

Karin Daly – Vice President, The Equity Group Inc.

Good morning and thank you for joining us today. This morning, Donegal Group issued its Second Quarter 2025 Earnings Release outlining its results. The release and a supplemental investor presentation are available in the Investor Relations section of Donegal's website at www.donegalgroup.com. Please be advised that today's conference was pre-recorded, and all participants are in listen-only mode.

Speaking today will be President and Chief Executive Officer, Kevin Burke; Chief Financial Officer, Jeff Miller; Chief Underwriting Officer, Jeff Hay; Chief Operating Officer, Dan DeLamater; and Chief Investment Officer, Tony Viozzi.

Please be aware that statements made during this call that are not historical facts, are "forward-looking statements" and necessarily involve risks and uncertainties that could cause actual results to vary materially. These factors can be found in Donegal Group's filings with the Securities and Exchange Commission, including its annual report on Form 10-K and quarterly reports on Form 10-Q. The Company disclaims any obligation to update or publicly announce the results of any revisions that they may make to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

With that, it is my pleasure to turn it over to Mr. Kevin Burke. Kevin?

Kevin Burke – President and Chief Executive Officer

Thank you Karin, and welcome everyone to our earnings webcast. We are pleased to provide an update today on our quarterly results and operating strategies and initiatives.

While weather-related losses were higher than average during the second quarter, we continued to see improvement in our core loss ratios in both commercial and personal lines. That improvement allowed us to generate favorable results, despite elevated weather-related losses and a comparable level of large fire losses to the prior-year quarter. Combining the solid second quarter results with our very profitable first quarter results, we are pleased with our profitability for first half of 2025, with a combined ratio of 94.6%, net income of \$42.1 million and \$1.17 earnings per diluted Class A common share.

Jeff Hay and Dan DeLamater will provide further details about the ongoing factors that impacted our net premium written growth. We are not achieving the level of commercial lines and personal lines premium growth that we projected in our 2025 business plan. While we must remain focused on delivering sustained excellent financial results, achieving profitable growth will be a prominent theme during our upcoming state strategy sessions, where we gather all of our senior leadership, regional leadership and key leaders from our sales and marketing, underwriting and product divisions for several days in early August. The action plans we develop during those sessions will inform our 2026 business plan for each region.

I am pleased to report a significant milestone in our systems modernization project, as we successfully deployed our final major commercial lines systems release this past weekend. We will follow a phased rollout approach, beginning with policies effective in October for several states. This release represents our largest investment ever in our middle-market commercial products and service capabilities, including a completely new commercial package policy, and will put us in a solid position to compete for both small business and middle market accounts in the classes and locations we have identified for future growth. For personal lines, we are continuing to successfully convert all remaining legacy homeowners policy renewals to the new operating

platform, and we are making great progress on the final release to facilitate conversion of all legacy personal auto and umbrella policy renewals to the new platform, which we plan on deploying later this year. Many thanks to all the Donegal team members who are committed to bringing this multi-year systems modernization project to a successful completion. We are excited to be nearing the finish line and look forward to the advantages it will bring to us, especially in terms of adopting new technologies for increased underwriting insights and operational efficiencies.

At this point, I will turn the call over to Jeff Miller for a review of our financial results for the quarter.

Jeff Miller – Chief Financial Officer

Thanks, Kevin. For the second quarter of 2025, net premiums earned of \$231.8 million decreased 1.1% compared to the second quarter of 2024. Net premiums written decreased by 5.4%, as lower new business volume and planned attrition were offset partially by continuing premium rate increases and solid retention levels. A 15.3% decrease in personal lines net written premium was offset partially by 1.9% growth in commercial lines. Rate increases achieved during the second quarter of 2025 averaged 7.8% in total and 8.7% when excluding workers' compensation.

The combined ratio was 97.7% for the second quarter of 2025, greatly improved compared to 103% for the prior-year quarter, despite a slightly higher impact of weather-related losses and comparable large fire losses. We experienced a 5 percentage-point decrease in the core loss ratio compared to the prior-year quarter. The core loss ratio excludes the impact of weather-related losses, large fire losses and net development of reserves for losses incurred in prior accident years. Compared to the prior-year quarter, we achieved a modest 0.3 percentage-point decrease in the commercial lines core loss ratio and a significant 12 percentage-point decrease in the personal lines core loss ratio. The substantial improvement in the personal lines core loss ratio was due largely to the ongoing favorable impact of premium rate increases on net premiums earned for that segment.

