



NASDAQ: DGICA/DGICB

**KBW Insurance Conference
Investor Presentation
September 10, 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.

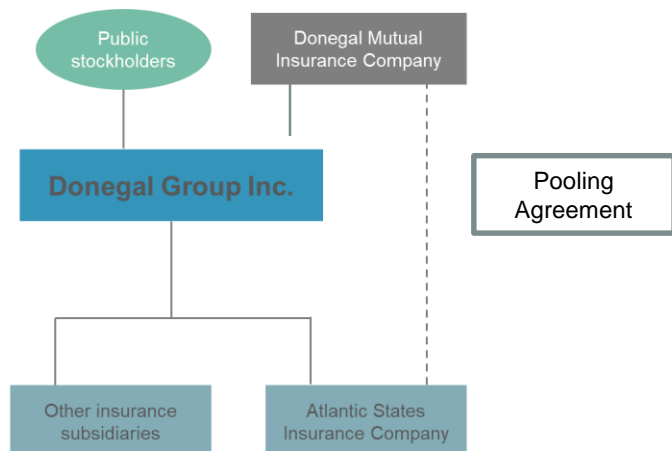
Reconciliations of non-GAAP data are included on pages 24-25 of this presentation.

- 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)
 - Q2 2021 combined ratio of 96.1%
 - 5.2% book value growth YoY to \$17.64 per share at 6/30/2021
- Expanding independent agency relationships to sustain commercial premium growth momentum
- DGICA dividend yield of 4.3% as of September 3, 2021
- DGICA trades at 0.85X 6/30/2021 book value as of September 3, 2021
 - Among the lowest in peer group despite performance improvement

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 (~64% of 1H2021 total) and personal products (~36% of 1H2020 total), including commercial multi-peril, automobile, homeowners, workers' compensation and other coverages.



NASDAQ: DGICA/DGICB

Corporate Headquarters	Marietta, Pennsylvania
DGICA Share Description	25.1 million shares outstanding at 6/30/2021 (Voting rights 0.1:1)
DGICB Share Description	5.6 million shares outstanding (Voting rights 1:1)

	At 6/30/2021	At 12/31/2020	At 6/30/2020
Cash and Investments	\$1.35 billion	\$1.32 billion	\$1.27 billion
Total Assets	\$2.2 billion	\$2.2 billion	\$2.1 billion
Total Shareholders' Equity	\$550.2 million	\$517.8 million	\$487.9 million
Book Value Per Outstanding Common Share	\$17.64	\$17.13	\$16.77
DGICA Annual Dividend Per Share (as increased in April)	\$0.64	\$0.60	\$0.60

Current Figures (DGICA)

At 9-3-2021

Stock Price	\$15.05
52 Week Range	\$12.38 - \$16.48
Price to Book Value*	0.85X

* Based on 6/30/2021 Book Value

Second Quarter 2021 – Operating Results

Solid Organic/Acquisition Growth and Profitability in Commercial Lines

Continuation of Improved Results in Personal Lines

Net Premiums Written

Net premiums written increased 8.2% to \$209.6 million

Net Income

Net income of \$16.2 million, or 53 cents per diluted Class A share, for 2021 second quarter, compared to \$22.7 million, or 79 cents per diluted Class A share, for 2020 second quarter

Combined Ratio

Combined ratio of 96.1% for 2021 second quarter, compared to 92.3% for 2020 second quarter

Book Value

Book value per share grew to \$17.64 at June 30, 2021, compared to \$17.13 at December 31, 2020 and \$16.77 at June 30, 2020

