



DONEGAL[®]

GROUP INC.

NASDAQ: DGICA/DGICB
www.donegalgroup.com

There when it matters most.



SAFE HARBOR

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 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 operates, interest rates, competition from various insurance and other financial businesses, acts of terrorism, the availability and cost of reinsurance, adverse and catastrophic weather events, legal and judicial developments, changes in regulatory requirements, the Company's ability to integrate and manage successfully the insurance companies it may acquire from time to time 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.

WHAT IS DONEGAL GROUP?

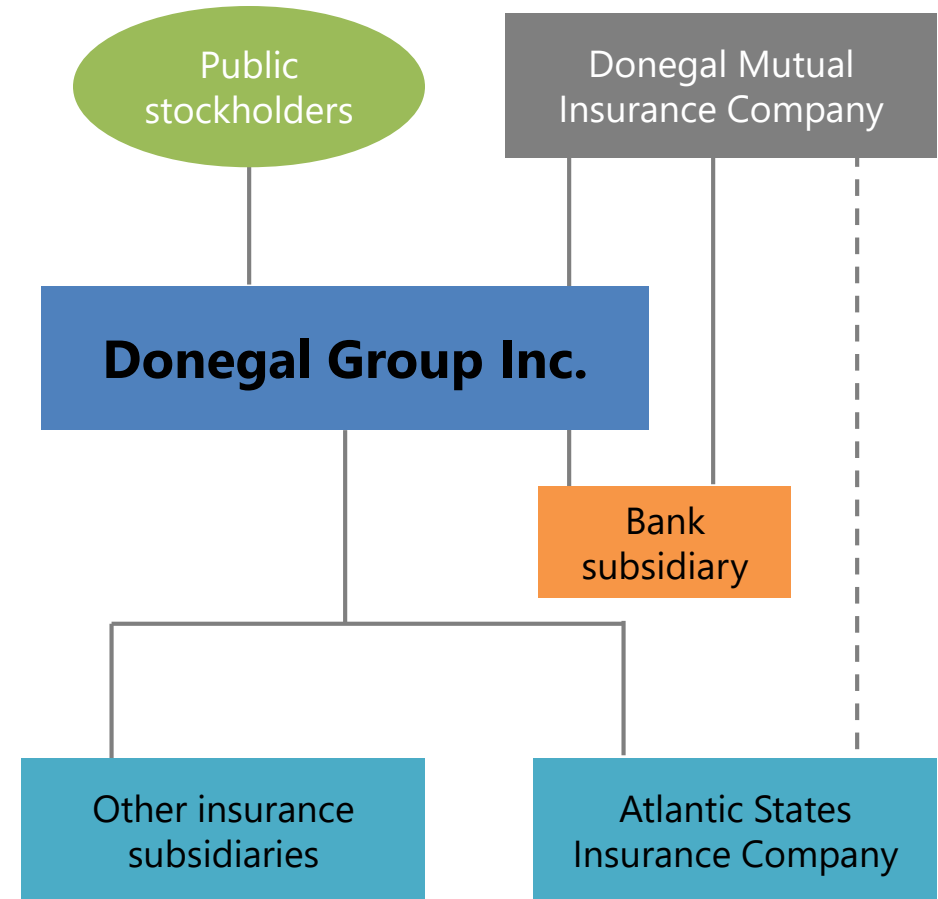
Insurance holding company with mutual affiliate pursuing an effective strategy in regional insurance markets

- Regional property and casualty insurance group
 - 21 Mid-Atlantic, Midwestern, New England and Southern states
 - Distribution force of approximately 2,400 independent agencies
 - Completed 10 M&A transactions between 1988 and 2010
- Interrelated operations and pooling agreement with Donegal Mutual since inception in 1986
- DGICA and DGICB trade on NASDAQ exchange (shares identical with the exception of voting and dividend rights)
 - Majority of equity holders in DGICA
 - Donegal Mutual holds majority voting control
- DGICA dividend yield of 3.4% at 9/30/2016

NASDAQ: DGICA/DGICB		
Corporate Headquarters	Marietta, Pennsylvania	
DGICA Share Description	21.2 million shares outstanding (Voting rights 0.1:1)	
DGICB Share Description	5.6 million shares outstanding (Voting rights 1:1)	
	At 9/30/2016	At 12/31/2015
Cash and Investments	\$975.9 million	\$928.9 million
Total Assets	\$1.62 billion	\$1.54 billion
Total Shareholders' Equity	\$444.0 million	\$408.4 million
Book Value Per Outstanding Common Share	\$16.59	\$15.66
DGICA Annual Dividend Per Share	\$0.55	\$0.54
Current Figures (DGICA)		
	At 9/30/2016	
Stock Price	\$16.11	
Price to Book Value	0.97x	
Price/Earnings (ttm)	15.5x	
Return on Equity (ttm)	7.9%	

STRUCTURE PROVIDES STABILITY TO PURSUE SUCCESSFUL LONG-TERM BUSINESS STRATEGY

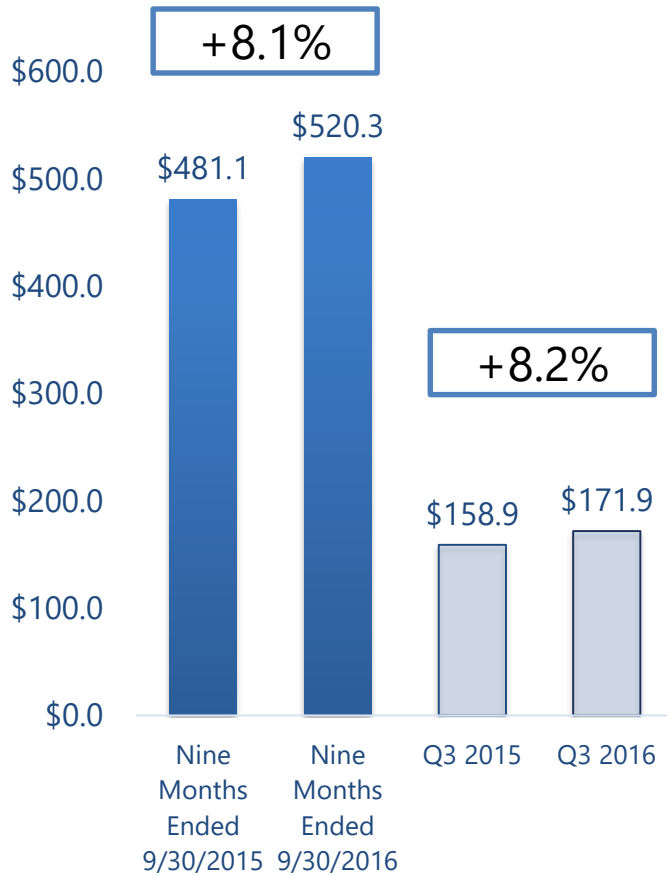
- Outperform industry in service, profitability and book value growth
- Drive revenues with organic growth and opportunistic affiliations
- Focus on margin enhancements and investment contributions



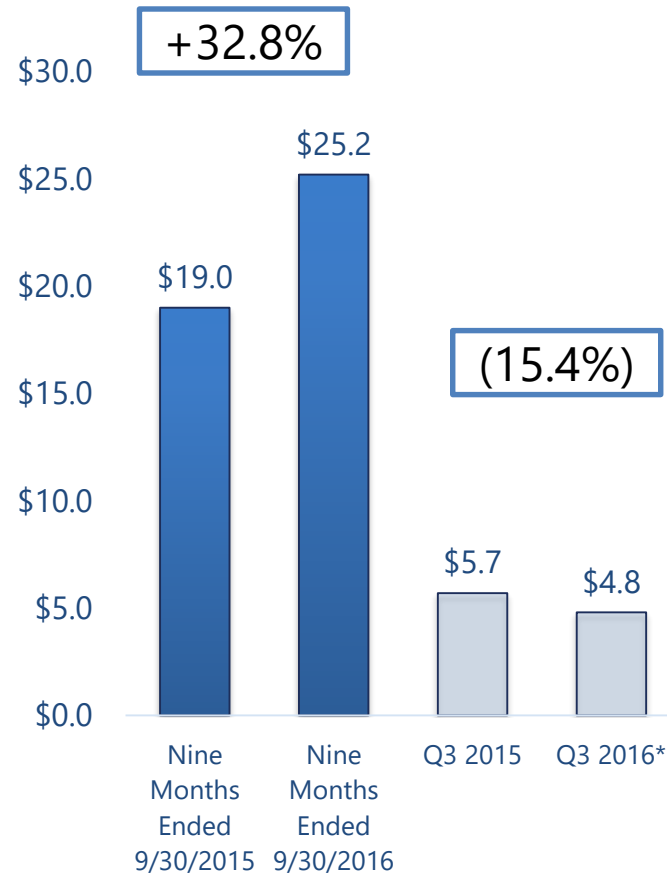
(Detailed organizational chart included in Supplemental Information – see page 28)

