



NASDAQ: DGICA/DGICB

**Third Quarter 2020
Investor Presentation
October 28, 2020**



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.

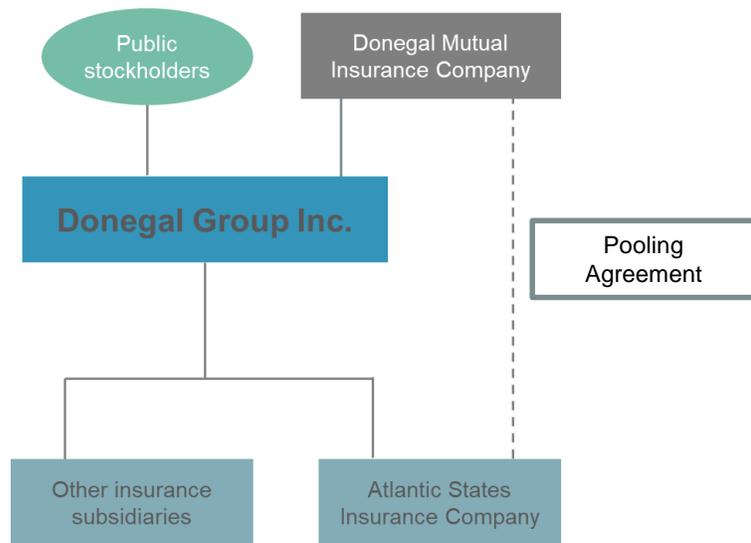
Reconciliations of non-GAAP data are included on page 28 of this presentation.

- 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 (95.9% combined ratio and 8% book value growth in YTD 2020)
- Expanding independent agency relationships to sustain commercial premium growth momentum
- DGICA dividend yield of 4.1% as of October 26, 2020
- DGICA trades at 0.86X 9/30/2020 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 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	24.1 million shares outstanding (Voting rights 0.1:1)
DGICB Share Description	5.6 million shares outstanding (Voting rights 1:1)

	At 9/30/2020	At 6/30/2020	At 12/31/2019
Cash and Investments	\$1.3 billion	\$1.3 billion	\$1.2 billion
Total Assets	\$2.1 billion	\$2.1 billion	\$1.9 billion
Total Shareholders' Equity	\$504.1 million	\$487.9 million	\$451.0 million
Book Value Per Outstanding Common Share	\$16.96	\$16.77	\$15.67
DGICA Annual Dividend Per Share	\$0.60	\$0.60	\$0.58

Current Figures (DGICA)

At 10/26/2020

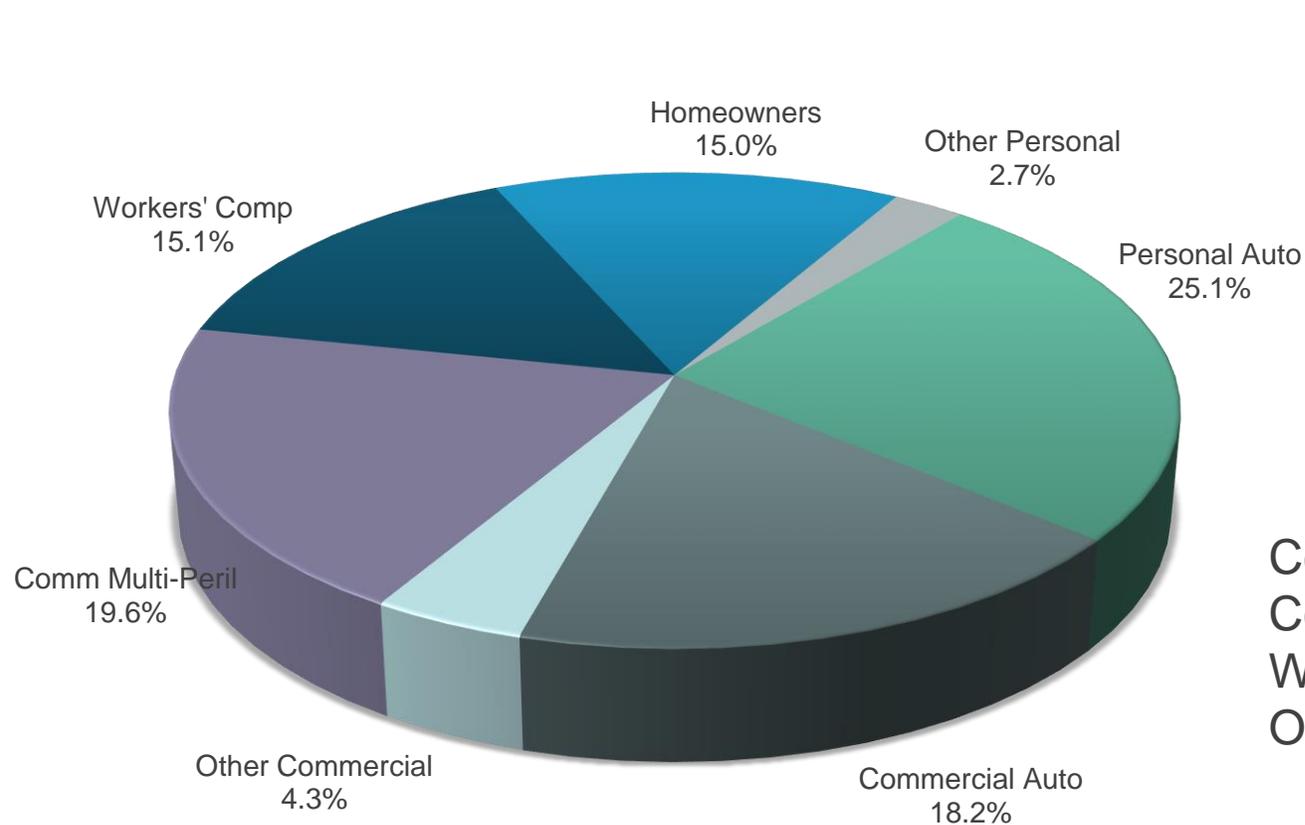
Stock Price	\$14.58
52 Week Range	\$11.22 - \$16.19
Price to Book Value	0.86