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

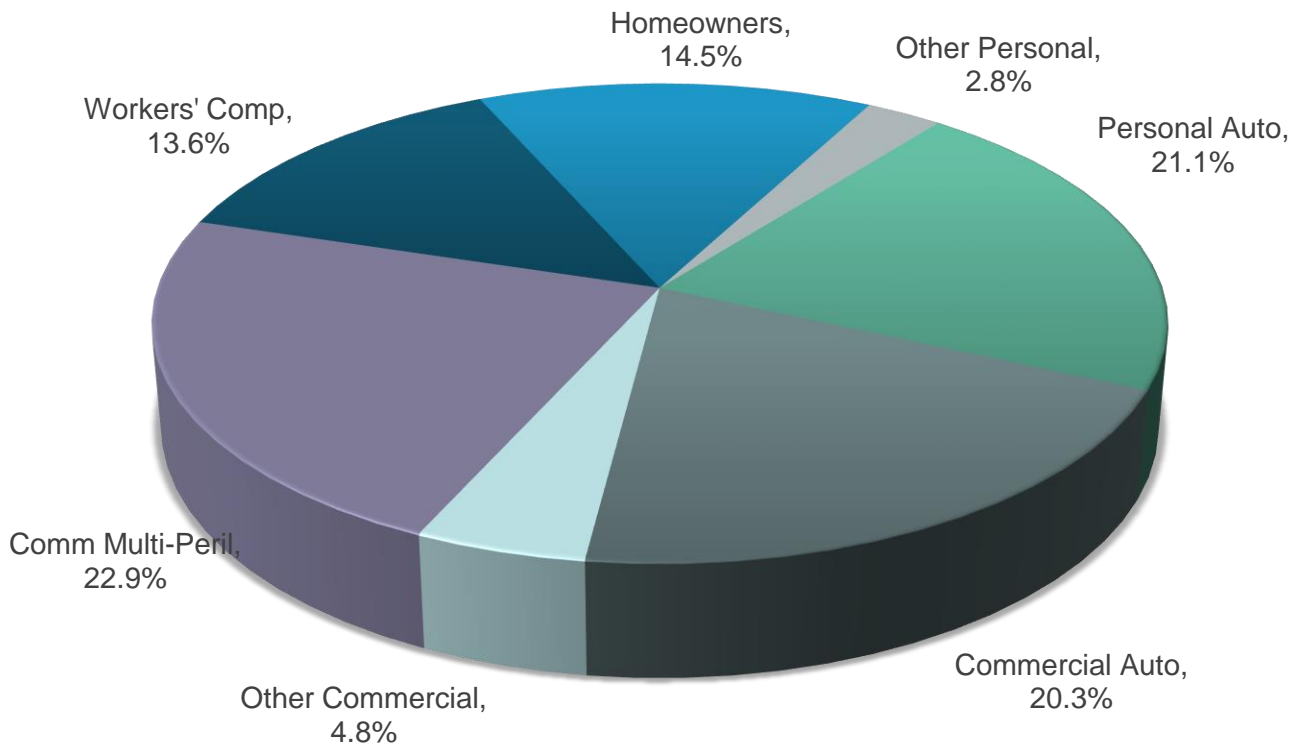
Comparables included the impact of pandemic conditions, namely increased frequency of personal automobile claims compared to the second quarter of 2020 when lower driving activity resulted from COVID-related shutdowns.

Accomplishments in the Last Three Years

- Solid **financial results** in 2019, 2020 and 1H 2021
- **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

Mix of Commercial and Personal Lines

Net Premiums Written for Q2 2021 by Line of Business



Personal Auto
Homeowners
Other Personal

Personal lines = 38.4% of NPW
Renewal Premium
Increases Averaged ~3.5%

Commercial Auto
Comm Multi-Peril
Workers' Comp Other
Commercial

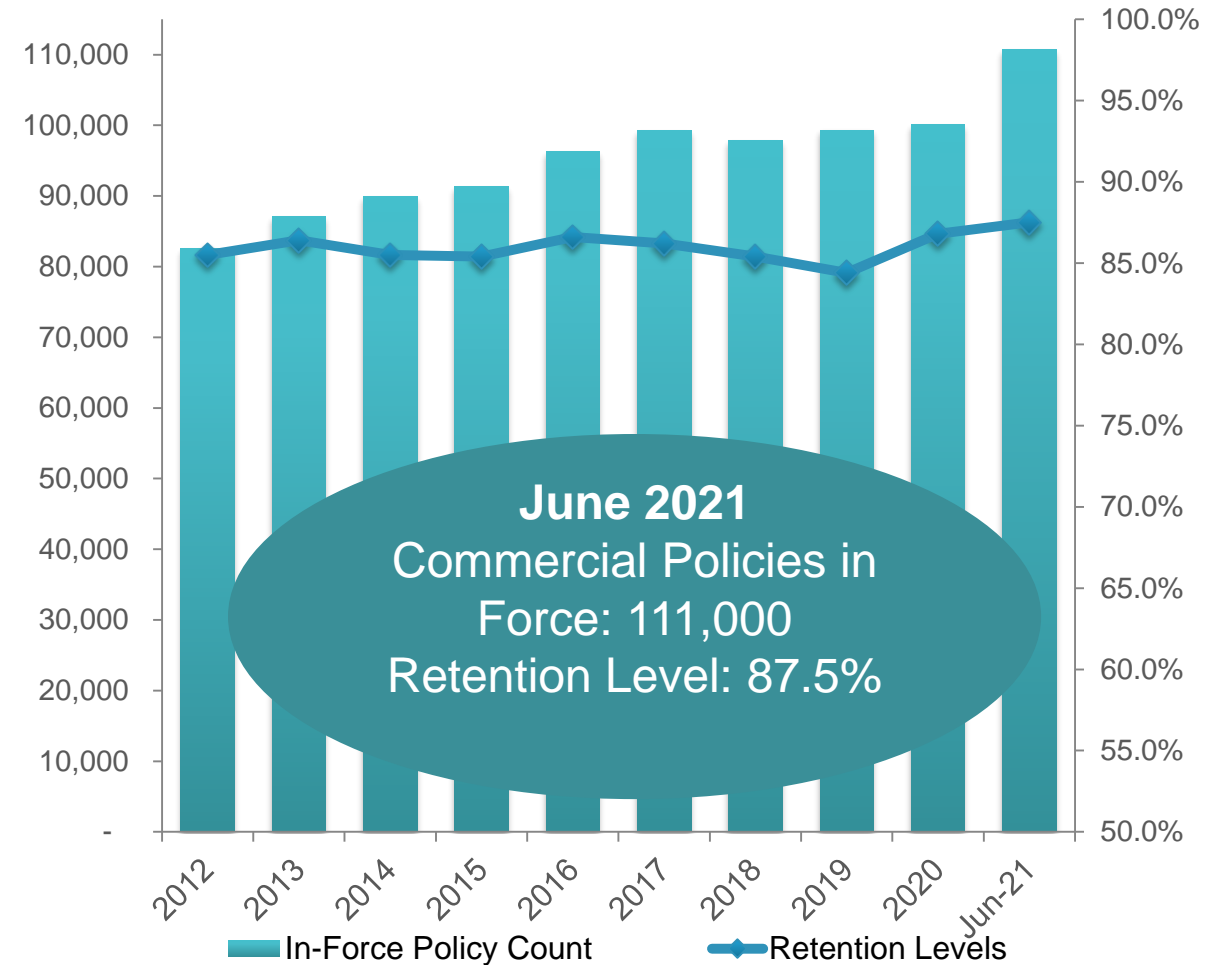
Commercial lines = 61.6% of NPW
Renewal Premium
Increases Averaged 6.8%
(10.9% for Commercial Auto)