THREE AND NINE MONTHS ENDED 9/30/2016: STRONG FINANCIAL RESULTS

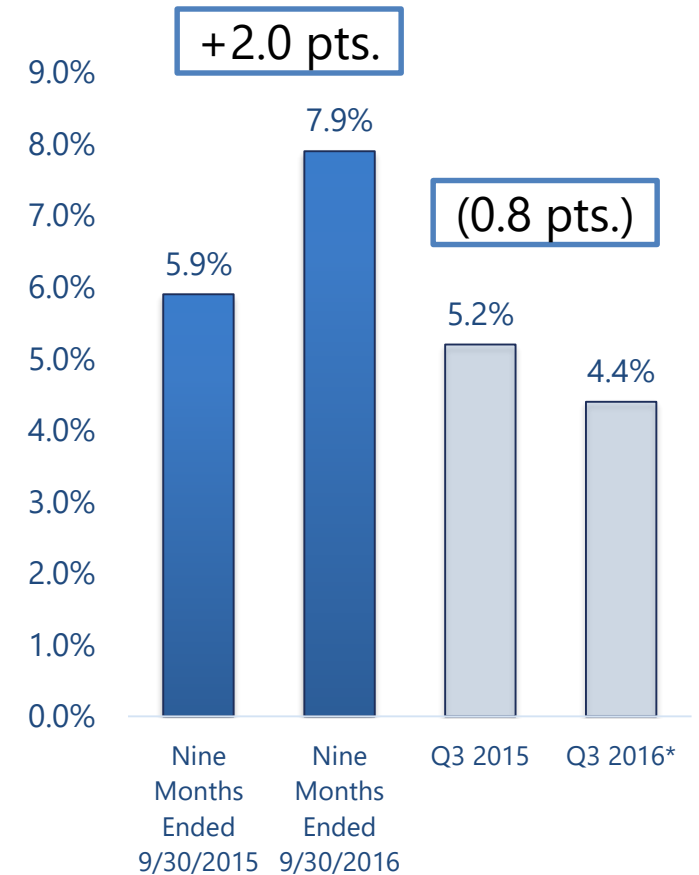
Net Written Premiums



Net Income



Annualized ROAE



* The decrease in net income and ROAE for the third quarter 2016 was the result of higher than anticipated personal auto incurred losses; however, not deemed to be indicative of any long-term trend.

NINE MONTHS ENDED 9/30/2016 HIGHLIGHTS

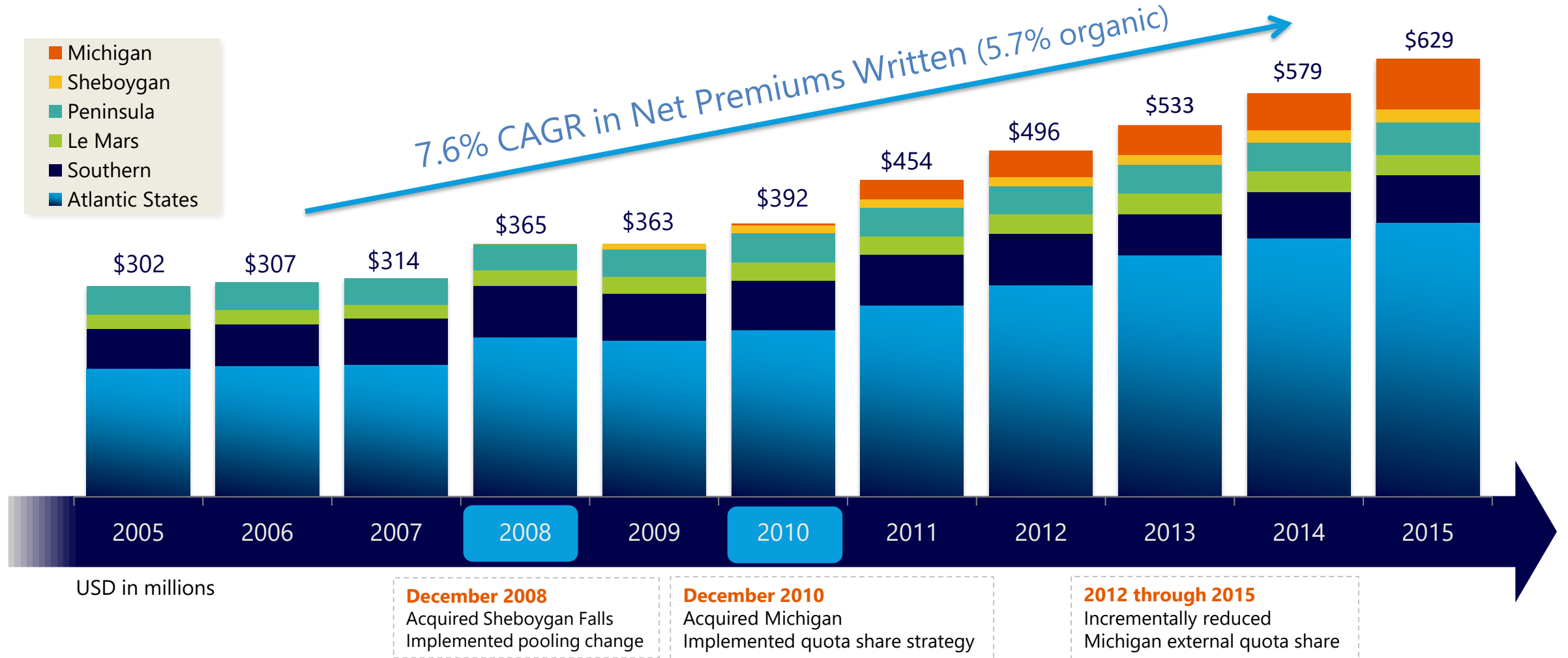
- 8.1% increase in net written premiums
 - Represents a combination of 12.1% growth in commercial lines net premiums written and 5.0% growth in personal lines net premiums written
- 95.6% statutory combined ratio*
 - Continuing benefits from rate increases and underwriting initiatives
- Book value per share of \$16.59, compared to \$15.66 at YE 2015

