



NASDAQ: DGICA/DGICB

Q3 2021
Investor Presentation
October 27, 2021

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 on pages 24-25 of this presentation.

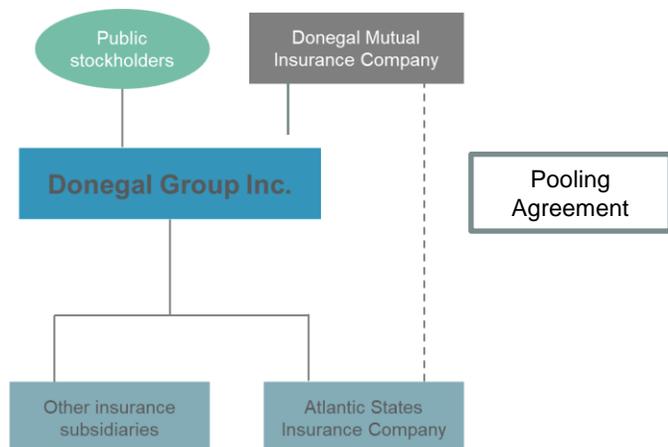
Investment Thesis

- Well-established regional insurance group with a diverse book of business including both commercial and personal lines
- Increased emphasis on commercial lines and actions to stabilize personal lines results to achieve long-term book value appreciation
- Expanding independent agency relationships to sustain commercial premium growth momentum
- DGICA dividend yield of 4.3% as of October 26, 2021
- DGICA trades at 0.87X 9/30/2021 book value as of October 26, 2021
 - Among the lowest in peer group

Company Overview

Donegal Group Inc. is an insurance holding company whose subsidiaries and affiliates offer property and casualty insurance in 24 states.

The Company offers full lines of commercial products (~63% of YTD 2021 total) and personal products (~37% of YTD 2021 total), including commercial multi-peril, automobile, homeowners, workers' compensation and other coverages.



NASDAQ: DGICA/DGICB

Corporate Headquarters	Marietta, Pennsylvania
DGICA Share Description	25.7 million shares outstanding at 9/30/2021 (Voting rights 0.1:1)
DGICB Share Description	5.6 million shares outstanding (Voting rights 1:1)

	At 9/30/2021	At 12/31/2020	At 9/30/2020
Cash and Investments	\$1.33 billion	\$1.32 billion	\$1.29 billion
Total Assets	\$2.3 billion	\$2.2 billion	\$2.1 billion
Total Shareholders' Equity	\$538.1 million	\$517.8 million	\$504.1 million
Book Value Per Outstanding Common Share	\$17.21	\$17.13	\$16.96
DGICA Annual Dividend Per Share (as increased in April)	\$0.64	\$0.60	\$0.60

Current Figures (DGICA)	At 10/26/2021
Stock Price	\$14.94
52 Week Range	\$13.35 - \$16.48
Price to Book Value*	0.87X

* Based on 9/30/2021 Book Value

Third Quarter 2021 – Operating Results

**Solid
Organic/Acquisition
Growth in
Commercial Lines**

**Quarterly Underwriting Results
were Impacted by
Elevated Weather-related, Large Fire and
Workers' Compensation Losses**

**Continued Book
Value Appreciation**

Net Premiums Written

Net premiums written increased
9.0% to \$197.0 million

Net Income / Loss

Net loss of \$6.7 million, or 22
cents per Class A share, for 2021
third quarter, compared to net
income of \$11.8 million, or 41
cents per diluted Class A share,
for 2020 third quarter

Combined Ratio

Combined ratio of 107.7% for
2021 third quarter, compared to
98.3% for 2020 third quarter

Book Value

Book value per share
grew to \$17.21 at September 30,
2021, compared to \$17.13 at
December 31, 2020 and \$16.96
at September 30, 2020