Growth and Profitability in Commercial Lines

94.3% Commercial Lines
Statutory Combined Ratio
for Q2 2021



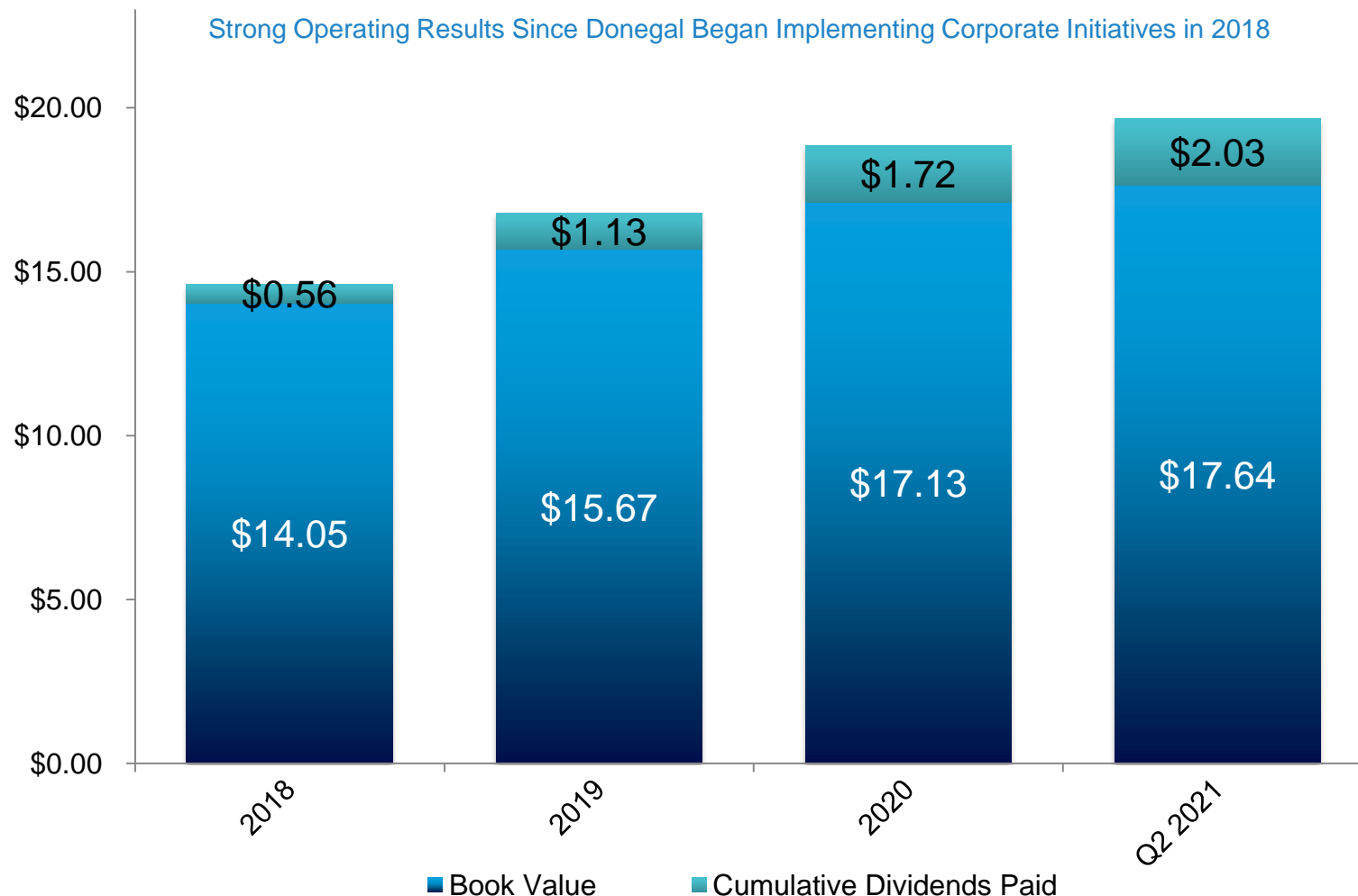
- ✓ Expand core Donegal products across regions
- ✓ Growth focus on accounts with premiums in \$10,000 to \$150,000 range
- ✓ Expand appetite within classes and lines already written:
 - Continued agency development
 - Modernize products to meet customer needs
 - Appropriately use reinsurance to support 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 3.1%
 - Premium-to-surplus of approximately 1.6-to-1
- Implied dividend yield of 4.2% for Class A shares based on \$15.33 closing price on 7/26/2021 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