8.2% increase for Q3 2016

99.5% for Q3 2016

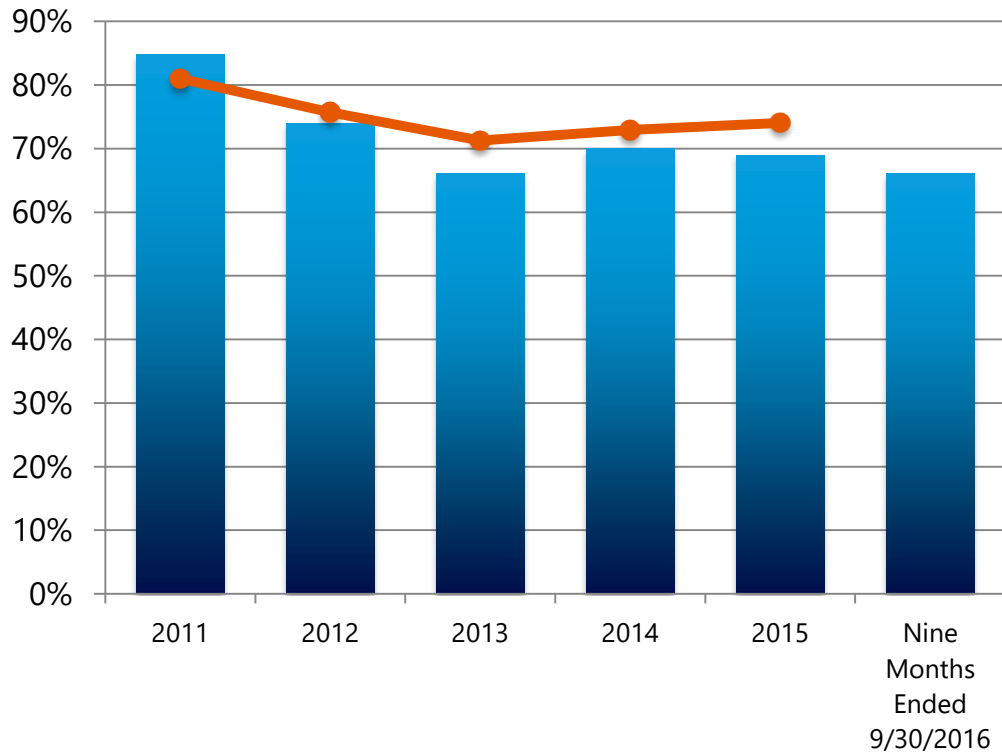
** Reconciliations and definitions of non-GAAP data are available on our website*

DRIVE REVENUES WITH ORGANIC GROWTH AND OPPORTUNISTIC AFFILIATIONS

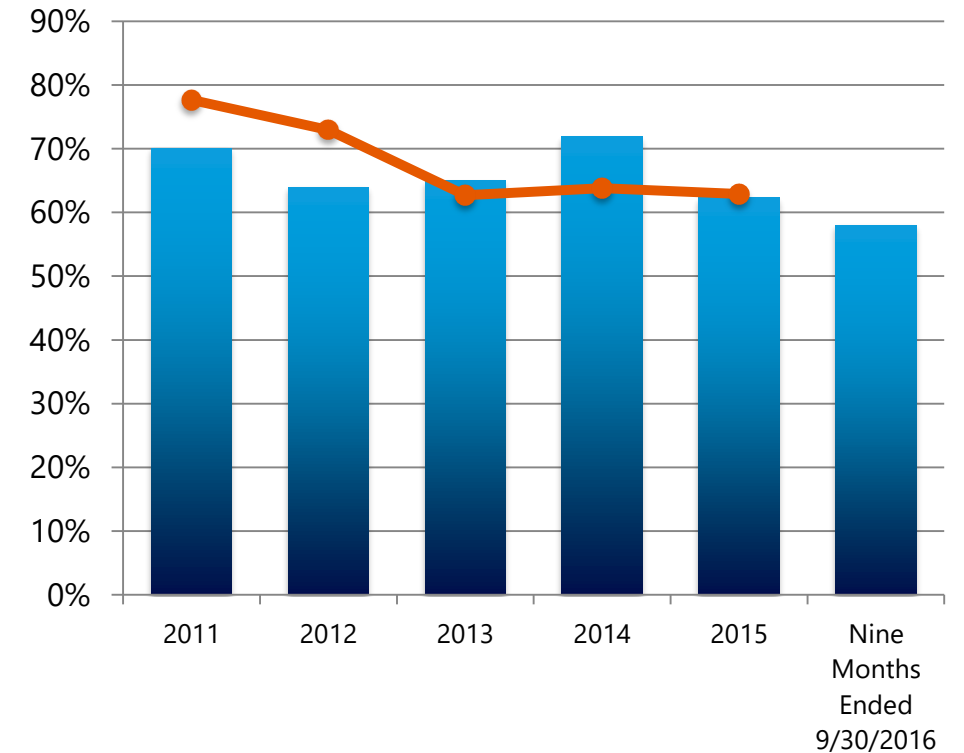


UNDERWRITING PROFITABILITY TO ENHANCE MARGINS

Personal Lines Loss Ratio



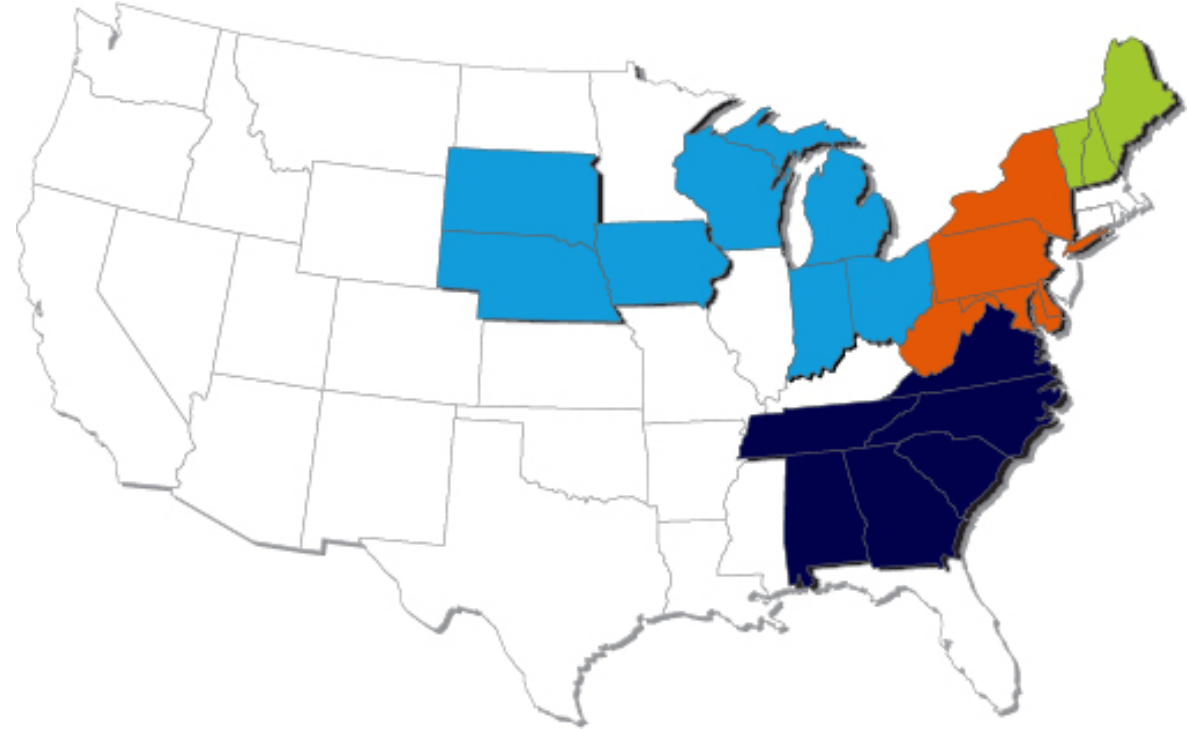
Commercial Lines Loss Ratio



■ Donegal — SNL P&C Industry (Aggregate)

