



NASDAQ: DGICA/DGICB

**Fourth Quarter and Year End 2020
Investor Presentation
February 23, 2021**



The Company bases all statements made in this presentation that are not historic facts on its current expectations. These statements are forward-looking in nature (as defined in the Private Securities Litigation Reform Act of 1995) and involve a number of risks and uncertainties. Actual results could vary materially. Factors that could cause actual results to vary materially include: the ability of the Company's insurance subsidiaries to attract new business, retain existing business and collect balances due to them as a result of the prolonged economic challenges resulting from the COVID-19 pandemic and related business shutdown, adverse and catastrophic weather events, the Company's ability to maintain profitable operations, the adequacy of the loss and loss expense reserves of the Company's insurance subsidiaries, business and economic conditions in the areas in which the Company's insurance subsidiaries operate, interest rates, competition from various insurance and other financial businesses, acts of terrorism, the availability and cost of reinsurance, legal and judicial developments including those related to COVID-19 business interruption coverage and exclusions, changes in regulatory requirements and other risks the Company describes from time to time in the periodic reports it files with the Securities and Exchange Commission. You should not place undue reliance on any such forward-looking statements. The Company disclaims any obligation to update such statements or to announce publicly the results of any revisions that it may make to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

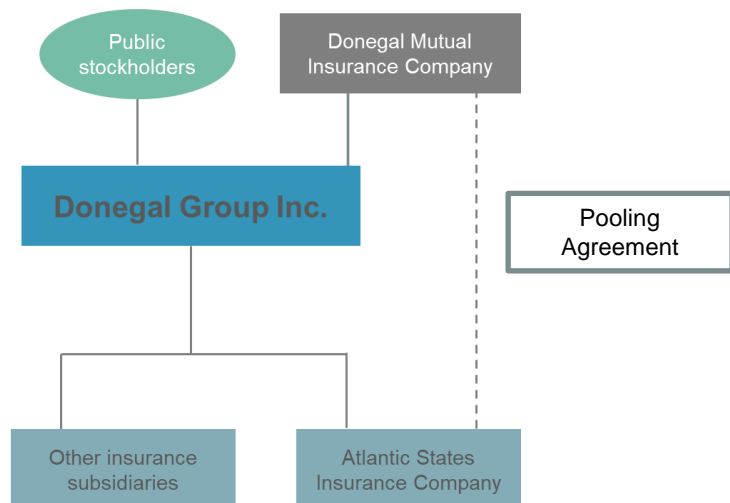
Reconciliations of non-GAAP data are included on pages 28-29 of this presentation.

- Well-established regional insurance group with a diverse book of business including both commercial and personal lines
- Shift in focus to commercial lines growth and actions to improve personal lines results contributed to recent margin improvement (96.0% combined ratio and 9% book value growth in 2020)
- Expanding independent agency relationships to sustain commercial premium growth momentum
- DGICA dividend yield of 4.3% as of February 22, 2021
- DGICA trades at 0.82X 12/31/2020 book value (among the lowest in peer group despite performance improvement)

Company Overview

Donegal Group Inc. is an insurance holding company offering property and casualty insurance in 24 states.

The Company offers full lines of personal products (~42% of total) and commercial products (~58% of total), including, commercial multi-peril, automobile, homeowners, workers' compensation, and other coverages.



NASDAQ: DGICA/DGICB

Corporate Headquarters	Marietta, Pennsylvania
DGICA Share Description	24.6 million shares outstanding at 12/31/2020 (Voting rights 0.1:1)
DGICB Share Description	5.6 million shares outstanding (Voting rights 1:1)

	At 12/31/2020	At 9/30/2020	At 12/31/2019
Cash and Investments	\$1.3 billion	\$1.3 billion	\$1.2 billion
Total Assets	\$2.2 billion	\$2.1 billion	\$1.9 billion
Total Shareholders' Equity	\$517.8 million	\$504.1 million	\$451.0 million
Book Value Per Outstanding Common Share	\$17.13	\$16.96	\$15.67
DGICA Annual Dividend Per Share	\$0.60	\$0.60	\$0.58

Current Figures (DGICA)

