

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): September 9, 2020

Donegal Group Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-15341
(Commission
file number)

23-2424711
(I.R.S. employer
identification no.)

1195 River Road, Marietta, Pennsylvania
(Address of principal executive offices)

17547
(Zip code)

Registrant's telephone number, including area code: 717-426-1931

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbols	Name of Exchange on Which Registered
Class A Common Stock, \$.01 par value	DGICA	The NASDAQ Global Select Market
Class B Common Stock, \$.01 par value	DGICB	The NASDAQ Global Select Market

Item 7.01. Regulation FD Disclosure.

Beginning on September 9, 2020, our officers will present to various investors and analysts the information attached to this Current Report on Form 8-K as Exhibit 99.1. We incorporate by reference the information included in our presentation to those investors and analysts in Exhibit 99.1 in this Current Report on Form 8-K.

The information in this Current Report on Form 8-K, including the information in Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or incorporated by reference in any filing under the Securities Act of 1933, as amended, or in any filing under the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

<u>Exhibit No.</u>	<u>Exhibit Description</u>
99.1	Investor Presentation.
Exhibit 104	Cover Page Interactive Data File (embedded within the XBRL file)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DONEGAL GROUP INC.

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

Date: September 9, 2020



NASDAQ: DGICA/DGICB
September 2020



There when it matters most.™

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 in the Company's news releases regarding quarterly financial results, available on the Company's website at investors.donegalgroup.com.

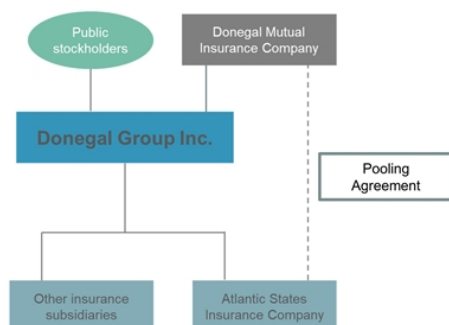
Investment Thesis

- 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 (94.7% combined ratio and 7% book value growth in YTD 2020)
- Expanding independent agency relationships will sustain commercial premium growth momentum
- DGICA dividend yield of 4.1% as of August 31, 2020
- DGICA trades at 0.86X 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 20 states.

The Company offers full lines of personal products (~46% of total) and commercial products (~54% of total), including, commercial multi-peril, automobile, homeowners, workers' compensation, and other coverages.



NASDAQ: DGICA/DGICB

Corporate Headquarters	Marietta, Pennsylvania
DGICA Share Description	23.5 million shares outstanding (Voting rights 0.1:1)
DGICB Share Description	5.6 million shares outstanding (Voting rights 1:1)

	At 6/30/2020	At 12/31/2019
Cash and Investments	\$1.3 billion	\$1.2 billion
Total Assets	\$2.1 billion	\$1.9 billion
Total Shareholders' Equity	\$487.9 million	\$451.0 million
Book Value Per Outstanding Common Share	\$16.77	\$15.67
DGICA Annual Dividend Per Share	\$0.60	\$0.58

Current Figures (DGICA)	At 8/31/2020
Stock Price	\$14.42
52 Week Range	\$11.22 - \$16.19
Price to Book Value	0.86

