



NASDAQ: DGICA/DGICB

**First Quarter 2021
Investor Presentation
April 26, 2021**



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.

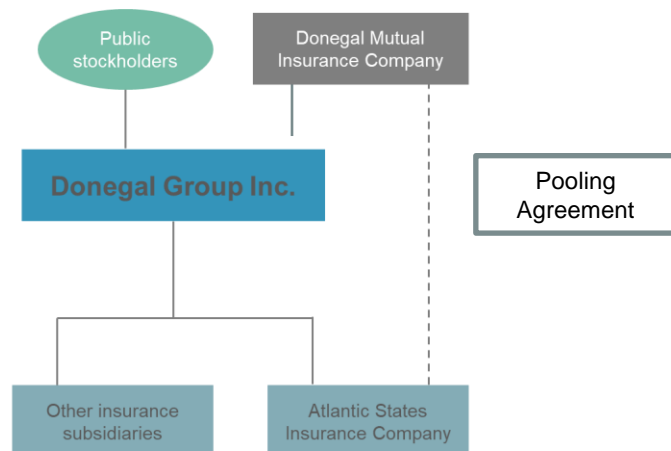
Reconciliations of non-GAAP data are included on pages 24-25 of this presentation.

- 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)
 - Q1 2021 combined ratio of 98.5%
 - 8.6% book value growth YoY to \$17.29 per share at 3/31/2021
- Expanding independent agency relationships to sustain commercial premium growth momentum
- DGICA dividend yield of 3.9% as of April 23, 2021
- DGICA trades at 0.94X 3/31/2021 book value as of April 23, 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 (~58% of 2020 total) and personal products (~42% of 2020 total), including commercial multi-peril, automobile, homeowners, workers' compensation and other coverages.



NASDAQ: DGICA/DGICB

Corporate Headquarters	Marietta, Pennsylvania
DGICA Share Description	25.0 million shares outstanding at 3/31/2021 (Voting rights 0.1:1)
DGICB Share Description	5.6 million shares outstanding (Voting rights 1:1)

	At 3/31/2021	At 12/31/2020	At 3/31/2020
Cash and Investments	\$1.3 billion	\$1.3 billion	\$1.2 billion
Total Assets	\$2.2 billion	\$2.2 billion	\$2.0 billion
Total Shareholders' Equity	\$529.2 million	\$517.8 million	\$459.6 million
Book Value Per Outstanding Common Share	\$17.29	\$17.13	\$15.92
DGICA Annual Dividend Per Share (as increased in April)	\$0.64	\$0.60	\$0.60

Current Figures (DGICA)

At 4-23-2021

Stock Price	\$16.25
52 Week Range	\$12.38 - \$16.48
Price to Book Value*	0.93X

* Based on 3/31/2021 Book Value

First Quarter 2021 – Operating Results

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

**Continuation of Improved Results
in Personal Lines**

Net Income

Net income of \$10.5 million, or 35 cents per diluted Class A share, for 2021 first quarter, compared to \$3.7 million, or 13 cents per diluted Class A share, for 2020 first quarter

Non-GAAP Operating Income*

Non-GAAP operating income of \$8.6 million, or \$0.29 per diluted Class A share, for 2021 first quarter, compared to \$12.3 million, or \$0.43 per diluted Class A share, for 2020 first quarter

Combined Ratio

Combined ratio of 98.5% for 2021 first quarter, compared to 97.0% for 2020 first quarter