MAINTAIN MULTIFACETED REGIONAL GROWTH STRATEGY

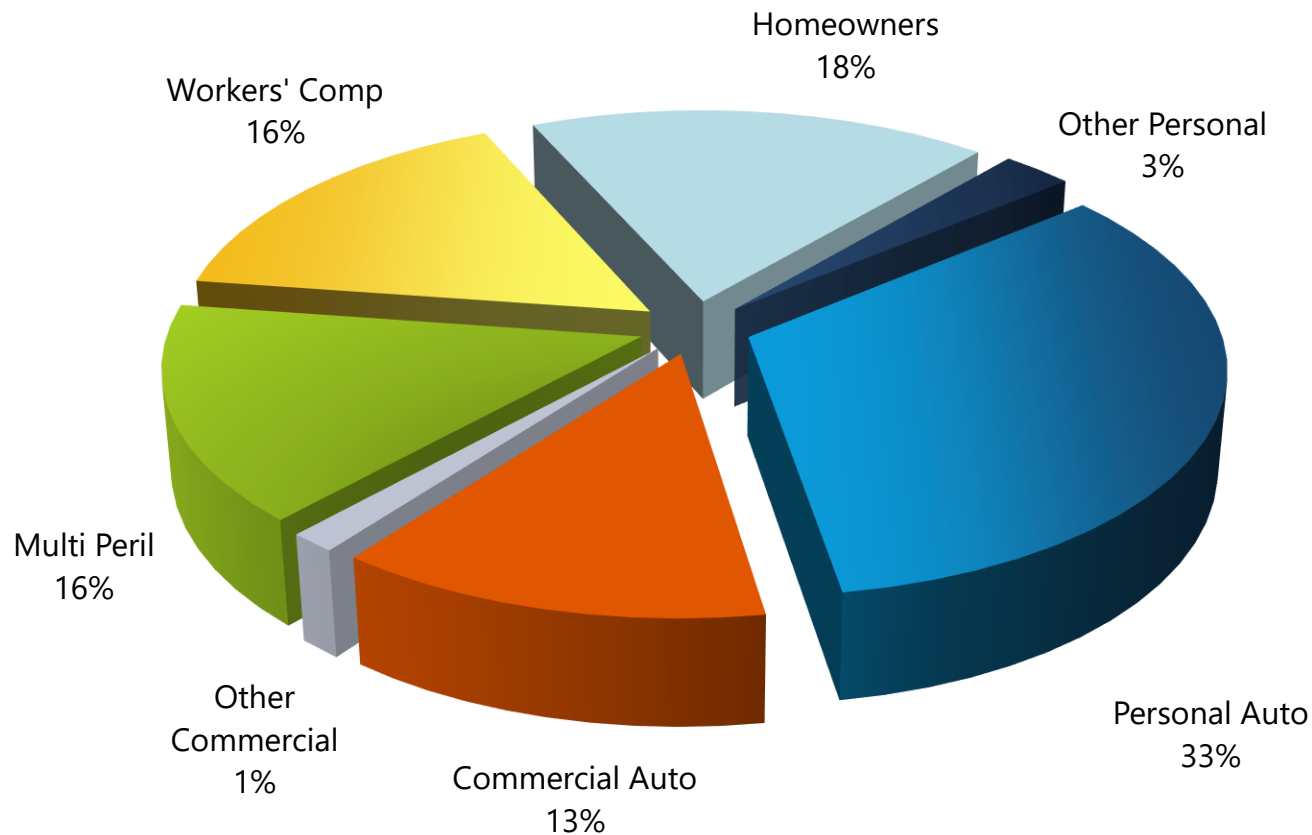
- \$628 million full year 2015 and \$520 million for nine months ended 9/30/16 in net premiums written across 21 states in four operating regions
 - Over \$800 million in annual direct premiums written for insurance group*
- 10 M&A transactions since 1988
- Acquisition criteria:
 - Serving attractive geography
 - Favorable regulatory, legislative and judicial environments
 - Similar personal/commercial business mix
 - Premium volume up to \$100 million



* FY 2015 - Includes Donegal Mutual Insurance Company and Southern Mutual Insurance Company

STRATEGIC EFFORTS TO BALANCE BUSINESS MIX

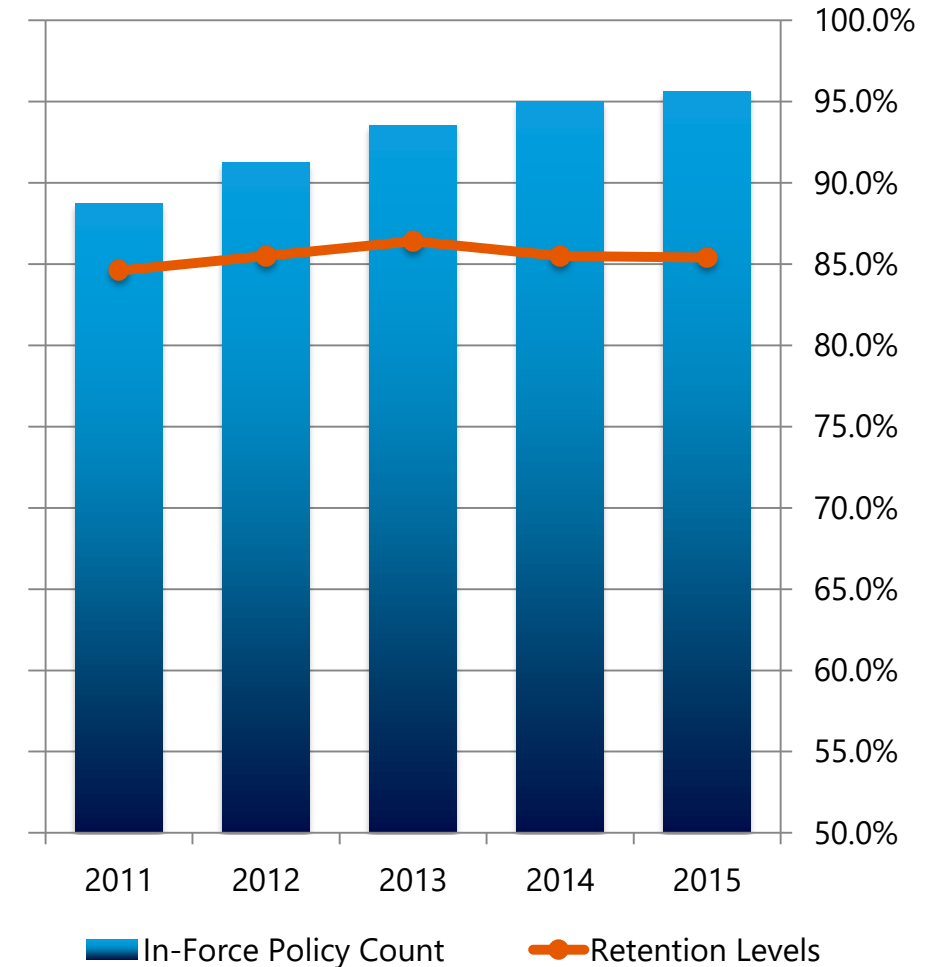
Net Written Premiums by Line of Business
(First Nine Months of 2016)



- Commercial lines =
43% of NWP for Third Quarter 2016
 - Commercial lines renewal premium increases in 3-5% range
 - Ongoing emphasis on new business growth in all regions
- Personal lines =
57% of NWP for Third Quarter 2016
 - Rate increases in 2-4% range
 - Modest new business growth

EMPHASIZE GROWTH IN COMMERCIAL LINES

- 94.3% statutory combined ratio for nine months ended 9/30/16
- Expand core Donegal products in newer regions
- Growth focus on accounts with premiums in \$10,000 to \$75,000 range
- Expand appetite within classes and lines already written:
 - Agency development
 - Add related classes
 - Appropriately use reinsurance
- Disciplined underwriting:
 - Expand use of predictive modeling
 - Large account reviews
 - Loss control



FOCUS ON PERSONAL LINES PROFITABILITY

- 99.9% statutory combined ratio for nine months ended 9/30/16
- Focus on the preferred and superior risk markets
- Underwriting initiatives:
 - Modest rate increases in virtually every jurisdiction
 - Expand use of predictive modeling
 - Property inspections
 - Seek geographic spread of risk
 - Balance portfolio (auto/home)
- Strong policy retention



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
- 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