2020 Accomplishments

- Substantial **improvement in financial results** in 2019 and year-to-date 2020
- **Continuing growth** in our commercial lines segment
- Commenced development of **new personal lines products** for deployment beginning in 2021
- **Favorable net development** of reserves following strengthening actions in 2018
- Favorable performance of **consolidated reinsurance program** implemented in 2019 and renewed for 2020 (premium savings exceeded additional losses retained)
- 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 First Nine Months of 2020 by Line of Business



Personal Auto
Homeowners
Other Personal

Personal lines = 42.8% of NPW
Renewal Premium
Increases Averaged 2.6%

Commercial Auto
Comm Multi-Peril
Workers' Comp
Other Commercial

Commercial lines = 57.2% of NPW
Renewal Premium
Increases Averaged 2.5%
(9.4% for Commercial Auto)

Third Quarter and Nine Months 2020 – Operating Results

Solid Organic Growth and Profitability in Commercial Lines

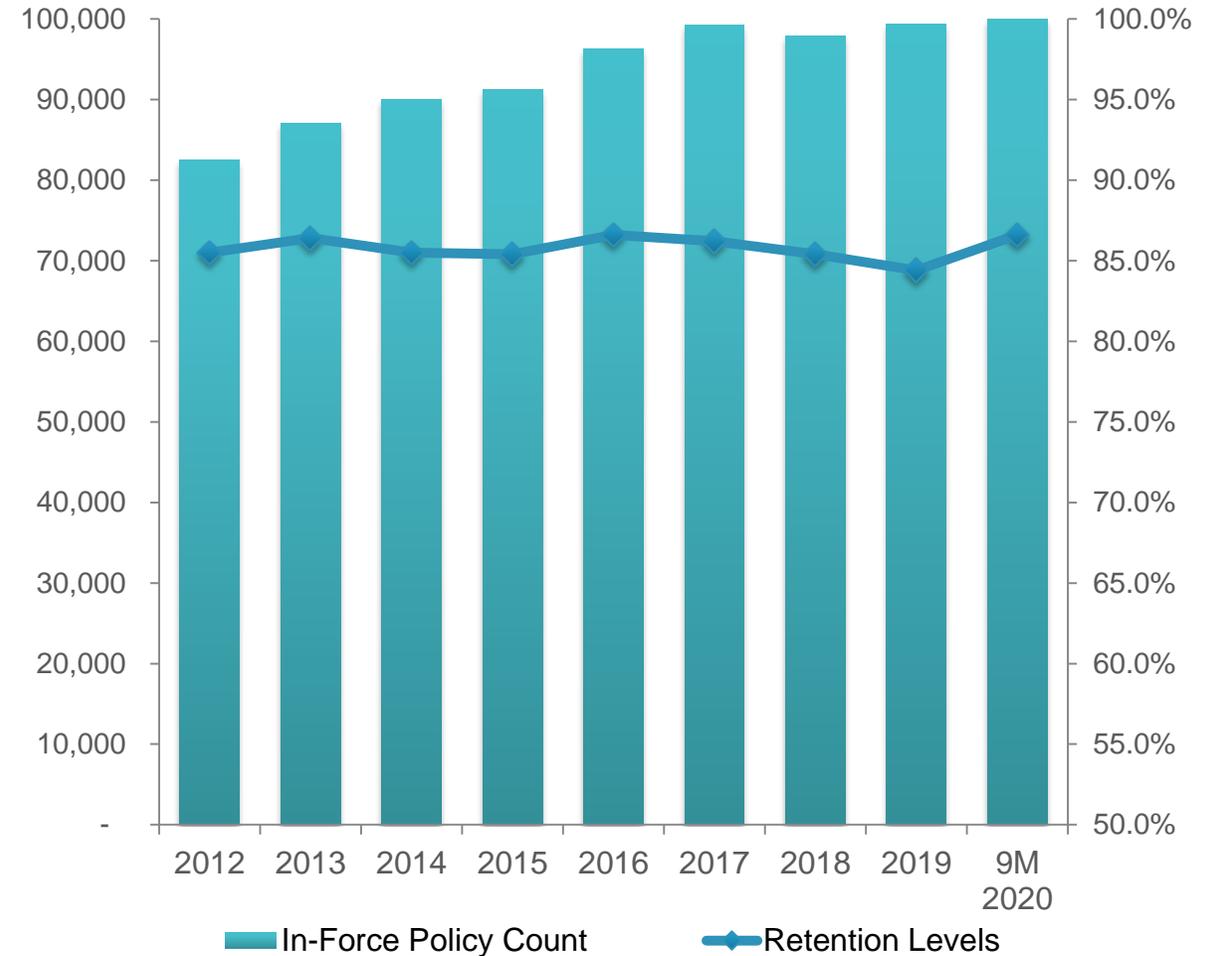
Improved Results in Personal Lines

	Increase in Net Income	Increase in Non-GAAP Operating Income*	Substantial Improvement in Combined Ratio due to Emphasis on Commercial Lines and Lower Claim Frequency	Growth in Book Value