At 2/22/2021

Stock Price	\$13.97
52 Week Range	\$11.22 - \$16.19
Price to Book Value*	0.82X

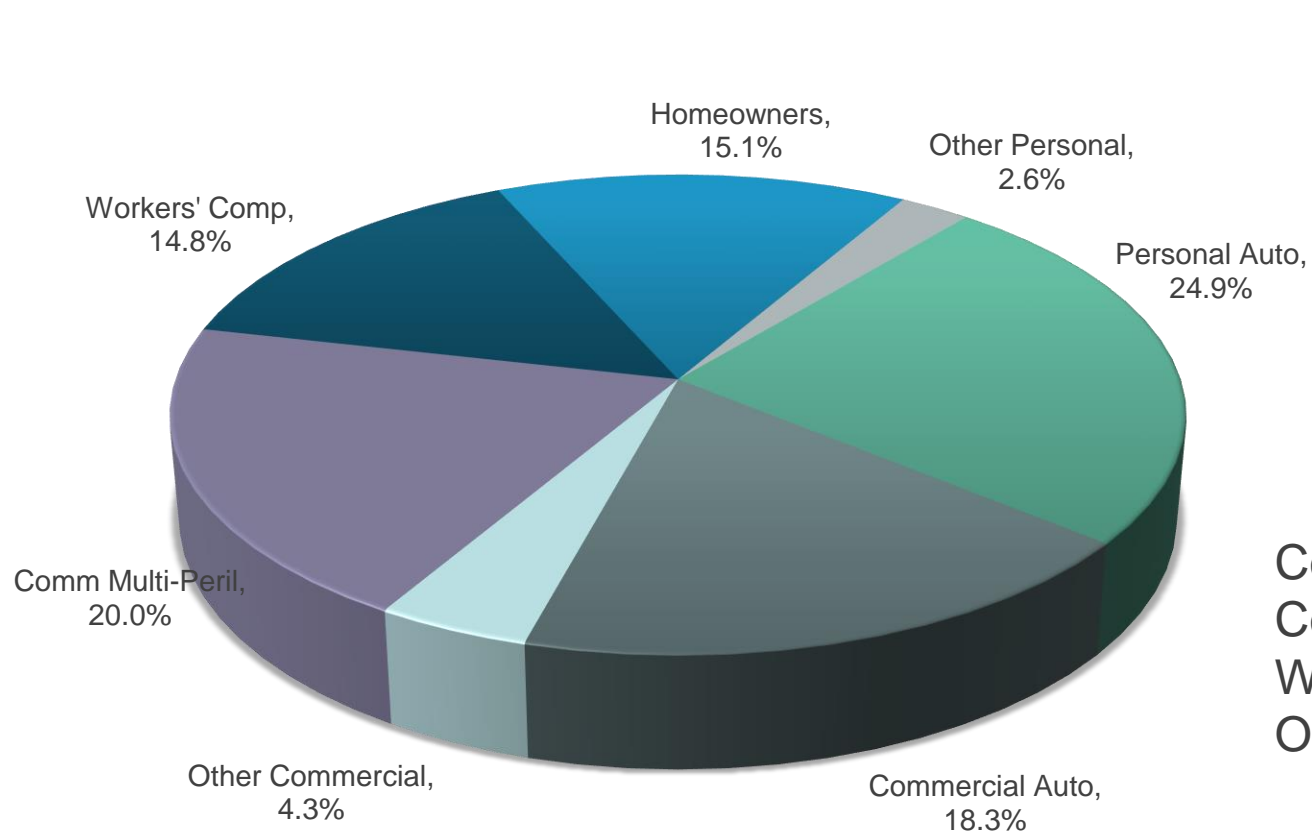
* Based on 12/31/2020 Book Value

2020 Accomplishments

- Substantial **improvement in financial results** in 2019 and 2020
- **Continuing growth** in our commercial lines segment
- Development of **new personal lines products** on track for deployment beginning in Q3 2021
- **Favorable net development** of reserves following strengthening actions in 2018
- Expanded **enterprise analytics** and product development personnel and capabilities
- Building and expanding **strong independent agency** relationships

Balanced Mix of Commercial and Personal Lines

Net Premiums Written for 2020 by Line of Business



Personal Auto
Homeowners
Other Personal

Personal lines = 42.6% of NPW
Renewal Premium
Increases Averaged 2.7%

Commercial Auto
Comm Multi-Peril
Workers' Comp
Other Commercial

Commercial lines = 57.4% of NPW
Renewal Premium
Increases Averaged 2.4%
(9.7% for Commercial Auto)

Fourth Quarter and Year End 2020 – Operating Results

Solid Organic Growth and Profitability in Commercial Lines

Improved Results in Personal Lines

2020
Fourth
Quarter

Increase in Net Income

Net income of \$14.6 million, or \$0.49 per diluted Class A share, for 2020 fourth quarter, compared to \$14.2 million or \$0.50 per diluted Class A share, for 2019 fourth quarter

Increase in Annual Non-GAAP Operating Income*

Non-GAAP operating income of \$11.6 million, or \$0.39 per diluted Class A share, for 2020 fourth quarter, compared to \$12.1 million, or \$0.42 per diluted Class A share, for 2019 fourth quarter

Substantial Improvement in Combined Ratio due to Emphasis on Commercial Lines and Lower Claim Frequency

Combined ratio of 96.2% for 2020 fourth quarter, compared to 96.1% for 2019 fourth quarter

Growth in Book Value

Book value per share grew to \$17.13 at December 31, 2020, compared to \$16.96 at September 30, 2020, and \$15.67 at December 31, 2019

2020
Full
Year

Net income of \$52.8 million, or \$1.83 per diluted Class A share, for the 2020 full year, compared to \$47.2 million or \$1.67 per diluted Class A share, for the full year of 2019

Non-GAAP operating income of \$50.8 million, or \$1.76 per diluted Class A share, for the full year of 2020, compared to \$28.4 million, or \$1.01 per diluted Class A share, for the full year of 2019

