Karin Daly – Vice President, The Equity Group Inc.

Good morning and thank you for joining us today. This morning, Donegal Group issued its Third Quarter 2023 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. After management's prepared remarks, there will be a pre-recorded question-and-answer session for responses to several questions submitted ahead of the call. Note that we have incorporated responses for many of the questions we received directly in management's prepared remarks.

Speaking today will be President and Chief Executive Officer, Kevin Burke; Chief Financial Officer, Jeff Miller; Chief Underwriting Officer, Jeff Hay; 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. We are pleased to provide an update today on many of the strategic initiatives we have in flight, as we execute an intentional strategy to improve our financial performance, modernize our operations and put us in a position to grow profitably as economic conditions begin to stabilize.

Donegal's third quarter of 2023 results showed significant disparity between business segments. While we saw significant improvement in our commercial lines segment results, our personal lines segment results continued to reflect the ongoing impacts of inflationary pressures in several lines of business, with the largest impact in personal automobile, as claim severity remained at historically high levels due primarily to higher repair and replacement costs. We experienced an increase in the frequency of severe weather events throughout our regions during the quarter. None of these events generated an accumulation of losses that exceeded our catastrophe retention level, but the active weather patterns, coupled with ongoing inflationary impacts on repair and labor costs, generated the highest weather-related loss ratio we reported in any quarterly report going back to 2018. On a positive note, we

saw a significant decline in large commercial fire losses in the third quarter of 2023, as well as an improvement in our core loss ratios in each of the major commercial business lines. Jeff Hay will provide further details on our individual segment and line of business results later in the call.

Moving to business drivers impacting premium revenues, we began non-renewing all commercial policies in the states of Georgia and Alabama during the third quarter, which was the start of a process that will continue over the next several quarters that we expect will have significant favorable impact on our operating results moving forward. The primary strategy we are deploying to offset the loss of top-line revenues in those states is to emphasize and promote our brand new BOP product and modernized commercial auto and commercial umbrella products, which are available on our new technology platform in all of the 22 states in which we offer commercial lines. We are actively monitoring quote activity, engaging with our agents, and refining our pricing and straight-through processing guidelines to increase our writings of smaller commercial accounts in targeted geographies, industries, and classes that we believe will be the primary driver of profitable growth over the next few years.

In last quarter, I mentioned that our commercial underwriting team would begin to shift their attention to the development of our last major commercial systems modernization initiative that will include a new commercial package policy and modernize the other commercial products remaining on our legacy systems. Preliminary planning meetings have already begun in preparation for that major software release, with the start of development activities planned for early 2024 for deployment in the second half of 2025. Conversion of legacy personal lines renewals to the new operating platform will begin in early 2024 and continue incrementally over the next few years.

We conducted our third annual state strategy sessions in August. We had excellent participation and engagement by our home office and regional leadership as we evaluated our performance and developed specific action plans at a state level and, in some cases, a county level. This information will be used as a basis to form our 2024 business plan that will guide highly coordinated marketing and underwriting activities in each region. We also hosted an event for our top-performing agents in September to inform them of our business plan and growth strategies and to solicit their feedback and perspectives as we collectively navigate challenging market and economic conditions. We walked away with solidified commitments to deepen our relationships and continue to grow our premium with these key agency partners.

As we plan ahead to 2024 and beyond, we have all the building blocks in place to achieve and maintain rate adequacy and to begin to capture additional market share within our current geographical footprint. We have a clear view of our target classes and customers in both commercial and personal lines, and we have significant analytical reporting tools to help us monitor and manage our growth versus our plans and expectations in order to

optimize our risk profile and improve consistency on our underwriting profitability over time. We recently held an all-employee meeting at which I emphasized to our entire team, over the past several years, we have developed detailed strategies and successfully built an infrastructure, including talent, systems and tools, to enable our future growth and margin expansion. Now it's all about execution, and the level of success we achieve over the next few years will be determined by our team's collective ability to execute on our strategies, using all of the tools and capabilities at our disposal. I look forward to updating you on our progress in future calls.