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Recent Accomplishments

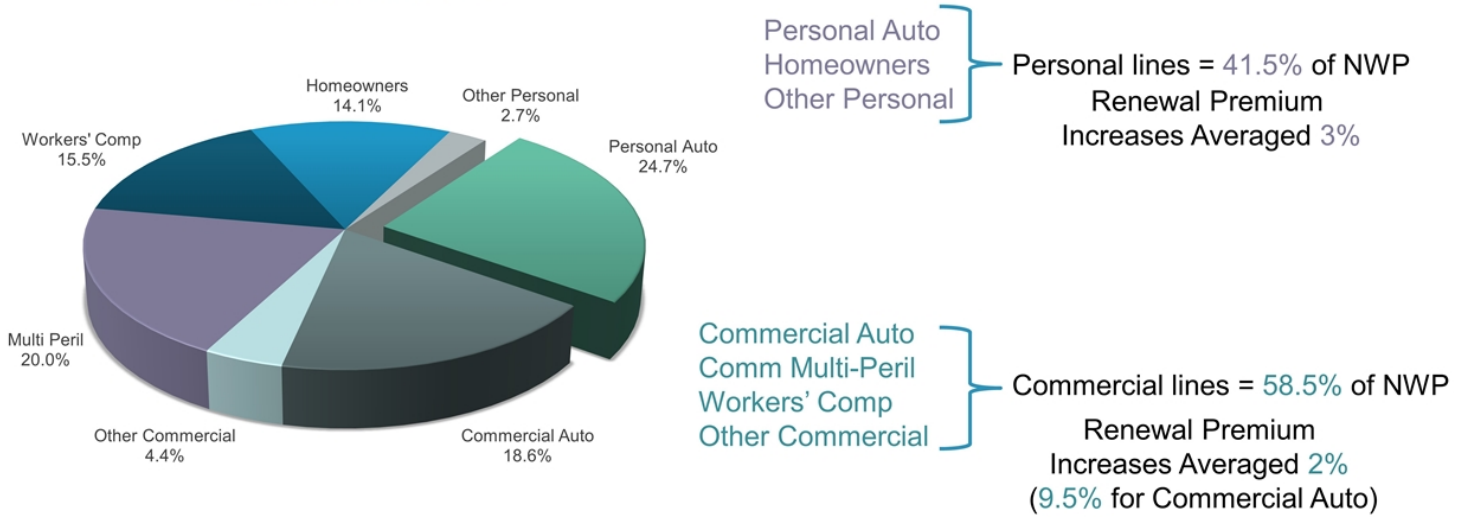
- Improved performance of all major lines of business over past 18 months
- Continuing growth in our commercial lines segment
- Commenced development of new personal lines products for deployment beginning in 2021
- Increased overall loss reserve strength, with favorable net development of reserves following strengthening actions in 2018
- Favorable performance of consolidated reinsurance program implemented in 2019 and renewed for 2020
- Expanded enterprise analytics and product development personnel and capabilities
- Building and expanding strong independent agency relationships

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Balanced Mix of Commercial and Personal Lines

Net Written Premiums for First Six Months of 2020 by Line of Business



First Six Months of 2020 – Operating Results

Solid Organic Growth and Profitability in Commercial Lines

Improved Results in Personal Lines

Increase in Non-GAAP Operating Income*

Non-GAAP operating income of \$29.9 million, or \$1.04 per diluted Class A share, for the first six months of 2020, compared to \$10.9 million, or 39 cents per Class A share, for the first six months of 2019

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

Combined ratio of 94.7% for the first six months of 2020, compared to 100.7% for the first six months of 2019

Growth in Book Value

Book value per share grew to \$16.77 at June 30, 2020, compared to \$15.67 at December 31, 2019

* See reconciliation of net income to non-GAAP operating income on slide 22

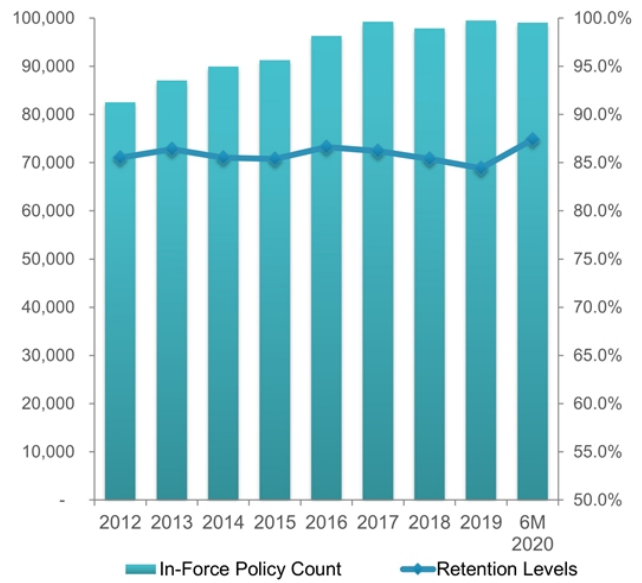
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Growth in Commercial Lines

