

Becca Gregg Sansom – Senior Corporate Communications Specialist

Good morning and thank you for joining us today. This morning, Donegal Group issued its Fourth Quarter and Full Year 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, and welcome everyone to our fourth quarter earnings webcast. We are pleased to provide an update today on our quarterly and full year operating results, along with key accomplishments in 2025 and areas of focus for 2026.

We ended 2025 with a solid fourth quarter. The combined ratio of 96.3% reflected excellent underwriting profitability despite the impact of lower net premiums earned and a few large claims that prevented us from matching the record quarterly net income we achieved in the fourth quarter of 2024.

We enjoyed a continuation of relatively favorable weather in our operating regions for the fourth quarter, resulting in a weather loss ratio that was lower than the fourth-quarter average for the past five years. Similar to the first nine months of 2025, our core loss ratio for the fourth quarter remained below our target level, driven by excellent underlying results within our personal lines segment.

For the full year of 2025, net income of \$79.3 million represents the highest amount we have achieved. While we celebrate these results, we also recognize the need for quality premium growth in order to achieve economies of scale and sustain excellent financial performance over the long-term.

Jeff Hay and Dan DeLamater will provide further details about our plans to generate increased levels of premium growth. Our 2026 business plan includes strategies for engagement with our independent agents and several initiatives that we expect will generate higher levels of new business submissions, particularly in commercial lines where we are actively pursuing quality mid-market and small business accounts that meet our underwriting criteria. As we shared last quarter, we completed all of the development efforts for the multi-year systems transformation project that we started back in 2018 to replace our legacy systems. We are continuing to follow a phased schedule for the automated conversion of all remaining legacy policies that will be fully completed in mid-2027. That process is on track and progressing well, with minimal disruption to our customers or the impact to policy retention levels to date.

The next step in our technology transformation is the migration of our Guidewire claims, billing and policy administration applications from on-premise systems to cloud-based versions of those applications. We performed a detailed assessment that identified numerous benefits of migrating these applications to the cloud, and we have developed a very comprehensive plan to migrate our claims and billing applications in early 2027. Migrating to Guidewire cloud will allow us to leverage the substantial investments of Guidewire and other vendors in the development and seamless deployment of GenAI tools and applications within our core business applications. Upon completion of this initiative, the technology modernization journey that we've been on since 2018 will be fully complete, and we will have access to an evolving operating platform that will support our current and future needs. We are excited to move forward and thank all of the Donegal team members and our vendor partners who have labored tirelessly for many years to put us in this very favorable position.

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

Jeff Miller – Executive Vice President and Chief Financial Officer

Thanks, Kevin. I will begin my comments with a discussion of the fourth quarter results compared to the fourth quarter of 2024 and then provide highlights of the results for the full year compared to 2024. For the fourth quarter of 2025, net premiums earned of \$226.9 million decreased 4.1%. Net premiums written decreased by 3.4%, following similar trend lines we described throughout 2025, as lower new business volume was offset partially by premium rate increases and solid retention levels. A 12.7% decrease in personal lines net premiums written was offset partially by 3.2% growth in commercial lines. Rate increases achieved during the fourth quarter of 2025 averaged 5.9% in total and 6.6% when excluding workers' compensation.

The combined ratio was 96.3% for the fourth quarter of 2025, compared to 92.9% for the prior-year quarter. The increase reflected a 1.3 percentage-point increase in the loss ratio and a 2.1 percentage-point increase in the expense ratio. We monitor the loss ratio impact of several components. Starting with the core loss ratio, which excludes the impact of weather-related losses, large fire losses and net development of reserves for losses incurred in prior accident years, we experienced a 2 percentage-point improvement in the core loss ratio. There was a 2.7 percentage-point decrease in the commercial lines core loss ratio and a 1.6 percentage-point decrease in the personal lines core loss ratio.