Weather-related losses of \$25.8 million, or 11.1 percentage points of the loss ratio for the second quarter of 2025, increased from \$24.7 million, or 10.6 percentage points for the prior-year quarter. Commercial property losses from severe weather totaled \$6.5 million and contributed 12 percentage points to the quarterly commercial multi-peril loss ratio, down compared to 15.9 percentage points of the loss ratio for that line of business in the second quarter of 2024. The weather impact to the homeowners line was \$15.8 million, or 46.4 percentage points of the homeowners loss ratio, which was substantially higher than 31.7 points of weather loss impact in the prior-year quarter. In total, the quarterly weather claim impact was higher than the previous five-year average for the second quarter of 9.2 percentage points. One of our insurance subsidiaries incurred losses from an April 2025 wind and hail event that were limited to its \$3 million catastrophe reinsurance retention with Donegal Mutual.

Large fire losses (which we define as over \$50,000 in damages) contributed 5.2 percentage points to the loss ratio for the second quarter of 2025, which was in line with 5.3 percentage points for the prior-year quarter. A decrease in commercial fire losses was largely offset by an increase in homeowners fire losses during the quarter.

Our insurance subsidiaries experienced \$3 million of net favorable development of reserves for losses incurred in prior accident years, representing a 1.3-point reduction in the loss ratio, for the second quarter of 2025, compared to minimal impact of reserve development for the prior-year quarter. Specific line of business detail for the second quarter of 2025 primarily included

favorable development of \$2.4 million for personal auto, \$1.1 million for homeowners, \$738,000 for workers' compensation and \$576,000 for commercial multi-peril, offset partially by \$2.3 million of unfavorable development for other commercial lines, which is primarily umbrella liability.

The expense ratio of 32.2% for the second quarter of 2025 increased modestly compared to 31.9% for the prior-year quarter. The modest increase primarily related to an increase in underwriting-based incentive costs for agents and employees, offset to a large degree by ongoing impacts of expense reduction initiatives and a modest decrease in technology costs related to our ongoing systems modernization initiative.

In summary, the underwriting income for the second quarter of 2025, combined with \$12.5 million of net investment income, contributed to after-tax net income of \$16.9 million, which was a significant increase compared to the after-tax net income of \$4.2 million for the second quarter of 2024. To provide more details about our results in our commercial and personal lines segments and related initiatives, I will turn the call over to Jeff Hay.

Jeff Hay – Executive Vice President and Chief Underwriting Officer

Thank you, Jeff. I am pleased to report bottom-line improvement this quarter, and believe that this outcome is a direct and deliberate result of the strategies and diligent action plans that we have put into place over the past few years to strengthen our underwriting discipline.

Within our Commercial lines of business, net premiums written in the second quarter of 2025 slowed to a modest growth of 1.9%. This can be attributed to our continued, intentional shedding of less profitable business. Additionally, as the market softens for new business, we are maintaining underwriting and pricing discipline, rather than chasing business at underpriced levels. We experienced strong retention in desired business throughout the second quarter of 2025, and continue to see the desired mix in new business written. For the second quarter, 69.2% of new business was written in our highly-targeted classes that contributed to our higher-than-expected profitability. This outcome directly aligns with the strategies around targeted classes of business and geographic regions that I have mentioned in previous calls.

Our overall quarterly rate and exposure increase came in at 11.1%, excluding Workers' Compensation, as we continue to emphasize driving the most rate in areas where the intersections of class, line of business, and geography are most challenged. Renewal rate increases were led by Commercial Multi-peril at 11.7%, followed by continued strong rate in the Commercial Auto line at 10.9%, and an increase in Commercial Umbrella to 10.1%. For the second quarter of 2025, we saw a 14% decrease in the impact of large fire losses over the prior-year quarter. This was driven by a decrease in the overall number of large fires, offset somewhat by a modest increase in their severity. The second quarter impact from weather-related losses decreased significantly by \$4.3 million compared to the second quarter of 2024, resulting in a 3.3 percentage-point decrease in our loss ratio.