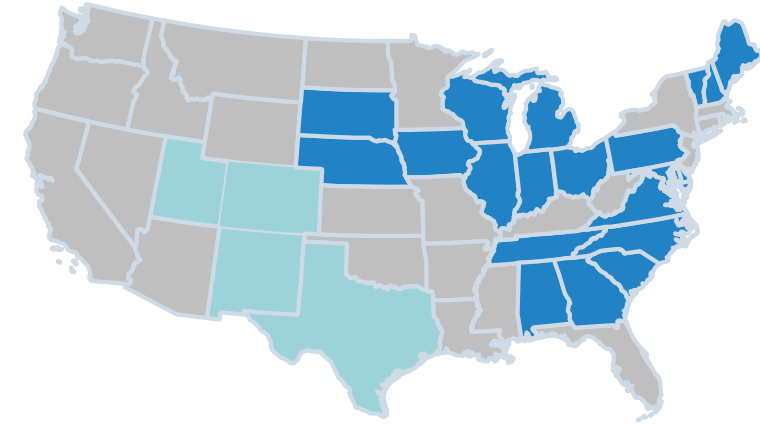
Entering the Southwest

- 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 to underwriting pool beginning in 2021, which means that DGI will participate in 80% of underwriting results for policies effective in 2021 and thereafter.



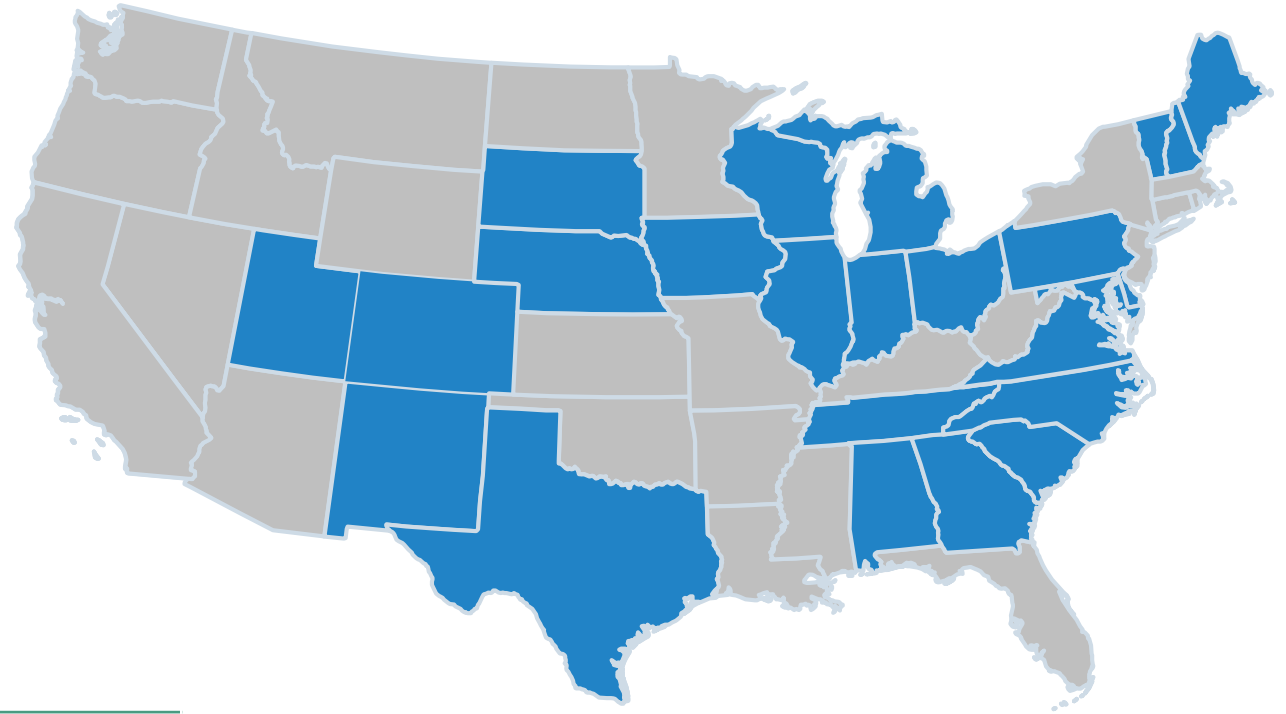
Maintain Multi-Faceted Regional Growth Strategy