** See reconciliation of net income to non-GAAP net
written premium on slide 24*

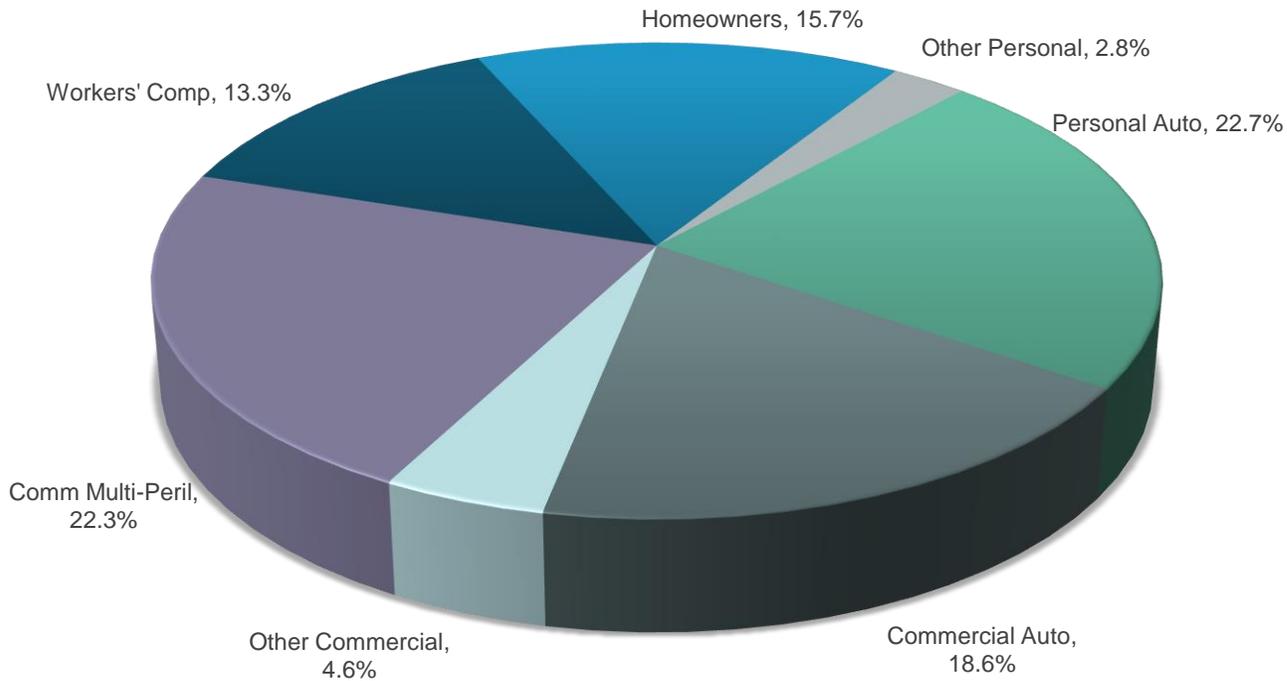
Comparable amounts for the third quarter of 2020 reflected the impact of pandemic conditions, including decreased frequency of personal automobile claims due to lower driving activity that resulted from COVID-related shutdowns.

Accomplishments in the Last Three Years

- Solid **financial results** in 2019, 2020 and YTD 2021
- **Continuing growth** in our commercial lines segment
- Phased roll-out of **new personal lines products** in 10 states beginning in Q4 2021
- **Favorable net development** of reserves since strengthening actions in 2018
- Expanded **enterprise analytics** and product development capabilities
- Building and expanding **strong independent agency** relationships

Mix of Commercial and Personal Lines

Net Premiums Written for Q3 2021 by Line of Business



Commercial Auto
Comm Multi-Peril
Workers' Comp
Other Commercial



Commercial lines = 58.8% of NPW
Renewal Premium
Increases Averaged **5.6%**
(**9.0%** for Commercial Auto)