Book Value

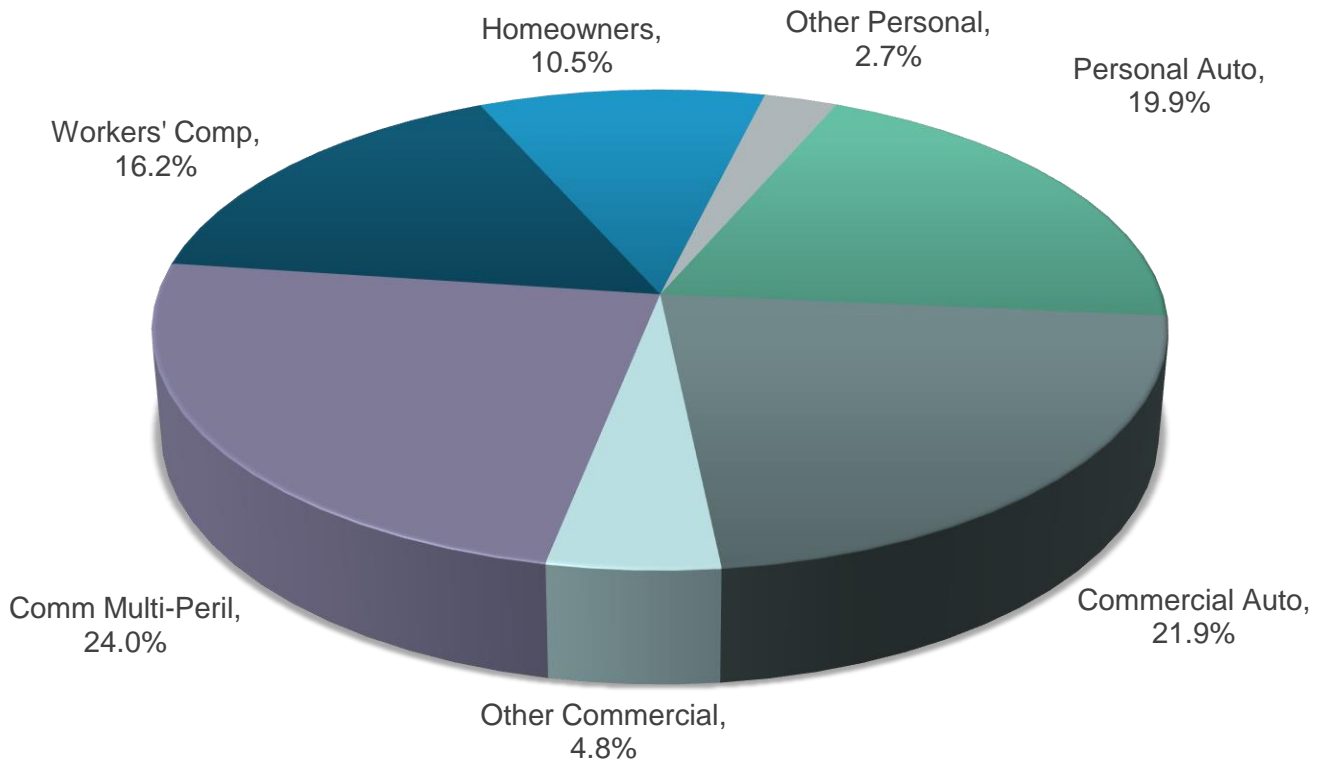
Book value per share grew to \$17.29 at March 31, 2021, compared to \$17.13 at December 31, 2020 and \$15.92 at March 31, 2020

Accomplishments in the Last Two Years

- Substantial **improvement in financial results** in 2019 and 2020
- **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 Q1 2021 by Line of Business