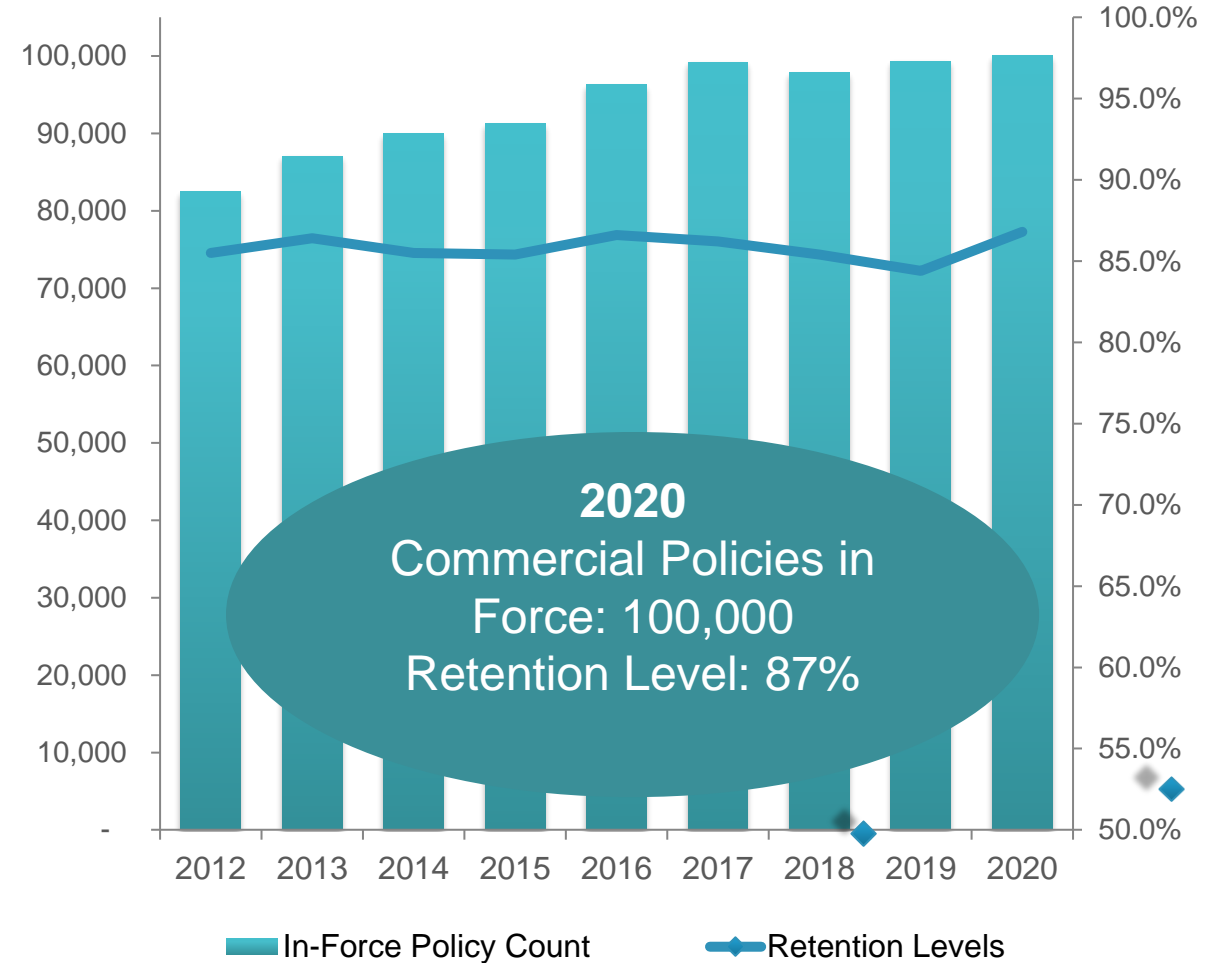
Combined ratio of 96.0% for the full year of 2020, compared to 99.5% for the full year of 2019

Growth and Profitability in Commercial Lines

97.8% Commercial Lines Statutory Combined Ratio for 2020



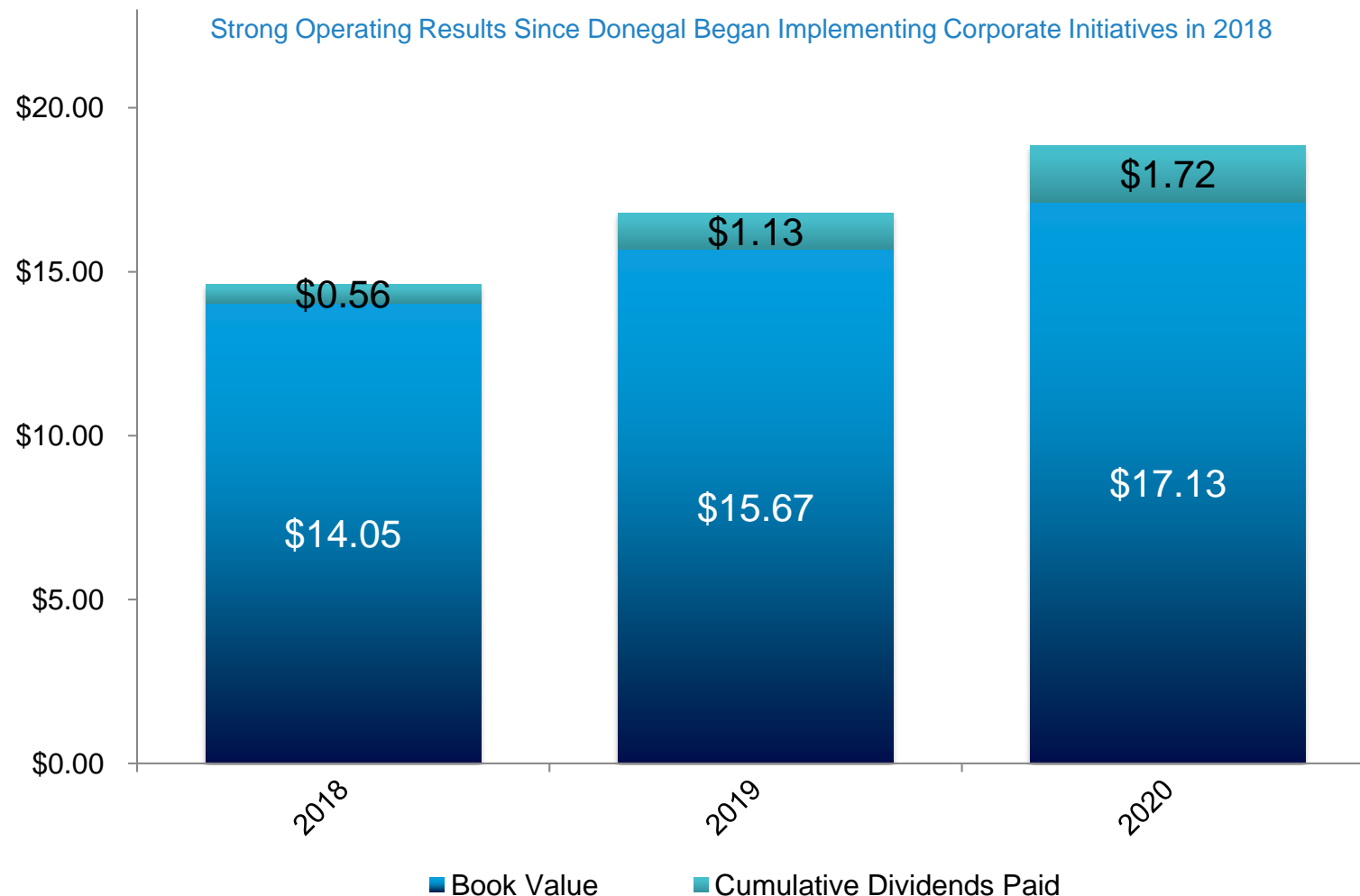
- ✓ Expand core Donegal products across regions
- ✓ Growth focus on accounts with premiums in \$10,000 to \$150,000 range
- ✓ Expand appetite within classes and lines already written:
 - Continued agency development
 - Modernize products to meet customer needs
 - Appropriately use reinsurance to support larger risks
- ✓ Disciplined underwriting:
 - Expand use of data analytics
 - Large account reviews
 - Enhance loss control services