Now operating across 24 states in five operating regions

10 M&A transactions since 1988

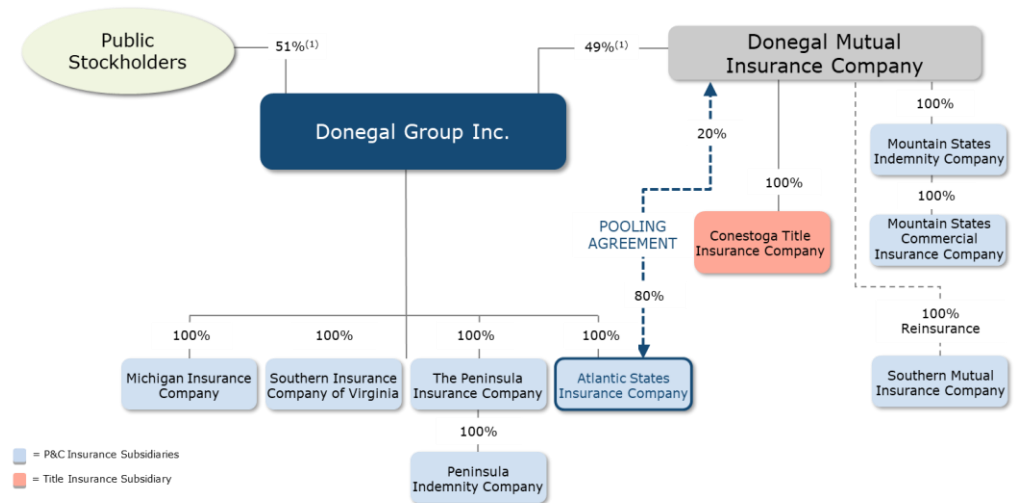
Acquisition Criteria

- Serving attractive geography
- Favorable regulatory, legislative and judicial environments
- Similar personal/commercial business mix
- Premium volume up to \$100 million



Significant Benefits to Shareholders from Mutual Relationship

- Interrelated operations and pooling agreement with Donegal Mutual since inception in 1986
- At June 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

