.4**	**$362.5**	**$441.3**	**$590.1**	**$673.9**

Source: Management projections, historical statutory filings, and management commentary
Note: Earnings adjustments are based on representations of Company management and historical trends; 2nd half 2008 was derived by implying financial statements from 1st half reported results and Company projections for full year 2008

Pension expense

- The Company represented that there were approximately $88K of one-time expenses relating to the termination of its pension plan that were recorded in the 1st half of 2008

Demutualization expense

- The Company represented that there were one-time expenses relating to the demutualization of the entity

Interest income & expense

- These items relate to the surplus note interest expense and investment income generated on those funds; amounts were removed to value the Company on a stand-alone basis

Loss & LAE adjustment

- The Company represented that there were charges taken in the first six months of 2008 relating to severe weather in excess of historical trends; this adjustment brings the loss & LAE ratios in line with historical trends (approximately 70% Loss & LAE ratio)

Income taxes

- The Company represented that the normalized tax rate for the entity has historically been at 34%; this rate was applied to normalize 2008 tax expense

Incremental interest income

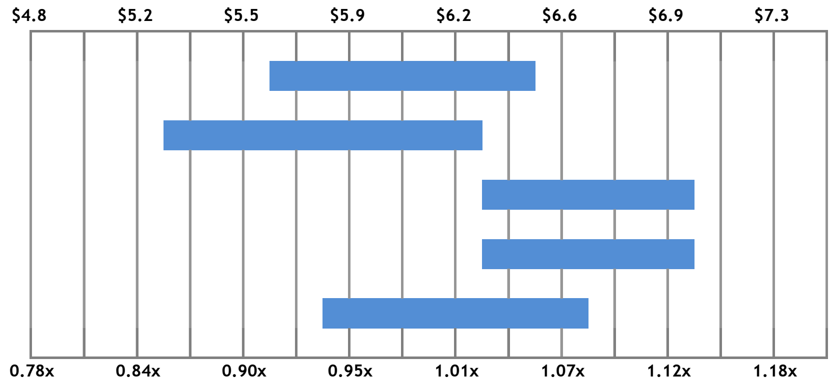
- This adjustment represents the spread between projected net investment income and a 4.0% yield on average invested assets (one that is more in line with market rates and the Company's historical investment strategy)

Valuation Summary

Valuation Summary ($ in thousands)

	Selected Valuation Range	
	Low	**High**
Public Market Comparable Companies	$5,540.4	$6,450.6
M&A Precedent Transactions	5,215.1	6,288.8
Sum of Parts	6,309.8	6,989.9
Discounted Cash Flow	6,332.1	6,992.1
Average Valuation Range	**5,849.4**	**6,680.3**
Statutory surplus, reported	6,138.4	6,138.4
Average equity value / reported surplus	0.95x	1.09x

Estimated Equity Valuation Range (in millions)



Multiple of June 30, 2008 Statutory Surplus

Source: Management projections, equity research, and public market data
Note: Valuation is based on current market data at the time of analysis; valuation may materially differ based on market movements and economic conditions; see following pages for details on each valuation methodology

Comparable Peer Analysis

Public Market Valuation ($ in thousands)					
		Selected Multiple Range		Implied Equity Value	
Book Value Valuation	**Metric**	**Low**	**High**	**Low**	**High**
Price / June 30, 2008 Book Value	$6,203.8	1.10x	1.20x	$6,824.2	$7,444.6
Price / Book Value vs. ROAE	6,203.8	0.93x	1.13x	$5,760.3	$7,001.1
Net Income Valuation					
Price / LTM Net Income	291.0	9.0x	11.0x	2,619.4	3,201.4
Price / 2009E Net Income	371.8	10.0x	12.0x	3,718.3	4,462.0
Price / 2004-2007 Avg. Net Income	641.3	9.0x	11.0x	5,772.0	7,054.7
Average Net Income Valuation				**$4,036.6**	**$4,906.0**
Average Valuation Range				**$5,540.4**	**$6,450.6**

Source: Statutory filings, CapitalIQ and public market data
Note: The Company does not report GAAP financial statements; valuation is implied by applying public market data against converted GAAP metrics for the Company, see appendix for details; overall valuation is based on the equally weighted average of both book value ranges and the average of the net income valuation range

Public market valuation

- Assessed publicly traded comparable companies against a variety of metrics; analyzed both historic and current earnings performance

Public Market Comparables

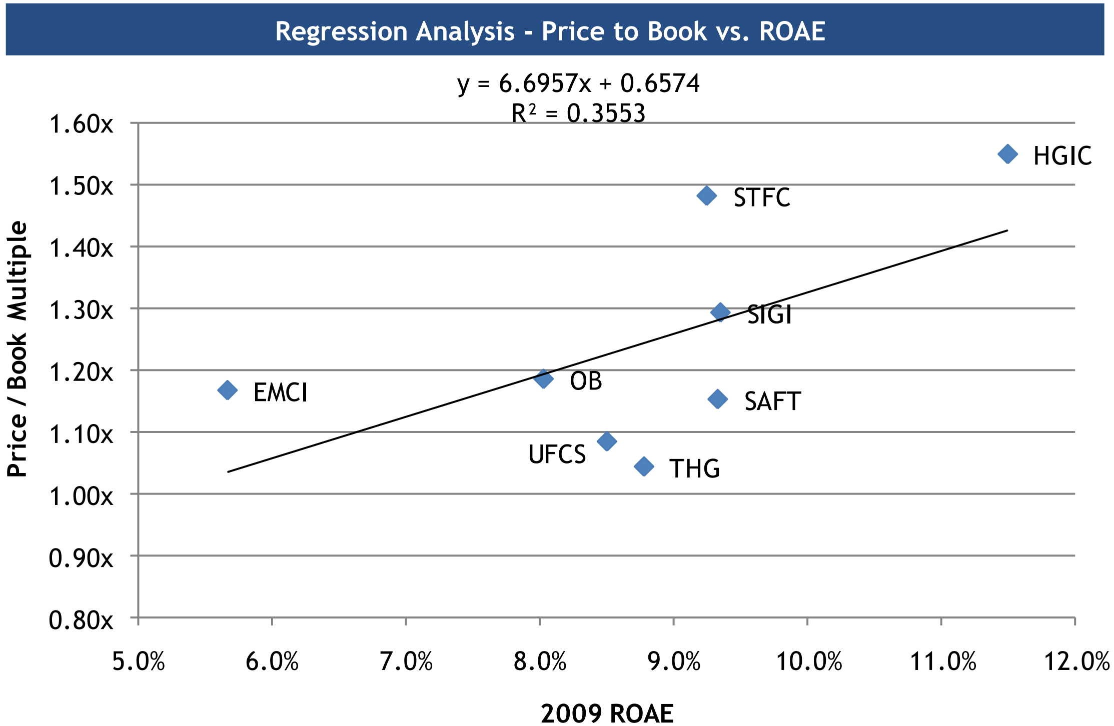
Public Trading Comparables ($ in millions, except per share data)

