



DONEGAL[®]

GROUP INC.

NASDAQ: DGICA/DGICB
www.donegalgroup.com

There when it matters most.



Kevin G. Burke
President & Chief Executive Officer

SAFE HARBOR

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 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 operates, interest rates, competition from various insurance and other financial businesses, acts of terrorism, the availability and cost of reinsurance, adverse and catastrophic weather events, legal and judicial developments, changes in regulatory requirements, the Company's ability to integrate and manage successfully the insurance companies it may acquire from time to time 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 in the Company's news releases regarding quarterly financial results, available on the Company's website at investors.donegalgroup.com.

WHAT IS DONEGAL GROUP?

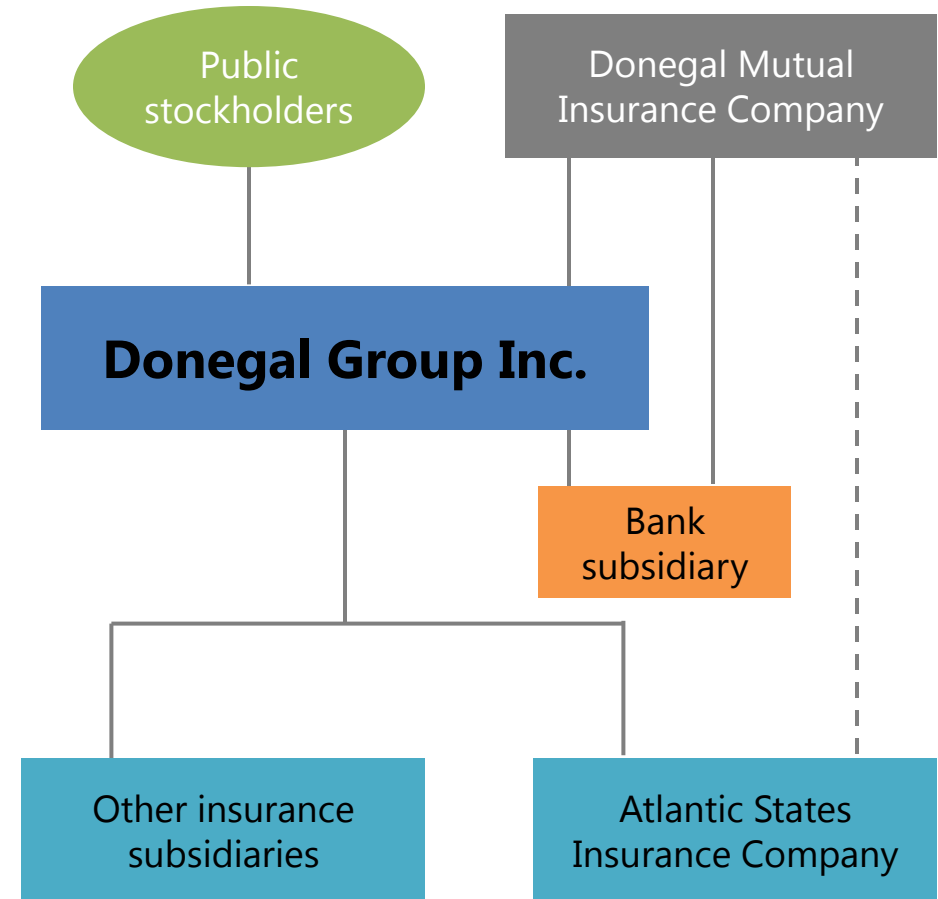
Insurance holding company with mutual affiliate pursuing an effective strategy in regional insurance markets

- Regional property and casualty insurance group
 - 21 Mid-Atlantic, Midwestern, New England and Southern states
 - Distribution force of approximately 2,400 independent agencies
 - Completed 10 M&A transactions between 1988 and 2010
- Interrelated operations and pooling agreement with Donegal Mutual since inception in 1986
- DGICA and DGICB trade on NASDAQ exchange (shares identical with the exception of voting and dividend rights)
 - Majority of equity holders in DGICA
 - Donegal Mutual holds majority voting control
- DGICA dividend yield of 3.3% at 3/10/2017

NASDAQ: DGICA/DGICB		
Corporate Headquarters	Marietta, Pennsylvania	
DGICA Share Description	21.5 million shares outstanding (Voting rights 0.1:1)	
DGICB Share Description	5.6 million shares outstanding (Voting rights 1:1)	
	At 12/31/2016	At 12/31/2015
Cash and Investments	\$970.1 million	\$928.9 million
Total Assets	\$1.62 billion	\$1.54 billion
Total Shareholders' Equity	\$438.6 million	\$408.4 million
Book Value Per Outstanding Common Share	\$16.21	\$15.66
DGICA Annual Dividend Per Share	\$0.55	\$0.54
Current Figures (DGICA)		
	At 12/31/2016	
Stock Price	\$17.48	
Price to Book Value	1.08x	
Price/Earnings (ttm)	14.7x	
Return on Equity (ttm)	7.3%	