Strong Capital Position ~ Shareholder Returns

Book Value Plus Cumulative Dividends

Strong Operating Results Since Donegal Began Implementing Corporate Initiatives in 2018



- Rated A (Excellent) by A.M. Best
 - Debt-to-cash/investments of approximately 6.8%
 - Premium-to-surplus of approximately 1.6-to-1
- Dividend yield of 4.3% for Class A shares based on \$13.97 closing price as of 2/22/2021 and TTM dividends of \$0.60 per share

Donegal: Where We've Been and *Where We're Going*



Ongoing Objectives

- Achieve top-three ranking within appointed agencies in lines of business we write
- Cultivate relationships with existing agencies to move writings to next premium tier
- Leverage “regional” advantages and maintain personal relationships as agencies grow and consolidate
- Increased engagement with larger national agency aggregators and cluster groups

Continuing Focus on Commercial Lines Growth

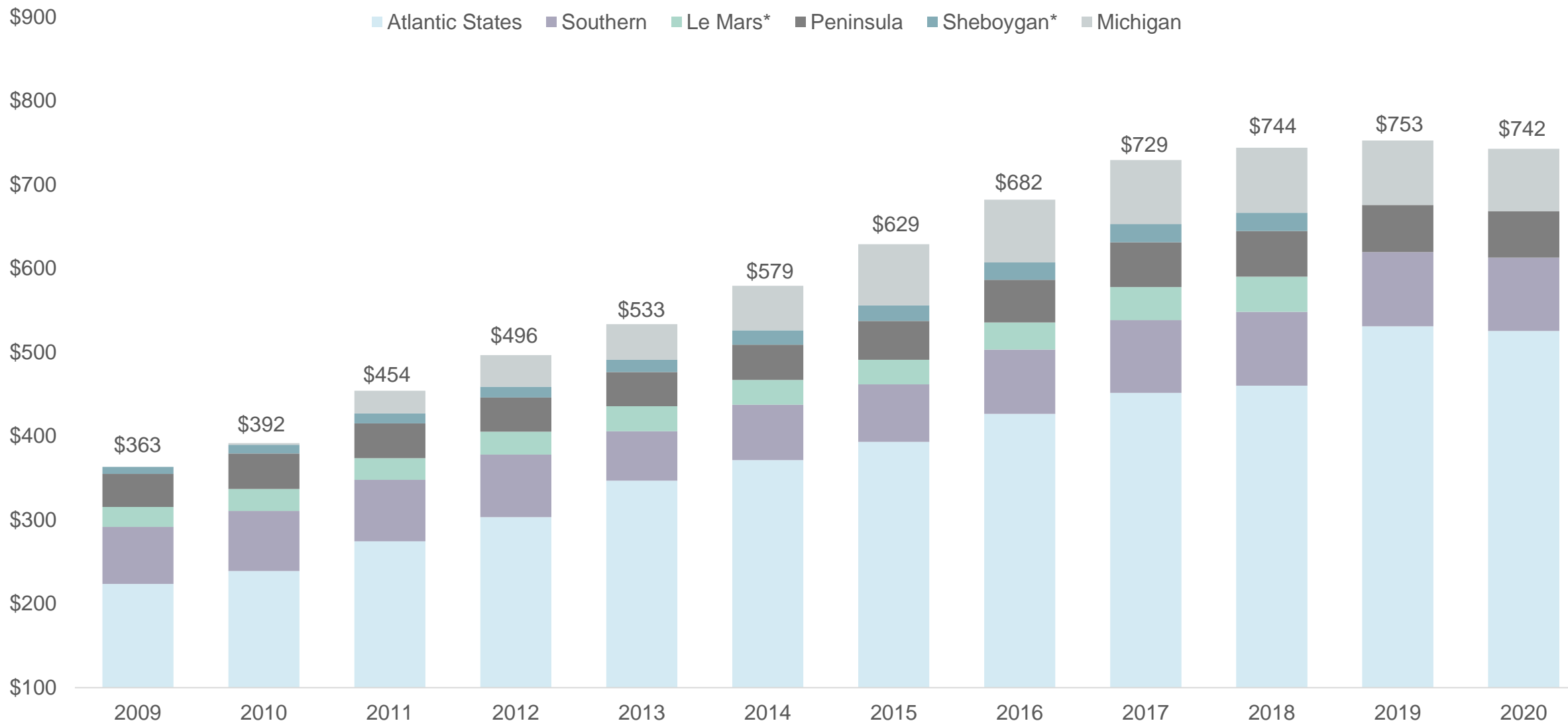
- Emphasize expanded commercial lines products and capabilities in current agencies
- Appoint commercial lines-focused agencies to expand distribution in key geographies
- Strengthen relationships with agencies appointed in recent years
- Leverage relationships with aggregators and cluster groups to drive commercial growth

Organic Growth and Opportunistic Affiliations

USD in millions

Net Premiums Written

Atlantic States Southern Le Mars* Peninsula Sheboygan* Michigan



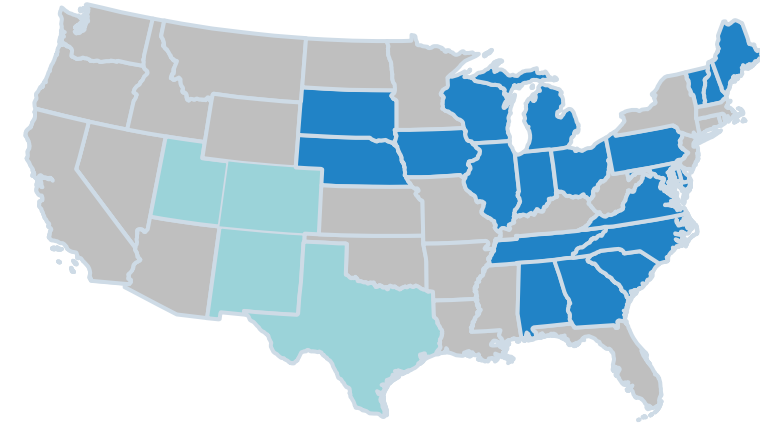
Donegal Mutual Acquisition of Mountain States Insurance Group

Entering the Southwest

- In May 2017, Donegal Mutual completed the merger of Mountain States Mutual Casualty Company with and into Donegal Mutual. Donegal Mutual and its two insurance subsidiaries conduct business as the Mountain States Insurance Group in the Southwestern region.