Company	Price 9/26/2008	Dividend Yield	Price Change 1 Month	Price Change 1 Year	Market Cap	P/E Multiples LTM	P/E Multiples 2008	P/E Multiples 2009	2009 PEG Ratio	Price / BV	Price / TBV	ROAE 2008	ROAE 2009	Debt / Total Cap
Mid cap peers:														
The Hanover Insurance Group Inc.	$45.56	0.9%	-4.6%	3.1%	$2,322.3	9.5x	10.5x	10.2x	0.7x	1.08x	1.15x	9.8%	9.6%	18.8%
OneBeacon Insurance Group	20.01	4.2%	2.2%	-4.9%	1,903.7	14.5x	12.3x	11.5x	1.8x	1.22x	1.22x	9.0%	10.1%	32.0%
Selective Insurance Group Inc.	25.01	2.1%	4.8%	16.7%	1,317.5	11.5x	12.2x	11.7x	1.7x	1.34x	1.39x	10.7%	10.5%	21.2%
State Auto Financial Corp.	31.81	1.9%	4.6%	6.1%	1,255.4	11.9x	39.1x	13.7x	1.9x	1.53x	1.53x	3.7%	10.3%	12.2%
Harleysville Group Inc.	37.95	3.2%	4.4%	15.7%	1,088.7	12.0x	13.8x	11.3x	1.4x	1.60x	1.60x	11.2%	12.9%	14.1%
Small cap peers:														
United Fire & Casualty Co.	29.20	2.1%	-0.9%	-25.8%	782.3	7.7x	20.3x	11.3x	NA	1.10x	1.10x	5.3%	9.2%	0.0%
Safety Insurance Group Inc.	41.79	3.8%	-2.8%	14.3%	680.6	7.7x	9.5x	10.9x	0.7x	1.14x	1.14x	12.0%	9.9%	0.0%
EMC Insurance Group Inc.	29.84	2.4%	19.2%	13.9%	400.4	10.3x	22.1x	18.7x	3.7x	1.18x	1.19x	5.2%	6.2%	8.7%
Mercer Insurance Group Inc.	16.93	1.8%	-0.9%	-4.7%	110.8	7.5x	8.3x	7.3x	0.9x	0.79x	0.83x	9.5%	10.0%	12.0%
National Security Group Inc.	15.21	5.9%	9.7%	-15.5%	37.5	7.4x	NA	NA	NA	0.83x	0.83x	NA	NA	21.5%
Fremont Michigan Insuracorp Inc.	18.55	0.6%	-1.4%	-14.3%	32.9	9.3x	NA	NA	NA	0.83x	0.83x	NA	NA	0.0%

	P/E LTM	P/E 2008	P/E 2009	2009 PEG Ratio	Price / BV	Price / TBV	ROAE 2008	ROAE 2009	Debt / Total Cap
All peers:									
Mean:	**9.9x**	**16.5x**	**11.8x**	**1.6x**	**1.15x**	**1.16x**	**8.5%**	**9.8%**	**12.8%**
Median:	**9.5x**	**12.3x**	**11.3x**	**1.5x**	**1.14x**	**1.15x**	**9.5%**	**10.0%**	**12.2%**
High:	**14.5x**	**39.1x**	**18.7x**	**3.7x**	**1.60x**	**1.60x**	**12.0%**	**12.9%**	**32.0%**
Low:	**7.4x**	**8.3x**	**7.3x**	**0.7x**	**0.79x**	**0.83x**	**3.7%**	**6.2%**	**0.0%**
Mid cap peers:									
Mean:	**11.9x**	**17.6x**	**11.7x**	**1.5x**	**1.35x**	**1.38x**	**8.9%**	**10.7%**	**19.7%**
Median:	**11.9x**	**12.3x**	**11.5x**	**1.7x**	**1.34x**	**1.39x**	**9.8%**	**10.3%**	**18.8%**
High:	**14.5x**	**39.1x**	**13.7x**	**1.9x**	**1.60x**	**1.60x**	**11.2%**	**12.9%**	**32.0%**
Low:	**9.5x**	**10.5x**	**10.2x**	**0.7x**	**1.08x**	**1.15x**	**3.7%**	**9.6%**	**12.2%**
Small cap peers:									
Mean:	**8.3x**	**15.1x**	**12.0x**	**1.8x**	**0.98x**	**0.99x**	**8.0%**	**8.8%**	**7.0%**
Median:	**7.7x**	**14.9x**	**11.1x**	**0.9x**	**0.97x**	**0.97x**	**7.4%**	**9.5%**	**4.3%**
High:	**10.3x**	**22.1x**	**18.7x**	**3.7x**	**1.18x**	**1.19x**	**12.0%**	**10.0%**	**21.5%**
Low:	**7.4x**	**8.3x**	**7.3x**	**0.7x**	**0.79x**	**0.83x**	**5.2%**	**6.2%**	**0.0%**

Source: CapitalIQ and public market data as of 9/26/08, National Security Group Inc. is based on the latest quote available
Notes:
(1) Earnings metrics exclude realized investment gains
(2) Book value metrics include unrealized gains/(losses)
(3) PEG ratios calculated using 2009 EPS and 5-year growth rate estimates
(4) Excluding market capitalization and total capitalization, all metrics calculated on a diluted shares basis
(5) Mid-cap peers are defined as those having a market capitalization over $1 billion; small-cap peers are defined as those having a market capitalization of under $1 billion, analysis excludes Donegal Group Inc

Price to Book Value vs. ROAE



Source: CapitalIQ and public market data

Note: Analysis excludes Donegal Group Inc. and Mercer Insurance Group Inc.; based on the Company's 5.3% projected 2009 return on equity, the implied price to book multiple is approximately 1.03x

Comparable Transaction Analysis

M&A Transaction Valuation ($ in thousands)					
		Selected Multiple Range		Implied Equity Value	
	Metric	Low	High	Low	High
Price / June 30, 2008 Surplus Value	$6,138.4	1.05x	1.25x	$6,445.3	$7,673.0
Price / LTM Statutory Net Income	306.5	13.0x	16.0x	3,984.9	4,904.5
Average Valuation Range				**$5,215.1**	**$6,288.8**

Source: Statutory filings, CapitalIQ and public market data
Note: The Company does not report GAAP financial statements; valuation is implied by applying statutory multiples against statutory reported metrics for the Company

M&A transactions

- Assessed universe of precedent transactions and focused on the overall peer median multiple to earnings, as well as the demutualization of Le Mars Mutual (see appendix; set valuation around price to surplus value); analyzed both historic and current earnings performance, as well as statutory surplus levels

M&A Transaction Comparables (Personal Lines)

Precedent Transactions ($ in millions)