2020 Third Quarter	Net income of \$11.8 million, or \$0.41 per diluted Class A share, for 2020 third quarter, compared to \$5.2 million or \$0.18 per diluted Class A share, for 2019 third quarter	Non-GAAP operating income of \$9.3 million, or \$0.32 per diluted Class A share, for 2020 third quarter, compared to \$5.7 million, or \$0.20 per diluted Class A share, for 2019 third quarter	Combined ratio of 98.3% for 2020 third quarter, compared to 100.6% for 2019 third quarter	Book value per share grew to \$16.96 at September 30, 2020, compared to \$15.67 at December 31, 2019
YTD 2020	Net income of \$38.2 million, or \$1.33 per diluted Class A share, for first nine months of 2020, compared to \$33.0 million or \$1.17 per diluted Class A share, for first nine months of 2019	Non-GAAP operating income of \$39.2 million, or \$1.36 per diluted Class A share, for first nine months of 2020, compared to \$16.6 million, or \$0.59 per diluted Class A share, for first nine months of 2019	Combined ratio of 95.9% for first nine months of 2020, compared to 100.7% for first nine months of 2019	

Growth in Commercial Lines

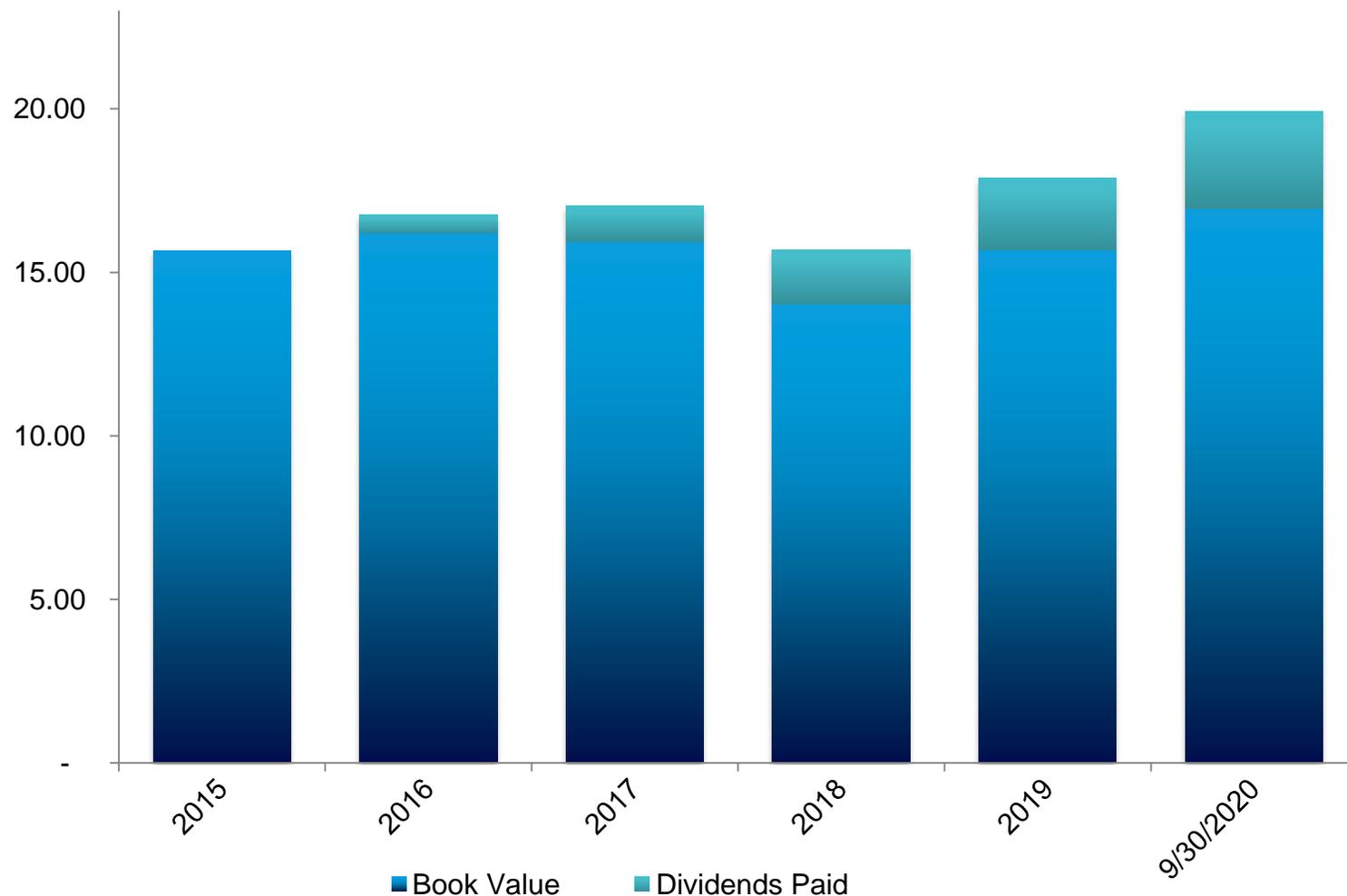
97.3% Commercial Lines Statutory Combined Ratio for the First Nine Months of 2020