94.7% Commercial Lines Statutory Combined Ratio for the First Six Months of 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
- ✓ Disciplined underwriting:
 - Expand use of data analytics
 - Large account reviews
 - Enhance loss control services

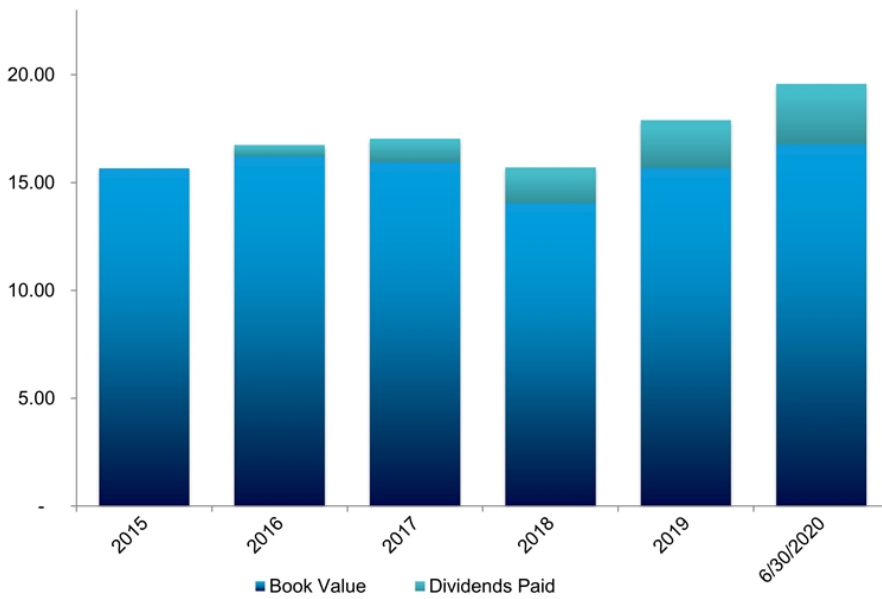


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 **DONEGAL**
GROUP INC.

Strong Capital Position ~ Shareholder Returns

Book Value Plus Cumulative Dividends



- Rated A (Excellent) by A.M. Best
 - Debt-to-cash/investments of approximately 15.6%
 - Premium-to-surplus of approximately 1.6-to-1
- Dividend yield of 4.1% for Class A shares