Announcement Date	Buyer	Target	Enterprise Value	Implied Equity Value	Implied Equity Value / GAAP Book Value	Implied Equity Value / GAAP LTM Earnings	Implied Enterprise Value / Statutory LTM earnings	Implied Enterprise Value / Statutory Surplus
Large-cap M&A (transactions over $1 billion)								
4/23/2008	Liberty Mutual Holding Company, Inc	Safeco Corp.	$6,344.9	$6,201.3	1.86x	9.3x	8.4x	2.17x
10/16/2007	Munich Reinsurance America, Inc	The Midland Company	1,413.3	1,260.5	1.98x	13.5x	NA	3.16x
9/21/2007	Mapfre SA	Commerce Group Inc.	2,445.6	2,229.4	1.66x	9.7x	9.6x	1.60x
5/6/2007	Liberty Mutual Holding Company, Inc	Ohio Casualty Corp.	2,887.8	2,639.3	1.65x	11.5x	15.3x	2.67x
Mid-cap M&A (transactions between $1 billion and $500mm)								
7/17/2007	Alfa Mutual Insurance Company	Alfa Corp.	2,071.3	1,767.5	2.03x	16.4x	NA	2.87x
1/24/2007	American International Group, Inc.	21st Century Insurance Group	2,009.7	1,935.2	2.08x	20.5x	16.1x	2.61x
3/1/2007	Farmers Group Inc.	Bristol West Holdings Inc.	714.0	663.3	1.86x	15.7x	NA	2.01x
12/4/2006	Calera Capital	Direct General Corp.	559.5	432.4	1.66x	14.4x	26.9x	3.02x
Small-cap M&A (transactions under $500mm)								
3/13/2008	Palisades Safety & Insurance Management Corp.	National Atlantic Holdings Corp.	69.5	68.8	0.48x	NA	NA	0.55x
1/3/2008	QBE the Americas	North Pointe Holdings Corp.	144.7	142.7	1.45x	30.9x	17.2x	1.41x
10/31/2006	American European Group, Inc.	Merchants Group, Inc.	70.8	70.8	0.89x	12.5x	8.1x	0.99x
10/3/2006	Affirmative Insurance Holdings Inc.	US Agencies, Inc.	200.0	180.0	NA	9.8x	20.6x	4.08x
8/4/2006	Delek Group Ltd.	Republic Companies Group Inc.	343.6	287.6	1.75x	15.8x	22.0x	2.00x
11/4/2005	GMAC Insurance Group	MEEMIC Holdings, Inc.	327.0	327.0	NA	NA	13.6x	4.08x
6/14/2005	JC Flowers & Co., LLC; Delaware Street Capital	Affirmative Insurance Holdings Inc.	223.7	223.1	1.05x	8.9x	28.3x	1.24x
Demutualization M&A								
1/2/2004	Donegal Group Inc.	Le Mars Mutual Insurance Company	12.5	8.2	0.94x	NA	NA	1.14x

	GAAP Book Value	GAAP LTM Earnings	Statutory LTM earnings	Statutory Surplus
All transactions				
Mean:	**1.57x**	**14.5x**	**16.9x**	**2.30x**
Median:	**1.66x**	**13.5x**	**16.1x**	**2.17x**
High :	**2.08x**	**30.9x**	**28.3x**	**4.08x**
Low:	**0.48x**	**8.9x**	**8.1x**	**0.55x**
All transactions, excludes non-standard auto				
Mean:	**1.61x**	**15.6x**	**13.8x**	**2.18x**
Median:	**1.75x**	**14.6x**	**14.4x**	**2.09x**
High :	**2.08x**	**30.9x**	**22.0x**	**4.08x**
Low:	**0.48x**	**9.3x**	**8.1x**	**0.55x**

Source: CapitalIQ and public market data

Note: Certain implied equity / statutory net income figures utilize prior year net income; comparable universe consists of transactions post 1/1/2003; Le Mars transaction is based on 7/31/2003 financial data (date of valuation/proposal); excluded "non-standard auto" transactions include *Calera Capital acquiring Direct General Corp.*, *Affirmative Insurance Holdings Inc. acquiring US Agencies Inc.*, *JC Flowers & Co. acquiring Affirmative Insurance Holdings Inc.*

Sum of Parts Analysis

Sum of Parts Valuation ($ in thousands)

	Implied Value	
As of June 30, 2008	Low	High
Statutory surplus, adjusted	$5,519.3	$5,910.2
Reserves (see page 16)	94.6	251.3
Value of marketing organization / book of business (see page 17)	461.4	600.4
Goodwill and going concern value	-	-
Unearned premium reserve	641.6	784.2
Pre-tax value	1,197.7	1,635.8
Tax expense	(407.2)	(556.2)
Post-tax value	790.5	1,079.6
Total enterprise value	**$6,309.8**	**$6,989.9**
Statutory surplus, reported	6,138.4	6,138.4
Equity value / reported surplus	1.03x	1.14x

Statutory Surplus Valuation ($ in thousands)

	Implied Value	
As of June 30, 2008	Low	High
Statutory surplus	$6,138.4	$6,138.4
Appraised real estate value	755.0	755.0
Book value (cost basis) of real estate	(259.4)	(259.4)
Gain on real estate disposal	495.6	495.6
Book value of fixed income investments	13,673.4	13,673.4
Market value of fixed income investments	13,098.8	13,098.8
Mark to market on bond values	(574.6)	(574.6)
Net gain / (loss) on asset disposals	(79.0)	(79.0)
Tax gain / (expense) on asset disposals	15.8	15.8
Discount for regulated entity & transaction expenses (see page 18)	(555.9)	(165.0)
Statutory surplus, adjusted	**$5,519.3**	**$5,910.2**

Value of Unearned Premiums ($ in thousands)

	Implied Value	
As of June 30, 2008	Low	High
Unearned premiums	$3,564.6	$3,564.6
Assumed loss & LAE ratio	62.0%	60.0%
Assumed general expense ratio	20.0%	18.0%
Implied pre-tax value	**$641.6**	**$784.2**

Source: Historical statutory filings and financial trends, independent consultants
Note: Tax rate of 34% was applied to the "run-down" value of the business; "marketing organization" value was based on 6.0%-7.8% of the LTM net premiums written; a 20% estimated capital gains tax was applied to the Company's net loss position on the marked to market asset values; no additional value was attributed to goodwill or the going-concern value since the Company is not currently earning in excess of its cost of capital; mark to market adjustment on bond portfolio was based on data as of 9/24/08

Value of Loss & LAE Reserves

Loss & LAE Run Down Scenario ($ in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Assumed Payout Pattern	73.0%	17.0%	3.5%	3.0%	2.0%	1.0%	0.5%
Beginning of Period	$2,785.3	$752.0	$278.5	$181.0	$97.5	$41.8	$13.9
Loss Reserve Paid	(2,033.2)	(473.5)	(97.5)	(83.6)	(55.7)	(27.9)	(13.9)
End of Period	752.0	278.5	181.0	97.5	41.8	13.9	0.0
Average O/S Reserves	1,768.6	515.3	229.8	139.3	69.6	27.9	7.0
Net investment yield	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Investment cash flow	70.7	20.6	9.2	5.6	2.8	1.1	0.3
Discount factor	90.9%	82.6%	75.1%	68.3%	62.1%	62.1%	56.4%
Discounted cash flow	**$64.3**	**$17.0**	**$6.9**	**$3.8**	**$1.7**	**$0.7**	**$0.2**
Sum of cash flows	$94.6						