Weather-related losses totaled \$8.2 million, or 3.6 percentage points of the loss ratio for the fourth quarter of 2025, increasing modestly from \$7.7 million, or 3.3 percentage points for the prior-year quarter. The quarterly weather claim impact was lower than the previous five-year average for the fourth quarter of 5.2 percentage points. Our insurance subsidiaries did not incur losses from any catastrophic weather events in the fourth quarter of 2025 or 2024. In terms of weather impact by segment, commercial property losses from severe weather totaled \$2.4 million and contributed 4.4 percentage points to the quarterly loss ratio for the commercial multi-peril line of business. For personal lines, the weather impact to the homeowners line was \$4.6 million, or 14.6 percentage points of the homeowners loss ratio.

Large fire losses (which we define as over \$50,000 in damages) contributed 6.2 percentage points to the loss ratio for the fourth quarter of 2025, compared to 4 percentage points for the prior-year quarter. We experienced increases in the severity of both commercial and homeowners fire losses during the quarter.

Our insurance subsidiaries experienced \$2.2 million of net development of reserves for losses incurred in prior accident years, adding 1 percentage point to the loss ratio for the fourth quarter of 2025, compared to virtually no impact in the prior-year quarter. Line of business detail for the fourth quarter of 2025 primarily included unfavorable development of \$3.9 million for other commercial (which is primarily umbrella liability) and \$2.3 million for commercial auto, primarily in accident years 2022 and 2024, that was largely offset by favorable development of \$1.6 million for personal auto, \$1.4 million for commercial multi-peril and \$1.2 million for workers' compensation.

The expense ratio of 34.9% for the fourth quarter of 2025 increased compared to 32.8% for the prior-year quarter. The increase was primarily related to the direction of year-end adjustments to our estimates for underwriting-based agency incentive costs, as well as the impact of the decline in net premiums earned upon which the expense ratio is based. Dan DeLamater will provide more details about our ongoing focus on expense management later in the call.

Net investment income increased 17.5% to \$14.2 million for the fourth quarter of 2025, due primarily to higher average invested assets and an increase in average investment yield. Tony will provide further details about our favorable investment performance later in the call.

We achieved net income of \$17.2 million for the fourth quarter of 2025, compared to \$24.0 million for the fourth quarter of 2024. The decrease was primarily due to lower net premiums earned and higher expenses incurred.

Turning to the full year of 2025 results, the loss ratio of 61.3% compared favorably to 64.5% for 2024, with a 2.6 percentage-point improvement in the core loss ratio. That improvement primarily reflected a 7.2 percentage-point decrease in the personal lines core loss ratio, as the commercial lines core loss ratio for 2025 was in line with 2024.

Weather-related losses for the full year of 2025 were \$56.9 million, or 6.2 percentage points of the loss ratio, comparing favorably to \$67.7 million, or 7.2 percentage points of the loss ratio, for the full year of 2024. Weather impact for 2025 was 1 percentage point lower than the previous five-year average of 7.2 percentage points of the full year loss ratio.

Large fire losses contributed 4.8 percentage points to the 2025 loss ratio, in line with 4.9 percentage points for 2024.

Net favorable development of reserves for losses incurred in prior accident years reduced the 2025 loss ratio by 1.1 percentage points, slightly lower than the 1.6 percentage-point reduction in 2024. Details by line of business include favorable development of \$7.9 million in commercial multi-peril, \$4.3 million in personal auto, \$2.2 million for commercial auto, \$1.5 million for homeowners, \$1.2 million for personal umbrella and \$1 million for workers' comp. That favorable development was partially offset by \$7.9 million of unfavorable development in commercial umbrella, netting to a favorable development in total of \$10.3 million. The favorable development related primarily to accident years 2021, 2023 and 2024, with unfavorable development for reserves in accident years 2020 and 2022 that resulted from higher-than-expected severity for a relatively small number of casualty claims.

The expense ratio was 33.8% for the full year of 2025, nearly unchanged from 33.7% for the full year of 2024.

The combined ratio was 95.4% for 2025, comparing favorably to 98.6% for 2024. As Kevin highlighted earlier, the favorable underwriting results, coupled with a 17.2% increase in net investment income, contributed to a record \$79.3 million in net income for 2025, increasing 56% compared to net income of \$50.9 million for 2024.