- ✓ 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 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



- Rated A (Excellent) by A.M. Best
 - Debt-to-cash/investments of approximately 6.9%
 - Premium-to-surplus of approximately 1.6-to-1
- Dividend yield of 4.1% for Class A shares based on \$14.58 closing price as of 10/26/2020

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



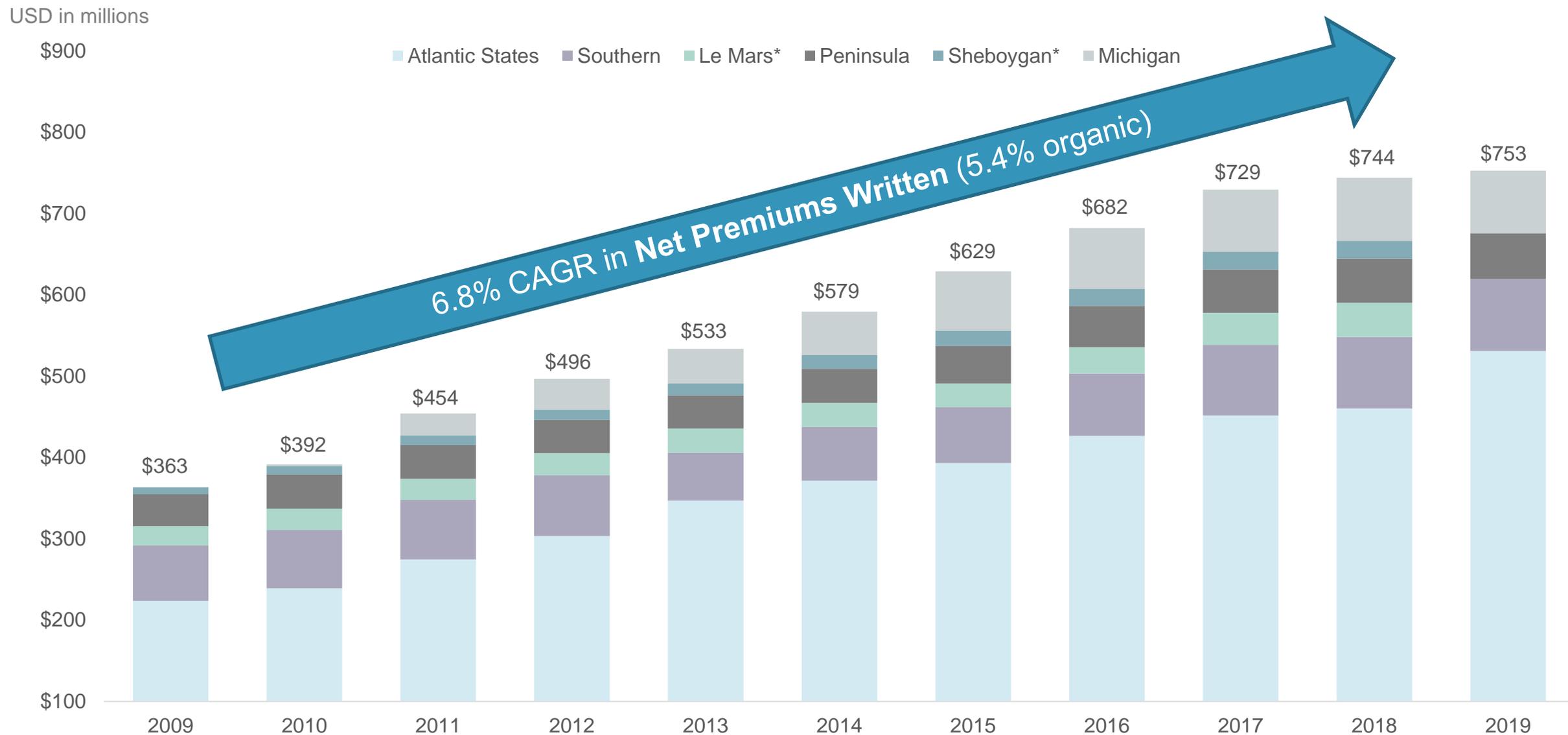
Ongoing Objectives

- 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

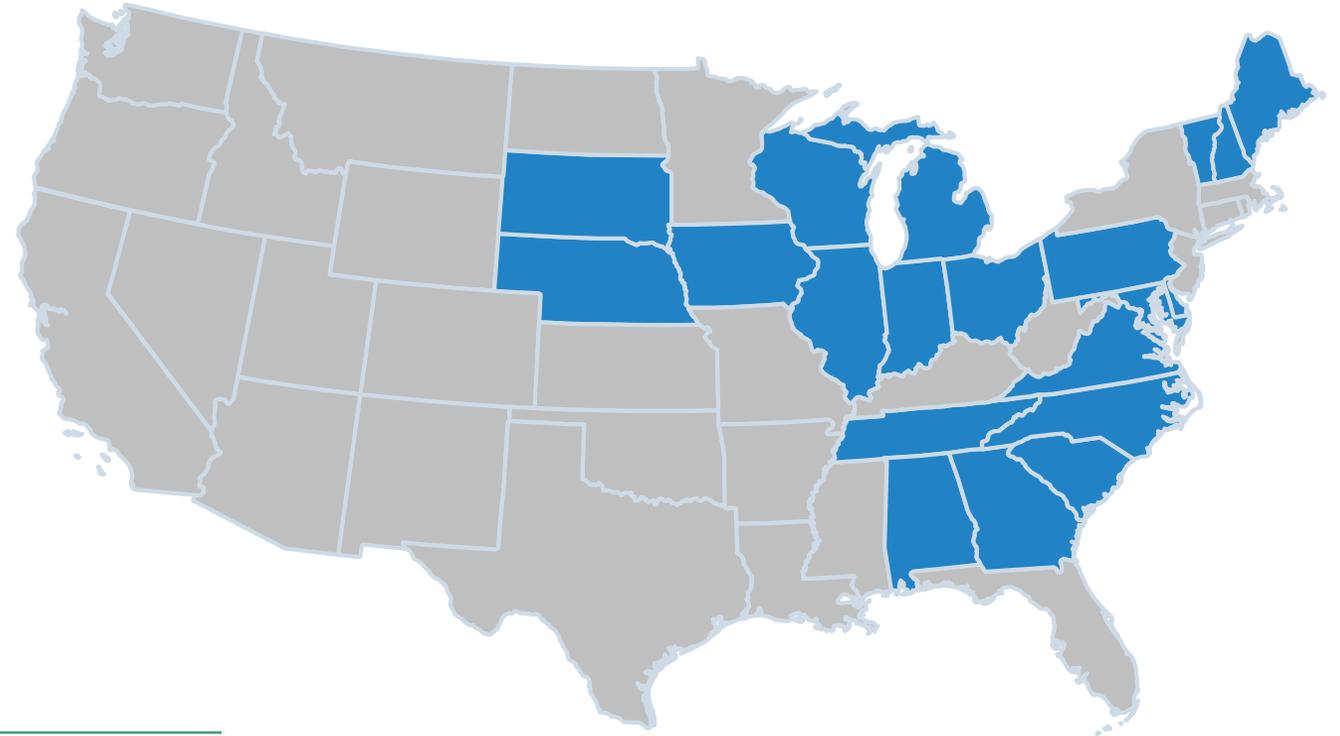
- Emphasize expanded commercial lines products and capabilities in current agencies
- Appoint commercial lines-focused agencies to expand distribution in key geographies
- Strengthen relationships with agencies appointed in recent years