Sensitivity	
WACC	Implied Value
9.0%	96.0
10.0%	94.6
11.0%	93.3

Reserve Developments	
One year	$218.0
Four year average	95.3
Average development	156.6
Run-down value	94.6
Total value in reserve	$251.3

Source: Company provided statutory data; public market data
Note: Payout pattern based on historical results

Value of Marketing Organization / Book of Business

Precedent Transactions - Renewal Rights ($ in millions)						
Announcement Date	Buyer	Target	Paid at close	Size of book	Payment at close	Total potential payment
2/21/2006	National Atlantic	Hanover Insurance	$0.6	$26.0	2.1%	7.8%
11/22/2005	AmTrust	Alea	9.0	216.0	4.2%	7.5%
2/19/2004	Mercury General Corp.	Motor Club of America	1.5	35.0	4.3%	10.5%
6/28/2002	Unitrin, Inc.	Kemper Insurance	45.0	700.0	6.4%	8.9%
10/11/1999	Liberty Mutual	ACE Limited	12.5	365.1	3.4%	3.4%
		Mean	**13.7**	**268.4**	**4.1%**	**7.6%**
		Median	**9.0**	**216.0**	**4.2%**	**7.8%**

Source: CapitalIQ and public market data
Note: Total potential payment includes certain earnout structures and incentives; no other assets other than renewal rights are included in the purchase price; Hanover Insurance's size of book was based on an estimate of 1% of total premiums written (publicly disclosed)

Discount for Regulated Entity & Transaction Expenses

Surplus Run-Down Scenario ($ in thousands)

	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
Assumed Payout Pattern		73.0%	17.0%	3.5%	3.0%	3.5%
Statutory surplus, beginning	$6,138.4	$3,069.2	$828.7	$306.9	$199.5	$107.4
Capital distribution	(3,069.2)	(2,240.5)	(521.8)	(107.4)	(92.1)	(107.4)
Statutory surplus, ending	3,069.2	828.7	306.9	199.5	107.4	0.0
Discount factor	100.0%	90.9%	82.6%	75.1%	68.3%	62.1%
Discounted cash flow	**$3,069.2**	**$2,036.8**	**$431.2**	**$80.7**	**$62.9**	**$66.7**
Sum of cash flows	$5,747.5					

Regulated Entity Discount & Transaction Expenses ($ in thousands)

WACC	DCF Value	Implied Discount
9.0%	5,781.9	5.8%
10.0%	5,747.5	6.4%
11.0%	5,714.1	6.9%

	Implied Value	
As of June 30, 2008	**Low**	**High**
Discount for regulated entity	($390.9)	$0.0
Transaction costs	(250.0)	(250.0)
Total pre-tax value	(640.9)	(250.0)
Tax expense	85.0	85.0
Total post-tax value	**($555.9)**	**($165.0)**

Source: Company provided statutory data; public market data
Note: Capital distribution assumes the Company can distribute 50% of surplus immediately, other distributions follow reserve payout pattern; a 34% tax rate was applied against the transaction expenses; regulated entity discount based on 6.4% rate on statutory surplus

DCF Assumptions & Discussion

- As part of its discounted cash flow valuation analysis, StoneRidge relied on management's projections for the years ending 2008 through 2012; certain adjustments were made to normalize operations, see quality of earnings slide.

- StoneRidge made certain adjustments to convert the Company's statutory net income figures to conform with the Generally Accepted Accounting Principles in the United States (or "GAAP"), see appendix for details.

- Management's assumptions for projections include:
  - A growth rate range of 2%-5% from 2009 to 2012, respectively, in premiums earned
  - Loss ratio decreases from approximately 52% to 51% from 2009 to 2012, respectively
  - LAE ratio averages approximately 9% from 2009 to 2012
  - Underwriting expense ratio decreases from approximately 39% to 36% from 2009 to 2012, respectively
  - Overall combined ratio trends from approximately 101% to 96% from 2009 to 2012, respectively
  - Tax rates on earnings range between 23% to 26% from 2009 to 2012

- Management has represented that certain expenses were non-recurring in nature and were recorded in the Company's projections for 2008; these expenses were excluded from the cash flows for valuation purposes, see quality of earnings slide.

- The discounted cash flow valuation analysis assumed that reported net income was representative of the free cash flow of the business; other assumptions included:
  - 9.0% - 11.0% range of discount rates
  - Terminal valuation multiples of 10.0x – 12.0x GAAP net income and 1.10x – 1.20x GAAP equity value
  - Quality of earnings adjustments, see quality of earnings slide
  - GAAP conversion adjustments, see appendix for details

DCF Valuation Summary

Discounted Cash Flow Model ($ in thousands)

	2nd half Projected 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012
Statutory net income, adjusted	$294.2	$362.5	$441.3	$590.1	$673.9
Distribution rate	100.0%	100.0%	100.0%	100.0%	100.0%
Statutory dividend cash flow	294.2	362.5	441.3	590.1	673.9
Discount rate	10.0%	10.0%	10.0%	10.0%	10.0%
Discount factor	95.3%	86.7%	78.8%	71.6%	65.1%
Discounted cash flow	**$280.5**	**$314.2**	**$347.7**	**$422.7**	**$438.8**

	Exit based on Price to Income		Exit based on Price to Book	
	Value	% of total	Value	% of total
Sum of cash flows	$1,803.9	26.5%	$1,803.9	27.7%
Terminal value	5,007.7	73.5%	4,708.6	72.3%
Enterprise value	**6,811.6**	**100.0%**	**6,512.6**	**100.0%**
Less: debt	-		-	
Equity value	**$6,811.6**		**$6,512.6**	

Equity Value - Price to Earnings ($ in thousands)

Cost of equity	Price to Earnings: 10.00x	11.00x	12.00x
9.00%	6,593.1	7,067.5	7,541.8
10.00%	6,356.4	6,811.6	7,266.8
11.00%	6,130.7	6,567.8	7,004.9

Equity Value - Price to Book ($ in thousands)

Cost of equity	Price to Book: 1.10x	1.15x	1.20x
9.00%	6,542.6	6,755.9	6,969.2
10.00%	6,307.9	6,512.6	6,717.3
11.00%	6,084.2	6,280.7	6,477.3

Source: Management projections, historical statutory filings, and Company management commentary
Note: Cost of equity is computed based on the CAPM formula; exit multiple is based on trading comparables, exit metrics are based on GAAP conversion; see quality of earnings section for details supporting adjusted net income figures; analysis assumes that all cash flows are available for distribution

III. Appendices

Donegal Group Inc. Acquisition of Le Mars Insurance Company of Iowa

Donegal Group, Inc. ("Donegal" or the "Company") completed its acquisition of Le Mars Insurance Company of Iowa on January 2, 2004 for approximately $12.5 million ($8.2mm for stock & $4.3mm for debt & interest).