SUPPORT AGENTS WITH BEST-IN-CLASS TECHNOLOGY



ClaimsCenter

BillingCenter

ImageRight

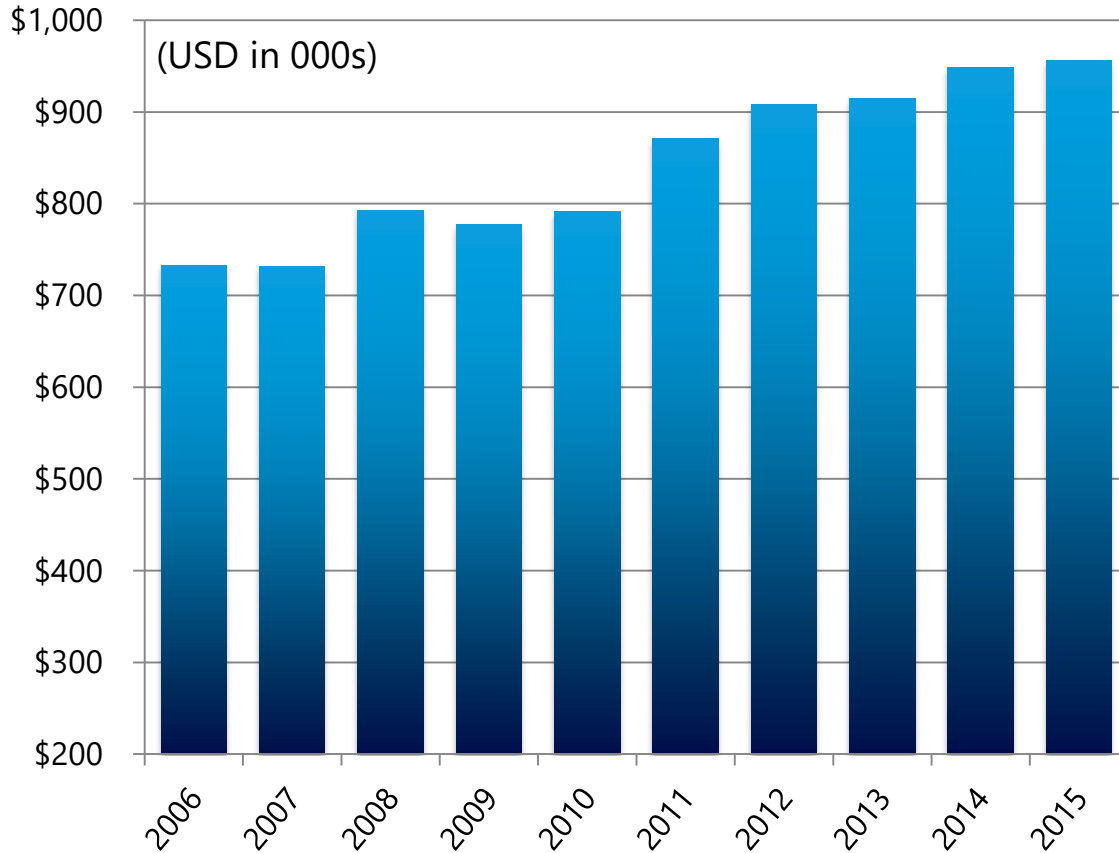
Call Center



Service Center

DRIVE INCREASED EFFICIENCY WITH AUTOMATION

Direct Premiums per Employee



- Current infrastructure can support premium growth
- Premiums per employee rising due to technology systems
- Claims system allows more rapid and efficient claims handling
- Mutual affiliation provides opportunities for operational and expense synergies
- Statutory expense ratio of 30.9% for full year 2015

ENHANCE UNDERWRITING PROFITABILITY TO IMPROVE OPERATING MARGINS

- Sustain pricing discipline and conservative underwriting
- Manage exposure to catastrophe/unusual weather events
 - Reinsurance coverage in excess of a 200-year event
- Link employee incentive compensation directly to underwriting performance
- Focus on rate adequacy and pricing sophistication
- Coordinated underwriting across all regions
- Emphasize IT-based programs such as automated decision trees and predictive modeling

EMPLOY SOPHISTICATED PRICING AND ACTUARIAL TOOLS

- Predictive modeling tools enhance our ability to appropriately price our products
 - Sophisticated predictive modeling algorithms for pricing/tiering risks
 - Territorial segmentation and analysis of environmental factors that affect loss experience
 - Expanding use of predictive modeling to additional lines of business
- Formal schedule of regular rate adequacy reviews for all lines of business, including GLM analysis on claim costs and agency performance
- Telematics/usage-based insurance initiatives

MAINTAIN EMPHASIS ON RESERVE ADEQUACY

- Reserves at \$322.1 million at YE 2015
 - Midpoint of actuarial range
 - Conservative reinsurance program limits volatility
- Emphasis on faster claims settlements to reduce longer-term exposures
- 2015 development of \$7.2 million within targeted range