STRUCTURE PROVIDES STABILITY TO PURSUE SUCCESSFUL LONG-TERM BUSINESS STRATEGY

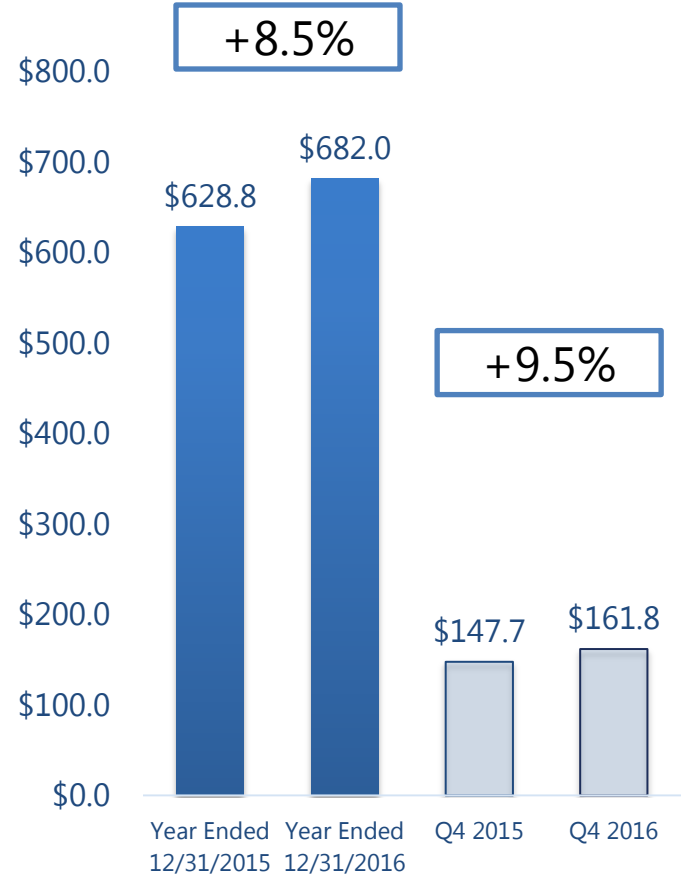
- Outperform industry in service, profitability and book value growth
- Drive revenues with organic growth and opportunistic affiliations
- Focus on margin enhancements and investment contributions



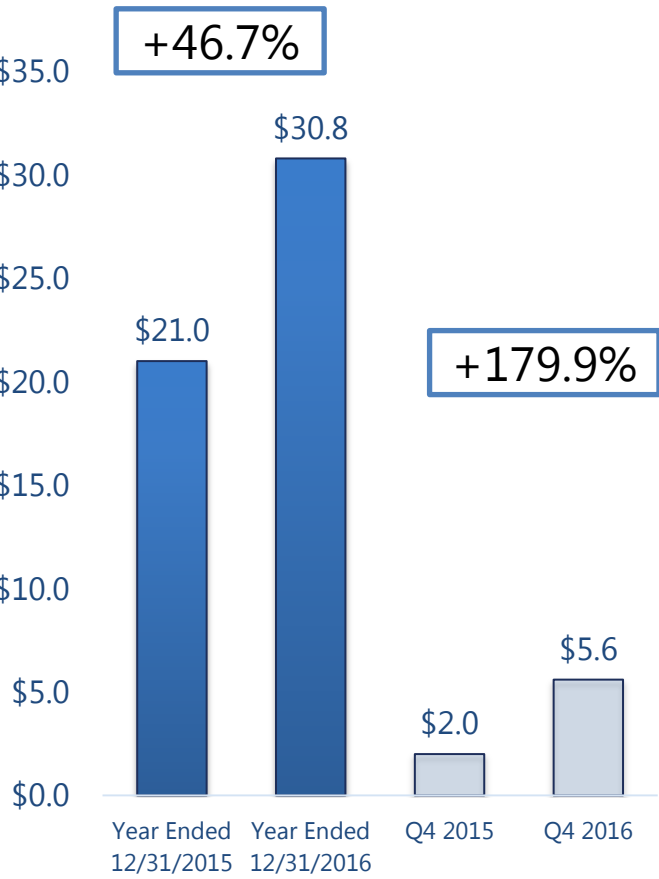
(Detailed organizational chart included in full investor presentation available on our website)

THREE MONTHS AND YEAR ENDED 12/31/2016: STRONG FINANCIAL RESULTS

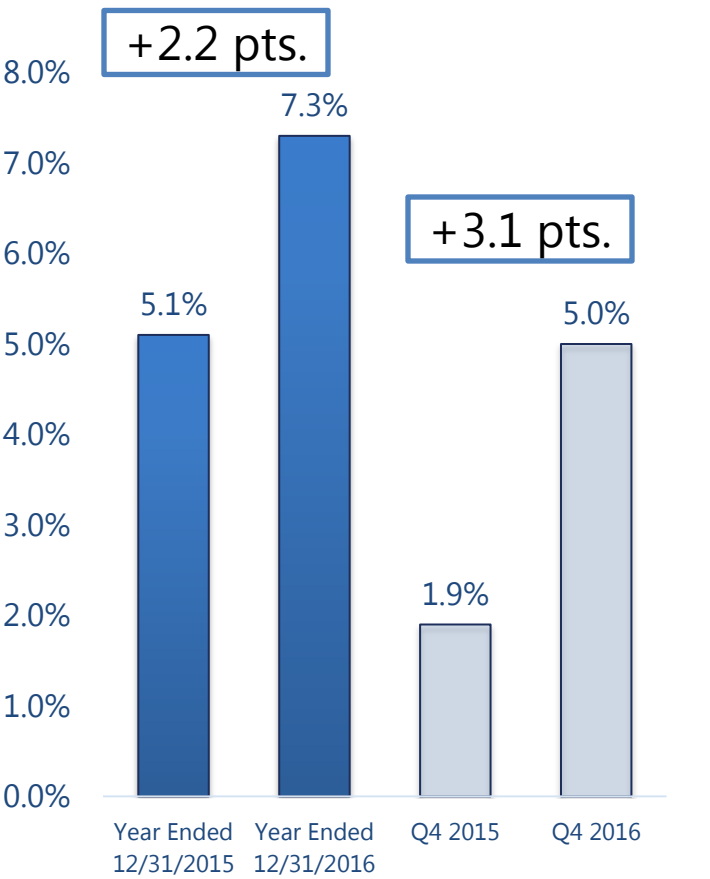
Net Written Premiums



Net Income



Annualized ROAE



YEAR ENDED 12/31/2016 HIGHLIGHTS

- 8.5% increase in net written premiums
 - Represents a combination of 12.2% growth in commercial lines net premiums written and 5.5% growth in personal lines net premiums written
- 96.8% statutory combined ratio*
 - Continuing benefits from rate increases and underwriting initiatives
- Book value per share of \$16.21, compared to \$15.66 at YE 2015