(Dollars in millions, except per share items)

Announcement date	9/4/2003
Closing date	1/2/2004
Transaction value	$12.5
Cash consideration paid to policyholders	8.2
Statutory surplus at time of valuation	7.2
Implied equity value to statutory surplus	1.14x
7/31/03 financial summary:	
Net premiums earned	$10.3
Admitted assets	37.3
Statutory surplus	7.2

Overview of Le Mars Insurance Company of Iowa

- Operates as a multiple line carrier in Iowa, Nebraska, Oklahoma and South Dakota.
- Personal lines coverage represents a majority of premiums written, with the balance coming from farm owners, mercantile and service businesses.
- Largest line of business is private passenger automobile liability and physical damage; other principal lines include homeowners and commercial multi-peril.
- Founded in 1901 and is based in Le Mars, Iowa.

Transaction Description:

- Donegal Group Inc. acquired all of the outstanding capital stock of Le Mars Insurance Company for approximately $12.5 million.
- The definitive agreement specified the acquisition of stock for $8.2 million and an additional capital contribution to Le Mars of approximately $4.0 million; approximately $0.3 million was paid for accrued interest on the surplus note

Transaction Rationale:

- Enabled Donegal Group to grow in existing markets and expand into selected geographic regions. The acquisition was the first step into the expansion of Donegal's operations in the Midwest.
- Donegal Insurance Group had been assisting Le Mars in the restructuring of its insurance business to restore underwriting profitability.

Overview of Donegal Group Inc. and its relationship with Le Mars:

- Donegal maintained affiliation with Le Mars prior to acquisition.
  - Donegal provided for a surplus note in the amount of $4.0 million in exchange for board membership
  - Le Mars entered into support agreements with Donegal in order to improve its underwriting profitability; these agreements provided for IT, reporting, and administrative support
- Donegal provides personal and commercial property and casualty lines of insurance to businesses and individuals in the United States.
- The Company markets its products through approximately 2,000 independent insurance agencies.
- Founded in 1986 and is headquartered in Marietta, Pennsylvania.

Weighted Average Cost of Capital Calculation

Cost of Equity	
Ke = Rf +ß(equity risk premium)*	
Risk free rate (Rf)	3.58%
Estimated unlevered beta	1.05
Implied levered beta (ß)	1.05
Equity risk premium	5.75%
Cost of equity	**9.64%**

Weighted Average Cost of Capital (WACC)	
After-tax cost of debt	5.28%
Debt weighting	0.00%
Cost of equity	9.64%
Equity weighting	100.00%
WACC	**9.64%**

Cost of Equity Sensitivity

		Unlevered beta		
		0.95	1.05	1.15
Risk free rate	4.08%	9.57%	10.14%	10.72%
	3.58%	9.07%	9.64%	10.22%
	3.08%	8.57%	9.14%	9.72%

Source: Public market data, equity research, and Company management's commentary
Note: The risk free rate was based on the yield of a 10-year US treasury security; beta was derived by assessing the Company's peers; market risk premium has historically ranged between 5.5%-6.0% excluding additional risk for size of enterprise and industry

GAAP Conversion

Statutory to GAAP Conversion - Net Income ($ in thousands)

	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007	LTM June '08	12/31/2008	12/31/2009
Unearned premiums	$3,505.7	$3,900.3	$4,042.3	$3,835.6	$3,688.8	$3,564.6	$3,763.0	$3,838.0
Median DAC factor	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%
Implied DAC	437.3	486.5	504.2	478.5	460.1	444.6	469.4	478.8
Statutory net income		612.1	868.5	713.7	348.1	306.5	323.4	362.5
Estimated change in DAC		49.2	17.7	(25.8)	(18.3)	(15.5)	9.3	9.4
GAAP net income		**$661.4**	**$886.2**	**$687.9**	**$329.8**	**$291.0**	**$332.6**	**$371.8**

Statutory to GAAP Conversion - Surplus ($ in thousands)

As of June 30, 2008	
Statutory surplus	$6,138.4
Unearned premiums	3,564.6
Median DAC factor	18.9%
Implied LTM DAC	444.6
Mark to market bonds, post-tax	(379.2)
GAAP book value	**$6,203.8**

Source: Public market data and Company projections
Note: DAC is defined as deferred acquisition costs; DAC factor is based on peer analysis and is measured as a % of unearned premiums; DAC is represented on an after tax basis

Deferred Acquisition Costs Analysis

DAC as % of Unearned Premiums

Company	LTM June '08	12/31/2007	12/31/2006	12/31/2005	12/31/2004
Mid-cap peers					
The Hanover Insurance Group	21.9%	21.6%	21.2%	20.7%	87.9%
OneBeacon Insurance Group	20.3%	19.9%	18.7%	19.6%	18.7%
Selective Insurance Group Inc	26.0%	26.9%	27.6%	27.2%	26.6%
State Auto Financial Corp.	24.3%	24.3%	24.3%	24.5%	23.5%
Harleysville Group Inc.	22.6%	22.6%	23.1%	23.6%	22.8%
Small-cap peers					
Safety Insurance Group Inc.	15.6%	14.5%	13.5%	12.6%	12.0%
EMC Insurance Group Inc.	22.2%	21.9%	21.6%	21.2%	21.2%
Donegal Group, Inc	12.8%	12.9%	12.6%	12.6%	12.8%
Mercer Insurance Group Inc.	24.0%	23.3%	20.4%	13.7%	23.6%
National Security Group Inc.	30.6%	40.1%	44.5%	41.6%	42.1%
Fremont Michigan Insuracorp	14.3%	14.7%	15.1%	15.1%	14.5%
All peers					
Mean	21.3%	22.1%	22.0%	21.1%	27.8%
Median	22.2%	21.9%	21.2%	20.7%	22.8%
Max	30.6%	40.1%	44.5%	41.6%	87.9%
Min	12.8%	12.9%	12.6%	12.6%	12.0%
Mid-cap peers					
Mean	23.0%	23.1%	22.9%	23.1%	35.9%
Median	22.6%	22.6%	23.1%	23.6%	23.5%
Max	26.0%	26.9%	27.6%	27.2%	87.9%
Min	20.3%	19.9%	18.7%	19.6%	18.7%
Small-cap peers					
Mean	19.9%	21.2%	21.3%	19.5%	21.0%
Median	18.9%	18.3%	17.7%	14.4%	17.9%
Max	30.6%	40.1%	44.5%	41.6%	42.1%
Min	12.8%	12.9%	12.6%	12.6%	12.0%