Personal Auto
Homeowners
Other Personal



Personal lines = 33.1% of NPW
Renewal Premium
Increases Averaged ~2%

Commercial Auto
Comm Multi-Peril
Workers' Comp
Other Commercial



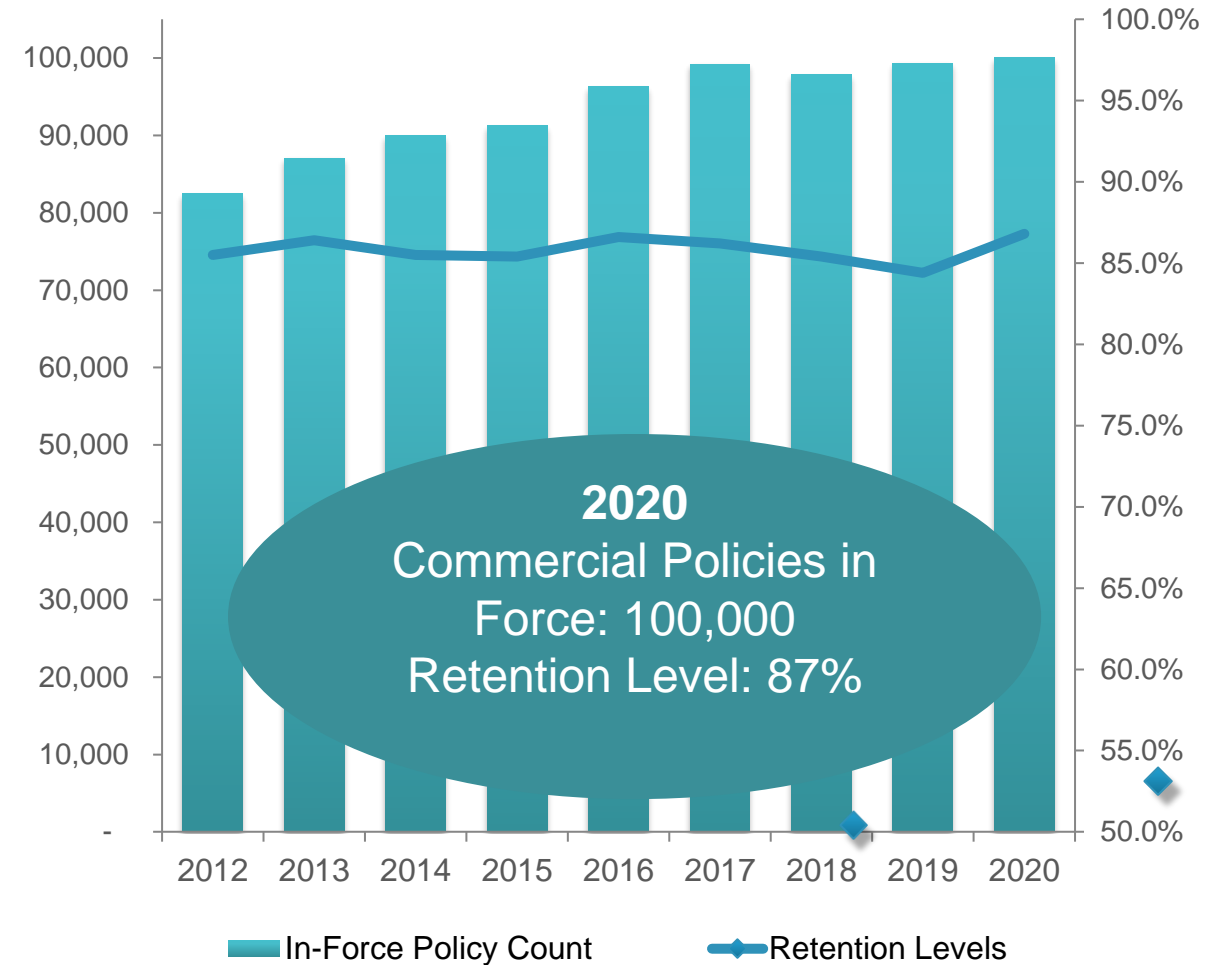
Commercial lines = 66.9% of NPW
Renewal Premium
Increases Averaged 4.7%
(9.9% for Commercial Auto)