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

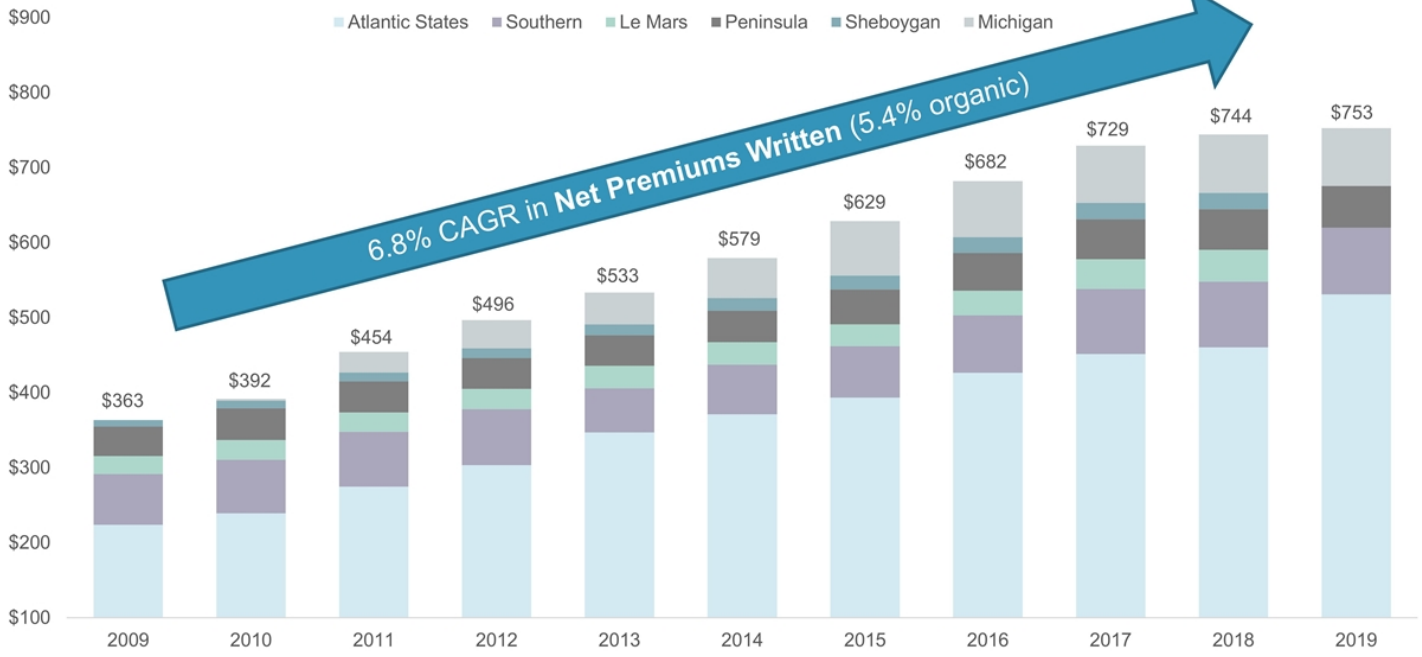


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 **DONEGAL**
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Organic Growth and Opportunistic Affiliations

USD in millions

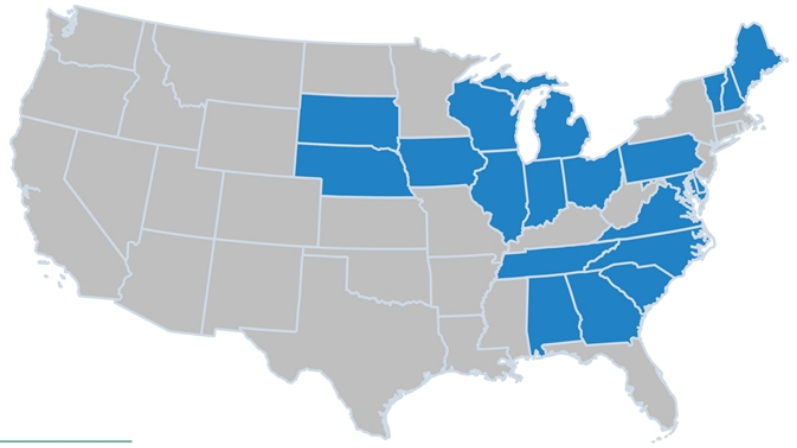


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Maintain Multi-Faceted Regional Growth Strategy

Net premiums written of **\$753 million** for the full year 2019, **across 20 states** in four operating regions – an increase of 1.2% compared to 2018



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

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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
- Increased engagement with larger national agency aggregators and cluster groups