Mountain States Insurance Group. . .

- is based in Albuquerque, New Mexico;
- offers commercial insurance products in:
 - New Mexico
 - Colorado
 - Texas
 - Utah



Growth Opportunity*

- The transaction represents a continuation of the acquisition strategy DGI and Donegal Mutual have shared over the past 30 years.
- Donegal Mutual began adding Mountain States business to pool beginning in 2021.



* DGI was not a party to the merger and received no financial benefit from the activities of the Mountain States Insurance Group prior to 2021.

History of Contributing Acquisitions

Company	Le Mars	Peninsula	Sheboygan	Southern Mutual	Michigan
Year Acquired	2004	2004	2008	2009	2010
Company Type	Mutual	Stock	Mutual	Mutual	Stock
Primary Product Line	Personal	Niche	Personal	Personal	Personal/ Commercial
Geographic Focus	Midwest	Mid-Atlantic	Wisconsin	Georgia / SC	Michigan
Transaction Type	Demutualization	Purchase	Demutualization	Surplus Note	Purchase
Net Premiums Acquired	\$20 Million	\$34 Million	\$8 Million	\$11 Million	\$27 Million

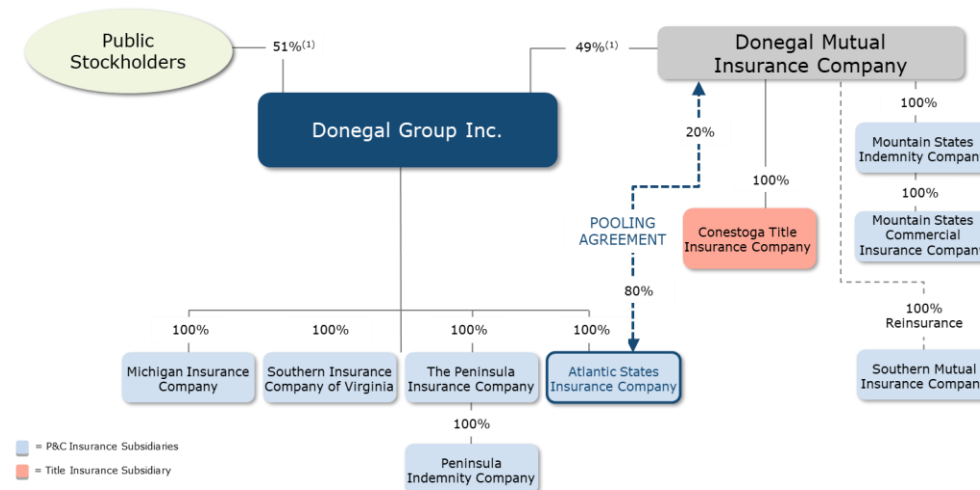
Decades of Community Involvement

Donegal donated over \$500,000 and partnered with agents to assist non-profit and community organizations throughout its operating regions in 2020.



Significant Benefits to Shareholders from Mutual Relationship

- Interrelated operations and pooling agreement with Donegal Mutual since inception in 1986
- At December 31, 2020, Donegal Mutual held approximately 41.7% of our outstanding Class A common stock and approximately 83.5% of our outstanding Class B common stock.



(1) Because of the different relative voting power of Class A common stock and Class B common stock, public stockholders hold approximately 29% of the aggregate voting power of the combined classes, and Donegal Mutual holds approximately 71% of the aggregate voting power of the combined classes.

Benefits to Stockholders of DGI

Shared services provide economies of scale

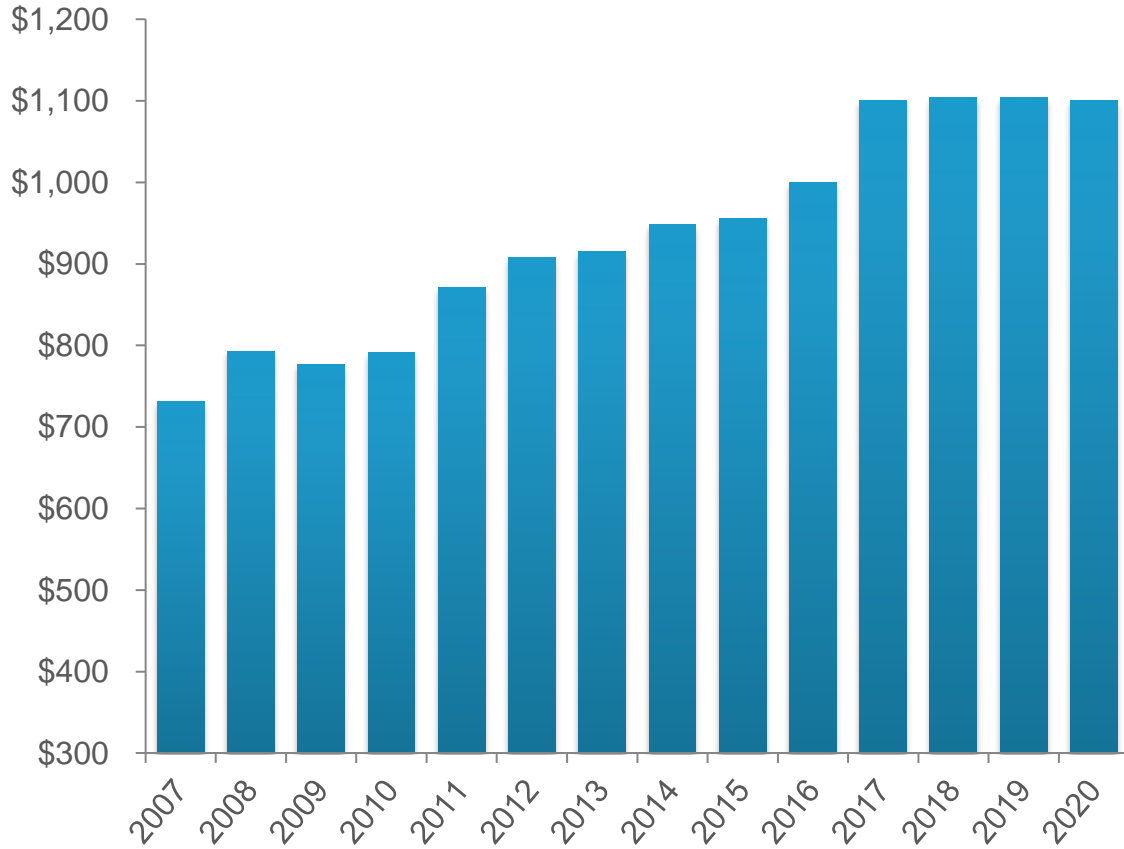
Reinsurance structure with Donegal Mutual reduces DGI earnings volatility