- Leverage relationships with aggregators and cluster groups to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

Organic Growth and Opportunistic Affiliations



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

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

Donegal Mutual Acquisition of Mountain States Insurance Group

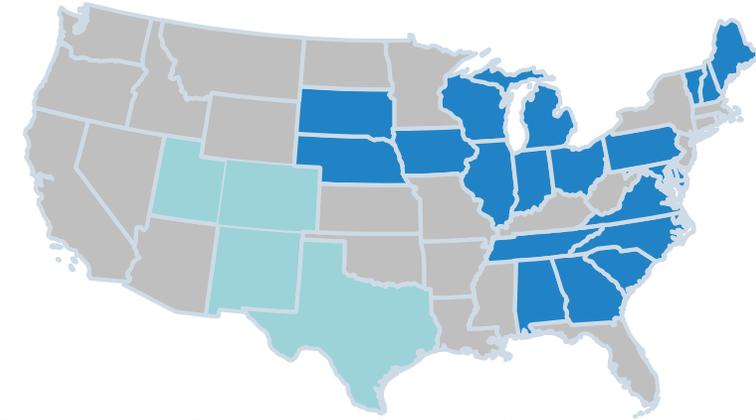
Entering the Southwest

- 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



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 and is subject to no risk from the activities of the Mountain States Insurance Group.

Decades of Community Involvement

- Based in Lancaster County, PA
- Top-20 Writer of P&C Insurance in PA
- Donegal's community outreach efforts helped nonprofits raise nearly \$2 million throughout Central Pennsylvania in 2019.