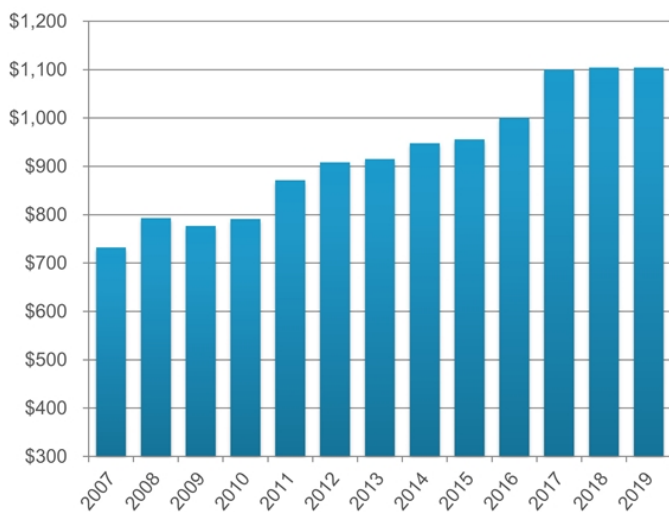
Continuing Focus on Commercial Lines Growth

- 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

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
- Legacy systems modernization project in flight
- Mutual affiliation provides opportunities for operational and expense synergies
- Expense ratio of 31.3% and 31.6%, for full year 2019 and 2018, respectively

Enhance Underwriting Profitability / Improve Operating Margins

- Sustain pricing discipline and conservative underwriting
- Manage exposure to catastrophe/unusual weather events
- Link employee incentive compensation directly to underwriting performance
- Focus on rate adequacy and pricing segmentation
- Coordinated underwriting across all regions
- Increased utilization of data and analytics across the enterprise



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 and Utah.

A Future Growth Opportunity*

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



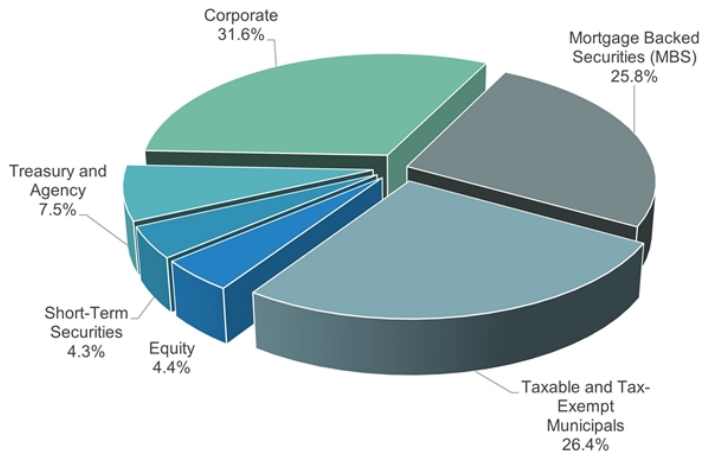
* DGI was not a party to the merger and receives no current financial benefit from the activities of the Mountain States Insurance Group.

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Conservative Investment Strategy

\$1.2 Billion in Invested Assets
(at June 30, 2020)



- 91.3% of portfolio invested in fixed maturities
 - Effective duration = 4 years
 - Tax equivalent yield = 2.6%
- Emphasis on quality
- Liquidity managed through laddering