Personal Auto
Homeowners
Other Personal

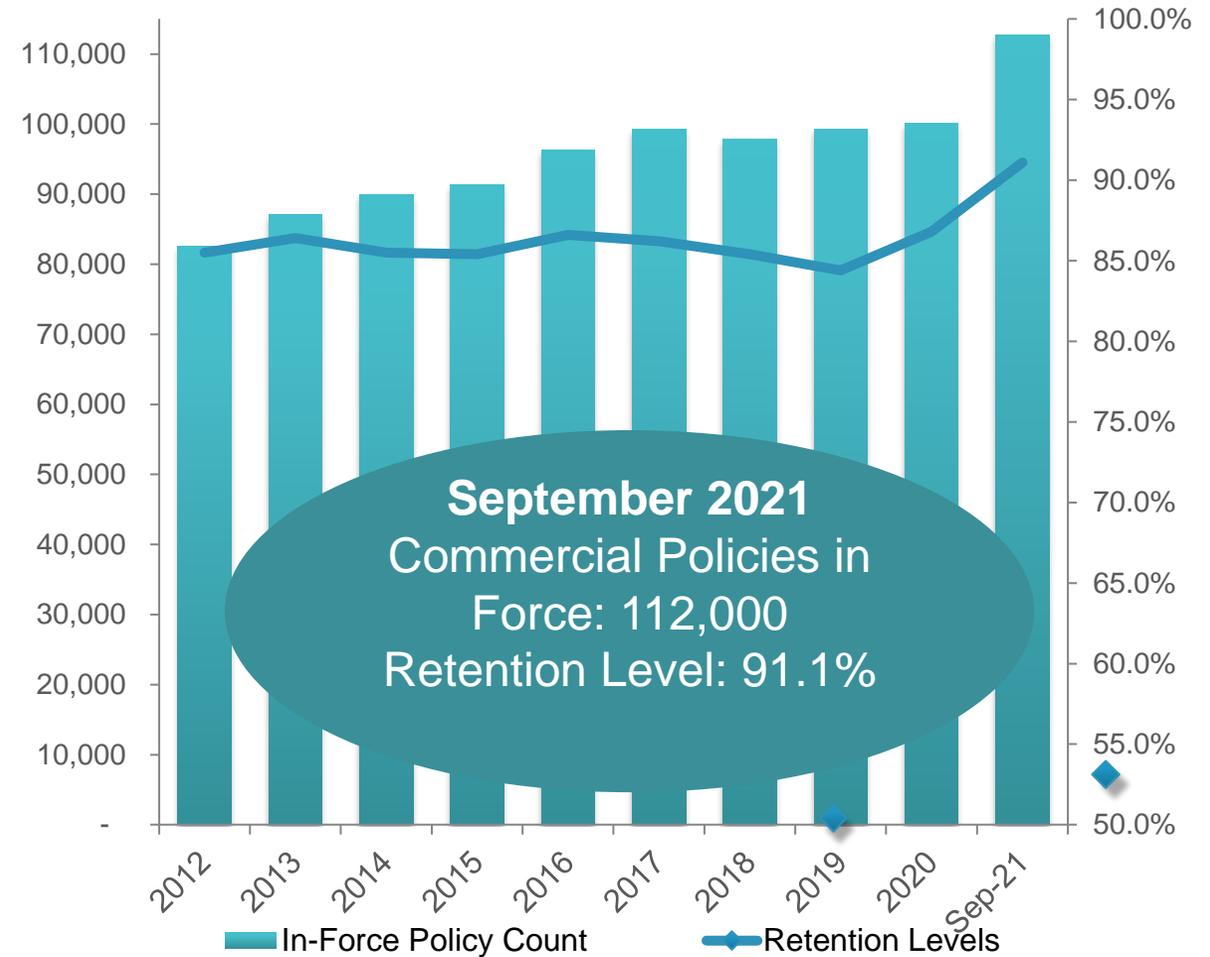


Personal lines = 41.2% of NPW
Renewal Premium
Increases Averaged **~4.6%**

Growth in Commercial Lines



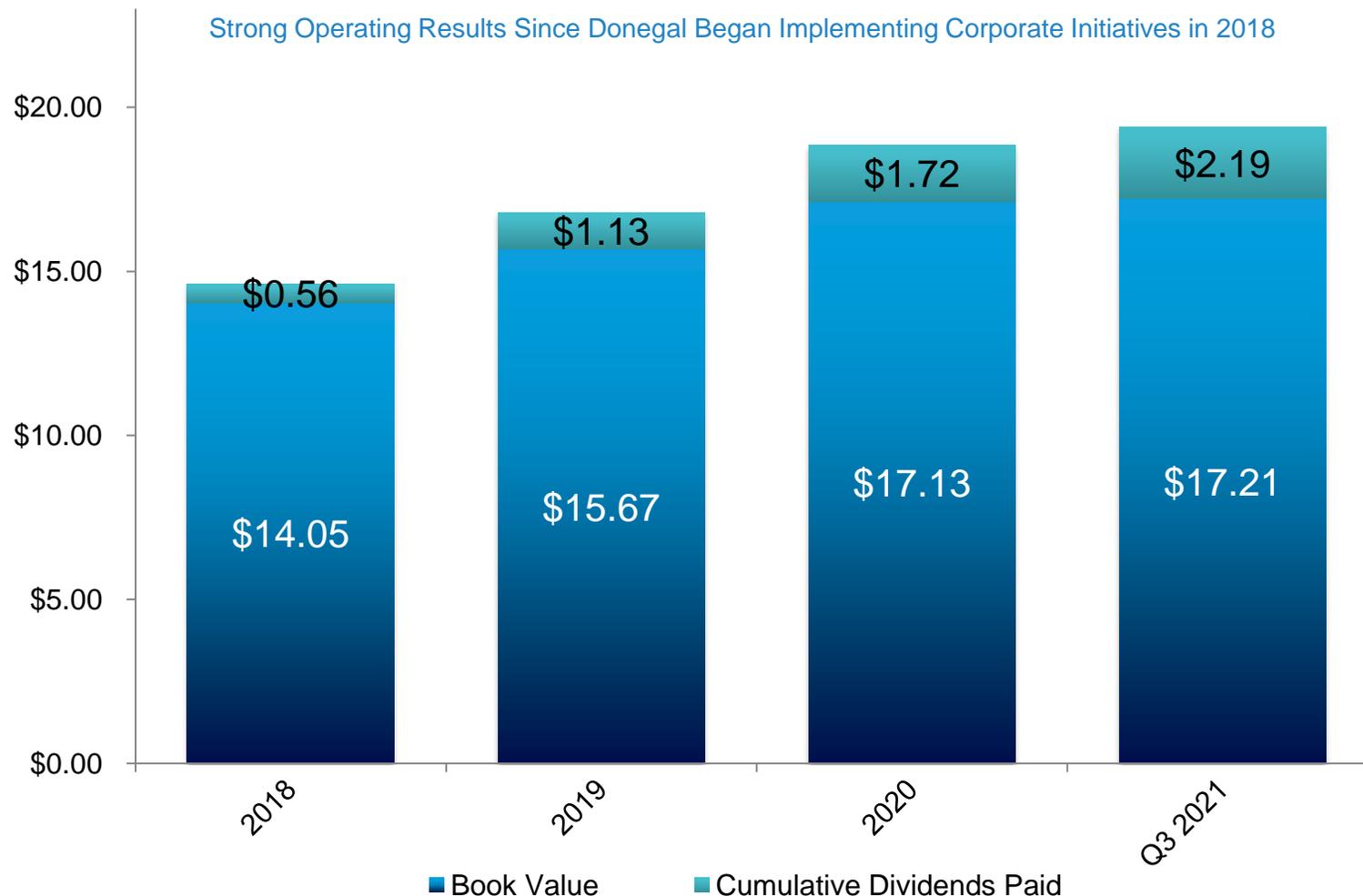
- ✓ Expand core Donegal products across regions
- ✓ Growth focus on accounts with premiums in \$10,000 to \$150,000 range
- ✓ Expand appetite within classes and lines already written:
 - Continued agency development
 - Modernize products to meet customer needs
 - Appropriately use reinsurance to support 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 2.6%
 - Premium-to-surplus of approximately 1.6-to-1
- Implied dividend yield of 4.3% for Class A shares based on \$14.94 closing price on 10/26/2021 and current projected annual dividend rate of \$0.64 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