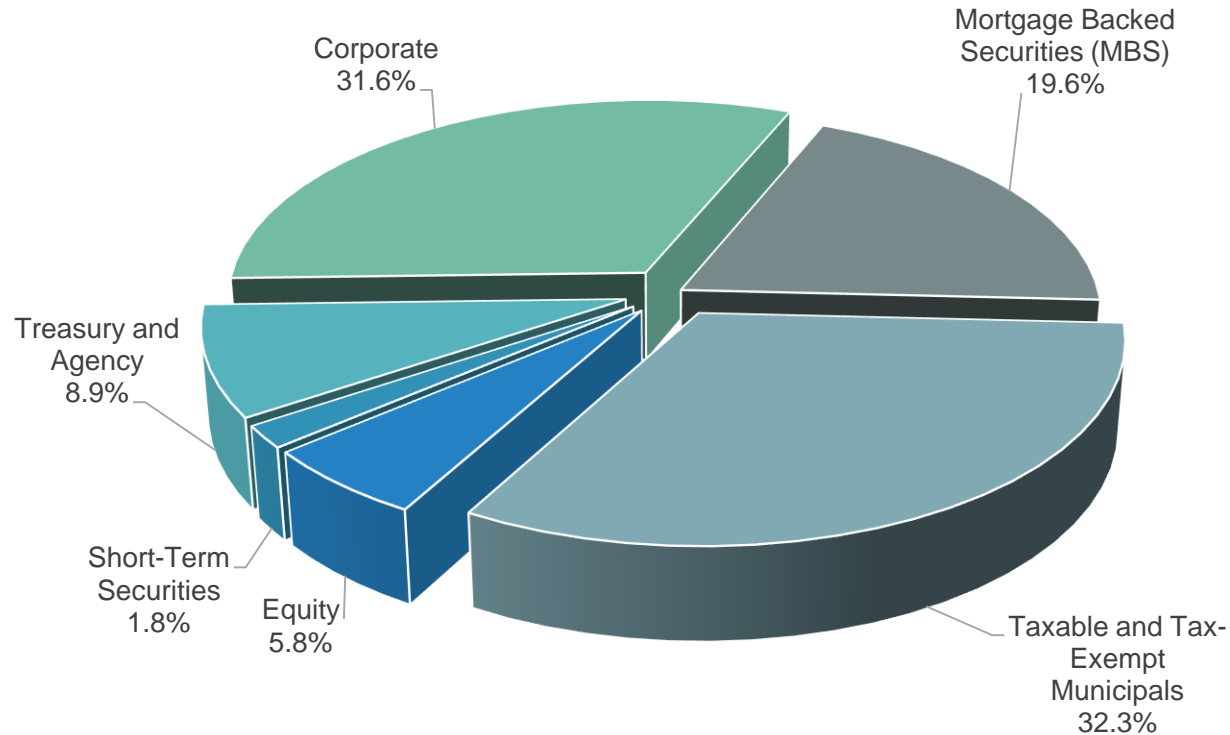
Shared services provide economies of scale