Historically successful seasoning process for acquisitions

Drive Increased Efficiency with Automation

Direct Premiums per Employee

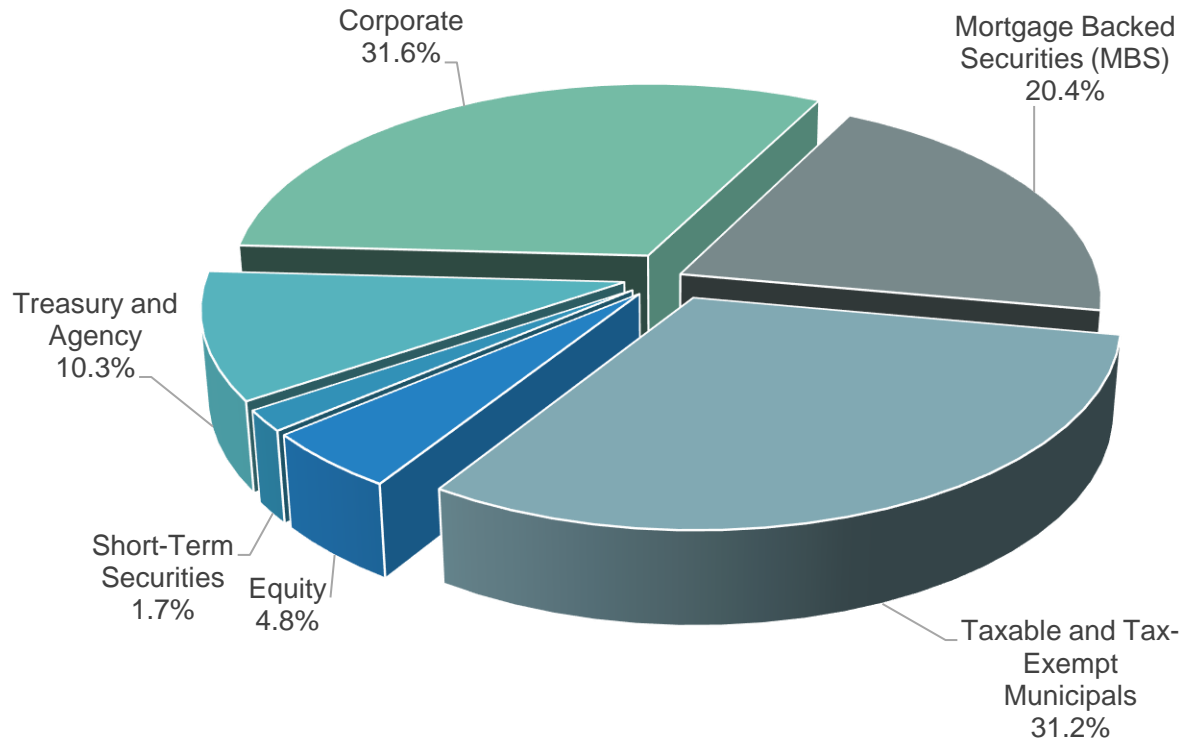
(USD in 000s)



- Current infrastructure can support premium growth
- Premiums per employee rising over time due to technology systems
- Link employee incentive compensation directly to underwriting performance
- Multi-year legacy systems modernization project in progress
- Mutual affiliation provides opportunities for operational and expense synergies