From a profitability perspective, our second quarter Commercial Lines core loss ratio decreased 0.3 percentage points from the prior-year quarter. A 6.1 percentage-point decrease for Commercial Multi-peril, and a 2.0 point decrease for Commercial Auto, was offset somewhat by a 6.1 percentage-point increase for Workers' Compensation.

Turning now to loss trends we observed in the second quarter: Workers' Comp frequency continued to perform favorably. In recent quarters, we have observed increases in indemnity and medical severity that were in line with our historical trends. The Workers' Comp market continues to be very competitive, with pressure from continued negative rate filings from bureaus showing no signs of abating in 2025. Despite these negative rate changes, we still consider ourselves rate adequate in this line due to continuing negative frequency trends and in-check severity trends overall.

For Commercial Auto, we saw a moderating of the increases in auto physical damage severity that I mentioned in last quarter's call, reverting back to the longer-term decreasing trend. In line with that observation, Liability severity also reverted to the longer-term trend line for Commercial Auto, breaking from the past few quarters when we saw some increases in severity. In our "Other Commercial" line of business, which is primary umbrella liability, we experienced a single, large bodily injury claim in the second quarter, due to a severe auto accident in Pennsylvania, as well as increases in umbrella liability reserves related to a handful of other auto accidents that occurred in prior accident years.

Commercial Multi-peril severity continues to moderate due to reduced frequency of large fires, and favorable negative overall frequency. Severity in the general liability portion of Commercial Multi-peril continues to moderate, but reserve increases are still larger than the longer-term trend line. We continue to monitor the impact of social inflation that has become an insurance industry focus area with the proliferation of attorney advertising, jury anchoring, third-party litigation financing, and the growth in nuclear verdicts.

Unlike the first quarter of 2025, the second quarter was an active weather quarter. Jeff quantified the impact in his comments, but it is worth noting that we had very limited exposure to the recent devastating flash floods in the states of Texas and New Mexico, and at the timing of this call, have had no claims reported related to these events. Our hearts go out to those who have lost family members, friends and property in these horrific events.

Turning to our Personal Lines segment: The controls that we have deliberately put into place continued to limit new business in the second quarter. Even so, we wrote \$1.2 million in new business in the quarter – a 29% increase over the first quarter of 2025, as we have strategically and intentionally begun to release some of the new business controls to increase new business flow now that we have achieved rate adequacy across our footprint.

Total Personal Lines net written premiums for the second quarter declined by 15.3%, contributing to a decrease in the number of policies in force from year-end 2024 by 10.5%. The shrinking of our book can be attributed to two deliberate actions: 1) The significant slowdown in new business, and 2) the targeted cancellation of certain segments for underwriting reasons. Both actions were intentional and necessary to improve portfolio quality, strengthen underwriting discipline, and stabilize profitability. The impact of these initiatives on our growth rate is expected to taper off soon.

In addition to new business reductions, the non-renewal of a legacy Maryland book of business, as I've described in previous calls, is well underway. This exit had a large impact on the second quarter's total premium decline for Personal Lines. Excluding this intentional nonrenewal activity, the Personal Lines decline would have been in the 9 to 10% range. The impact of this initiative will continue until the non-renewals are completed in August of this year. Our real retention rate for Personal Lines, excluding the impact of the Maryland non-renewals, was a healthy 87.4%.

We recognize that over the past few years, our actions have understandably caused some uncertainty for our independent agents who focus on personal lines. Strengthening agency engagement and managing these relationships is a key part of our strategy going forward. We've also enhanced our capabilities to influence new business production quickly – a strength we intend to use with appropriate discipline. Our focus is now on balancing that agility with strategic intent, caution, and a long-term perspective. With this refined approach, we expect to begin making meaningful progress in terms of personal lines premium production by the end of this year.

Kevin mentioned earlier the progress we have made in the conversion of our Legacy Homeowners policies to our new systems and products. As we convert policies at their renewal dates, we are putting into place larger deductibles – specifically related to wind and hail, both of which had previously been at historically low levels – as part of our efforts to control the impact of evolving weather patterns. Additionally, similar to our competitors, we are limiting roof coverage for older roofs. Both of these coverage adjustments result in lower renewal premiums, which will continue to impact our overall premium growth until the conversion is complete. However, we believe these changes are necessary to combat increasing weather activity and roof repair costs, and that reduction in premium will be more than offset by lower claim impact moving forward.