Comparable Company DAC ($ in thousands)

Company	LTM June '08	12/31/2007	12/31/2006	12/31/2005	12/31/2004
Mid-cap peers					
The Hanover Insurance Group	258.6	250.5	233.5	209.0	905.5
OneBeacon Insurance Group	212.7	200.0	183.8	204.4	187.3
Selective Insurance Group Inc	225.6	226.4	218.1	204.8	186.9
State Auto Financial Corp.	122.0	105.8	104.0	106.0	97.5
Harleysville Group Inc.	115.1	102.0	102.3	104.2	100.8
Small-cap peers					
Safety Insurance Group Inc.	52.2	48.7	47.4	45.5	42.9
EMC Insurance Group Inc.	34.2	34.7	33.7	34.1	27.9
Donegal Group, Inc.	30.1	26.2	24.7	23.5	22.3
Mercer Insurance Group Inc.	20.9	20.5	16.7	10.8	8.0
National Security Group Inc.	10.0	9.0	7.9	6.6	6.2
Fremont Michigan Insuracorp	3.3	3.3	3.2	3.1	2.9

Comparable Company Unearned Premiums ($ in thousands)

Company	LTM June '08	12/31/2007	12/31/2006	12/31/2005	12/31/2004
Mid-cap peers					
The Hanover Insurance Group	1,179.0	1,157.1	1,101.4	1,011.3	1,029.8
OneBeacon Insurance Group	1,050.3	1,005.9	985.2	1,042.8	1,001.4
Selective Insurance Group Inc	868.9	841.3	791.5	752.5	702.1
State Auto Financial Corp.	502.8	436.0	428.8	432.9	415.0
Harleysville Group Inc.	509.3	450.2	443.7	440.8	441.7
Small-cap peers					
Safety Insurance Group Inc.	333.9	336.6	350.7	362.0	359.0
EMC Insurance Group Inc.	153.8	158.2	155.7	160.7	131.6
Donegal Group, Inc.	234.2	203.4	196.9	186.7	174.5
Mercer Insurance Group Inc.	87.3	88.0	81.9	79.0	34.0
National Security Group Inc.	32.9	22.4	17.8	15.8	14.8
Fremont Michigan Insuracorp	23.1	22.7	21.5	20.4	19.7

Source: Public market data
Note: DAC is defined as deferred acquisition costs; DAC factor is based on peer analysis and is measured as a % of unearned premiums

Pro Forma 2008 Earnings

2008 Pro Forma Earnings Reconciliation ($ in thousands)

	1st half 2008	1st half Adjs.	1st half pro-forma 2008	2nd half 2008	2nd half Adjs.	2nd half pro-forma 2008	Pro forma 2008
Premiums Earned	$3,924.6	$0.0	$3,924.6	$3,745.4	$0.0	$3,745.4	$7,670.0
Losses Incurred	2,784.2	(624.0)	2,160.2	1,865.8	-	1,865.8	4,026.0
Loss Adjustment Expenses	723.4	(133.4)	590.0	126.6	-	126.6	716.6
Underwriting Expenses	1,567.9	(193.8)	1,374.1	1,482.1	-	1,482.1	2,856.2
Underwriting Gain	(1,150.9)	951.2	(199.7)	270.9	-	270.9	71.2
Net Investment Income	69.7	122.5	192.2	150.3	26.3	176.5	368.8
Realized Gains	(0.0)	-	(0.0)	0.0	-	0.0	-
Other Income	51.7	-	51.7	(1.7)	-	(1.7)	50.0
Net Income Before Taxes	(1,029.5)	1,073.7	44.2	419.5	26.3	445.8	490.0
Net Income Before Taxes & Realized Gains	(1,029.5)	1,073.7	44.2	419.5	26.3	445.8	490.0
Income Taxes	(26.4)	41.4	15.0	(180.6)	332.2	151.6	166.6
Net Income	($1,003.1)	$1,032.3	$29.2	$600.1	($305.9)	$294.2	$323.4
Net Income, Ex Realized Gains	($1,003.1)	$1,032.3	$29.2	$600.1	($305.9)	$294.2	$323.4
Ratio Analysis							
Loss Ratio	70.9%	NM	55.0%	49.8%	NM	49.8%	52.5%
LAE Ratio	18.4%	NM	15.0%	3.4%	NM	3.4%	9.3%
Expense Ratio	40.0%	NM	35.0%	39.6%	NM	39.6%	37.2%
Loss & LAE Ratio	89.3%	NM	70.0%	53.2%	NM	53.2%	61.8%
Combined Ratio	129.3%	NM	105.0%	92.8%	NM	92.8%	99.0%

Source: Management projections, historical statutory filings, and management commentary
Note: Earnings adjustments are based on representations of Company management and historical trends; 2nd half 2008 was derived by implying financial statements from 1st half reported results and Company projections for full year 2008

Pro Forma LTM Earnings

LTM June Pro Forma Earnings Reconciliation ($ in thousands)

	Actual 2007	1st half 2007	1st half 2008	2008 Adjs.	1st half pro-forma 2008	Pro forma LTM June
Premiums Earned	$7,662.2	$3,846.2	$3,924.6	$0.0	$3,924.6	$7,740.6
Losses Incurred	3,983.4	2,061.7	2,784.2	(624.0)	2,160.2	4,081.9
Loss Adjustment Expenses	677.6	499.5	723.4	(133.4)	590.0	768.1
Underwriting Expenses	2,943.4	1,396.2	1,567.9	(193.8)	1,374.1	2,921.3
Underwriting Gain	57.8	(111.1)	(1,150.9)	951.2	(199.7)	(30.7)
Net Investment Income	579.8	251.9	69.7	122.5	192.2	520.0
Realized Gains	284.1	24.0	(0.0)	-	(0.0)	260.0
Other Income	45.2	53.6	51.7	-	51.7	43.3
Net Income Before Taxes	966.9	218.5	(1,029.5)	1,073.7	44.2	792.7
Net Income Before Taxes & Realized Gains	682.8	194.4	(1,029.5)	1,073.7	44.2	532.6
Income Taxes	334.7	123.6	(26.4)	41.4	15.0	226.1
Net Income	$632.2	$94.8	($1,003.1)	$1,032.3	$29.2	$566.6
Net Income, Ex Realized Gains	$348.1	$70.8	($1,003.1)	$1,032.3	$29.2	$306.5
Ratio Analysis						
Loss Ratio	52.0%	53.6%	70.9%	NM	55.0%	52.7%
LAE Ratio	8.8%	13.0%	18.4%	NM	15.0%	9.9%
Expense Ratio	38.4%	36.3%	40.0%	NM	35.0%	37.7%
Loss & LAE Ratio	60.8%	66.6%	89.3%	NM	70.0%	62.6%
Combined Ratio	99.2%	102.9%	129.3%	NM	105.0%	100.3%