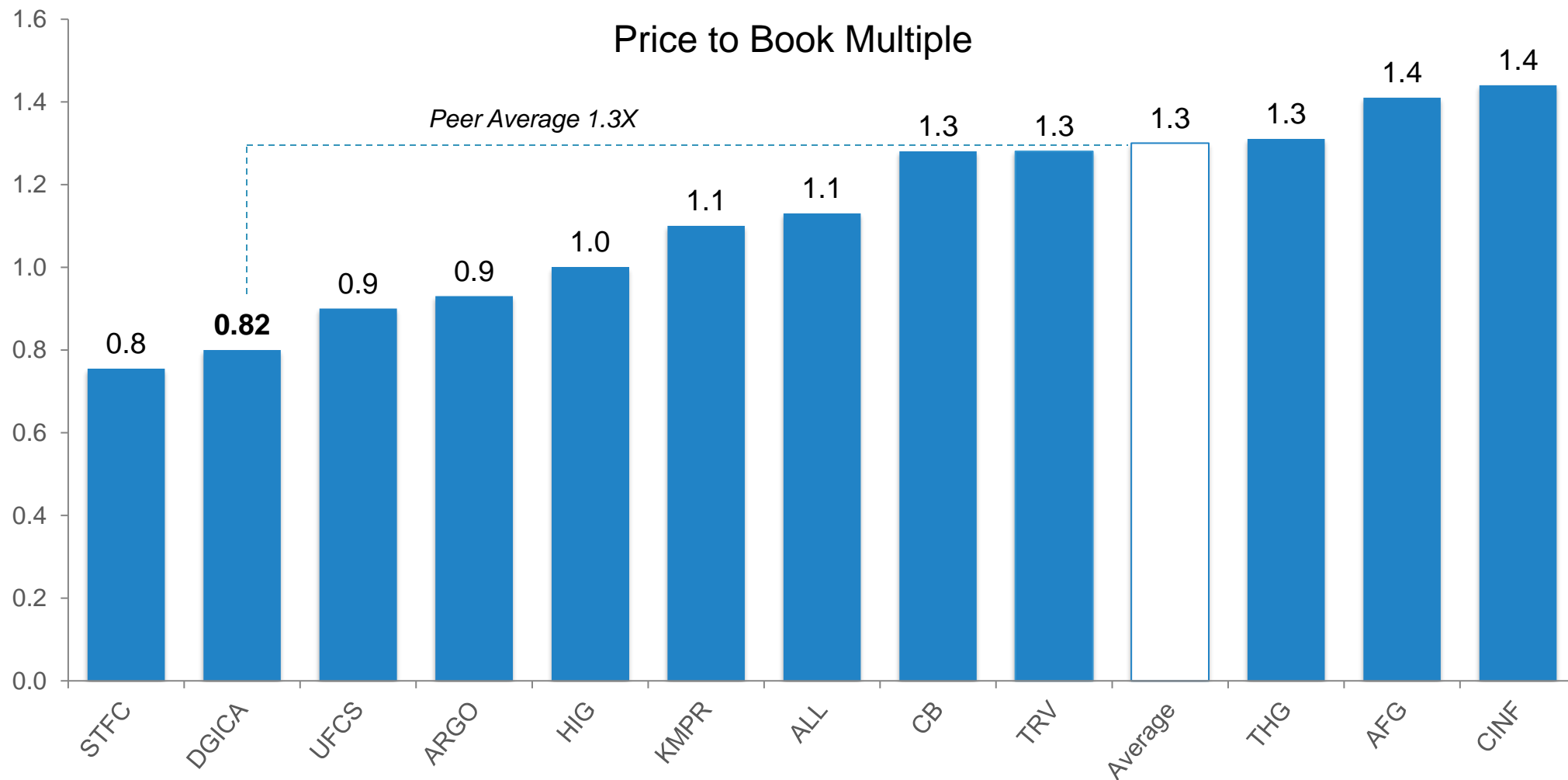
Conservative Investment Strategy

\$1.2 Billion in Invested Assets
(at December 31, 2020)



- 93.5% of portfolio invested in fixed maturities
 - Effective duration = 4 years
 - Tax-equivalent yield = 2.7%
- Emphasis on quality
- Liquidity managed through laddering

Valuation vs. Multi-Line Insurers (Stock Price as of February 22, 2021)



Investment Conclusions

- Diverse book of business of both commercial and personal lines
- Room for growth in multiple lines of business and several regional markets
- Emphasis on solid underwriting returns driving margin improvement
- Strength of brand and solid agency relationships provide competitive advantages
- Price-to-book multiple lags peers despite delivering better returns in recent periods



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Financial Supplement

2020 Fourth Quarter



SUMMARY OF 2020 FOURTH QUARTER AND YEAR END RESULTS

	<u>Three Months Ended December 31,</u>			<u>Year Ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>% Change</u>	<u>2020</u>	<u>2019</u>	<u>% Change</u>
	(dollars in thousands, except per share amounts)					
Income Statement Data						
Net premiums earned	\$ 185,488	\$ 189,421	-2.1%	\$ 742,040	\$ 756,078	-1.9%
Investment income, net	7,553	7,787	-3.0	29,504	29,515	0.0
Net investment gains	3,718	2,690	38.2	2,778	21,985	-87.4
Total revenues	197,497	200,939	-1.7	777,819	812,451	-4.3
Net income	14,568	14,154	2.9	52,815	47,152	12.0
Non-GAAP operating income ¹	11,631	12,050	-3.5	50,782	28,406	78.8
Annualized return on average equity	11.4%	12.7%	-1.3 pts	10.9%	11.1%	-0.2 pts
Per Share Data						
Net income – Class A (diluted)	\$ 0.49	\$ 0.50	-2.0%	\$ 1.83	\$ 1.67	9.6%
Net income – Class B	0.44	0.45	-2.2	1.65	1.51	9.3
Non-GAAP operating income – Class A (diluted)	0.39	0.42	-7.1	1.76	1.01	74.3
Non-GAAP operating income – Class B	0.35	0.38	-7.9	1.59	0.91	74.7
Book value	17.13	15.67	9.3	17.13	15.67	9.3

¹The “Definitions of Non-GAAP Financial Measures” section of this presentation defines and reconciles data that the Company prepares on an accounting basis other than U.S. generally accepted accounting principles (“GAAP”).