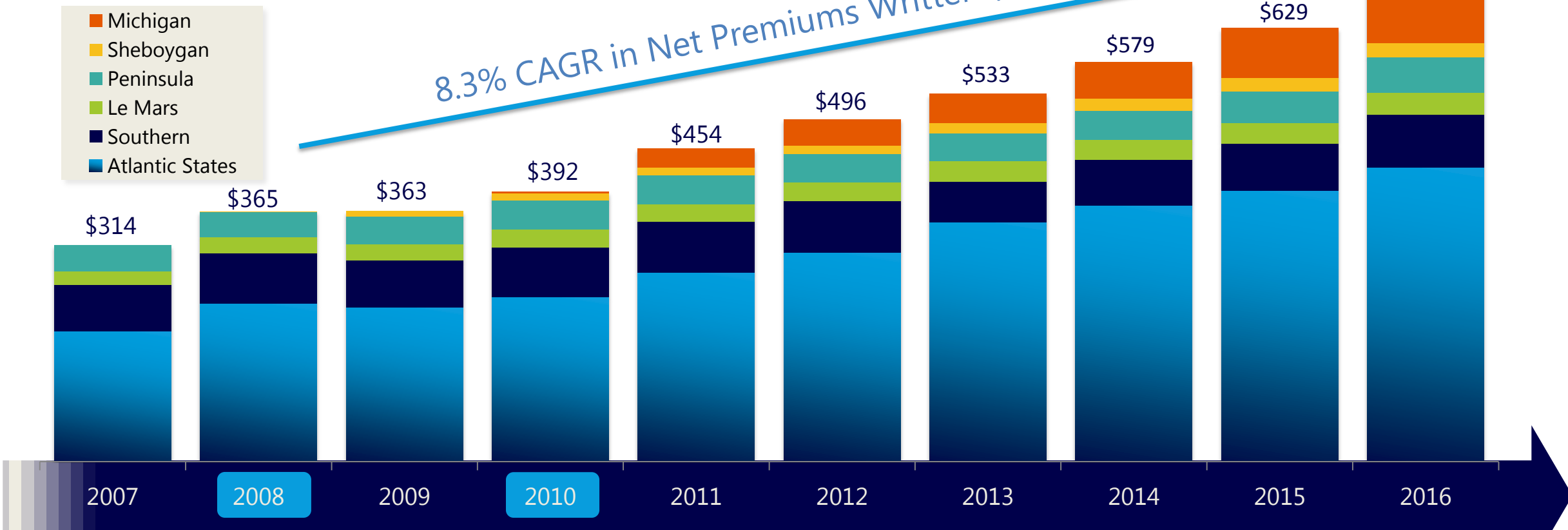
9.5% increase for Q4 2016

100.4% for Q4 2016

** Reconciliations and definitions of non-GAAP data were included in our earnings press release available on our website*

DRIVE REVENUES WITH ORGANIC GROWTH AND OPPORTUNISTIC AFFILIATIONS

8.3% CAGR in Net Premiums Written (6.6% organic)



USD in millions

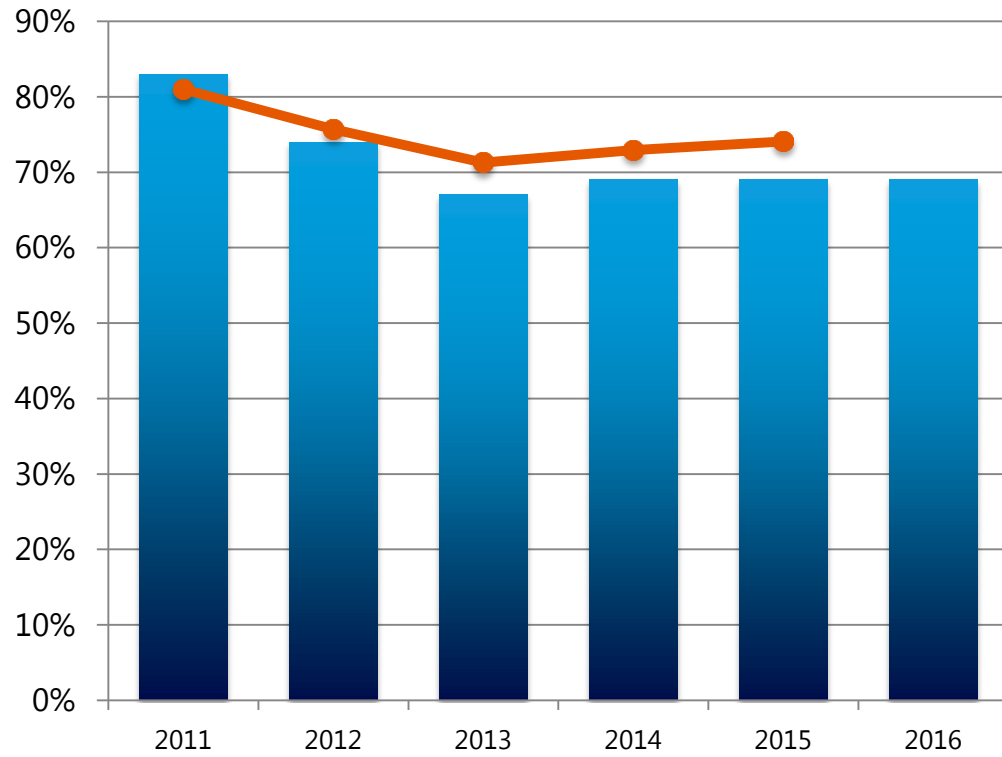
December 2008
Acquired Sheboygan Falls
Implemented pooling change