With our achievement of rate adequacy across our personal lines of business, our average rate and exposure increase in the second quarter of 2025 slowed to 5.9%. For Personal Auto, we saw a rate and exposure increase of only 4.5%. We continued to achieve higher levels of rate and exposure for Homeowners, averaging 8.1% in the quarter. We are actively refining our rate strategies in response to current loss costs and market conditions.

The loss ratio for Personal Auto decreased in the second quarter of 2025 by 16.2 percentage points compared to the prior-year quarter. This improvement was driven primarily by improvement in the core loss ratio, with increased weather losses largely offset by more favorable prior-year reserve development. For Homeowners, the loss ratio increased by 12.4 percentage points compared to the second quarter of 2024. This loss ratio increase was driven by 14.7 points of additional weather-related loss impact and 2.9 points of higher large fire activity, partially offset by 3.6 points of more favorable prior-year reserve development. The core loss ratio improved by 1.6 percentage points. The increase in large fire losses was driven by an increase in frequency, offset partially by a modest decrease in severity.

Weather-related losses increased by 41% over the prior-year quarter as we experienced significant wind and hail activity across our greater Midwest, Michigan and Mid-Atlantic regions in all three months of the second quarter of 2025. We believe that many of the deliberate actions I've outlined today – including our selective non-renewal strategies in Commercial Lines, shrinking of Personal Lines property exposure, and controlling coverage terms on converted policies – helped to reduce significantly the losses we would have incurred in the absence of those actions. I am also pleased to share that the rate adjustments we implemented over the past several years limited the increase in the second quarter weather loss ratio relative to our previous 5-year average to only 1.9 percentage points, which is notable when considering that weather losses were 37% higher than the previous 5-year average for the second quarter.

I will now turn the call over to Dan DeLamater for an update on our operational strategies and developments.

Dan DeLamater – Executive Vice President and Chief Operating Officer

Thank you, Jeff. As we assess our operational performance for the first half of the year, I will first provide an update on our efficiency initiatives and the expense reduction efforts we have discussed in previous calls. For the second quarter of 2025, we operated at an expense ratio of 32.2%, which continues to follow an excellent trajectory when excluding the impact of higher projected incentive payments for agents and employees that are based on our underwriting performance. By comparison, you will recall that our expense ratio stood at 31.9% for the second quarter of 2024, and 34.2% for the second quarter of 2023. We are pleased that we continued to realize significant improvement from our investments in automation and our expense management initiatives. Together, these efforts allowed us to operate at an expense ratio of 33.4% for the first half of 2025. Despite higher incentive accruals, this compares favorably to our expense ratio of 33.8% for the first half of 2024 and 35.3% for the first half of 2023. We are starting to come down off of the 2024 peak expense impact of our ongoing systems modernization project, and we expect that in the coming years, we'll continue to experience a lower impact on our operating expense metrics from costs related to this project.

Through multiple targeted initiatives across every department in the organization, we remain on pace to meet our year-end 2025 expectation of reducing our expense ratio by 2 points from our original business plan projection for 2024. This reduction is the product of dozens of intentional efforts – large and small – and I am proud of our leadership team and our entire staff for their thoughtfulness and commitment to this achievement. And, to ensure that these improvements and efforts are sustained, we have launched an entirely new budgeting and expense tracking process and accountability protocol.

As Kevin mentioned, we are in the final planning stages of our annual state strategy sessions. In an annual, multi-day planning summit, we bring together a cross-departmental mix of several dozen professionals – including senior, departmental and regional leadership, along with important departmental contributors. Together, they'll define our product mix, rate strategy, marketing strategy, and growth objectives in every state and line of business where we write.

These sessions are especially important as we underwrite property books in increasingly weather-prone states and regions, but they also help to steer our regional marketing & underwriting teams, product teams, and national accounts team toward appropriate product mix and appropriate growth plans across all lines and classes. Our teams are aligned and highly engaged, and our monthly portfolio monitoring meetings provide transparency and accountability toward our state-by-state objectives. As a matter of fact, we continue to see the benefits of these efforts as we mitigate our exposure to severe weather – especially in active times, like the second quarter of 2025 – as you heard Jeff mention. These efforts are ongoing and will require continued focus in the future, but we are encouraged by the results that they're already yielding.