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Thursday, October 15th • 8am - 8pm
&
Wednesday, October 28th • 8am - 8pm

75 Champ Blvd., Manheim, PA 17545 - Back Field House (Door C1)

- We strongly suggest you schedule an appointment to donate blood. Appointments help us improve your donation experience.
- Walk-Ins are welcome; however, donors with appointments will be taken first and this may result in a significant wait time.
- **Masks are required.** If you aren't wearing a mask, we will provide one for you.

FREE COVID-19 Antibody testing
Everyone giving at this challenging time receives:
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DetermiNation
ENDURANCE SERIES

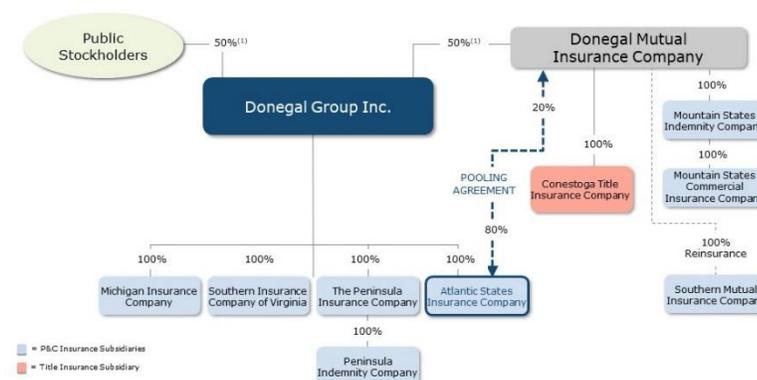
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Significant Benefits to Shareholders from Mutual Relationship

- Interrelated operations and pooling agreement with Donegal Mutual since inception in 1986
- At December 31, 2019, Donegal Mutual held approximately 43% of our outstanding Class A common stock and approximately 84% 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.