December 2010
Acquired Michigan
Implemented quota share strategy

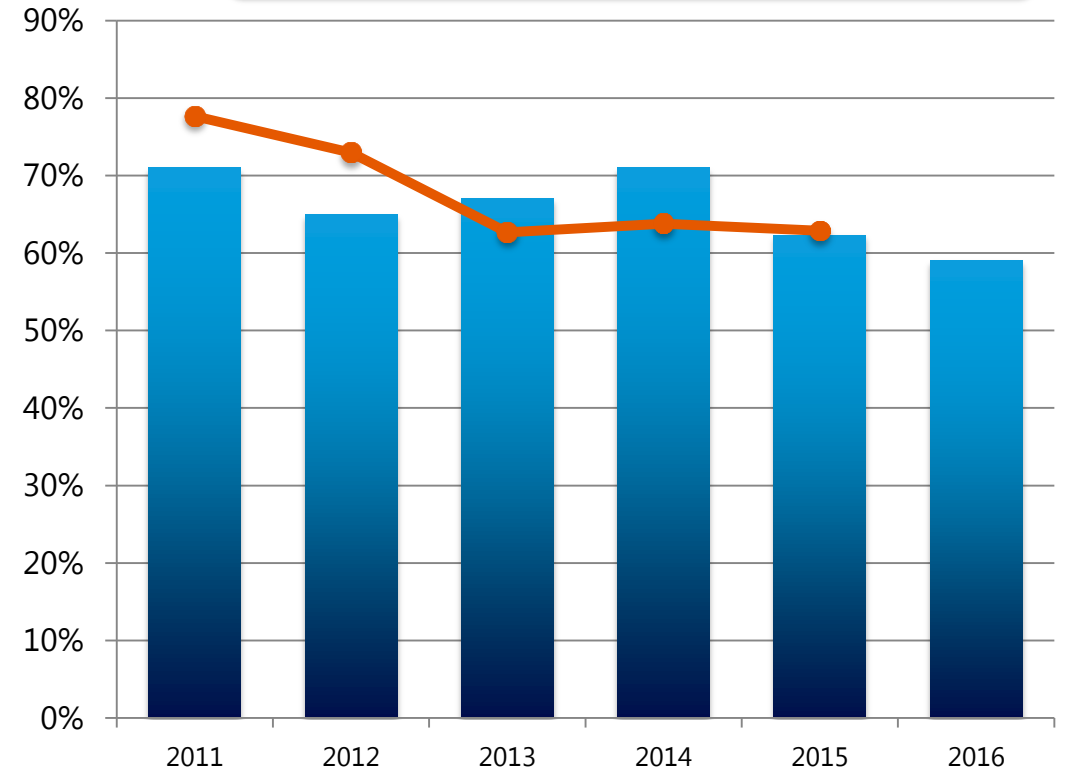
2012 through 2015
Incrementally reduced
Michigan external quota share

UNDERWRITING PROFITABILITY TO ENHANCE MARGINS

Personal Lines Loss Ratio



Commercial Lines Loss Ratio

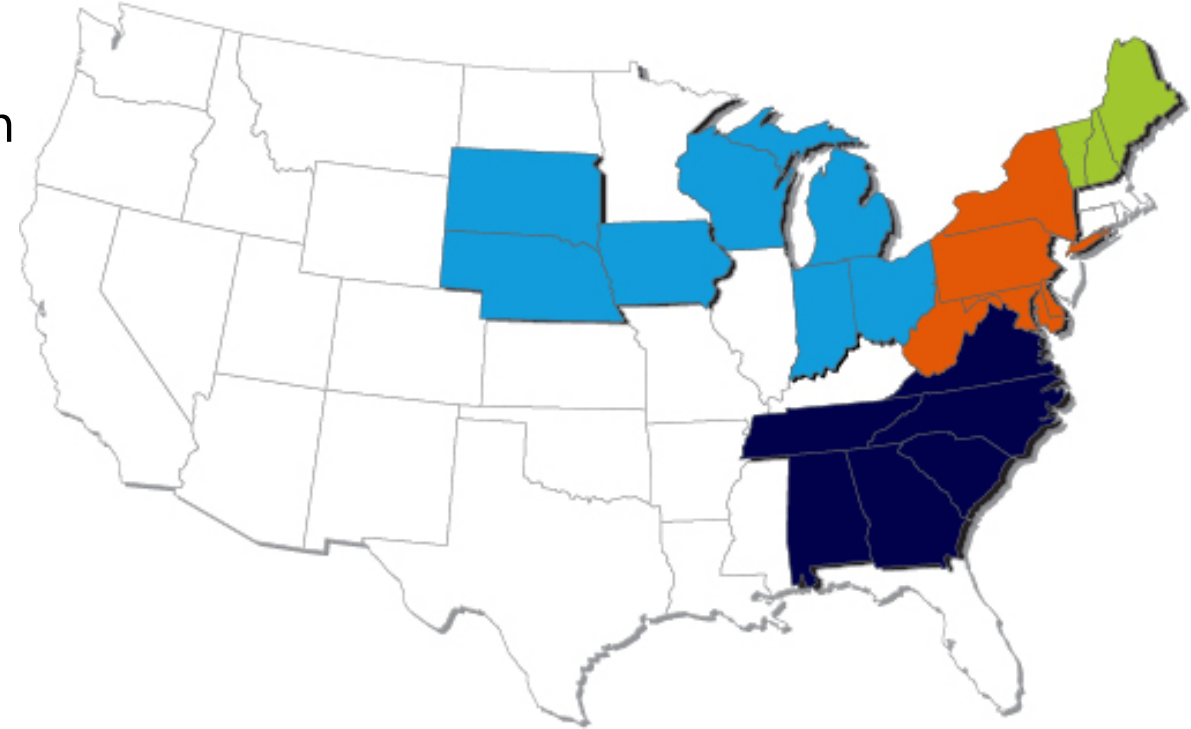


■ Donegal

— SNL P&C Industry (Aggregate)