One overarching challenge that our entire organization is focused on is top line growth. We are proud to operate from a place of bottom-line strength, but we also recognize the need to close the gaps we are seeing in new business against our 2025 business plan. Rate achievement is clearly important, and we are not interested in chasing underpriced new business. We continue to engage with our marketing teams, our independent agents, and our analytics & underwriting teams to identify profitable new business opportunities in states and classes that match our objectives.

With that, we continue to keep a careful eye on economic inflation and the potential impacts of federal tariff policy. As we monitor social inflation as an industry-specific challenge, our claims team continues to watch the specific impact from medical

inflation on our bodily injury claims. We are not necessarily seeing outsized medical inflation in workers' compensation and other bodily injury claims, as these costs have remained relatively stable with increases generally in line with economic inflation but we are seeing the impact of general social inflation trends and third-party litigation funding. Additionally, as discussed last quarter, we continue to recognize an increase in medical utilization rates via more medical visits, more diagnostic testing, and a greater use of prescription medications. All of these factors will continue to put pressure on claim costs in affected lines of business, and so we will continue to manage rate levels to achieve targeted returns.

We are obviously pleased with the favorable bottom-line results our team achieved in the first half of 2025. We believe this sets a solid foundation for the remainder of 2025. And we will continue to engage with our agency partners to identify new business opportunities over the coming six months – and beyond. I'll now turn it over to Tony Viozzi for an investment update. Tony?

Tony Viozzi – Senior Vice President and Chief Investment Officer

Thanks, Dan. Our long-term investment strategy along with opportunistic asset allocation continues to serve us well as we seek to preserve and grow our capital conservatively. Regarding portfolio mix, we continue to buy high-quality bonds, while taking advantage of wider spreads in recent months, that we expect will provide ongoing strength to our investment portfolio.

During the second quarter of 2025, net investment income rose to \$12.5 million, an increase of 13.3% from the second quarter of 2024. The average tax-equivalent yield for the quarter was 3.64%, up from 3.40% for the second quarter of 2024. Market rates and spreads continue to be favorable, and we continue to invest portfolio cash flow into much higher yielding bonds.

Also, during the second quarter, we shifted a portion of our asset allocation out of US Treasury and Agency debt into non-agency structured notes and tax-exempt municipal bonds. Cash flow for the quarter yielding 3.34% was reinvested at 5.67%. That 233 basis-point spread on \$90 million is projected to boost annual investment income by \$2 million moving forward.

Net investment gains for the second quarter of 2025 totaled \$1.5 million. Equity gains of \$2.8 million were partially offset by \$1.3 million in realized losses generated in a modest bond portfolio restructuring. Taking advantage of market opportunities during the quarter, we were able to swap \$26 million of bonds yielding 1.51% for bonds yielding 5.67%. This restructuring allowed us to add 416 basis points of yield on those funds, while at the same time improving credit quality and extending duration to lock in rates that we viewed as attractive. We will continue to selectively adjust asset allocation in response to opportunities the market presents.

In closing, we are projecting about \$135 million in portfolio cash flow over the next twelve months with an average yield of 3.50%. Today, we are investing at an average yield of 5.40%, adding to our non-agency structured notes, tax-exempt municipals, MBS, and corporate debt. We look forward to continuing opportunities to increase our average portfolio yield in the current environment.

As of June 30, 2025, our book value increased to \$16.62, a 38-cent improvement over \$16.24 at March 31, 2025. This increase in book value was primarily driven by strong underwriting results and growing investment income, as well as gains in the value of our equities and available-for-sale bond portfolio. With that, I will now turn it back to Kevin for closing remarks.

Kevin Burke – President and Chief Executive Officer

Thanks, Tony. With a solid first half of 2025 in the books, we remain vigilant to ensure our team is fully aligned and engaged in the execution of our strategies and building on the positive momentum we have achieved over the past year. We look forward to reporting on our progress and plans for the year ahead in future calls. I'll now turn the call back to Karin.

Karin Daly – Vice President, The Equity Group Inc.

Thank you, Kevin. While we requested and received questions in advance of today's call, we have worked answers to these questions into our prepared remarks. If there are any additional questions, please feel free to reach out to us. This now concludes the Donegal Group second quarter 2025 earnings webcast. You may now disconnect.