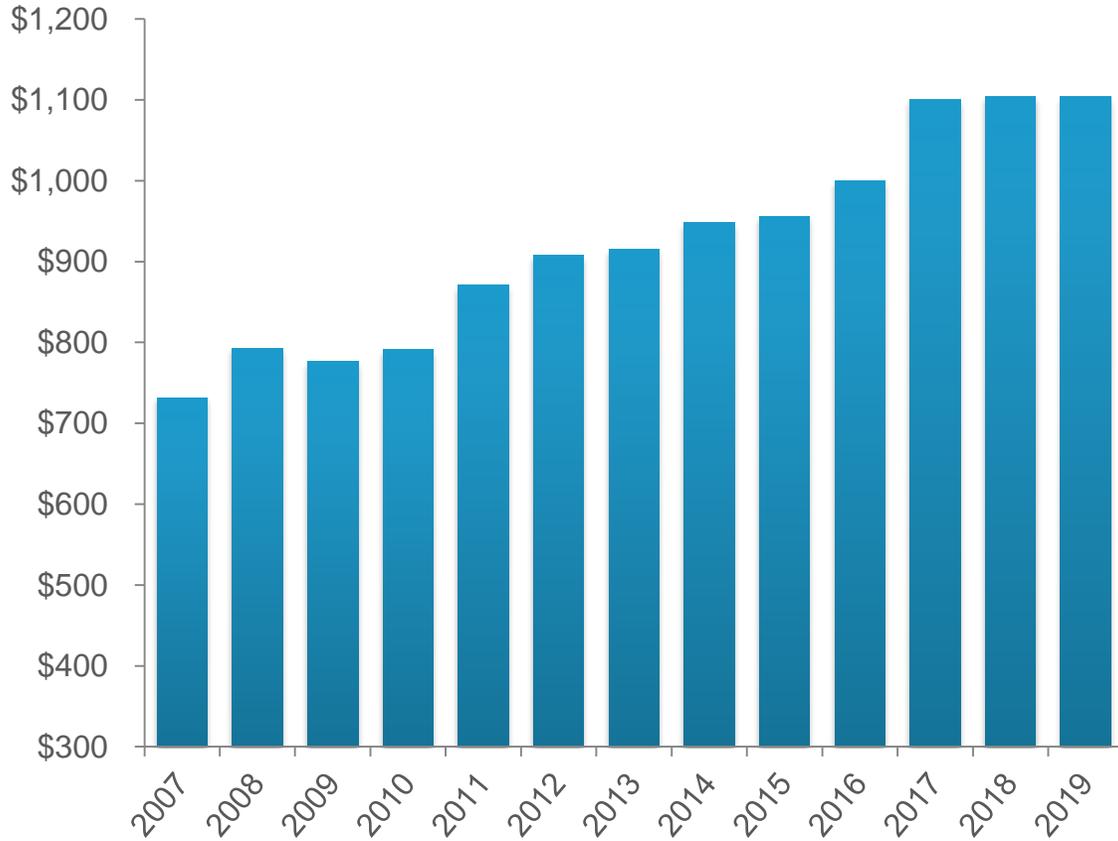
Benefits to Stockholders of DGI

- ✓ 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

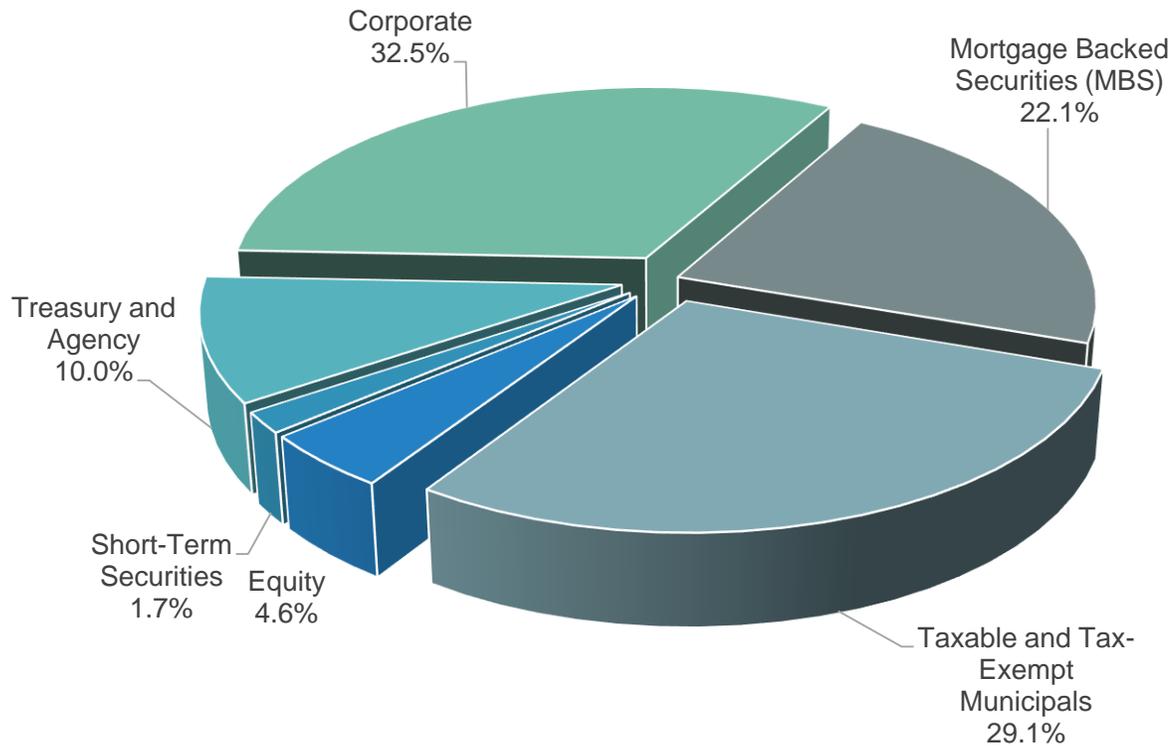
(USD in 000s)



- 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 September 30, 2020)



- 93.7% 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 (as of October 26, 2020)



- 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



Donegal Group Inc.

1195 River Road

P.O. Box 302

Marietta, PA 17547

Phone: (800) 877-0600

Corporate Website: donegalgroup.com

Investor Relations Contact

Mr. Jeffrey D. Miller

Phone: (800) 877-0600 x7357

investors@donegalgroup.com

Adam Prior

(212) 836-9606

aprior@equityny.com

Transfer Agent

Computershare Trust Company, N.A.

P.O. Box 505000

Louisville, KY 40233

Phone: 800-317-4445

Corporate Website: computershare.com

Financial Supplement

2020 Third Quarter



SUMMARY OF THIRD QUARTER AND NINE MONTH RESULTS

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	% Change	2020	2019	% Change
	(dollars in thousands, except per share amounts)					
Income Statement Data						
Net premiums earned	\$ 184,926	\$ 189,821	-2.6%	\$ 556,552	\$ 566,658	-1.8%
Investment income, net	7,403	7,390	0.2	21,952	21,728	1.0
Net investment gains (losses)	3,268	(369)	NM ²	(940)	19,294	NM
Total revenues	196,512	198,010	-0.8	580,323	611,513	-5.1
Net income	11,837	5,186	128.2	38,247	32,998	15.9
Non-GAAP operating income ¹	9,255	5,708	62.1	39,151	16,561	136.4
Per Share Data						
Net income – Class A (diluted)	\$ 0.41	\$ 0.18	127.8%	\$ 1.33	\$ 1.17	13.7%
Net income – Class B	0.37	0.16	131.3	1.21	1.06	14.2
Non-GAAP operating income – Class A (diluted)	0.32	0.20	60.0	1.36	0.59	130.5
Non-GAAP operating income – Class B	0.29	0.18	61.1	1.24	0.53	134.0
Book value	16.96	15.46	9.7	16.96	15.46	9.7

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”).