MAINTAIN MULTIFACETED REGIONAL GROWTH STRATEGY

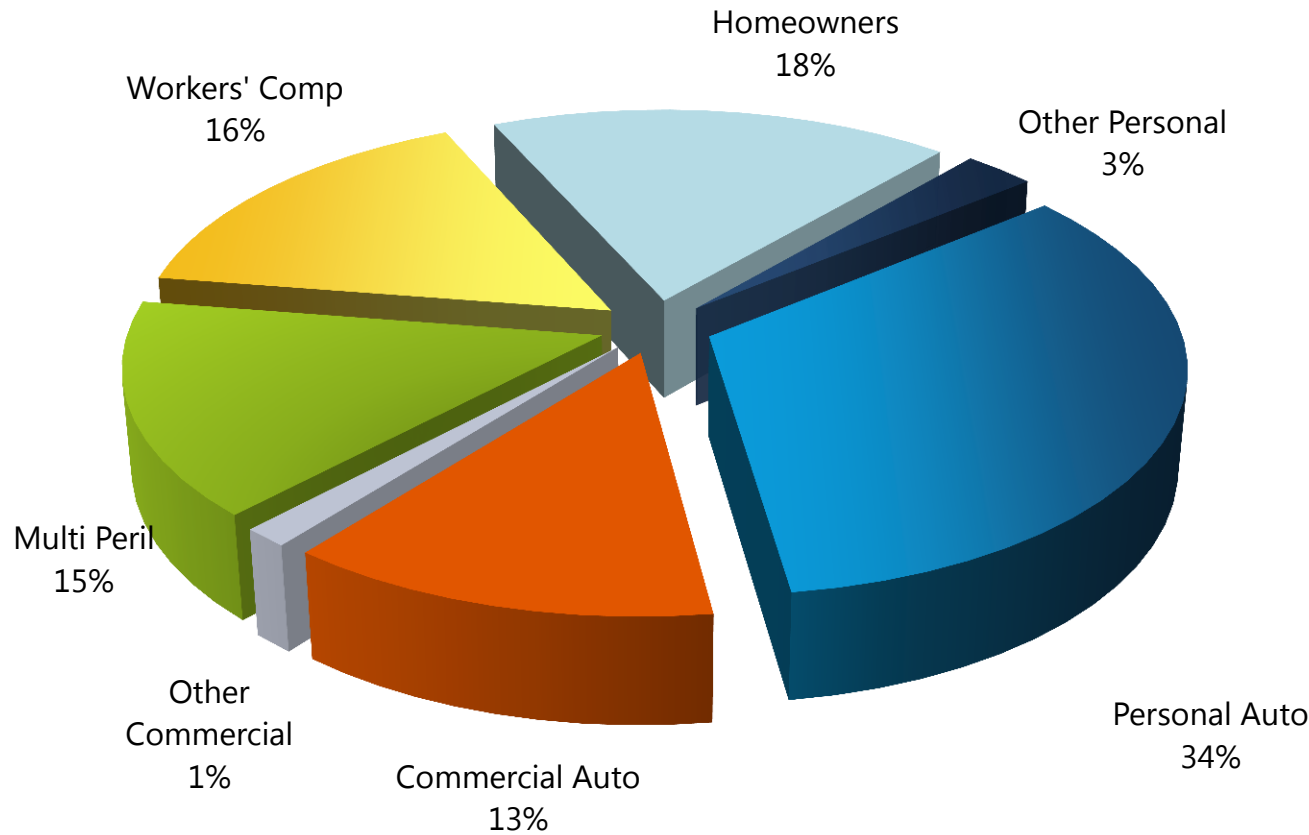
- Net premiums written of \$682 million for the full year 2016 - across 21 states in four operating regions
 - \$868 million in annual direct premiums written for insurance group*
- 10 M&A transactions since 1988
- Acquisition criteria:
 - Serving attractive geography
 - Favorable regulatory, legislative and judicial environments
 - Similar personal/commercial business mix
 - Premium volume up to \$100 million



* FY 2016 - Includes Donegal Mutual Insurance Company and Southern Mutual Insurance Company

STRATEGIC EFFORTS TO BALANCE BUSINESS MIX

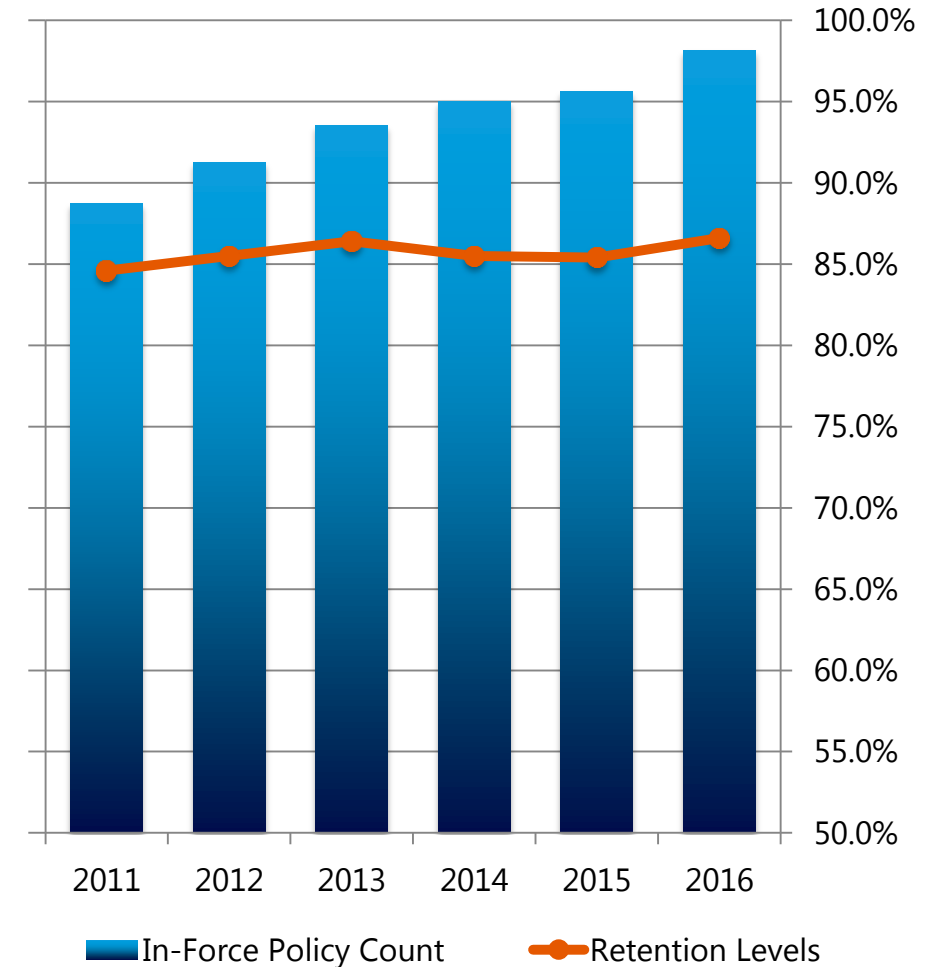
Net Written Premiums in 2016 by Line of Business