Growth and Profitability in Commercial Lines

99.3% Commercial Lines
Statutory Combined Ratio
for Q1 2021



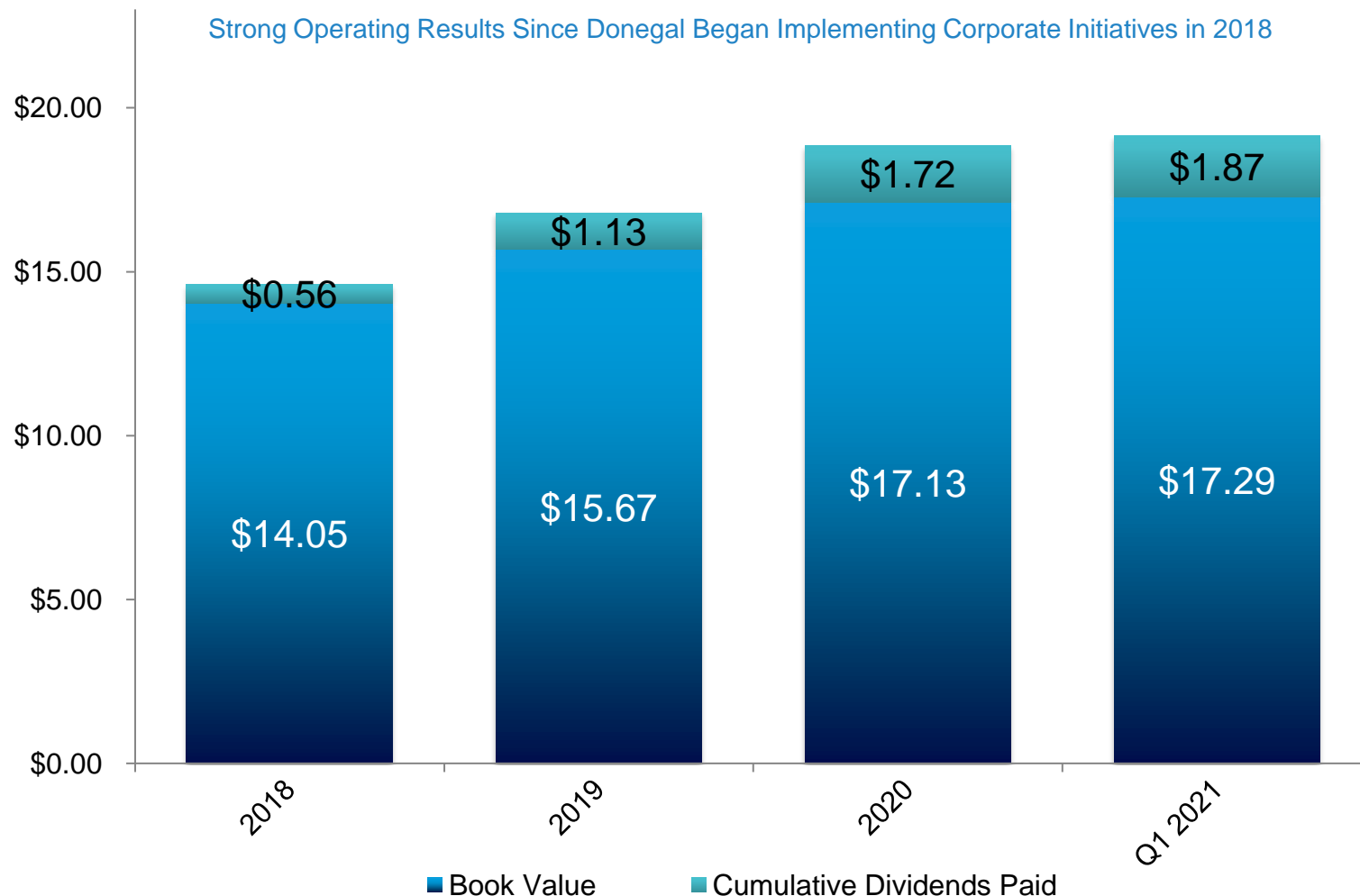
- ✓ Expand core Donegal products across regions
- ✓ Growth focus on accounts with premiums in \$10,000 to \$150,000 range
- ✓ Expand appetite within classes and lines already written:
 - Continued agency development
 - Modernize products to meet customer needs
 - Appropriately use reinsurance to support 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
- Dividend yield of 3.9% for Class A shares based on \$16.25 closing price as of 4/23/2021 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

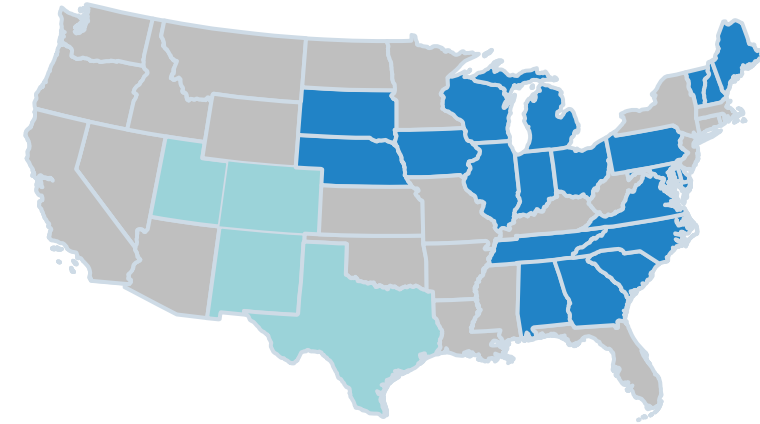
Donegal Mutual Acquisition of Mountain States Insurance Group