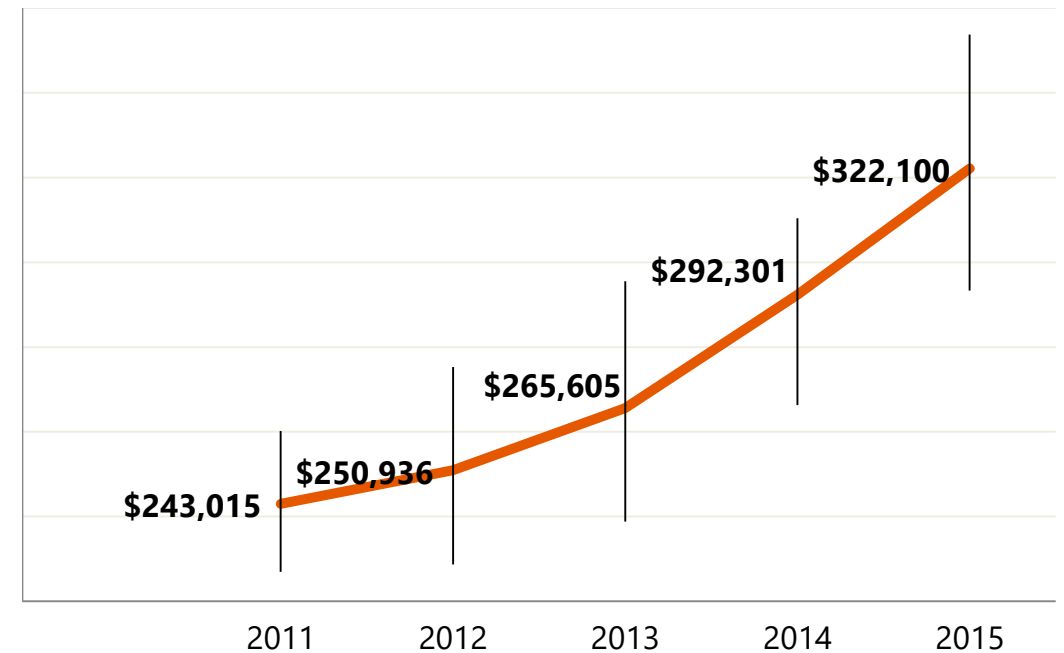
Established Reserves at Year-end

Reserve Range at 12/31/2015

Low \$293.3 million

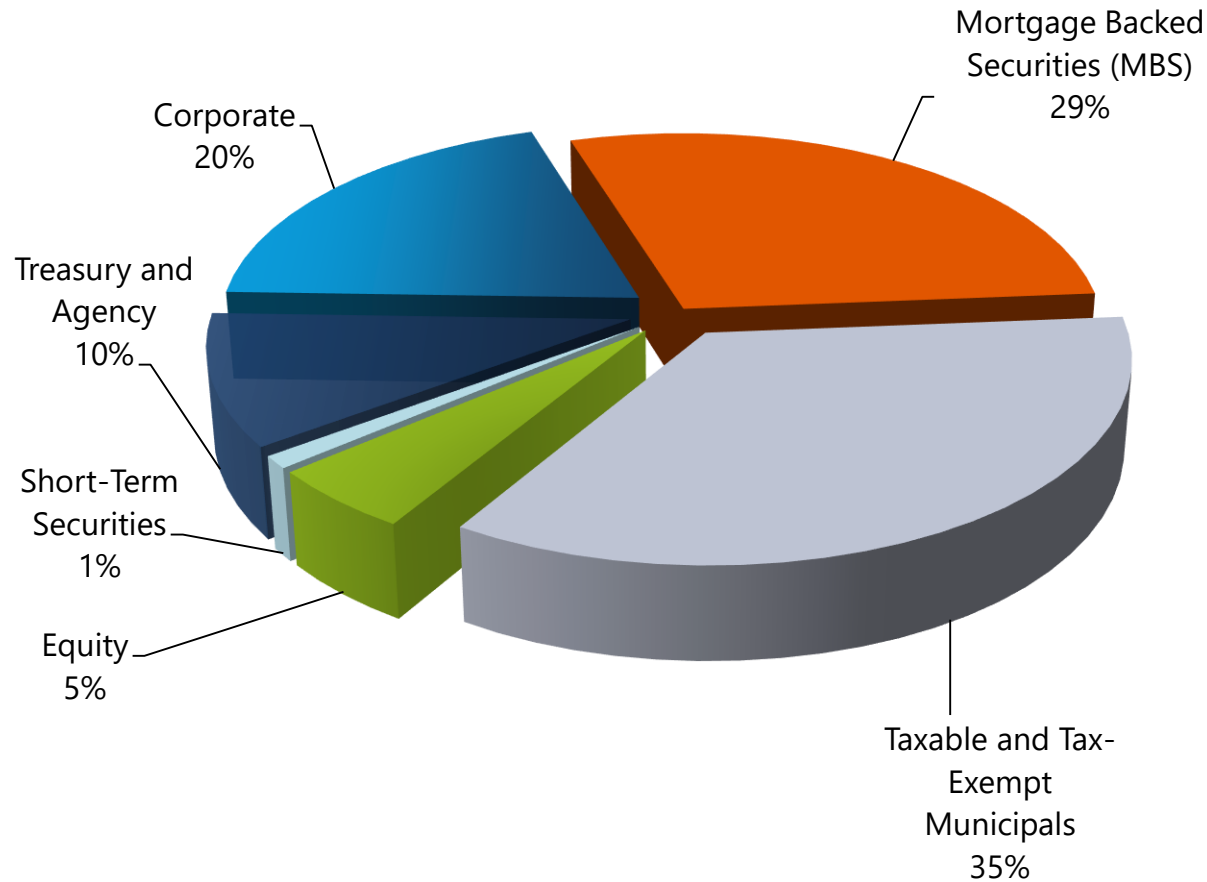
High \$353.7 million

Selected at midpoint



MAINTAIN CONSERVATIVE INVESTMENT MIX

\$903.7 Million in Invested Assets*
(at September 30, 2016)



- 90% of portfolio invested in fixed maturities
 - Effective duration = 4.1 years
 - Tax equivalent yield = 3.0%
- Emphasis on quality
 - 73% AA-rated or better
 - 84% A-rated or better
- Liquidity managed through laddering

* Excluding investment in affiliate

DONEGAL FINANCIAL SERVICES CORPORATION

Bank Investment = 5% of Invested Assets

- DFSC owns 100% of Union Community Bank
 - Serves Lancaster County (location of Donegal headquarters) with 15 branch offices
- Expanded via acquisition in 2011
 - Added scale to banking operation
 - Enhanced value of historic bank investment
 - Increased potential for bottom-line contribution
- DGI owns approximately 48% of DFSC
 - 52% owned by Donegal Mutual
- Union Community Bank is financially strong and profitable



UNION COMMUNITY BANK

48% owned by Donegal Group Inc.

- 2015 financial results:
 - \$508 million in assets at YE 2015
 - \$2.7 million in 2015 net income
- Excellent capital ratios at September 30, 2016:

Tier 1 capital to average total assets	16.56%
Tier 1 capital to risk-weighted assets	22.37%
Risk-based capital to risk-weighted assets	23.50%

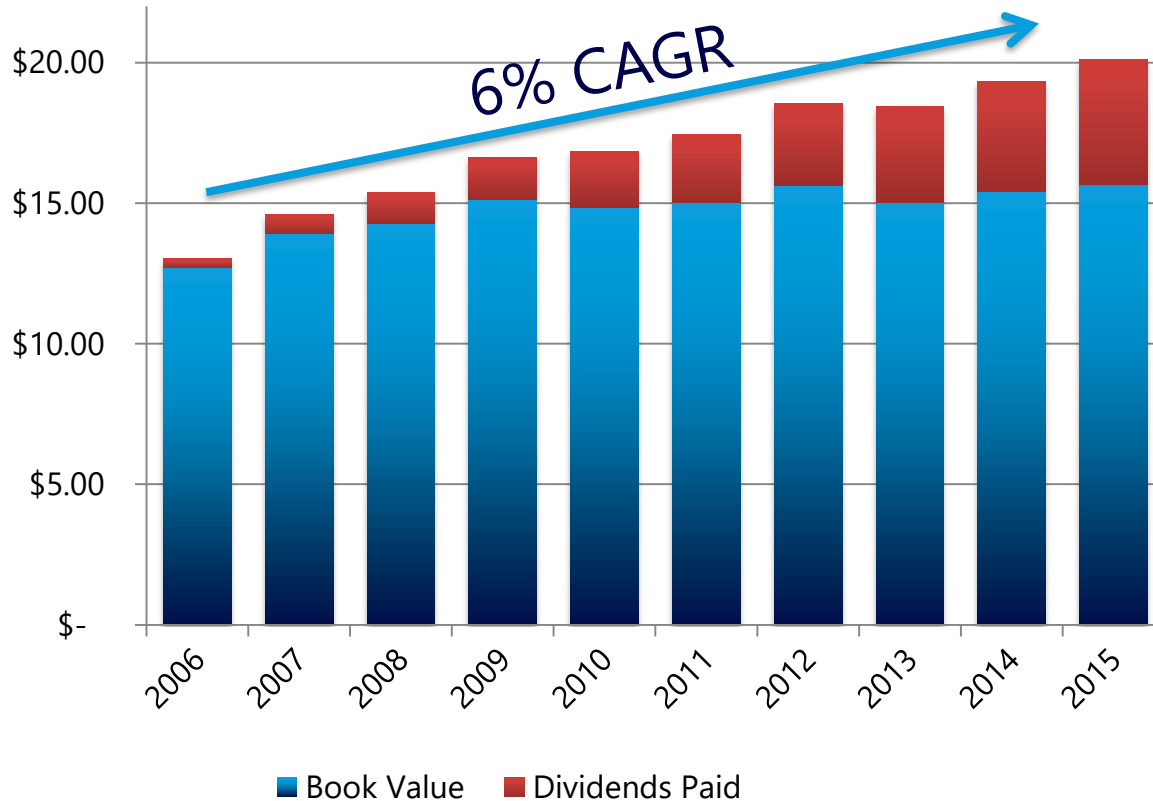
LONG-TERM GROWTH STRATEGY

- Maximize benefits of regional business approach
- Outperform industry in service, profitability and book value growth
- Drive revenues with organic growth and opportunistic affiliations
- Focus on margin enhancements and investment contributions