- Commercial lines = 45% of NWP
 - Commercial lines renewal premium increases in 3-5% range
 - Ongoing emphasis on new business growth in all regions
- Personal lines = 55% of NWP
 - Rate increases in 2-4% range
 - Modest new business growth

EMPHASIZE GROWTH IN COMMERCIAL LINES

- 90.7% statutory combined ratio for the year ended 12/31/16
- Expand core Donegal products in newer regions
- Growth focus on accounts with premiums in \$10,000 to \$75,000 range
- Expand appetite within classes and lines already written:
 - Agency development
 - Add related classes
 - Appropriately use reinsurance
- Disciplined underwriting:
 - Expand use of predictive modeling
 - Large account reviews
 - Loss control



FOCUS ON PERSONAL LINES PROFITABILITY

- 101.8% statutory combined ratio for the year ended 12/31/16
- Focus on the preferred and superior risk markets
- Underwriting initiatives:
 - Modest rate increases in virtually every jurisdiction
 - Expand use of predictive modeling
 - Property inspections
 - Seek geographic spread of risk
 - Balance portfolio (auto/home)
- Strong policy retention



ORGANIC GROWTH CENTERED ON RELATIONSHIPS WITH ~2,400 INDEPENDENT AGENCIES

- 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
- 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



SUPPORT AGENTS WITH BEST-IN-CLASS TECHNOLOGY



ClaimsCenter

BillingCenter

ImageRight

Call Center



Service Center

Jeffrey D. Miller

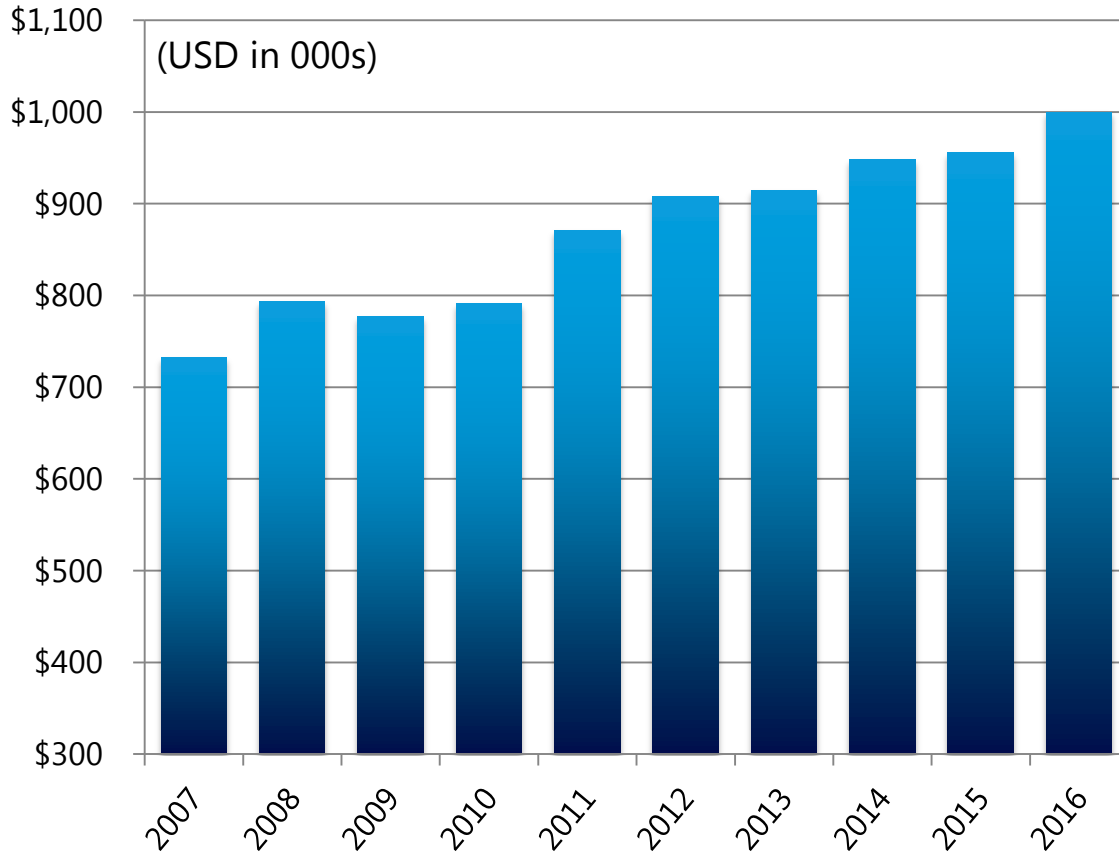
Executive Vice President & Chief Financial Officer

ENHANCE UNDERWRITING PROFITABILITY TO IMPROVE OPERATING MARGINS

- Sustain pricing discipline and conservative underwriting
- Manage exposure to catastrophe/unusual weather events
 - Reinsurance coverage in excess of a 200-year event
- Link employee incentive compensation directly to underwriting performance
- Focus on rate adequacy and pricing sophistication
- Coordinated underwriting across all regions
- Emphasize IT-based programs such as automated decision trees and predictive modeling