Donegal Mutual Acquisition of Mountain States Insurance Group

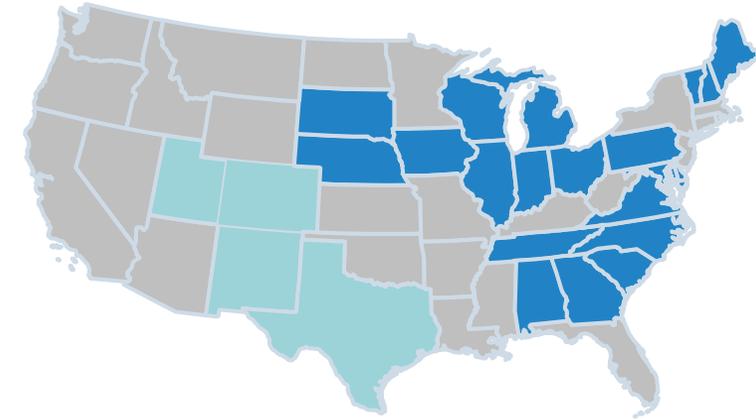
Entering the Southwest

- 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



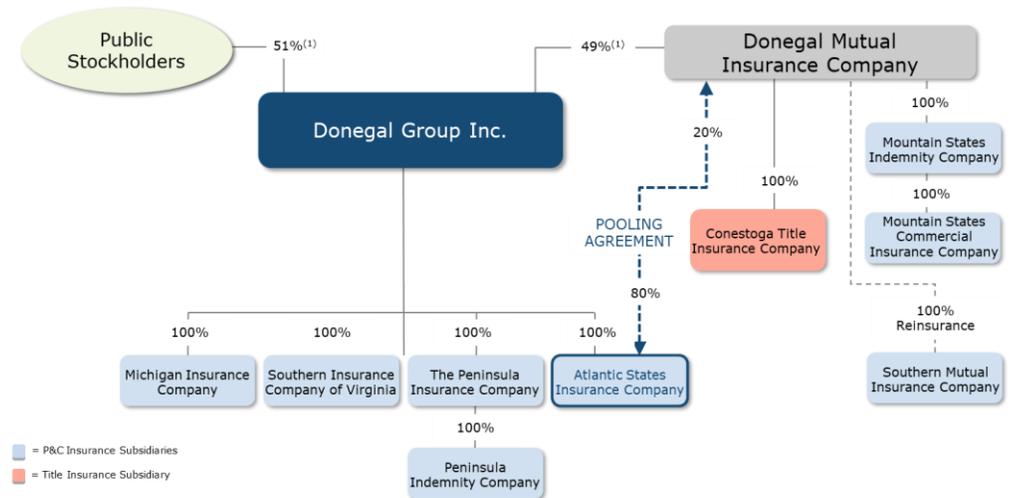
Commercial Growth Driver

- The transaction represents a continuation of the acquisition strategy DGI and Donegal Mutual have shared over the past 30 years.
- Donegal Mutual began including Mountain States business in underwriting pool beginning in 2021, which means that DGI participates in 80% of underwriting results for policies effective in 2021 and thereafter.



Significant Benefits to Shareholders from Mutual Relationship

- Interrelated operations and pooling agreement with Donegal Mutual since inception in 1986
- At September 30, 2021, Donegal Mutual held approximately 41% 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 30% of the aggregate voting power of the combined classes, and Donegal Mutual holds approximately 70% of the aggregate voting power of the combined classes.

Benefits to Stockholders of DGI

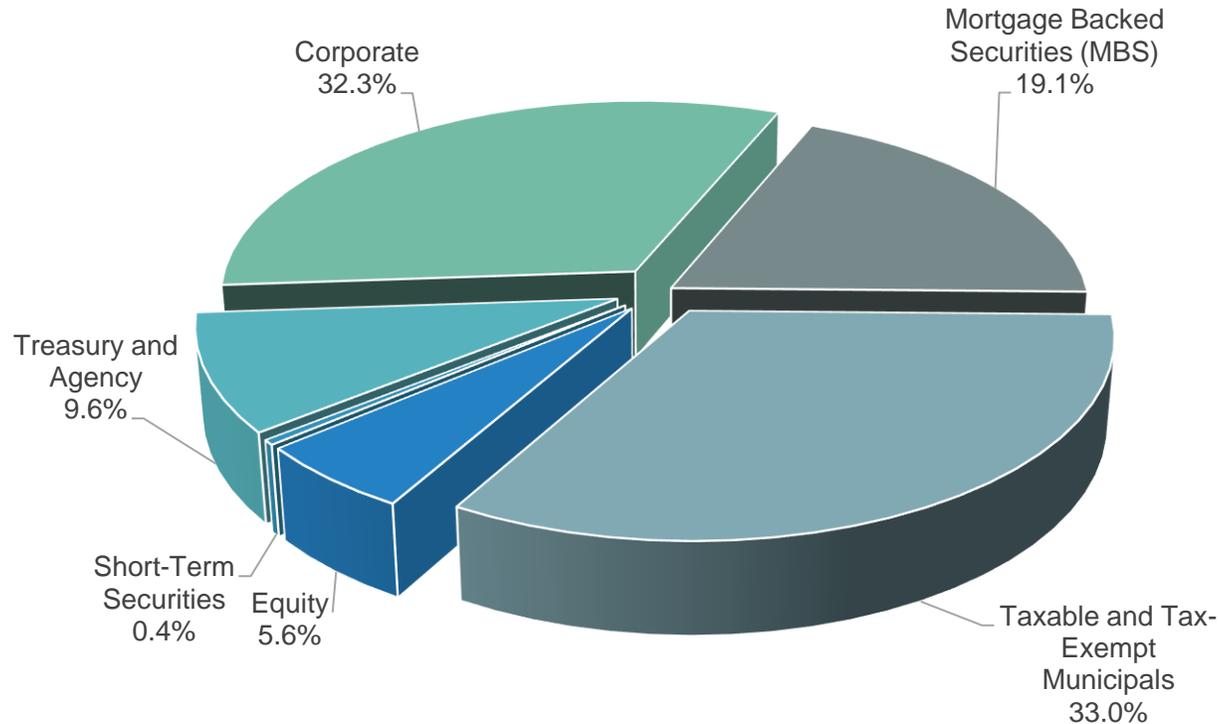
Shared services provide economies of scale