Reinsurance structure with Donegal Mutual reduces DGI earnings volatility

Historically successful seasoning process for acquisitions

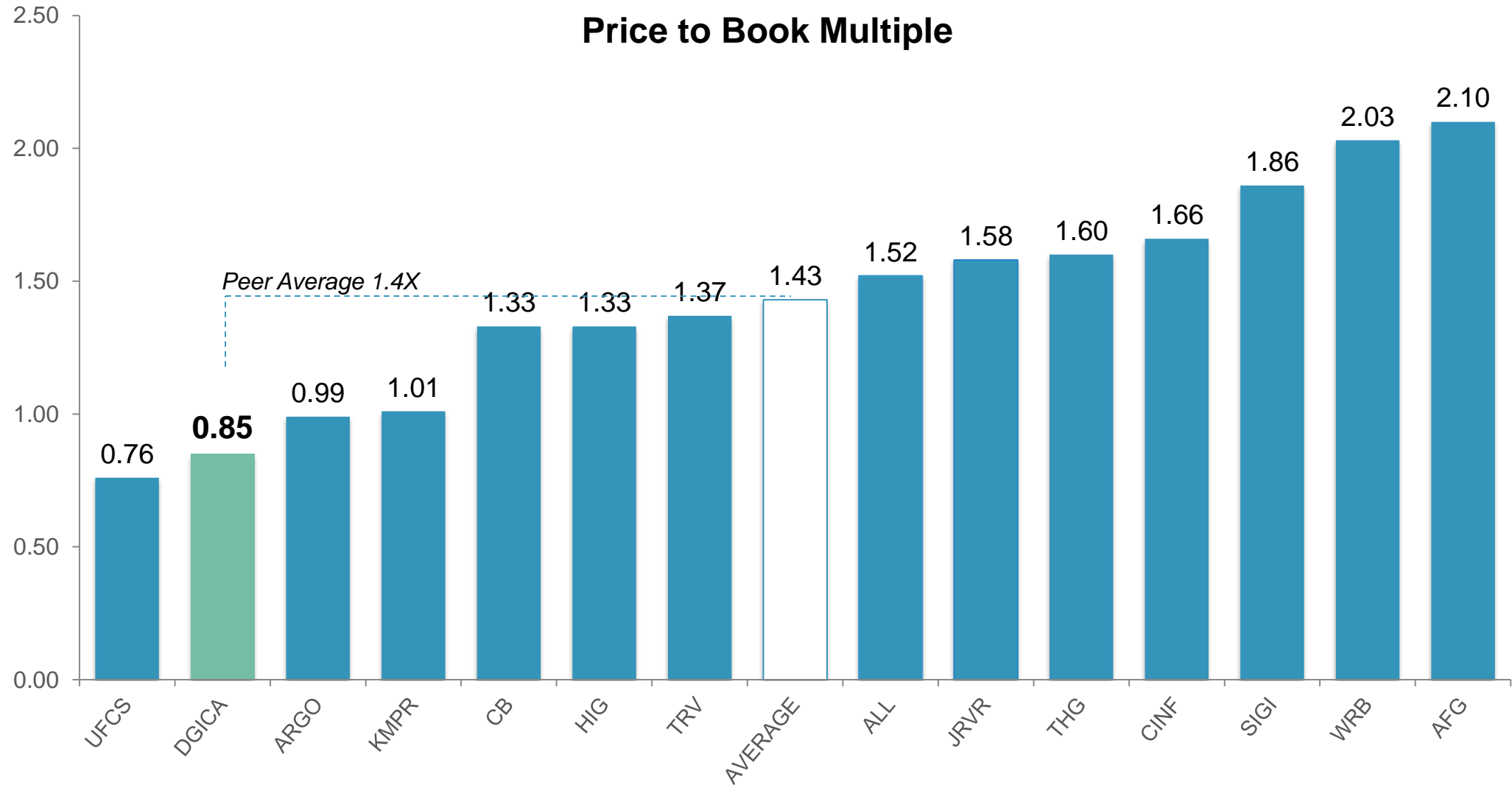
Conservative Investment Strategy

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



- 92.5% of portfolio invested in fixed maturities
 - Effective duration = 4.8 years
 - Tax-equivalent yield = 2.6%
- Emphasis on quality
- Liquidity managed through laddering

Valuation vs. Multi-Line Insurers (Stock Price as of September 2, 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



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

2021 Second Quarter



SUMMARY OF 2021 SECOND QUARTER FINANCIAL RESULTS

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
(dollars in thousands, except per share amounts)						
Income Statement Data						
Net premiums earned	\$ 192,489	\$ 184,374	4.4%	\$ 379,740	\$ 371,627	2.2%
Investment income, net	7,652	7,172	6.7	15,163	14,548	4.2
Net investment gains (losses)	4,241	6,486	-34.6	6,710	(4,209)	NM ²
Total revenues	205,146	198,900	3.1	403,116	383,811	5.0
Net income	16,164	22,679	-28.7	26,694	26,410	1.1
Non-GAAP operating income ¹	12,814	17,555	-27.0	21,393	29,896	-28.4
Annualized return on average equity	12.0%	19.1%	-7.1 pts	10.0%	11.3%	-1.3 pts
Per Share Data						
Net income – Class A (diluted)	\$ 0.53	\$ 0.79	-32.9%	\$ 0.88	\$ 0.92	-4.3%
Net income – Class B	0.48	0.72	-33.3	0.80	0.84	-4.8
Non-GAAP operating income – Class A (diluted)	0.42	0.61	-31.1	0.71	1.04	-31.7
Non-GAAP operating income – Class B	0.38	0.55	-30.9	0.64	0.95	-32.6
Book value	17.64	16.77	5.2	17.64	16.77	5.2

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 June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
	(dollars in thousands)					
Net Premiums Earned						
Commercial lines	\$ 115,300	\$ 101,870	13.2%	\$ 224,525	\$ 203,645	10.3%
Personal lines	77,189	82,504	-6.4	155,215	167,982	-7.6
Total net premiums earned	<u>\$ 192,489</u>	<u>\$ 184,374</u>	<u>4.4%</u>	<u>\$ 379,740</u>	<u>\$ 371,627</u>	<u>2.2%</u>
Net Premiums Written						
Commercial lines:						
Automobile	\$ 42,574	\$ 34,518	23.3%	\$ 89,813	\$ 72,911	23.2%
Workers' compensation	28,567	26,693	7.0	63,508	60,862	4.3
Commercial multi-peril	47,912	37,814	26.7	99,715	78,241	27.4
Other	9,970	8,583	16.2	20,421	17,293	18.1
Total commercial lines	<u>129,023</u>	<u>107,608</u>	<u>19.9</u>	<u>273,457</u>	<u>229,307</u>	<u>19.3</u>
Personal lines:						
Automobile	44,296	49,048	-9.7	87,303	96,816	-9.8
Homeowners	30,369	31,482	-3.5	53,057	55,259	-4.0
Other	5,917	5,565	6.3	11,650	10,558	10.3
Total personal lines	<u>80,582</u>	<u>86,095</u>	<u>-6.4</u>	<u>152,010</u>	<u>162,633</u>	<u>-6.5</u>
Total net premiums written	<u>\$ 209,605</u>	<u>\$ 193,703</u>	<u>8.2%</u>	<u>\$ 425,467</u>	<u>\$ 391,940</u>	<u>8.6%</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
GAAP Combined Ratios (Total Lines)				
Loss ratio (non-weather)	53.1%	47.0%	56.5%	53.0%
Loss ratio (weather-related)	6.1	10.1	4.9	6.9
Expense ratio	36.0	34.3	35.1	33.8
Dividend ratio	0.9	0.9	0.8	1.0
Combined ratio	<u>96.1%</u>	<u>92.3%</u>	<u>97.3%</u>	<u>94.7%</u>
Statutory Combined Ratios				
Commercial lines:				
Automobile	105.5%	104.4%	103.9%	110.8%
Workers' compensation	84.0	80.9	89.3	85.5
Commercial multi-peril	94.5	95.8	100.8	92.4
Other	<u>77.2</u>	<u>80.6</u>	<u>68.8</u>	<u>72.4</u>
Total commercial lines	<u>94.3</u>	<u>93.5</u>	<u>96.6</u>	<u>94.7</u>
Personal lines:				
Automobile	91.1	76.1	92.2	88.4
Homeowners	110.1	109.5	102.4	100.1
Other	<u>74.5</u>	<u>78.6</u>	<u>75.7</u>	<u>72.6</u>
Total personal lines	<u>96.9</u>	<u>88.1</u>	<u>94.7</u>	<u>91.5</u>
Total lines	<u>95.4%</u>	<u>91.0%</u>	<u>95.9%</u>	<u>93.3%</u>