DRIVE INCREASED EFFICIENCY WITH AUTOMATION

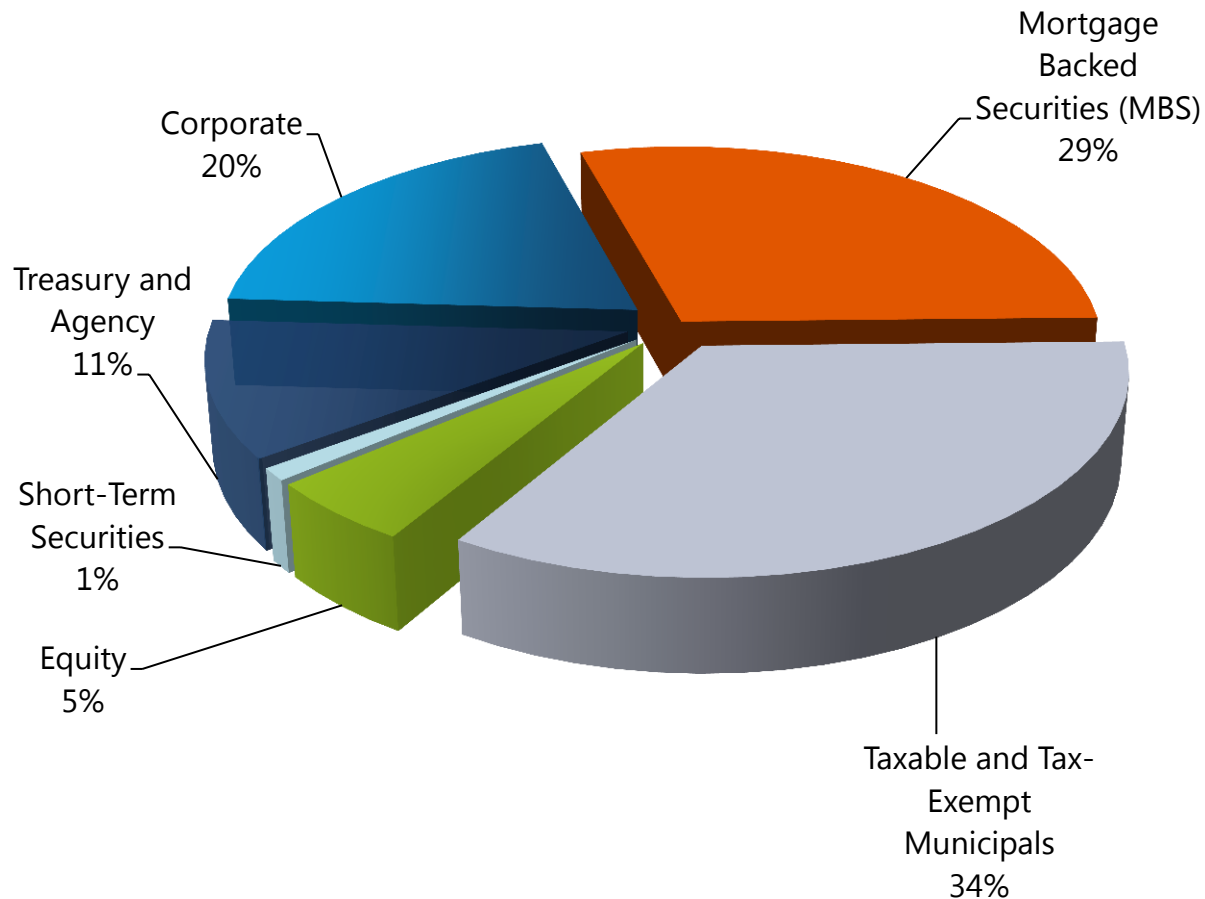
Direct Premiums per Employee



- Current infrastructure can support premium growth
- Premiums per employee rising due to technology systems
- Claims system allows more rapid and efficient claims handling
- Mutual affiliation provides opportunities for operational and expense synergies
- Statutory expense ratio of 31.5% for full year 2016

MAINTAIN CONSERVATIVE INVESTMENT MIX

\$907.6 Million in Invested Assets*
(at December 31, 2016)



- 90% of portfolio invested in fixed maturities
 - Effective duration = 4.5 years
 - Tax equivalent yield = 3.0%
- Emphasis on quality
 - 73% AA-rated or better
 - 91% A-rated or better
- Liquidity managed through laddering

* Excluding investment in affiliate

DONEGAL MUTUAL'S PENDING ACQUISITION OF MOUNTAIN STATES INSURANCE GROUP

Entering the Southwest

- In December 2016, Donegal Mutual entered into an agreement whereby Mountain States Mutual Casualty Company would merge with and into Donegal Mutual.

Mountain States Mutual . . .

- is based in Albuquerque, New Mexico;
- offers commercial insurance products in New Mexico, Colorado, Texas and Utah; and
- owns two insurance subsidiaries; three companies comprise the Mountain States Insurance Group.

A Future Growth Opportunity*

- The transaction represents a continuation of the acquisition strategy DGI and Donegal Mutual have shared over the past 30 years.