Reinsurance structure with Donegal Mutual reduces DGI earnings volatility

Historically successful seasoning process for acquisitions

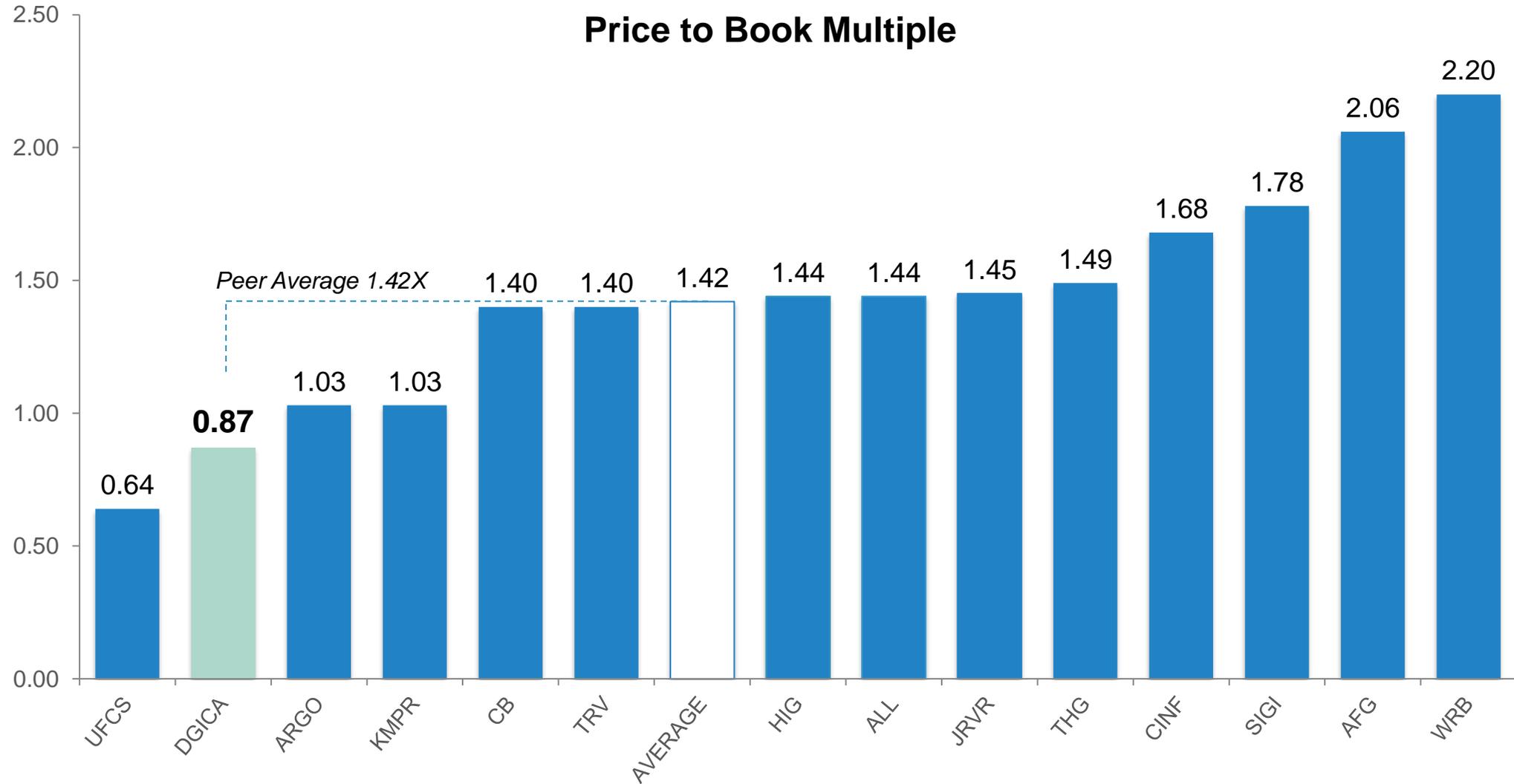
Conservative Investment Strategy

\$1.3 Billion in Invested Assets
(at September 30, 2021)