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

Jeff Miller – Chief Financial Officer

Thanks Kevin. Net premiums earned increased 8.9% to $224.4 million for the third quarter of 2023. Net premiums written increased by 6.3%, with accelerating premium rate increases and strong retention offset partially by lower new business volume and planned attrition in states we are exiting or have targeted for profit improvement. Rate increases achieved during the third quarter were in double-digit percentages for all major lines of business except workers' compensation, averaging 11.8% overall and 13.4% excluding workers' comp.

The combined ratio of 104.5% for the third quarter of 2023 was a significant improvement from the 109.6% combined ratio for the prior-year quarter, with both periods reflecting elevated weather-related losses. Our core loss ratio decreased by over 4 percentage points from the prior-year quarter, and the remaining improvement related to a significant decline in large commercial fire losses that was partially offset by higher weather-related losses.

Weather-related losses were $25.7 million, or 11.5 percentage points of the loss ratio for the third quarter of 2023, compared to $19.4 million, or 9.4 percentage points for the third quarter of 2022. The weather impact was heavily weighted toward the homeowners line of business, with $16.1 million of losses contributing 49.2 percentage points to the third quarter homeowners' loss ratio. The impact to commercial property was $8.8 million, or 17.5 points of that line's loss ratio. Our insurance subsidiaries did not incur losses from any single event that exceeded their $3 million catastrophe reinsurance retention with Donegal Mutual during the third quarter. Higher frequency of localized storm events drove the total quarterly weather claim impact higher than the previous five-year average of 9.3 percentage points for the third quarter.

Large fire losses (which we define as over $50,000 in damages) contributed 4.9 percentage points to the loss ratio for the third quarter of 2023, which was substantially lower than 8.4 percentage points for the prior-year quarter.

A large decline in the frequency of commercial fire losses resulted from lower claim frequency and severity compared to the prior-year quarter.

Our insurance subsidiaries experienced net favorable development of reserves for losses incurred in prior accident years of $7.3 million, or a 3.3-point reduction in the loss ratio, for the third quarter of 2023, compared to $6.2 million, or a 3.0-point reduction in the loss ratio, for the prior-year quarter. Specific line of business detail included favorable development of $3.4 million for commercial auto, $2.7 million for personal auto and $1.3 million in other commercial (which is primarily commercial umbrella), spread across accident years 2019 through 2022.

The expense ratio of 34.1% for the third quarter of 2023 increased modestly compared to 33.4% for the prior-year quarter. The increase primarily reflected higher technology costs related to our ongoing systems modernization initiatives. As I have mentioned in prior calls, we expect the expense ratio impact of our multi-year systems modernization project to peak in 2024, representing around 1.5 percentage points to our expense ratio next year and then beginning to subside gradually in subsequent years. Starting in 2019, our insurance subsidiaries have received allocations of their proportionate share of the costs Donegal Mutual has incurred based on their respective premium revenues. The costs related to a major software release are spread evenly over a five-year period beginning at the point when the software release is first deployed into production.

In summary, we essentially had a break-even quarter, as the underwriting loss we incurred offset investment income earned for the third quarter of 2023. While far from our targeted level of profitability, the quarterly result was a significant improvement compared to the $10.4 million net loss for the third quarter of 2022.

Last week, our board of directors declared a regular quarterly cash dividend of 17 cents per share of our Class A common stock and 15.25 cents per share of our Class B common stock. The dividends are payable on November 15th to stockholders of record as of the close of business on November 1st.

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

Jeff Hay – Chief Underwriting Officer

Thanks, Jeff. During the third quarter of 2023, we continued to navigate a challenging environment, facing both ongoing economic headwinds and an increased frequency of severe weather events. Our results for the quarter reflected a continuation of strategic initiatives to run off targeted underperforming accounts while selectively

writing new accounts. We are continuing to push rate increases and numerous underwriting initiatives to improve the profitability of the overall book of business. While this effort is underway, we are actively positioning Donegal for future growth, particularly as market trends return to normal and we are achieving targeted profit levels.

We intend to remain an active market participant for profitable new business, with an intense focus on prudent risk selection and margin expansion as we utilize our advanced analytics to appropriately price risks and optimize our mix of business. We have identified the most profitable opportunities from an industry, geographic, line of business, and customer segment perspective with target mix percentages for each, and we are poised to grow in these profitable market segments as overall conditions improve.