Before I close, I'll provide a brief summary of the renewal of our reinsurance program for 2026. We made no changes to the coverage limits or retention levels in place for 2025 under our third-party reinsurance program or the intercompany reinsurance agreements between our insurance subsidiaries and Donegal Mutual. Due primarily to a decrease in property exposures during 2025 and lower property reinsurance rates, we project a \$3 million decrease in reinsurance costs for 2026 compared to 2025.

With that, I will now turn the call over to Jeff Hay to provide more details about our commercial and personal lines segment results.

Jeff Hay – Executive Vice President and Chief Underwriting Officer

Thank you, Jeff. We are pleased to report favorable bottom line results this quarter and for the full year of 2025, and I continue to be confident that this improvement is not the product of random volatility in our results, but a direct outcome of the strategies and diligent action plans we have put in place over several years to transform our underwriting discipline.

Within our commercial lines of business, net premiums written increased modestly by 3.2 percentage points for the fourth quarter of 2025, and by 2.9 percentage points for the full year. As the market has selectively softened for new business, we continue to stand firm, maintaining underwriting and pricing discipline and executing on targeted geographic and class strategies. With that, I'm pleased to report that in the fourth quarter, we experienced continued success in new business writings and strong retention on desired business. The commercial lines new business aligns with our targeted geographic and class strategies that I have mentioned in previous calls, with the majority of new business written in our highly targeted classes with higher expected profitability.

Our overall commercial rate and exposure increase, excluding workers' compensation, remained steady at 9.7% for the fourth quarter and at 10.6% for the full year. We are generally rate adequate across our lines of business. As we strive to retain quality accounts, we also continue to emphasize driving rate in areas where the intersections of class, line of business, and geography continue to present challenges.

Now shifting to commercial lines loss trends in the fourth quarter, we continued to experience upward pressure on liability severity for both commercial auto liability and general liability coverages within our commercial multi-peril line of business. Overall, property severity and frequency trend lines across all coverages remain relatively favorable. Fourth quarter 2025 impact from large fires increased nearly 6 percentage points on the commercial multi-peril loss ratio when compared to same quarter in 2024. This increase was driven by a large increase in the severity of large fires, offset partially by a slight decrease in frequency. For the full year of 2025, large commercial fire losses decreased by \$3.5 million, for a 2.5 percentage-point decrease in the commercial multi-peril loss ratio. We experienced relative consistency in the impact of weather-related losses, with the change representing less than a percentage point of the commercial lines loss ratio in the fourth quarter and full year compared to the respective periods in 2024.

Commercial lines prior-year reserve development was modestly adverse overall, increasing the loss ratio by 2.6 percentage points for the fourth quarter, driven by umbrella liability claim development in accident years 2022 and 2024. Reserve development was modestly favorable overall for the full year of 2025, reducing the commercial lines loss ratio by 0.6 percentage points.

We are pleased to report that our commercial lines core loss ratio, which excludes the impact of large fires, weather, and prior-year reserve development, decreased by 2.7 percentage points in the fourth quarter of 2025 compared to same quarter in 2024.

Now turning to our personal lines segment: For the fourth quarter, the decline in personal lines net premiums written improved slightly to -12.7% from -15.9% for third quarter of 2025, and -13.6% for the full year of 2025.

New business written in the fourth quarter totaled \$1.3 million, an increase of 10.2 percentage points over the third quarter. New business written for the month of December was up 11.3 percentage points from December of 2024. We continue to remove new business restrictions to stabilize premiums in this segment, exercising caution to maintain the rate adequacy we have generally achieved across our footprint.

I'm pleased to report that our real retention rate for fourth quarter 2025 increased to a very healthy 88.7%, with the intentional non-renewal of less profitable business, which I've mentioned in prior calls, now essentially complete.

Rate and exposure slowed to +2.9% in the fourth quarter, driven by the achievement of rate adequacy across all lines, and came in at +3.6% for full year of 2025.