	Three Months Ended December 31,			Year Ended December 31,		
	2020	2019	% Change	2020	2019	% Change
	(dollars in thousands)					
Net Premiums Earned						
Commercial lines	\$ 105,797	\$ 100,873	4.9%	\$ 412,877	\$ 385,465	7.1%
Personal lines	79,691	88,548	-10.0	329,163	370,613	-11.2
Total net premiums earned	<u>\$ 185,488</u>	<u>\$ 189,421</u>	<u>-2.1%</u>	<u>\$ 742,040</u>	<u>\$ 756,078</u>	<u>-1.9%</u>
Net Premiums Written						
Commercial lines:						
Automobile	\$ 31,211	\$ 27,893	11.9%	\$ 135,294	\$ 122,142	10.8%
Workers' compensation	23,631	25,393	-6.9	109,960	113,684	-3.3
Commercial multi-peril	35,532	32,748	8.5	147,993	138,750	6.7
Other	7,732	7,213	7.2	32,739	30,303	8.0
Total commercial lines	<u>98,106</u>	<u>93,247</u>	<u>5.2</u>	<u>425,986</u>	<u>404,879</u>	<u>5.2</u>
Personal lines:						
Automobile	40,992	46,293	-11.5	184,602	210,507	-12.3
Homeowners	25,911	26,944	-3.8	111,886	117,118	-4.5
Other	4,411	4,529	-2.6	19,666	20,097	-2.1
Total personal lines	<u>71,314</u>	<u>77,766</u>	<u>-8.3</u>	<u>316,154</u>	<u>347,722</u>	<u>-9.1</u>
Total net premiums written	<u>\$ 169,420</u>	<u>\$ 171,013</u>	<u>-0.9%</u>	<u>\$ 742,140</u>	<u>\$ 752,601</u>	<u>-1.4%</u>

UNDERWRITING PERFORMANCE

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2020	2019	2020	2019
GAAP Combined Ratios (Total Lines)				
Loss ratio (non-weather)	57.9%	61.0%	55.1%	60.9%
Loss ratio (weather-related)	4.8	2.9	6.9	6.1
Expense ratio	32.4	31.0	33.0	31.3
Dividend ratio	1.1	1.2	1.0	1.2
Combined ratio	<u>96.2%</u>	<u>96.1%</u>	<u>96.0%</u>	<u>99.5%</u>
Statutory Combined Ratios				
Commercial lines:				
Automobile	119.1%	125.9%	112.7%	117.4%
Workers' compensation	87.4	68.2	86.3	78.5
Commercial multi-peril	99.3	91.8	98.4	93.7
Other	<u>58.0</u>	<u>55.5</u>	<u>74.0</u>	<u>72.6</u>
Total commercial lines	<u>99.5</u>	<u>92.7</u>	<u>97.8</u>	<u>95.0</u>
Personal lines:				
Automobile	100.2	111.6	91.3	105.7
Homeowners	90.7	86.5	97.2	101.2
Other	<u>70.4</u>	<u>60.6</u>	<u>74.9</u>	<u>73.2</u>
Total personal lines	<u>95.1</u>	<u>100.3</u>	<u>92.4</u>	<u>102.6</u>
Total lines	<u>97.6%</u>	<u>96.2%</u>	<u>95.4%</u>	<u>98.7%</u>

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
	(dollars in thousands)			
Fixed maturities, at carrying value:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 125,250	10.3%	\$ 102,281	9.2%
Obligations of states and political subdivisions	381,284	31.2	261,431	23.5
Corporate securities	385,978	31.6	315,641	28.4
Mortgage-backed securities	249,233	20.4	361,693	32.6
Total fixed maturities	1,141,745	93.5	1,041,046	93.7
Equity securities, at fair value	58,556	4.8	55,477	5.0
Short-term investments, at cost	20,900	1.7	14,030	1.3
Total investments	<u>\$ 1,221,201</u>	<u>100.0%</u>	<u>\$ 1,110,553</u>	<u>100.0%</u>
Average investment yield	2.5%		2.8%	
Average tax-equivalent investment yield	2.7%		2.9%	
Average fixed-maturity duration (years)	4.2		4.2	

RECONCILIATION OF NET PREMIUMS EARNED TO NET PREMIUMS WRITTEN

	Three Months Ended December 31,			Year Ended December 31,		
	2020	2019	% Change	2020	2019	% Change
	(dollars in thousands)					
Reconciliation of Net Premiums Earned to Net Premiums Written						
Net premiums earned	\$ 185,488	\$ 189,421	-2.1%	\$ 742,040	\$ 756,078	-1.9%
Change in net unearned premiums	(16,068)	(18,408)	-12.7	100	(3,477)	NM ²
Net premiums written	<u>\$ 169,420</u>	<u>\$ 171,013</u>	<u>-0.9%</u>	<u>\$ 742,140</u>	<u>\$ 752,601</u>	<u>-1.4%</u>

²Not meaningful.

RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING INCOME

	Three Months Ended December 31,			Year Ended December 31,		
	2020	2019	% Change	2020	2019	% Change
(dollars in thousands, except per share amounts)						
Reconciliation of Net Income to Non-GAAP Operating Income						
Net income	\$ 14,568	\$ 14,154	2.9%	\$ 52,815	\$ 47,152	12.0%
Investment gains (after tax)	(2,937)	(2,125)	38.2	(2,194)	(18,998)	-88.5
Other, net	-	21	-100.0	161	252	-36.1
Non-GAAP operating income	<u>\$ 11,631</u>	<u>\$ 12,050</u>	<u>-3.5%</u>	<u>\$ 50,782</u>	<u>\$ 28,406</u>	<u>78.8%</u>
Per Share Reconciliation of Net Income to Non-GAAP Operating Income						
Net income – Class A (diluted)	\$ 0.49	\$ 0.50	-2.0%	\$ 1.83	\$ 1.67	9.6%
Investment gains (after tax)	(0.10)	(0.08)	25.0	(0.08)	(0.67)	-88.1
Other, net	-	-	-	0.01	0.01	-
Non-GAAP operating income – Class A	<u>\$ 0.39</u>	<u>\$ 0.42</u>	<u>-7.1%</u>	<u>\$ 1.76</u>	<u>\$ 1.01</u>	<u>74.3%</u>
Net income – Class B	\$ 0.44	\$ 0.45	-2.2%	\$ 1.65	\$ 1.51	9.3%
Investment gains (after tax)	(0.09)	(0.07)	28.6	(0.07)	(0.61)	-88.5
Other, net	-	-	-	0.01	0.01	-
Non-GAAP operating income – Class B	<u>\$ 0.35</u>	<u>\$ 0.38</u>	<u>-7.9%</u>	<u>\$ 1.59</u>	<u>\$ 0.91</u>	<u>74.7%</u>