²Not meaningful.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	% Change	2020	2019	% Change
	(dollars in thousands)					
Net Premiums Earned						
Commercial lines	\$ 103,436	\$ 98,324	5.2%	\$ 307,080	\$ 284,593	7.9%
Personal lines	81,490	91,497	-10.9	249,472	282,065	-11.6
Total net premiums earned	<u>\$ 184,926</u>	<u>\$ 189,821</u>	<u>-2.6%</u>	<u>\$ 556,552</u>	<u>\$ 566,658</u>	<u>-1.8%</u>
Net Premiums Written						
Commercial lines:						
Automobile	\$ 31,172	\$ 28,702	8.6%	\$ 104,083	\$ 94,249	10.4%
Workers' compensation	25,467	25,875	-1.6	86,329	88,291	-2.2
Commercial multi-peril	34,220	32,708	4.6	112,461	106,002	6.1
Other	7,714	7,203	7.1	25,007	23,090	8.3
Total commercial lines	<u>98,573</u>	<u>94,488</u>	<u>4.3</u>	<u>327,880</u>	<u>311,632</u>	<u>5.2</u>
Personal lines:						
Automobile	46,794	51,991	-10.0	143,610	164,214	-12.5
Homeowners	30,716	32,461	-5.4	85,975	90,174	-4.7
Other	4,697	4,930	-4.7	15,255	15,568	-2.0
Total personal lines	<u>82,207</u>	<u>89,382</u>	<u>-8.0</u>	<u>244,840</u>	<u>269,956</u>	<u>-9.3</u>
Total net premiums written	<u>\$ 180,780</u>	<u>\$ 183,870</u>	<u>-1.7%</u>	<u>\$ 572,720</u>	<u>\$ 581,588</u>	<u>-1.5%</u>

UNDERWRITING PERFORMANCE

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
GAAP Combined Ratios (Total Lines)				
Loss ratio (non-weather)	56.3%	61.6%	54.1%	60.8%
Loss ratio (weather-related)	9.1	7.3	7.6	7.2
Expense ratio	31.9	30.5	33.2	31.5
Dividend ratio	1.0	1.2	1.0	1.2
Combined ratio	<u>98.3%</u>	<u>100.6%</u>	<u>95.9%</u>	<u>100.7%</u>
Statutory Combined Ratios				
Commercial lines:				
Automobile	109.9%	113.9%	110.5%	114.3%
Workers' compensation	86.8	85.4	85.9	82.0
Commercial multi-peril	109.2	98.7	98.1	94.4
Other	93.5	76.6	79.5	79.3
Total commercial lines	<u>102.4</u>	<u>97.9</u>	<u>97.3</u>	<u>95.8</u>
Personal lines:				
Automobile	89.0	103.3	88.6	103.9
Homeowners	97.7	109.4	99.3	106.0
Other	84.0	73.6	76.5	77.7
Total personal lines	<u>91.9</u>	<u>103.9</u>	<u>91.6</u>	<u>103.3</u>
Total lines	<u>97.7%</u>	<u>100.8%</u>	<u>94.7%</u>	<u>99.5%</u>

	September 30, 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	\$ 121,221	10.0%	\$ 102,281	9.2%
Obligations of states and political subdivisions	350,983	29.1	261,431	23.5
Corporate securities	391,913	32.5	315,641	28.4
Mortgage-backed securities	266,905	22.1	361,693	32.6
Total fixed maturities	1,131,022	93.7	1,041,046	93.7
Equity securities, at fair value	54,945	4.6	55,477	5.0
Short-term investments, at cost	20,686	1.7	14,030	1.3
Total investments	<u>\$ 1,206,653</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)	4.0		4.2	

RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING INCOME

	Three Months Ended September 30,			Nine Months Ended September 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	\$ 11,837	\$ 5,186	128.2%	\$ 38,247	\$ 32,998	15.9%
Investment (gains) losses (after tax)	(2,582)	292	NM	743	(16,667)	NM
Other, net	-	230	-100.0	161	230	-30.0
Non-GAAP operating income	<u>\$ 9,255</u>	<u>\$ 5,708</u>	<u>62.1%</u>	<u>\$ 39,151</u>	<u>\$ 16,561</u>	<u>136.4%</u>
Per Share Reconciliation of Net Income to Non-GAAP Operating Income						
Net income – Class A (diluted)	\$ 0.41	\$ 0.18	127.8%	\$ 1.33	\$ 1.17	13.7%
Investment (gains) losses (after tax)	(0.09)	0.01	NM	0.02	(0.59)	NM
Other, net	-	0.01	-100.0	0.01	0.01	0.0
Non-GAAP operating income – Class A	<u>\$ 0.32</u>	<u>\$ 0.20</u>	<u>60.0%</u>	<u>\$ 1.36</u>	<u>\$ 0.59</u>	<u>130.5%</u>
Net income – Class B	\$ 0.37	\$ 0.16	131.3%	\$ 1.21	\$ 1.06	14.2%
Investment (gains) losses (after tax)	(0.08)	0.01	NM	0.02	(0.54)	NM
Other, net	-	0.01	-100.0	0.01	0.01	0.0
Non-GAAP operating income – Class B	<u>\$ 0.29</u>	<u>\$ 0.18</u>	<u>61.1%</u>	<u>\$ 1.24</u>	<u>\$ 0.53</u>	<u>134.0%</u>