** DGI is not a party to, and will have no immediate financial benefit from, the merger.*

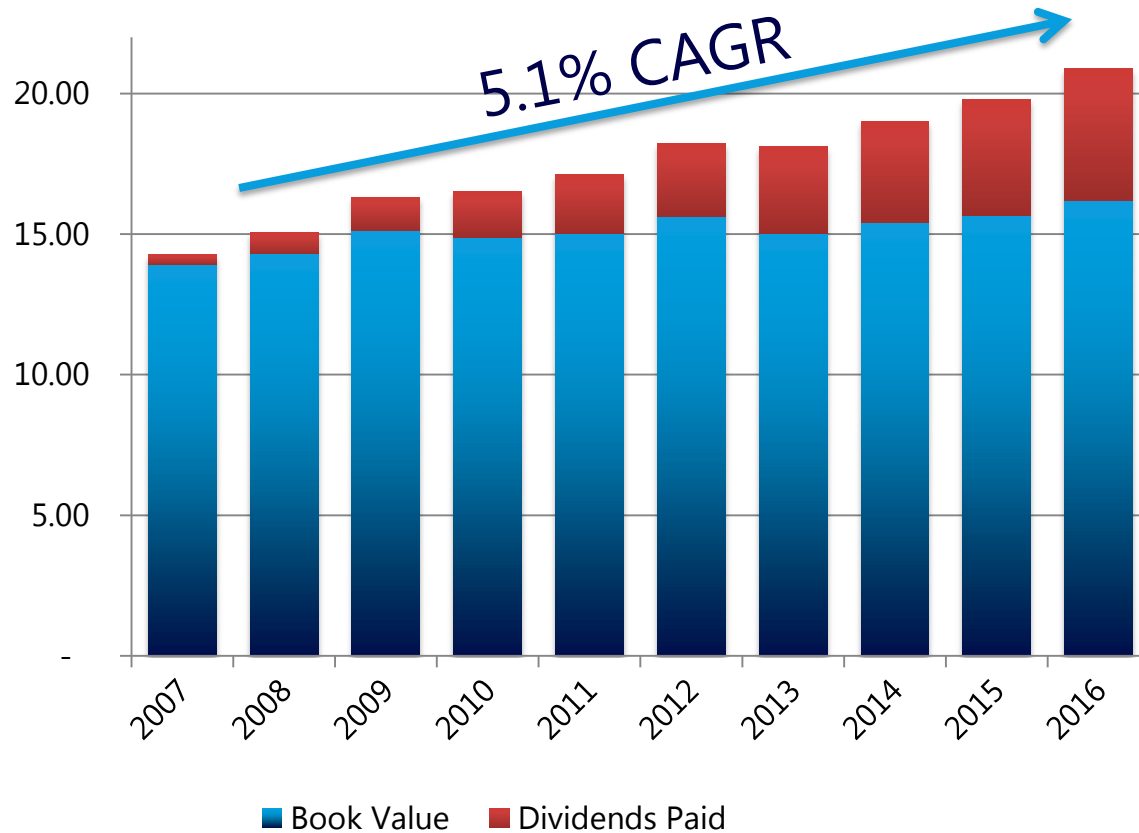
LONG-TERM GROWTH STRATEGY

- Maximize benefits of regional business approach
- Outperform industry in service, profitability and book value growth
- Drive revenues with organic growth and opportunistic affiliations
- Focus on margin enhancements and investment contributions



STRONG CAPITAL + SOLID PLAN TO DRIVE RESULTS

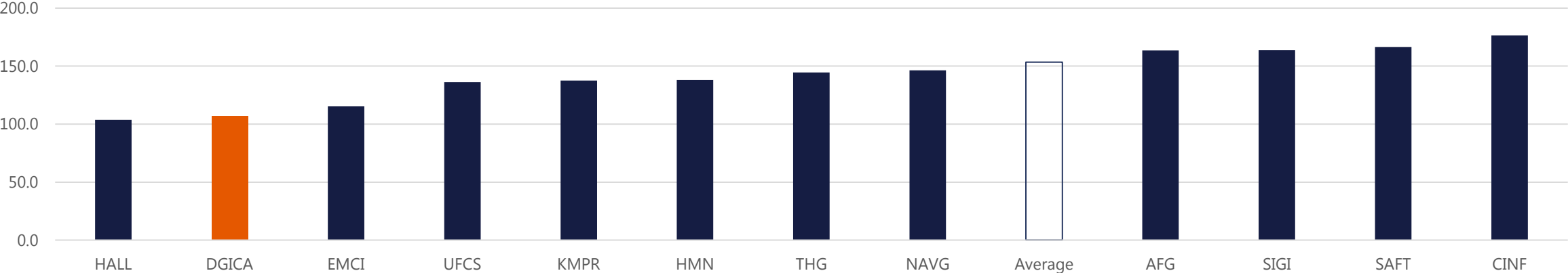
Book Value Plus Cumulative Dividends



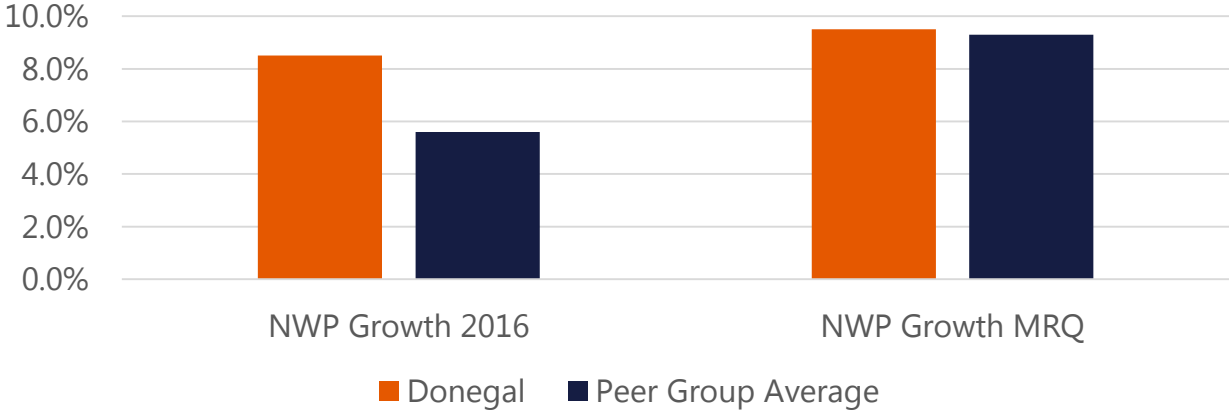
- Rated A (Excellent) by A.M. Best
 - Debt-to-cash/investments of approximately 7.6%
 - Premium-to-surplus of approximately 1.6-to-1
- Dividend yield of 3.3% for Class A shares
- Authorization for repurchase of up to 500,000 shares of Class A common stock

VALUATION VS. PEERS (AT 3/10/2017)

Price to Tangible Book Value (MRY)



Net Written Premium Growth



KEY TAKEAWAYS

- Well-established regional insurance carrier with a diverse book of business of both personal and commercial lines
- Organic top-line growth exceeding that of our peer group
- Improved YTD 2016 underwriting performance in nearly every operating metric





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