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



Growth Opportunity*

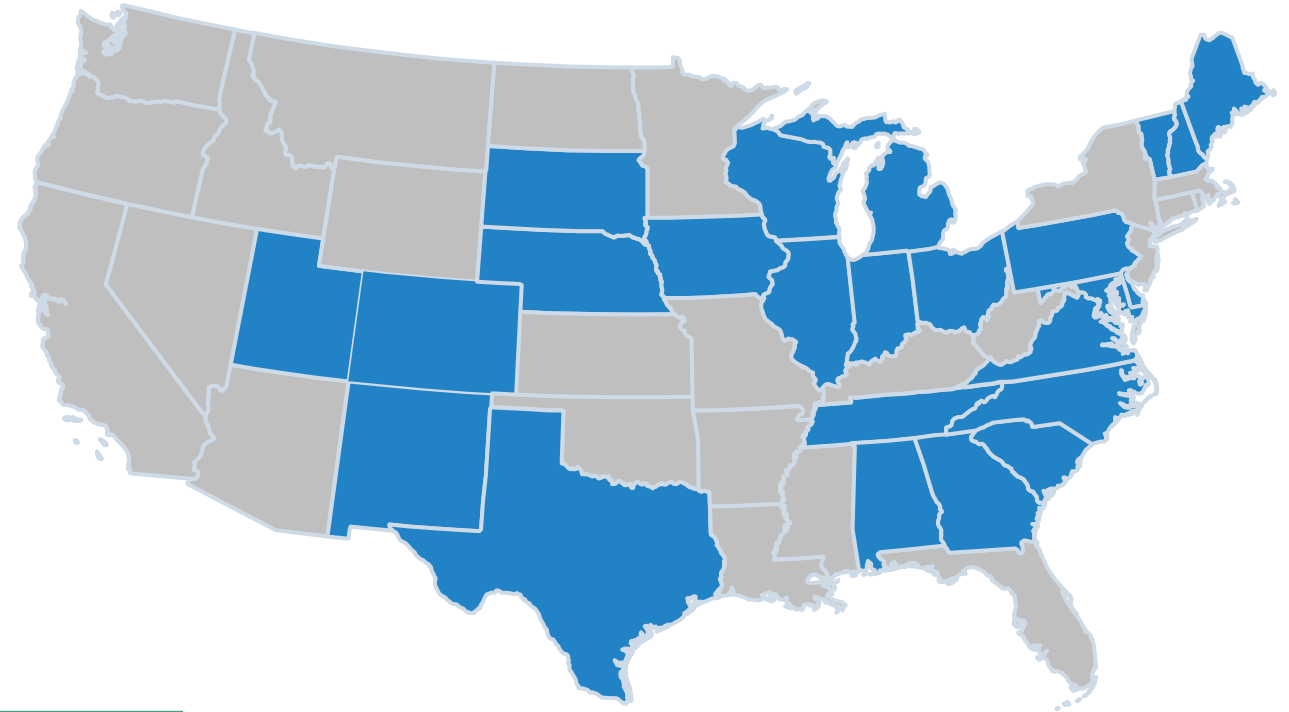
- The transaction represents a continuation of the acquisition strategy DGI and Donegal Mutual have shared over the past 30 years.
- Donegal Mutual began adding Mountain States business to pool beginning in 2021.



* DGI was not a party to the merger and received no financial benefit from the activities of the Mountain States Insurance Group prior to 2021.

Maintain Multi-Faceted Regional Growth Strategy

Now operating across 24 states in five operating regions



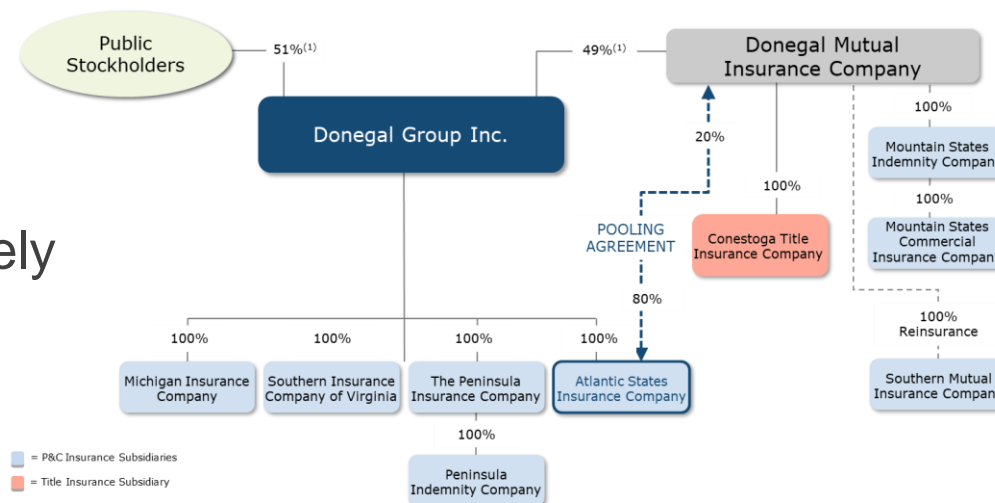
10 M&A transactions since 1988

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 March 31, 2021, Donegal Mutual held approximately 41.3% of our outstanding Class A common stock and approximately 83.5% 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