INVESTMENT OPERATIONS

	June 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	\$ 112,042	8.9%	\$ 125,250	10.3%
Obligations of states and political subdivisions	408,230	32.3	381,284	31.2
Corporate securities	399,238	31.6	385,978	31.6
Mortgage-backed securities	246,918	19.6	249,233	20.4
Total fixed maturities	1,166,428	92.4	1,141,745	93.5
Equity securities, at fair value	72,757	5.8	58,556	4.8
Short-term investments, at cost	22,767	1.8	20,900	1.7
Total investments	<u>\$ 1,261,952</u>	<u>100.0%</u>	<u>\$ 1,221,201</u>	<u>100.0%</u>
Average investment yield	2.6%		2.5%	
Average tax-equivalent investment yield	2.6%		2.7%	
Average fixed-maturity duration (years)	4.8		4.2	

RECONCILIATION OF NET PREMIUMS EARNED TO NET PREMIUMS WRITTEN

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
	(dollars in thousands)					
Reconciliation of Net Premiums Earned to Net Premiums Written						
Net premiums earned	\$ 192,489	\$ 184,374	4.4%	\$ 379,740	\$ 371,627	2.2%
Change in net unearned premiums	17,116	9,329	83.5	45,727	20,313	125.1
Net premiums written	<u>\$ 209,605</u>	<u>\$ 193,703</u>	<u>8.2%</u>	<u>\$ 425,467</u>	<u>\$ 391,940</u>	<u>8.6%</u>

RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING INCOME

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
	(dollars in thousands, except per share amounts)					
Reconciliation of Net Income to Non-GAAP Operating Income						
Net income	\$ 16,164	\$ 22,679	-28.7%	\$ 26,694	\$ 26,410	1.1%
Investment (gains) losses (after tax)	(3,350)	(5,124)	-34.6	(5,301)	3,325	NM
Other, net	-	-	-	-	161	-100.0
Non-GAAP operating income	<u>\$ 12,814</u>	<u>\$ 17,555</u>	<u>-27.0%</u>	<u>\$ 21,393</u>	<u>\$ 29,896</u>	<u>-28.4%</u>
Per Share Reconciliation of Net Income to Non-GAAP Operating Income						
Net income – Class A (diluted)	\$ 0.53	\$ 0.79	-32.9%	\$ 0.88	\$ 0.92	-4.3%
Investment (gains) losses (after tax)	(0.11)	(0.18)	-38.9	(0.17)	0.11	NM
Other, net	-	-	-	-	0.01	-100.0
Non-GAAP operating income – Class A	<u>\$ 0.42</u>	<u>\$ 0.61</u>	<u>-31.1%</u>	<u>\$ 0.71</u>	<u>\$ 1.04</u>	<u>-31.7%</u>
Net income – Class B	\$ 0.48	\$ 0.72	-33.3%	\$ 0.80	\$ 0.84	-4.8%
Investment (gains) losses (after tax)	(0.10)	(0.17)	-41.2	(0.16)	0.10	NM
Other, net	-	-	-	-	0.01	-
Non-GAAP operating income – Class B	<u>\$ 0.38</u>	<u>\$ 0.55</u>	<u>-30.9%</u>	<u>\$ 0.64</u>	<u>\$ 0.95</u>	<u>-32.6%</u>