Commercial net premiums written decreased by approximately 2% during the quarter, reflecting in large part the non-renewal of commercial accounts located in Georgia and Alabama, as Kevin mentioned earlier, as well as other intentional actions by our front-line underwriters to move away from underperforming individual accounts and classes of business. Excluding the impact of our strategic non-renewal actions in Georgia and Alabama, commercial net premiums written increased approximately 7% in the quarter, primarily due to significant increases in rate, averaging nearly 13%, excluding workers' compensation, coupled with strong retention and modest levels of conservatively underwritten new business premium. We will continue to emphasize property rate increases in the fourth quarter of 2023 and into 2024, as well as driving the highest rate levels in areas where the intersections of class, line of business, and geography are most challenging from a profit perspective.

Our commercial lines' statutory combined ratio was 97.5% in the quarter, compared to 112.1% in the prior-year period, primarily driven by lower core losses and a significant decrease in large fire losses. Our core commercial loss ratio decreased 8.4 percentage points, with improvements across all three major business lines, indicating that our rate and underwriting actions that have been underway for some time now are beginning to take effect. The 49% reduction in large fire losses accounted for approximately a 5.5 percentage-point improvement in the commercial loss ratio. So, while our business will always have exposure to fire losses, we have specific actions underway to perform an in-depth review of our large property portfolio to identify key fire risk factors and also to drive underlying improvements in our risk selection process to reduce the likelihood and frequency of large fire losses.

Similar to what we have seen in announcements by others in our industry, we had a busy weather quarter from a claims perspective. An increase in frequency of smaller storms particularly affected results of the commercial multi-peril line of business, as the weather-related loss ratio impact in that line increased to 17.5 percentage points compared to 9.7 points in the prior-year quarter. The majority of the weather-related losses stemmed from local convective storm activity across our regions, with only nominal losses from Hurricanes Idalia and Ophelia, and the

2023 Derecho event in the Midwest. Our research and experience indicates not only an increase in the frequency of recent storm activity, but also an increase in the geographical areas that storms are now affecting. We have specific actions underway to manage our exposures and optimize our geographic spread of risk, identifying down to the county level where we want to grow or reduce commercial property exposures.

As Kevin mentioned earlier, we have now completed our entire countrywide rollout of a new agency-facing portal with enhanced small commercial products, with straight through processing capabilities and online bindability that we believe will significantly improve our positioning within the small commercial market. We consider ourselves a generalist carrier with a broad appetite for profitable accounts across a spectrum of industries, including contractors, retail, professional services, and real estate, just to name a few. Early results are promising, and feedback from our independent agents has been positive as we look to grow in the small commercial segment.

Turning to personal lines, nearly 18% net premiums written growth in the third quarter reflected 14% average renewal rate increases and minimal exposure increases. Our actual numbers of policies in force continues to remain close to flat year over year, indicating that the premium growth was driven almost entirely by the rate achievement in the quarter. Rate increases averaged 11% for Personal Auto and almost 20% for Homeowners. As I stated in previous calls, we expect these percentages to continue to increase in the near term. Retention remained strong at 89% for the quarter, indicating that policyholders are accepting the higher renewal premiums with nearly every carrier in the market striving for rate increases to offset ongoing loss cost inflation trends. We continue to limit new business in personal lines, seeking to stabilize our profitability as our highest priority.

The personal lines statutory combined ratio increased to 119.4%, compared to 107.8% for the prior-year period, primarily as a result of the same weather events I mentioned for our commercial lines of business that had a significant impact to our homeowners line, as Jeff Miller outlined in his earlier comments.

A key part of our strategy in Personal Lines is to diversify the geographic footprint of our property exposures to improve the loss ratio performance of the homeowners line of business. We have identified, down to the county level, where we are looking to grow and where we need to reduce exposures in order to optimize our risk profile for the property line. We have already made a beneficial shift in our exposures, as policies in force are growing modestly in targeted profitable counties and shrinking in counties identified for profit improvement.

Now, at this time, I'd like to turn it over to Tony Viozzi for an update on our investment portfolio.