Source: Management projections, historical statutory filings, and management commentary
Note: Earnings adjustments are based on representations of Company management and historical trends

Historical Statutory Financial Statements

Historical Statutory Balance Sheet ($ in thousands)

	Actual 2006	Actual 2007	6 mos 2008
Assets			
Cash & investments	$11,769.3	$15,768.7	$15,341.7
Agents balances	951.6	939.0	928.2
Other	1,405.0	797.8	773.0
Total	**$14,125.8**	**$17,505.5**	**$17,042.9**
Liabilities & surplus			
Outstanding losses & LAE	$2,151.3	$1,989.5	$2,785.3
Accrued expenses	971.4	818.1	639.5
Unearned premiums	3,835.6	3,688.8	3,564.6
Other	310.9	364.9	415.1
Total liabilities	**7,269.2**	**6,861.3**	**7,404.4**
Surplus note	-	3,500.0	3,500.0
Capital surplus	6,856.7	7,144.2	6,138.4
Total surplus	**6,856.7**	**10,644.2**	**9,638.4**
Total liabilities & surplus	**$14,125.8**	**$17,505.5**	**$17,042.9**

Historical Statutory Income Statement ($ in thousands)

	Actual 2006	Actual 2007	6 mos 2007	6 mos 2008	LTM June 2008
Premiums earned	$8,083.1	$7,662.2	$3,846.2	$3,924.6	$7,740.6
Losses incurred	3,646.8	3,983.4	2,061.7	2,784.2	4,705.9
Loss adjustment expenses	744.3	677.6	499.5	723.4	901.5
Underwriting expenses	3,037.1	2,943.4	1,396.2	1,567.9	3,115.1
Underwriters' gain	654.9	57.8	(111.1)	(1,150.9)	(982.0)
Net investment income	403.3	579.8	251.9	69.7	397.5
Realized gains	74.1	284.1	24.0	(0.0)	260.0
Other income	118.2	45.2	53.6	51.7	43.3
Net income before tax	1,250.5	966.9	218.5	(1,029.5)	(281.1)
Net income before tax and realized gains	1,176.4	682.8	194.4	(1,029.5)	(541.1)
Income taxes	462.7	334.7	123.6	(26.4)	184.6
Net income	**$787.8**	**$632.2**	**$94.8**	**($1,003.1)**	**($465.7)**
Net income, ex realized gains	**$713.7**	**$348.1**	**$70.8**	**($1,003.1)**	**($725.8)**
Loss ratio	45.1%	52.0%	53.6%	70.9%	60.8%
LAE ratio	9.2%	8.8%	13.0%	18.4%	11.6%
Expense ratio	37.6%	38.4%	36.3%	40.0%	40.2%
Loss & LAE ratio	54.3%	60.8%	66.6%	89.3%	72.4%
Combined ratio	91.9%	99.2%	102.9%	129.3%	112.6%

Source: Company filed statutory statements

Projected Statutory Financial Statements

Projected Statutory Balance Sheet ($ in thousands)

	Projected 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012
Assets					
Cash & investments	$15,611.0	$15,689.0	$15,893.0	$16,449.0	$17,189.0
Agents balances	953.0	967.0	986.0	1,035.0	1,076.0
Other	810.0	826.0	843.0	860.0	877.0
Total	**17,374.0**	**17,482.0**	**17,722.0**	**18,344.0**	**19,142.0**
Liabilities & surplus					
Outstanding losses & LAE	2,188.0	2,100.0	2,000.0	2,040.0	2,081.0
Accrued expenses	834.0	850.0	867.0	893.0	920.0
Unearned premiums	3,763.0	3,838.0	3,915.0	4,032.0	4,234.0
Other	372.0	379.0	387.0	395.0	403.0
Total liabilities	**7,157.0**	**7,167.0**	**7,169.0**	**7,360.0**	**7,638.0**
Surplus note	3,500.0	3,500.0	3,500.0	3,500.0	3,500.0
Capital surplus	6,717.0	6,815.0	7,053.0	7,484.0	8,004.0
Total surplus	**10,217.0**	**10,315.0**	**10,553.0**	**10,984.0**	**11,504.0**
Total liabilities & surplus	**$17,374.0**	**$17,482.0**	**$17,722.0**	**$18,344.0**	**$19,142.0**

Projected Statutory Income Statement ($ in thousands)

	Projected 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012
Premiums earned	$7,670.0	$7,823.0	$7,979.0	$8,378.0	$8,797.0
Losses incurred	4,650.0	4,100.0	4,100.0	4,273.0	4,486.0
Loss adjustment expenses	850.0	710.0	750.0	754.0	792.0
Underwriting expenses	3,050.0	3,065.0	3,075.0	3,100.0	3,167.0
Underwriters' gain	(880.0)	(52.0)	54.0	251.0	352.0
Net investment income	220.0	375.0	383.0	402.0	422.0
Realized gains	-	-	-	-	-
Other income	50.0	50.0	50.0	50.0	50.0
Net income before tax	(610.0)	373.0	487.0	703.0	824.0
Net income before tax and realized gains	(610.0)	373.0	487.0	703.0	824.0
Income taxes	(207.0)	86.0	117.0	176.0	214.0
Net income	**($403.0)**	**$287.0**	**$370.0**	**$527.0**	**$610.0**
Net income, ex realized gains	**($403.0)**	**$287.0**	**$370.0**	**$527.0**	**$610.0**
Loss ratio	60.6%	52.4%	51.4%	51.0%	51.0%
LAE ratio	11.1%	9.1%	9.4%	9.0%	9.0%
Expense ratio	39.8%	39.2%	38.5%	37.0%	36.0%
Loss & LAE ratio	71.7%	61.5%	60.8%	60.0%	60.0%
Combined ratio	111.5%	100.7%	99.3%	97.0%	96.0%

Source: Company provided statements
Note: Company projections do not include any pro forma adjustments

Comparable Company Descriptions

- **EMC Insurance Group Inc. (NasdaqGS:EMCI)**

  EMC Insurance Group, Inc., through its subsidiaries, provides property and casualty insurance and reinsurance products in the United States. It operates through two segments, Property and Casualty Insurance, and Reinsurance. The Property and Casualty Insurance segment underwrites commercial and personal lines of property and casualty insurance. The Reinsurance segment underwrites property and casualty, property, crop, casualty, marine/aviation, and surety reinsurance for other insurers and reinsurers. EMC Insurance Group sells its products to small and medium-sized businesses, institutions, and individual customers through independent insurance agents. The company was founded in 1974 and is based in Des Moines, Iowa. EMC Insurance Group, Inc. is a subsidiary of Employers Mutual Casualty Company.