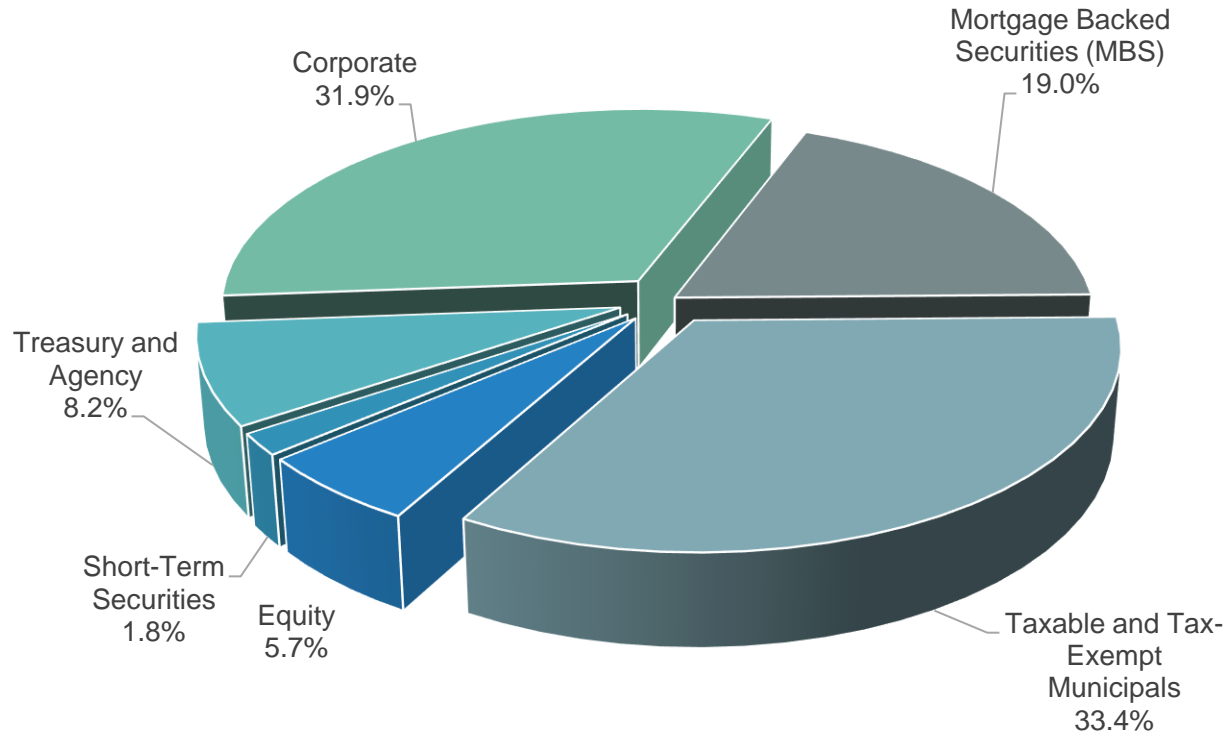
Shared services provide economies of scale