- 94.0% of portfolio invested in fixed maturities
 - Effective duration = 4.9 years
 - Tax-equivalent yield = 2.6%
- Emphasis on quality
- Liquidity managed through laddering

Valuation vs. Multi-Line Insurers (Stock Price as of October 26, 2021)



Investment Conclusions

- Diverse book of business of both commercial and personal lines
- Opportunities 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 positive returns in recent periods



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Financial Supplement

2021 Third Quarter



SUMMARY OF 2021 THIRD QUARTER FINANCIAL RESULTS

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	(dollars in thousands, except per share amounts)					
Income Statement Data						
Net premiums earned	\$ 196,235	\$184,926	6.1%	\$575,975	\$556,552	3.5%
Investment income, net	7,764	7,403	4.9	22,926	21,952	4.4
Net investment (losses) gains	(1,570)	3,268	NM ²	5,140	(940)	NM
Total revenues	203,106	196,512	3.4	606,222	580,323	4.5
Net (loss) income	(6,712)	11,837	NM	19,982	38,247	-47.8
Non-GAAP operating (loss) income ¹	(5,471)	9,255	NM	15,922	39,151	-59.3
Annualized return on average equity	-4.9%	9.5%	NM	5.0%	10.7%	-5.7 pts
Per Share Data						
Net (loss) income – Class A (diluted)	\$ (0.22)	\$ 0.41	NM	\$ 0.66	\$ 1.33	-50.4%
Net (loss) income – Class B	(0.20)	0.37	NM	0.59	1.21	-51.2
Non-GAAP operating (loss) income – Class A (diluted)	(0.18)	0.32	NM	0.52	1.36	-61.8
Non-GAAP operating (loss) income – Class B	(0.16)	0.29	NM	0.47	1.24	-62.1
Book value	17.21	16.96	1.5%	17.21	16.96	1.5

¹ The “Definitions of Non-GAAP and Operating Measures” section of this release defines and reconciles data that we prepare on an accounting basis other than U.S. generally accepted accounting principles (“GAAP”).

² Not meaningful.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	(dollars in thousands)					
Net Premiums Earned						
Commercial lines	\$ 119,709	\$ 103,436	15.7%	\$ 344,234	\$ 307,080	12.1%
Personal lines	76,526	81,490	-6.1	231,741	249,472	-7.1
Total net premiums earned	<u>\$ 196,235</u>	<u>\$ 184,926</u>	<u>6.1%</u>	<u>\$ 575,975</u>	<u>\$ 556,552</u>	<u>3.5%</u>
Net Premiums Written						
Commercial lines:						
Automobile	\$ 36,604	\$ 31,172	17.4%	\$ 126,417	\$ 104,083	21.5%
Workers' compensation	26,265	25,467	3.1	89,773	86,329	4.0
Commercial multi-peril	43,869	34,220	28.2	143,584	112,461	27.7
Other	9,157	7,714	18.7	29,578	25,007	18.3
Total commercial lines	<u>115,895</u>	<u>98,573</u>	<u>17.6</u>	<u>389,352</u>	<u>327,880</u>	<u>18.7</u>
Personal lines:						
Automobile	44,711	46,794	-4.5	132,014	143,610	-8.1
Homeowners	30,978	30,716	0.9	84,035	85,975	-2.3
Other	5,431	4,697	15.6	17,081	15,255	12.0
Total personal lines	<u>81,120</u>	<u>82,207</u>	<u>-1.3</u>	<u>233,130</u>	<u>244,840</u>	<u>-4.8</u>
Total net premiums written	<u>\$ 197,015</u>	<u>\$ 180,780</u>	<u>9.0%</u>	<u>\$ 622,482</u>	<u>\$ 572,720</u>	<u>8.7%</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
GAAP Combined Ratios (Total Lines)				
Loss ratio (non-weather)	66.3%	56.3%	59.8%	54.1%
Loss ratio (weather-related)	9.2	9.1	6.4	7.6
Expense ratio	31.5	31.9	33.9	33.2
Dividend ratio	0.7	1.0	0.7	1.0
Combined ratio	<u>107.7%</u>	<u>98.3%</u>	<u>100.8%</u>	<u>95.9%</u>
Statutory Combined Ratios				
Commercial lines:				
Automobile	111.9%	109.9%	106.7%	110.5%
Workers' compensation	109.0	86.8	96.0	85.9
Commercial multi-peril	116.9	109.2	106.5	98.1
Other	64.0	93.5	67.2	79.5
Total commercial lines	<u>109.4</u>	<u>102.4</u>	<u>101.1</u>	<u>97.3</u>
Personal lines:				
Automobile	102.0	89.0	95.4	88.6
Homeowners	117.5	97.7	107.4	99.3
Other	65.4	84.0	72.2	76.5
Total personal lines	<u>105.2</u>	<u>91.9</u>	<u>98.2</u>	<u>91.6</u>
Total lines	<u>107.7%</u>	<u>97.7%</u>	<u>100.0%</u>	<u>94.7%</u>