Moving to personal lines loss trends: Within the personal auto line of business, the loss ratio decreased in the fourth quarter by 7.6 percentage points from the fourth quarter of 2024. This decrease was driven by a 2-point improvement in the core loss ratio, coupled with 3.1 percentage points of favorable prior-year development in the quarter, compared to 2.7 points of unfavorable prior-year development in the fourth quarter of 2024. Frequency trends in personal auto remained in check, and physical damage severity continued to show signs of improvement, while bodily injury severity continued to trend moderately upward.

The homeowners loss ratio saw deterioration of 12.1 percentage points for the fourth quarter of 2025 compared to fourth quarter 2024. This increase was attributable to 4.1 percentage points of higher weather loss impact and 5.3 points of higher large fire experience, with relatively consistent core loss ratio experience. Overall, homeowners frequency trends in the fourth quarter were favorable in property, with some pressure on non-weather severity, driven by large fire experience.

For the personal lines segment in total, we were pleased with the excellent profitability we achieved in 2025, as reflected by the statutory combined ratio of 88.5% for the fourth quarter and 89.3% for the full year.

In summary, we've made significant progress during 2025 in the execution of our state-specific strategies and were pleased with the substantial improvement in our underwriting results. I will now turn the call over to Dan DeLamater for an update on our operational strategies and developments and more details about our positive outlook for 2026.
Dan?

Dan DeLamater – Executive Vice President and Chief Operating Officer

Thank you, Jeff. I will start my discussion of our operational performance for 2025 by providing an update on the expense management initiatives we have discussed in previous calls. I'll then touch briefly on the high-level results of our business planning process for 2026, and our alignment on several, tangible focus areas for the year ahead.

We operated at an expense ratio of 34.9% for the fourth quarter of 2025. Compared to our expense ratio of 32.8% for the fourth quarter of 2024, the increase was a break from the downward trajectory we achieved over the past five quarters. This increase in expense ratio was not related to spending beyond our budget. In fact, our team achieved targeted spending reductions for 2025. One of the primary factors that elevated our expense ratio for the fourth quarter was a \$3.1 million increase in performance-based incentives for our agents, mostly related to higher amounts incurred for agency profit sharing. While this might seem counterintuitive considering that our loss ratio was less favorable for the fourth quarter of 2025 compared to the prior-year period, agency profit-sharing compensation is determined by individual agency experience, which resulted in a disproportionate comparative outcome for the quarter.

Another primary driver of the increase in our fourth quarter expense ratio was lower premium volume that resulted from writing less new business and needing lower overall rate increases to achieve rate adequacy than originally planned for the year. Despite that top-line miss versus plan, we remain pleased with our organizational focus on budget discipline and our ongoing commitment to realizing efficiencies from our recent systems and process modernization efforts.

For the full year of 2025, we performed at a 33.8% expense ratio, compared to 33.7% for the full year of 2024, with the reduction in net earned premiums representing the overriding factor behind the slight uptick in that annual expense metric.

As we look forward to 2026, we are operating from a position of strength, in that the efforts of our team have generated outstanding results through rate achievement, underwriting focus, expense discipline, and investment portfolio optimization. We are pleased to report six consecutive quarters of underwriting profitability, combined with investment strategies to increase our returns that were opportunistic, yet consistent with our conservative philosophy. These results will allow us to be selectively aggressive in our pursuit of profitable growth in the year ahead, while being careful not to undermine the hard work of our team that led us to this favorable position.

We have entered 2026 intentionally focused on our strategic plan and priorities. Our regional teams have worked closely with independent agents across the country to build tangible and actionable new business and policy retention plans for 2026. This focus on product mix, rate strategy, marketing strategy, and growth objectives in every state and line of business has our teams aligned and ready to achieve our bottom-line and top-line objectives in the year ahead.

We have excellent insight into our performance versus plan at a granular level, thanks to our technical data and enterprise analytics teams. These teams distill and disseminate vast amounts of data to our business units, keeping them informed and positioning them to efficiently analyze results and take responsive action when required. These data-driven insights empower us to deepen our relationship and engagement with our independent agency partners. As a reminder, we distribute our products exclusively through independent agency channel, and we consider the relationship with our 2,000 independent agents across our 21-state footprint to be a core strength.