Reinsurance structure with Donegal Mutual reduces DGI earnings volatility

Historically successful seasoning process for acquisitions

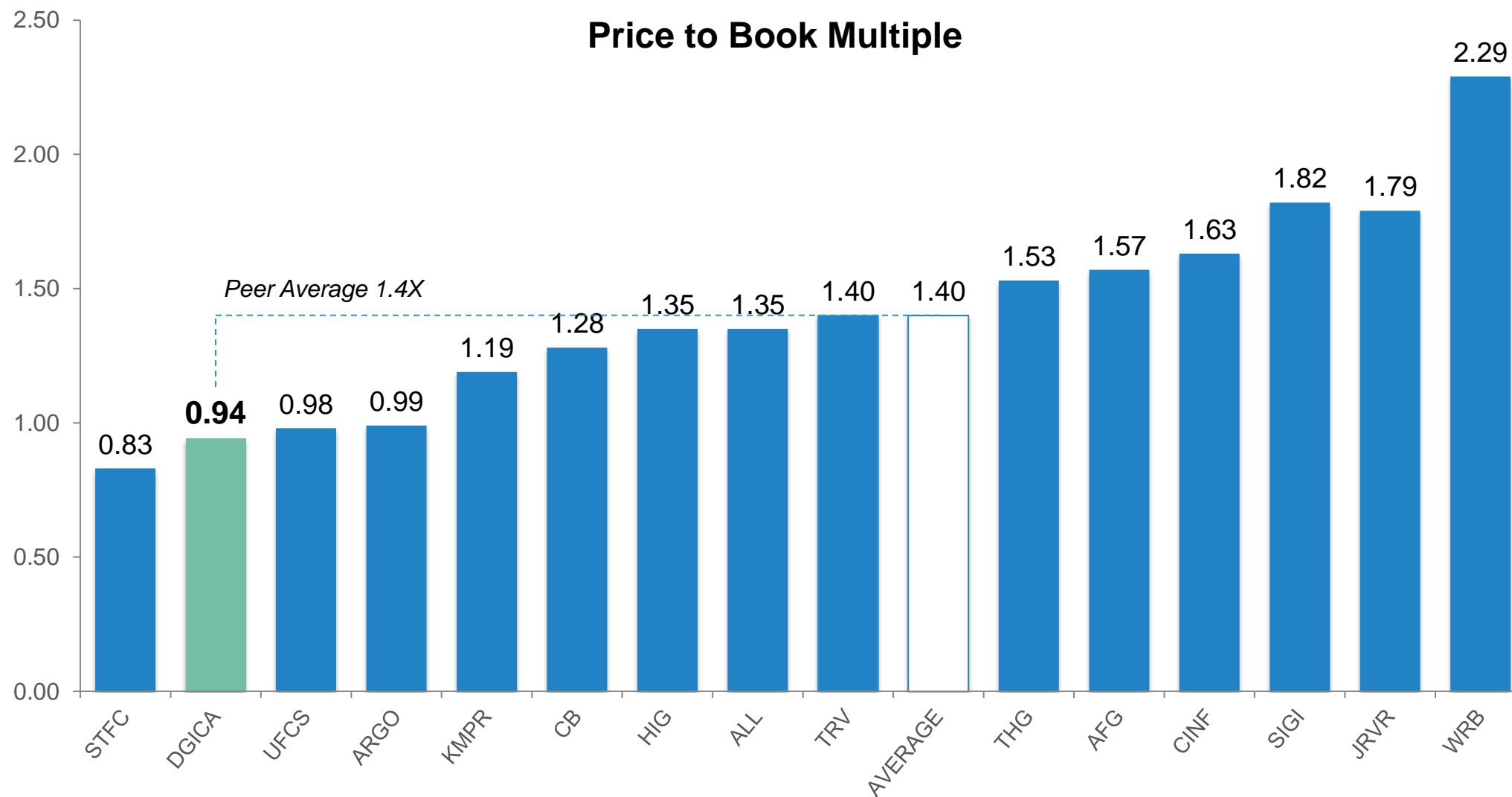
Conservative Investment Strategy

\$1.2 Billion in Invested Assets
(at March 31, 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 April 23, 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 First Quarter**



SUMMARY OF 2021 FIRST QUARTER FINANCIAL RESULTS

	Three Months Ended March 31,		
	2021	2020	% Change
	(dollars in thousands, except per share amounts)		
Income Statement Data			
Net premiums earned	\$ 187,252	\$ 187,253	0.0%
Investment income, net	7,511	7,376	1.8
Net investment gains (losses)	2,469	(10,695)	NM ²
Total revenues	197,970	184,911	7.1
Net income	10,530	3,731	182.2
Non-GAAP operating income ¹	8,579	12,341	-30.5
Annualized return on average equity	8.0%	3.3%	4.7 pts
Per Share Data			
Net income – Class A (diluted)	\$ 0.35	\$ 0.13	169.2%
Net income – Class B	0.32	0.12	166.7
Non-GAAP operating income – Class A (diluted)	0.29	0.43	-32.6
Non-GAAP operating income – Class B	0.26	0.40	-35.0
Book value	17.29	15.92	8.6

¹The “Definitions of Non-GAAP Financial Measures” section of this release defines data that the Company prepares on an accounting basis other than U.S. generally accepted accounting principles (“GAAP”) and reconciles such data to GAAP measures.