	September 30, 2021		December 31, 2020	
	Amount	%	Amount	%
	(dollars in thousands)			
Fixed maturities, at carrying value:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 121,115	9.6%	\$ 125,250	10.3%
Obligations of states and political subdivisions	414,663	33.0	381,284	31.2
Corporate securities	405,929	32.3	385,978	31.6
Mortgage-backed securities	239,864	19.1	249,233	20.4
Total fixed maturities	1,181,571	94.0	1,141,745	93.5
Equity securities, at fair value	71,183	5.6	58,556	4.8
Short-term investments, at cost	4,694	0.4	20,900	1.7
Total investments	<u>\$1,257,448</u>	<u>100.0%</u>	<u>\$1,221,201</u>	<u>100.0%</u>
Average investment yield	2.5%		2.5%	
Average tax-equivalent investment yield	2.6%		2.7%	
Average fixed-maturity duration (years)	4.9		4.2	

RECONCILIATION OF NET PREMIUMS EARNED TO NET PREMIUMS WRITTEN

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	(dollars in thousands)					
Reconciliation of Net Premiums Earned to Net Premiums Written						
Net premiums earned	\$ 196,235	\$184,926	6.1%	\$575,975	\$556,552	3.5%
Change in net unearned premiums	780	(4,146)	NM	46,507	16,168	187.6
Net premiums written	<u>\$ 197,015</u>	<u>\$180,780</u>	<u>9.0%</u>	<u>\$622,482</u>	<u>\$572,720</u>	<u>8.7%</u>

RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING INCOME

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Change	2021	2020	% Change
	(dollars in thousands, except per share amounts)					
Reconciliation of Net (Loss) Income to Non-GAAP Operating (Loss) Income						
Net (loss) income	\$ (6,712)	\$ 11,837	NM	\$ 19,982	\$ 38,247	-47.8%
Investment losses (gains) (after tax)	1,241	(2,582)	NM	(4,060)	743	NM
Other, net	-	-	-	-	161	-100.0
Non-GAAP operating (loss) income	<u>\$ (5,471)</u>	<u>\$ 9,255</u>	<u>NM</u>	<u>\$ 15,922</u>	<u>\$ 39,151</u>	<u>-59.3%</u>
Per Share Reconciliation of Net (Loss) Income to Non-GAAP Operating (Loss) Income						
Net (loss) income – Class A (diluted)	\$ (0.22)	\$ 0.41	NM	\$ 0.66	\$ 1.33	-50.4%
Investment losses (gains) (after tax)	0.04	(0.09)	NM	(0.14)	0.02	NM
Other, net	-	-	-	-	0.01	-100.0
Non-GAAP operating (loss) income – Class A	<u>\$ (0.18)</u>	<u>\$ 0.32</u>	<u>NM</u>	<u>\$ 0.52</u>	<u>\$ 1.36</u>	<u>-61.8%</u>
Net (loss) income – Class B	\$ (0.20)	\$ 0.37	NM	\$ 0.59	\$ 1.21	-51.2%
Investment losses (gains) (after tax)	0.04	(0.08)	NM	(0.12)	0.02	NM
Other, net	-	-	-	-	0.01	-100.0
Non-GAAP operating (loss) income – Class B	<u>\$ (0.16)</u>	<u>\$ 0.29</u>	<u>NM</u>	<u>\$ 0.47</u>	<u>\$ 1.24</u>	<u>-62.1%</u>