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Growth Strategy

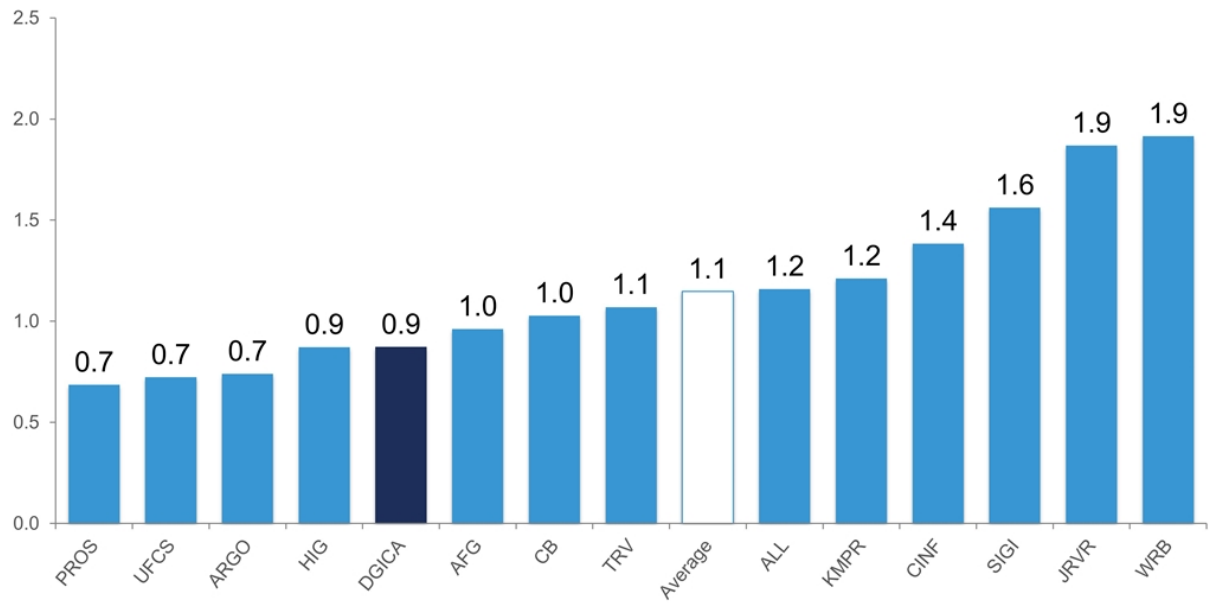
- Improve financial performance
- Leverage technology to transform the business
- Grow profitably in commercial lines
- Strategically modernize business to achieve operational excellence
- Compete effectively to enhance market position



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Valuation vs. Multi-Line Insurers (as of August 31, 2020)



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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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 **DONEGAL**
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Transfer Agent

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Louisville, KY 40233

Phone: 800-317-4445

Corporate Website: computershare.com

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RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING INCOME

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
	(dollars in thousands, except per share amounts)					
Reconciliation of Net Income to Non-GAAP Operating Income						
Net income	\$ 22,679	\$ 4,789	373.6%	\$ 26,410	\$ 27,812	-5.0%
Investment (gains) losses (after tax)	(5,124)	(1,238)	313.9	3,325	(16,959)	NM
Other, net	-	-	NM	161	-	NM
Non-GAAP operating income	<u>\$ 17,555</u>	<u>\$ 3,551</u>	<u>394.4%</u>	<u>\$ 29,896</u>	<u>\$ 10,853</u>	<u>175.5%</u>
Per Share Reconciliation of Net Income to Non-GAAP Operating Income						
Net income – Class A (diluted)	\$ 0.79	\$ 0.17	364.7%	\$ 0.92	\$ 0.99	-7.1%
Investment (gains) losses (after tax)	(0.18)	(0.04)	350.0	0.11	(0.60)	NM
Other, net	-	-	NM	0.01	-	NM
Non-GAAP operating income – Class A	<u>\$ 0.61</u>	<u>\$ 0.13</u>	<u>369.2%</u>	<u>\$ 1.04</u>	<u>\$ 0.39</u>	<u>166.7%</u>
Net income – Class B	\$ 0.72	\$ 0.15	380.0%	\$ 0.84	\$ 0.90	-6.7%
Investment (gains) losses (after tax)	(0.17)	(0.04)	325.0	0.10	(0.55)	NM
Other, net	-	-	NM	0.01	-	NM
Non-GAAP operating income – Class B	<u>\$ 0.55</u>	<u>\$ 0.11</u>	<u>400.0%</u>	<u>\$ 0.95</u>	<u>\$ 0.35</u>	<u>171.4%</u>

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There when it matters most.™



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