As I close my remarks, I reiterate we are proud to operate from a place of bottom-line strength. Jeff shared that that we are pleased to have achieved rate adequacy in 2025. Ongoing rate achievement remains vitally important to ensure that we maintain pace with loss cost trends. We continue to engage our marketing teams, our independent agents, and our analytics & underwriting teams to emphasize pricing discipline as we seek to identify profitable new business opportunities in states and classes that match our objectives.

With that, I'll turn it over to Tony Viozzi for an investment update. Tony?

Tony Viozzi – Senior Vice President and Chief Investment Officer

Thanks Dan. Throughout 2025, our investing approach focused on strategically increasing our bond portfolio yield and optimizing our portfolio mix. We were able to take advantage of higher market rates and move into more favorable asset classes that we expect will continue to perform well in the future.

We had a strong fourth quarter of 2025, as net investment income was up 17.5%, resulting in \$14.2 million versus \$12.1 million for the fourth quarter of 2024. The strong quarterly performance, coupled with actions taken in the prior quarters of 2025, allowed us to achieve a 17.2% increase to full year 2025 net investment income of \$52.6 million, compared to \$44.9 million for 2024.

The average tax-equivalent yield for the fourth quarter of 2025 increased to 3.95%, compared to 3.58% for the fourth quarter of 2024. In addition to actively managing the bond portfolio during the first nine months of 2025, we accelerated yield enhancement through strategic bond swaps in the fourth quarter. Proceeds from bonds that matured, were called, or were sold as part of swap strategies during the quarter totaled \$155 million yielding an average of 3.74%. Those funds were reinvested at an average yield of 5.17%, with the 143 basis-point improvement projected to boost annual investment income by \$2.2 million going forward. We intentionally extended duration to 5.5 years to lock in what we viewed to be attractive yields for a longer-term horizon. We are now investing new money at yields north of 5%, and we anticipate the ongoing favorable market environment will provide modest additional bond swap opportunities in the near term.

The net investment loss of \$1.7 million for the fourth quarter of 2025 reflected the losses we intentionally realized on bonds sales, offset partially by a gain in the market value of our equity portfolio during the quarter. For the full year of 2025, we realized a net investment gain of \$600,000, compared to \$5 million for the full year of 2024. We attribute the year-over-year decrease to the losses we realized on strategic bond sales in 2025 in order to boost investment income in future periods by amounts that will far exceed the one-time realized losses.

At December 31, 2025, our book value increased to \$17.33, which was a 12.8% improvement over \$15.36 as of December 31, 2024. The increase was driven primarily by net income and an increase in our market value of our available-for-sale bond portfolio, partially offset by cash dividends declared during the year.

In closing, we are projecting about \$100 million in portfolio cash flow over the next twelve months, with a current average yield of 4.40%. Our current reinvestment rate is around 5.25%, providing opportunity for further enhancement in investment income. We will continue to optimize our portfolio mix as market opportunities arise. To that end, we are currently emphasizing tax-exempt bonds, mortgage-backed securities, and non-agency structured notes, where we find rates most attractive.

With that, I will now turn it back to Kevin for closing remarks.

Kevin Burke – President and Chief Executive Officer

Thank you, Tony. As we reflect on our accomplishments in 2025 and consider the challenges ahead in 2026, I want to express my appreciation for the devoted team of Donegal professionals who are fully engaged in executing our strategies and fulfilling our mission. I also want to recognize the dedication of our independent agency partners who reciprocate our loyal commitment to them by submitting quality new business to us and entrusting us to serve the insurance needs of their customers. We look forward to continuing to enhance those relationships through increased engagement in the year ahead. And finally, I am grateful for the ongoing support of our stockholders, and we look forward to providing further updates to you in future calls. Thank you.

Becca Gregg Sansom – Senior Corporate Communications Specialist

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 fourth quarter 2025 earnings webcast. You may now disconnect.