STRONG CAPITAL + SOLID PLAN TO DRIVE RESULTS

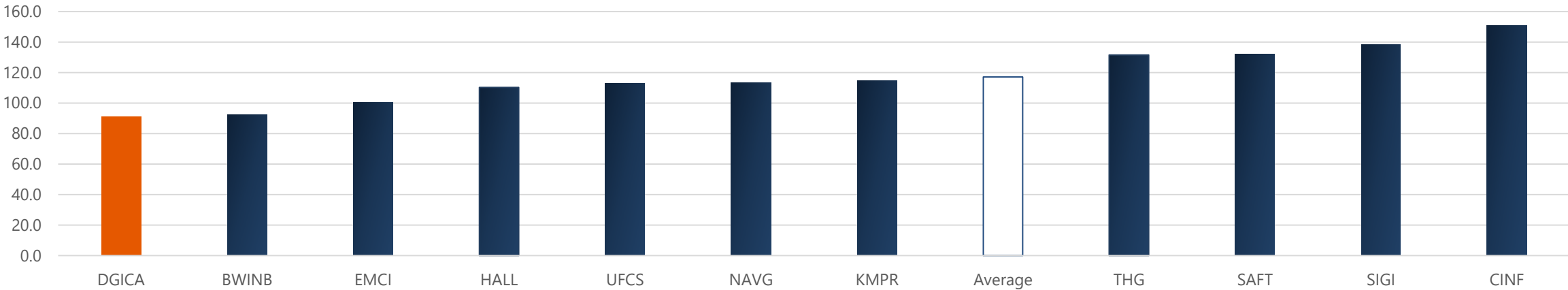
Book Value Plus Cumulative Dividends



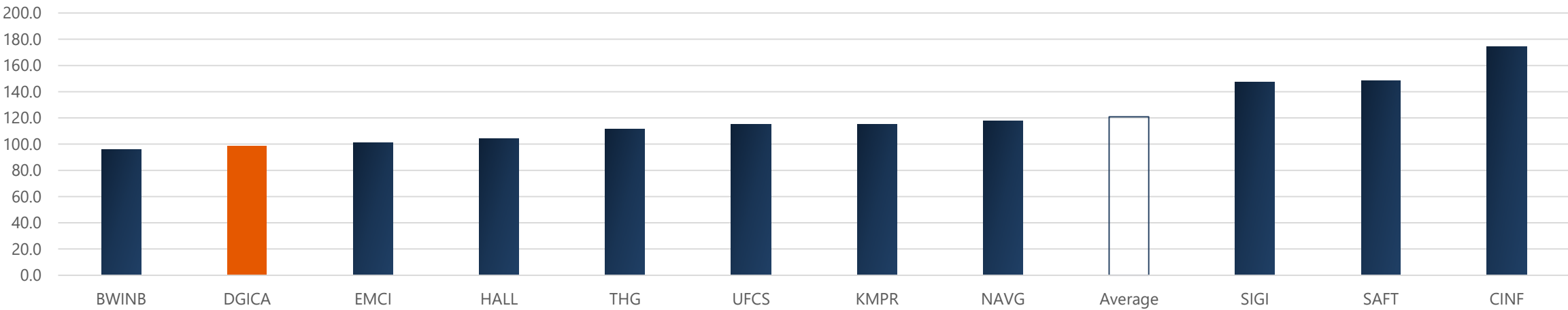
- Rated A (Excellent) by A.M. Best
 - Debt-to-cash/investments of approximately 8.1%
 - Premium-to-surplus of approximately 1.5-to-1
- Dividend yield of 3.4% for Class A shares
- Authorization for repurchase of up to 500,000 shares of Class A common stock

VALUATION VS. PEERS (AT 11/7/2016)

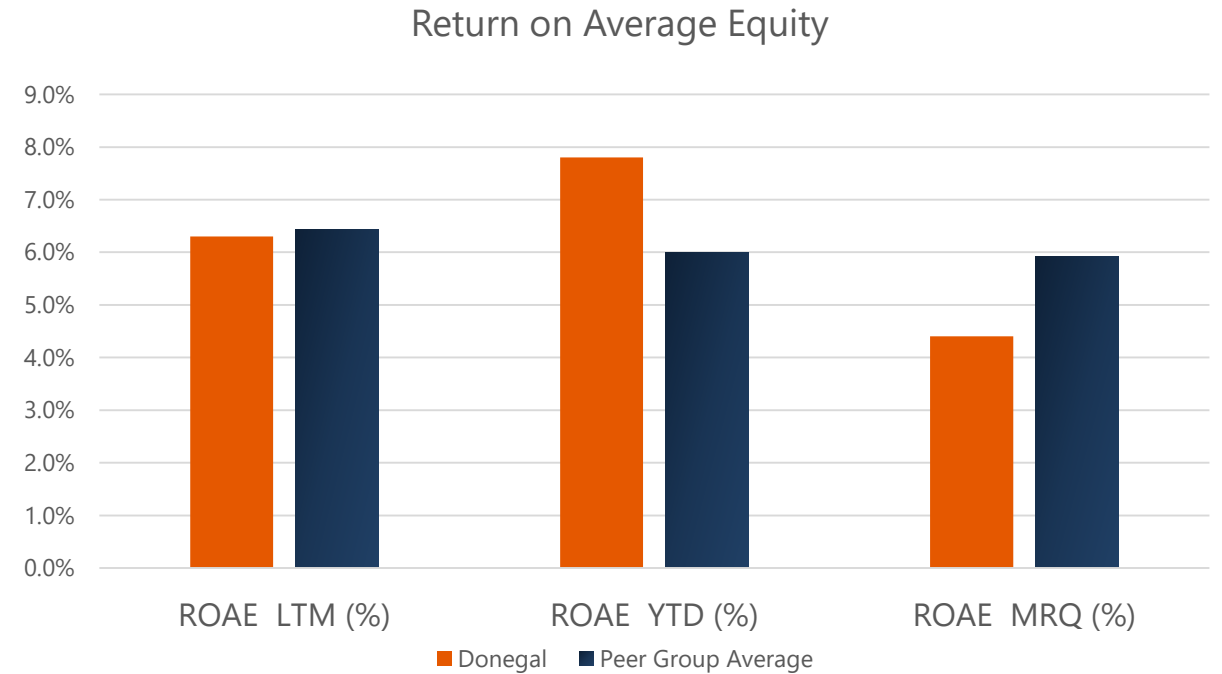
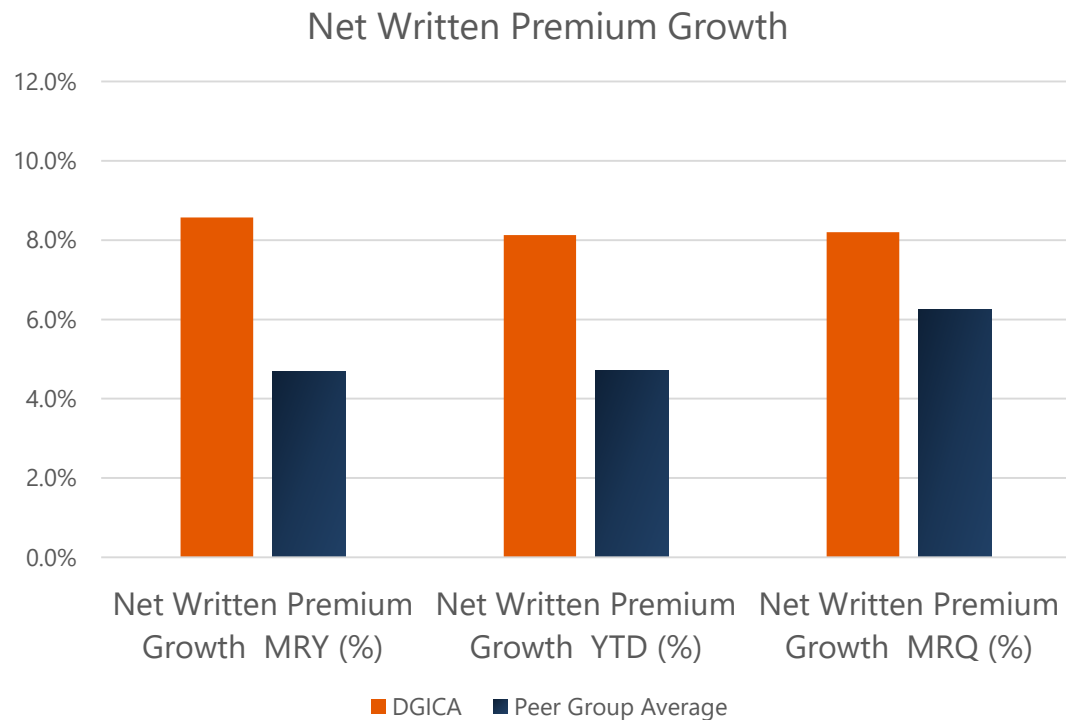
Price/ Tangible Book MRY (%)



Price/ Tangible Book MRQ (%)



FAVORABLE OPERATING PERFORMANCE VS. PEER GROUP



Selected Peer Group Includes: BWINB, CINP, EMCI, HALL, HMN,, KMPR, NAVG, SAFT, SIGI, STFC, THG, UFCS