- **Fremont Michigan InsuraCorp Inc. (OTCBB:FMMH)**

  Fremont Michigan InsuraCorp, Inc., through its subsidiary, Fremont Insurance Company, operates as a property and casualty insurance company that provides insurance to individuals, farms, and small businesses in Michigan. The company operates through four segments: Personal, Commercial, Farm, and Marine. The Personal segment provides policies that include homeowners, dwelling fire, personal auto, and personal umbrella products. The Commercial segment offers business owners policy, commercial package policy, commercial auto, workers compensation, and other commercial products. The Farm segment provides coverage for the agricultural industry. This segment's products include farm owners for fully operating farms, country estate for the hobby or part time farmer, and farm for non-owner occupied farms. The Marine segment offers boat owner's program and the yacht program. The company markets its policies through approximately 175 independent insurance agencies. Fremont Michigan InsuraCorp was founded in 1876 and is based in Fremont, Michigan.

- **The Hanover Insurance Group Inc. (NYSE:THG)**

  The Hanover Insurance Group, Inc., through its subsidiaries, underwrites personal and commercial property and casualty insurance coverage in the United States. It operates in three segments: Personal Lines, Commercial Lines, and Other Property and Casualty. The Personal Lines segment offers coverage for personal automobile, homeowners, and other personal lines, including inland marine, umbrella, fire, personal watercraft, and earthquake. The Commercial Lines segment provides coverages for multiple peril, commercial automobile, workers' compensation, and other commercial coverages, such as bonds and inland marine business. The Other Property and Casualty segment provides investment advisory services; and markets investment management services to institutions, pension funds, and other organizations. The Hanover Insurance Group sells its products through agents. The company was founded in 1844 and is headquartered in Worcester, Massachusetts.

Comparable Company Descriptions

- **Harleysville Group Inc. (NasdaqGS:HGIC)**

  Harleysville Group, Inc., through its subsidiaries, engages in the property and casualty insurance business primarily in the eastern and midwestern United States. The company underwrites personal and commercial property, and casualty coverages, including automobile, homeowners, commercial multi-peril, and workers compensation. It sells products through independent agents to individuals, and small and medium-sized businesses. The company was founded in 1979 and is based in Harleysville, Pennsylvania. Harleysville Group, Inc. is a subsidiary of Harleysville Mutual Insurance Company.

- **Mercer Insurance Group Inc. (NasdaqGM:MIGP)**

  Mercer Insurance Group, Inc., through its subsidiaries, provides property and casualty insurance products for individuals, and small and medium-sized businesses. It offers commercial multi-peril policies; workers' compensation policies; surety insurance for contract and subdivision bonds; and miscellaneous license and permit bonds; and fire, allied lines, and inland marine insurance. In addition, it provides homeowners and private passenger automobile insurance coverages. It has operations in Arizona, California, Nevada, New Jersey, New York, Pennsylvania, and Oregon. Mercer Insurance markets its products through a network of independent agents, as well as through Internet and direct mail. The company was founded in 1844 and is headquartered in Pennington, New Jersey.

- **National Security Group Inc. (NasdaqGM:NSEC)**

  The National Security Group, Inc., through its subsidiaries, provides property and casualty, and life insurance products and services in the United States. It writes personal lines coverage, including dwelling fire and windstorm, homeowners, mobile homeowners, and personal non-standard automobile lines of insurance. The company also offers a line of life, accident and health, supplemental hospital, and cancer insurance products. The National Security Group operates its business in the states of Alabama, Arkansas, Florida, Georgia, Kentucky, Mississippi, Oklahoma, South Carolina, Tennessee, and West Virginia, as well as on a surplus lines basis in the states of Louisiana, Missouri, and Texas. It offers its products and services through a field force of agents and career agents, as well as through a network of independent agents. The company was founded in 1947 and is based in Elba, Alabama.

Comparable Company Descriptions

- **OneBeacon Insurance Group (NYSE:OB)**

  OneBeacon Insurance Group, Ltd., through its subsidiaries, provides property and casualty insurance products. It offers a range of specialty insurance products and commercial line of products. The company also provides various personal line products for individuals, which comprise physical damage and liability, homeowners, and package coverage. It serves technology, financial institutions, professional services, wholesalers, metalworkers, and commercial real estate customers. OneBeacon Insurance offers its products through a network of independent agents; and regional and national brokers, and wholesalers. The company was founded in 1831 and is headquartered in Canton, Massachusetts. OneBeacon Insurance Group, Ltd. is a subsidiary of White Mountains Insurance Group, Ltd.

- **Safety Insurance Group Inc. (NasdaqGS:SAFT)**

  Safety Insurance Group, Inc., through its subsidiaries, provides private passenger automobile insurance in Massachusetts. It also offers property and casualty insurance products, including commercial automobile, homeowners, dwelling fire, umbrella, and business owner policies. The company's homeowners policies provide coverage for losses to a dwelling and its contents from various perils, and coverage for liability to others arising from ownership or occupancy. Its commercial package policies provide property, general liability, crime, and inland marine insurance for business enterprises. The company's personal umbrella policies offer personal excess liability coverage over and above the limits of individual automobile, watercraft, and homeowner's insurance policies to clients. The company was founded in 1979 and is based in Boston, Massachusetts.

- **Selective Insurance Group Inc. (NasdaqGS:SIGI)**

  Selective Insurance Group, Inc., together with its subsidiaries, provides property and casualty insurance products and diversified insurance products and services in the United States. It operates through three segments: Insurance Operations, Investments, and Diversified Insurance Services. The Insurance Operations segment sells property and casualty insurance products and services and underwrites commercial and personal lines of property and casualty insurance policies. The Investment segment invests in fixed maturity investments, equity securities, short-term investments, and other investments. The Diversified Insurance Services segment provides human resource administration outsourcing products and services; and federal flood insurance administrative services. The company was founded in 1925 and is based in Branchville, New Jersey.

Comparable Company Descriptions

- **State Auto Financial Corp. (NasdaqGS:STFC)**

  State Auto Financial Corporation, through its subsidiaries, writes personal and business lines of insurance. It markets a line of property and casualty insurance, such as standard personal and commercial automobile, nonstandard personal automobile, homeowners and farmowners, commercial multi-peril, workers' compensation, general liability, fire, and property insurance. The company also develops and sells software for the processing of insurance transactions, database management for insurance agents, and electronic interfacing of information between insurance companies and agencies. The company was founded in 1950 and is headquartered in Columbus, Ohio. State Auto Financial Corporation is a subsidiary of State Automobile Mutual Insurance Company.

- **United Fire & Casualty Co. (NasdaqGS:UFCS)**

  United Fire & Casualty Company, together with its subsidiaries, engages in writing property and casualty insurance, and life insurance in the United States. Its property and casualty insurance products and services include commercial coverages, including fire and allied lines, other liability, automobile, workers' compensation, and surety; and personal lines, consisting of automobile, as well as fire and allied lines coverages, including homeowners. The company's life insurance products comprise single premium annuities, universal life products, and traditional life products; term and whole life insurance products; and an individual disability income rider that can be attached to its life insurance products. It markets its products through independent agents. Fire & Casualty was founded in 1946 and is headquartered in Cedar Rapids, Iowa.