²Not meaningful.

	Three Months Ended March 31,		
	2021	2020	% Change
	(dollars in thousands)		
Net Premiums Earned			
Commercial lines	\$ 109,226	\$ 101,775	7.3%
Personal lines	78,026	85,478	-8.7
Total net premiums earned	<u>\$ 187,252</u>	<u>\$ 187,253</u>	<u>0.0%</u>
Net Premiums Written			
Commercial lines:			
Automobile	\$ 47,239	\$ 38,393	23.0%
Workers' compensation	34,941	34,169	2.3
Commercial multi-peril	51,803	40,427	28.1
Other	10,451	8,710	20.0
Total commercial lines	<u>144,434</u>	<u>121,699</u>	<u>18.7</u>
Personal lines:			
Automobile	43,007	47,768	-10.0
Homeowners	22,688	23,777	-4.6
Other	5,733	4,993	14.8
Total personal lines	<u>71,428</u>	<u>76,538</u>	<u>-6.7</u>
Total net premiums written	<u>\$ 215,862</u>	<u>\$ 198,237</u>	<u>8.9%</u>

	Three Months Ended	
	March 31,	
	2021	2020
GAAP Combined Ratios (Total Lines)		
Loss ratio (non-weather)	60.0%	58.9%
Loss ratio (weather-related)	3.7	3.7
Expense ratio	34.1	33.4
Dividend ratio	0.7	1.0
Combined ratio	<u>98.5%</u>	<u>97.0%</u>
Statutory Combined Ratios		
Commercial lines:		
Automobile	102.3%	117.4%
Workers' compensation	95.4	90.1
Commercial multi-peril	107.7	89.1
Other	60.1	64.2
Total commercial lines	<u>99.3</u>	<u>96.0</u>
Personal lines:		
Automobile	93.4	100.0
Homeowners	94.7	90.7
Other	76.9	66.5
Total personal lines	<u>92.6</u>	<u>94.7</u>
Total lines	<u>96.5%</u>	<u>95.4%</u>

	March 31, 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	\$ 98,168	8.2%	\$ 125,250	10.3%
Obligations of states and political subdivisions	401,493	33.4	381,284	31.2
Corporate securities	383,201	31.9	385,978	31.6
Mortgage-backed securities	228,278	19.0	249,233	20.4
Total fixed maturities	1,111,140	92.5	1,141,745	93.5
Equity securities, at fair value	68,640	5.7	58,556	4.8
Short-term investments, at cost	21,098	1.8	20,900	1.7
Total investments	<u>\$ 1,200,878</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)	4.8		4.2	

RECONCILIATION OF NET PREMIUMS EARNED TO NET PREMIUMS WRITTEN

	Three Months Ended March 31,		
	2021	2020	% Change
	(dollars in thousands)		
Reconciliation of Net Premiums Earned to Net Premiums Written			
Net premiums earned	\$ 187,252	\$ 187,253	0.0%
Change in net unearned premiums	28,610	10,984	160.5
Net premiums written	<u>\$ 215,862</u>	<u>\$ 198,237</u>	<u>8.9%</u>

RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING INCOME

	Three Months Ended March 31,		
	2021	2020	% Change
	(dollars in thousands, except per share amounts)		
Reconciliation of Net Income to Non-GAAP Operating Income			
Net income	\$ 10,530	\$ 3,731	182.2%
Investment (gains) losses (after tax)	(1,951)	8,449	NM
Other, net	-	161	-100.0
Non-GAAP operating income	<u>\$ 8,579</u>	<u>\$ 12,341</u>	<u>-30.5%</u>
Per Share Reconciliation of Net Income to Non-GAAP Operating Income			
Net income – Class A (diluted)	\$ 0.35	\$ 0.13	169.2%
Investment (gains) losses (after tax)	(0.06)	0.29	NM
Other, net	-	0.01	-100.0
Non-GAAP operating income – Class A	<u>\$ 0.29</u>	<u>\$ 0.43</u>	<u>-32.6%</u>
Net income – Class B	\$ 0.32	\$ 0.12	166.7%
Investment (gains) losses (after tax)	(0.06)	0.27	NM
Other, net	-	0.01	-100.0
Non-GAAP operating income – Class B	<u>\$ 0.26</u>	<u>\$ 0.40</u>	<u>-35.0%</u>