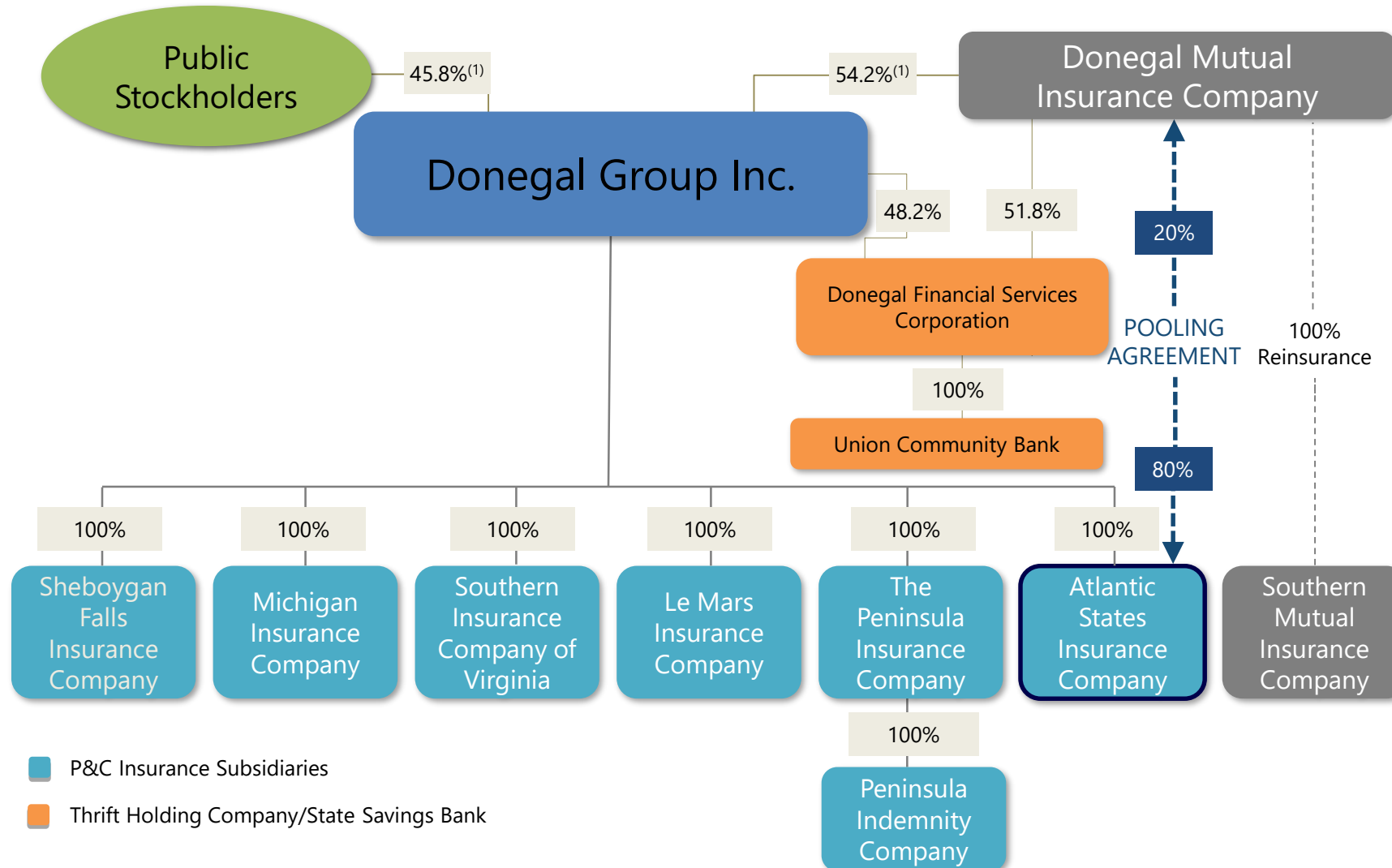
KEY TAKEAWAYS

- Well-established regional insurance carrier with a diverse book of business of both personal and commercial lines
- Organic top-line growth exceeding that of our peer group
- Improved YTD 2016 underwriting performance in nearly every operating metric



SUPPLEMENTAL INFORMATION

STRUCTURE PROVIDES FLEXIBILITY AND CAPACITY



(1) Because of the different relative voting power of the Company's Class A common stock and Class B common stock, public stockholders hold approximately 27% of the aggregate voting power of the Class A common stock and our Class B common stock. Donegal Mutual holds approximately 73% of the aggregate voting power of the Class A common stock and the Class B common stock.

HISTORY OF CONTRIBUTING AFFILIATIONS

	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	Pers./Comm.
Geographic Focus	Midwest	Mid-Atlantic	Wisconsin	Georgia/ South Carolina	Michigan
Transaction Type	Demutualization	Purchase	Demutualization	Surplus Note	Purchase
Net Premiums Acquired	\$20 million	\$34 million	\$8 million	\$11 million	\$27 million*

*Michigan's direct premiums written were \$105 million in 2010

NET PREMIUMS WRITTEN BY LINE OF BUSINESS

(USD in millions)	Q3 16	Q2 16	Q1 16	Q4 15	Q3 15	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13
Personal lines:													
Automobile	\$59.8	\$59.0	\$55.1	\$51.0	\$55.6	\$55.6	\$52.3	\$48.5	\$53.2	\$52.0	\$50.5	\$46.7	\$50.9
Homeowners	34.2	33.4	25.9	28.5	33.2	33.4	24.4	27.4	32.0	31.1	22.9	25.7	29.8
Other	4.7	5.3	4.4	4.4	4.7	4.9	4.2	4.1	4.5	4.6	3.8	4.0	4.2
Total personal lines	98.7	97.7	85.2	84.0	93.5	93.9	80.9	80.0	89.7	87.7	77.2	76.4	84.8
Commercial lines:													
Automobile	21.2	23.1	22.9	18.0	18.6	20.0	20.1	15.0	15.8	17.5	17.3	13.0	14.0
Workers' compensation	24.3	28.2	31.0	21.8	22.2	25.3	28.8	19.1	20.7	22.4	26.6	16.3	18.3
Commercial multi-peril	25.4	26.6	28.5	22.1	22.8	24.3	25.0	19.6	20.1	21.7	22.1	16.8	18.0
Other	2.3	2.6	2.4	1.8	1.8	2.1	1.8	1.6	1.6	2.1	1.4	1.3	1.4
Total commercial lines	73.2	80.5	84.8	63.7	65.4	71.7	75.7	55.3	58.2	63.7	67.4	47.4	51.8
Total net premiums written	\$171.9	\$178.2	\$170.1	\$147.7	\$158.9	\$165.6	\$156.6	\$135.3	\$147.9	\$151.4	\$144.6	\$123.8	\$136.6

COMBINED RATIO ANALYSES

(in percentages)	Q3 16	Q2 16	Q1 16	Q4 15	Q3 15	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13
Stat combined ratios:													
Personal lines	103.6	100.2	95.6	104.2	101.4	99.4	98.4	106.5	95.2	99.5	102.7	99.3	97.9
Commercial lines	94.3	88.5	88.0	92.0	92.0	92.4	95.1	95.1	94.4	105.8	104.3	89.4	93.0
Total lines	99.5	95.0	92.1	98.9	97.4	96.4	96.9	101.8	95.0	102.1	103.2	95.4	96.0
GAAP combined ratios (total lines):													
Loss ratio (non-weather)	59.6	56.8	55.9	62.9	57.2	59.1	59.5	67.8	56.3	63.2	61.7	59.1	57.8
Loss ratio (weather-related)	7.0	6.9	4.4	2.9	9.6	5.9	6.0	2.8	7.7	8.5	11.4	3.5	7.2
Expense ratio	33.5	32.8	33.2	32.2	32.1	33.3	32.7	30.4	32.1	31.9	31.3	31.9	32.3
Dividend ratio	0.7	0.5	0.5	0.9	0.6	0.4	0.6	0.6	0.7	0.4	0.3	0.4	0.3
Combined ratio	100.8	97.0	94.0	98.9	99.5	98.7	98.8	101.6	96.8	104.0	104.7	94.9	97.6
GAAP supplemental ratios:													
Fire losses greater than \$50,000	4.0	2.3	3.7	3.9	4.4	3.9	7.4	4.9	4.4	6.8	7.6	4.8	2.4
Development on prior year loss reserves	-1.0	2.3	-	1.5	1.0	2.6	-0.4	4.8	1.4	4.4	-0.3	0.1	2.4