Tony Viozzi – Chief Investment Officer

Thank you, Jeff. We are happy to report $10.5 million of net investment income for the third quarter of 2023, which is our sixth consecutive quarter of higher investment income. This 23% increase from the same period last year, was primarily reflective of an increase in average investment yield as compared to the prior year period. During the third quarter of 2023, the average tax-equivalent yield was 3.22%, up from 2.66% for the same period in 2022, and reaching the highest level of yields we have seen in the last decade. Short-term cash rates, close to 5.25% were higher than we achieved in both the preceding quarter and the third quarter of 2022.

Of note, the average bond reinvestment yield was 5.46%, or approximately 175 basis points higher than the bond yields coming off the books in the third quarter. We continued to strategically shift our investment mix from equities, corporate bonds and municipal bonds into US treasuries and agencies, as well as mortgage-backed securities. This shift will provide a more favorable risk-return profile and should perform well both short and long-term.

Net investment losses were $1.2 million for the third quarter of 2023 compared to $2.4 million in the prior-year period. Losses in both periods were primarily related to unrealized losses in the fair value of equity securities we held at September 30. As a reminder, our equity portfolio continues to represent a very modest 2.7% of our total investments, in-line with our equity holdings at December 31, 2022, but down from 3.6% of our portfolio one year ago. We will maintain our conservative investing approach, limiting our equity exposure due to the current volatile nature of the US equity markets amid current world events. During the first nine months of the year, after-tax unrealized losses within our available for sale bonds lowered our book value per share by 32 cents, leading to book value per share of $14.26 at September 30, 2023, compared to $14.79 at December 31, 2022.

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

Kevin Burke – President and Chief Executive Officer

Thanks, Tony. I would like to take a moment to thank our dedicated staff members for their ongoing, tireless efforts during this time of strategic transformation for Donegal. And of course, thanks to our stockholders for your continued interest and support. I look forward to speaking to you in the next call, in February 2024. I'll now turn it back to Karin.

Karin Daly – Vice President, The Equity Group Inc.

Thank you, Kevin. I would like to move into our Question-and-Answer session. In advance of today's call, we requested and received questions from interested parties, and while we answered many of the questions within management's prepared remarks, we will address a few of the questions directly. The first question relates to Workers' Comp … Can you talk more broadly about your updated view on the workers' comp market? Both from a pricing / competitive landscape and paired with loss cost trends.

ANSWER (Jeff Hay): This is Jeff Hay. I can take that one. Workers Comp continues to be the most profitable line of business for us. In fact, we are taking specific actions to grow the mix of workers compensation within our commercial segment. And while medical inflation remains largely in check, we have seen some recent upward pressure on indemnity severity due to higher wage inflation. Since wages are the exposure base for premiums in this line of business, we believe we are well-positioned for this upward pressure on severity. The market itself for Workers' Comp remains highly competitive, as we are far from the only carrier to be experiencing profit within the line and to be looking for ways to write more of it.

QUESTION (Karin): The second question relates to Commercial Auto … Can you provide an update on where the commercial auto line is from a rate adequacy perspective?

ANSWER (Jeff Hay): We've made good progress in Commercial Auto profitability over the past several years. And this has been the result of a lot of hard work to regain rate adequacy in a line of business that has been very challenging for the industry over the last decade. We expect our exit from the commercial market in Georgia will further improve our commercial auto results over time. We're very pleased with the progress that we've made but will continue to take rate and non-rate actions to stay ahead of the continuing inflationary trends in both liability and physical damage losses.

QUESTION (Karin): And one last question on the Investment Portfolio … Can you remind us how much of your portfolio you expect to be reinvested over the next 12 months? Tony?

ANSWER (Tony Viozzi): Sure, Karin. Looking at our current projections of cash flows in 2024, we estimate that approximately $94 million of our fixed maturity portfolio will become available for reinvestment during the next calendar year. Those investments are currently yielding around 3.60%, so we should be able to reinvest those funds at higher yields if market interest rates remain higher for longer, as many now expect.

Karin Daly – Vice President, The Equity Group Inc

Thank you for those responses. If there are any additional questions, please feel free to reach out to us. This now concludes the Donegal Group third quarter 2023 earnings webcast. Thank you and have a great day.