

**Karin Daly – Vice President, The Equity Group Inc.**

Good morning and thank you for joining us today. This morning, Donegal Group issued its First 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](http://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. We are pleased to provide an update today on our quarterly results and high-level strategies and ongoing tactical initiatives.

Following on the heels of a fourth quarter when we reported the highest quarterly earnings in our history, we are pleased to have eclipsed that record earnings level, as positive momentum continued into the first quarter of 2025. While weather-related and large fire losses were lower than average during the first quarter, continuing improvement in core loss ratios in both commercial and personal lines was once again a significant driver of the favorable results.

We will provide further details about the factors that impacted net premium written growth as the call progresses. From my view, the enhanced intentionality behind our actions as well as the level of discipline our team is exercising is evident as we balance the achievement of both growth and profitability goals. We have greater insights and visibility into our underwriting performance and results versus our business plan than ever before, and our robust performance monitoring routines allow us to quickly identify and respond to any areas of deviation from expected results.

We are carefully monitoring the potential impact of recent economic uncertainty from tariff policies that could affect new and used automobile pricing, the cost of auto repairs, and the cost of construction, all of which are major components of our claim costs. We were nimble in reacting to the elevated inflation that followed the COVID pandemic, and we stand ready now to respond to any increase in our underlying claim costs with timely data-driven actions.

To provide a brief update on our systems modernization efforts, our team is making excellent progress on detailed testing activities that will ensure successful deployment of our final major commercial lines systems release in July, which will include a new commercial package policy and modernize other middle-market commercial products. I am pleased to report that we successfully deployed the first phase of our last major personal lines software release in February, which allowed us to begin the conversion of all remaining legacy homeowners policy renewals to the new operating platform, which means that coverage and features of our new business and renewal products will be much more similar. That conversion activity will continue as policies renew over the next year. The second and final phase of this release is on track for deployment later this year. This will facilitate conversion of all legacy automobile and umbrella policy renewals to the new platform, which will continue through mid-2026. When the last legacy policy expires in mid-July 2027, we will have a single policy management system and common data infrastructure for all of our products. As we look forward to that accomplishment and the strategic advantage it brings relative to other carriers who continue to deal with legacy system challenges, we are now ramping up discussions to refine and crystallize our technology roadmap to further leverage technology and data analytics to compete and succeed in the future.

We are excited to be able to look ahead and plan for the next milestones on our technology roadmap as we emerge from many years of heavy system modernization and legacy conversion activities. I cannot thank the team enough for their dedication and resilience that has led us to this point and given us the opportunity to build on a solid foundation going forward.

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 first quarter of 2025, net premiums earned increased 2.2% to \$232.7 million. Net premiums written decreased by 1.7%, as lower new business volume and planned attrition were offset partially by continuing solid premium rate increases and retention levels. A 9.9% decrease in personal lines net premiums written was offset partially by 3.3% growth in commercial lines. Rate increases achieved during the first quarter of 2025 averaged 9.6% in total and 10.6% when excluding workers' compensation.

The combined ratio was an excellent 91.6% for the first quarter of 2025, a substantial improvement compared to 102.4% for the prior-year quarter, with a lower impact of weather and large fire losses adding to a 4.5 percentage point decrease in the core loss ratio compared to the prior-year quarter. As a reminder, the core loss ratio is a measure of our underlying underwriting performance after excluding 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 0.7 percentage-point decrease in the commercial lines core loss ratio and a 9.4 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 \$8.6 million, or 3.7 percentage points of the loss ratio for the first quarter of 2025, were down from \$10.8 million, or 4.7 percentage points for the first quarter of 2024. Commercial property losses from severe weather totaled \$2.9 million and contributed 5.4 percentage points to the quarterly commercial multi-peril loss ratio, compared to 4.3 percentage points of the loss ratio for that line of business in the first quarter of 2024. The weather impact to the homeowners line was \$4.8 million, or 13.7 percentage points of the homeowners loss ratio, which improved substantially compared to 21.3 percentage points in the prior-year quarter. In total, the quarterly weather claim impact was lower than the previous five-year average for the first quarter of 4.6 percentage points. Our insurance subsidiaries did not incur losses from any single event during the first quarter of 2025 or 2024 that exceeded their individual \$3 million catastrophe reinsurance retention with Donegal Mutual.

Large fire losses (which we define as over \$50,000 in damages) contributed 3.3 percentage points to the loss ratio for the first quarter of 2025, which was much lower than 6.6 percentage points for the prior-year quarter. A decrease in the frequency of both commercial and homeowners fire losses contributed to the decrease.

Our insurance subsidiaries experienced \$10.5 million of net favorable development of reserves for losses incurred in prior accident years, representing a 4.5-percentage point reduction in the loss ratio, for the first quarter of 2025, compared to \$8.4 million, or a 3.7-percentage point reduction in the loss ratio, for the prior-year quarter. Specific line of business detail for the first quarter of 2025 primarily included favorable development of \$4.7 million for commercial auto, \$4.3 million for commercial multi-peril, \$2.3 million for personal auto, offset partially by \$1.8 million of unfavorable development for workers' compensation.

The expense ratio of 34.6% for the first quarter of 2025 decreased modestly compared to 35.7% for the prior-year quarter. The decrease primarily reflected ongoing impacts of expense reduction initiatives and a modest decrease in technology costs related to our ongoing systems modernization initiative. These benefits were offset partially by an increase in underwriting-based incentive costs for agents and employees.

In summary, the underwriting income for the first quarter of 2025 combined with \$12.0 million of net investment income, resulted in after-tax net income of \$25.2 million, which was a significant increase compared to \$6.0 million for the first quarter of 2024.

To provide more details about our commercial and personal lines segment results and related initiatives, I will turn the call over to Jeff Hay.

**Jeff Hay – Chief Underwriting Officer**

Thank you, Jeff. We are very encouraged by our first quarter performance, particularly because we believe the significant improvement was not the result of random fluctuations, but rather the outcome of the strategic initiatives and disciplined action plans we implemented over the past several years to strengthen our underwriting practices.

For our commercial lines of business, net premiums written increased 3.3% during the first quarter of 2025 as we continue to programmatically prune our business of less profitable classes and individual policies. As market pricing has begun to soften for new business, we are standing firm on our underwriting and pricing discipline to ensure the quality and profitability of our

book. Our commercial lines new business during the quarter was in alignment with our targeted geographic and class strategies, with over two-thirds of the business written new in highly targeted classes with higher expected profitability.

Our overall commercial rate and exposure increase was 11.5%, excluding Workers' Compensation, for the first quarter of 2025, as we continue to emphasize driving the most rate in the areas where the intersections of class, line of business, and geography are most challenged. Renewal rate increases were led by Commercial Multi-peril at +12.4%, followed by Commercial Umbrella at +10.9% and Commercial Auto at +10.7% during the quarter. Our average in-force policy premium across all commercial lines of business is \$7,500, representing a 6% increase from the prior year, driven by both rate and underlying shifts in account size.

From a profitability perspective, the commercial lines segment combined ratio of 94.7% improved 6.9 percentage points over the prior-year quarter, with the loss ratio accounting for 5.6 percentage points of that improvement. In terms of loss ratio components, the core loss ratio improved by 0.7 points, and the impact of weather-related losses was comparable. Large fire losses decreased by 49%, driven primarily by lower frequency. Favorable prior year development reduced the loss ratio by 5.1 percentage points, compared to 4.1 points in the first quarter of 2024.

Diving further into the commercial loss trends for the first quarter of 2025, overall frequency continued to show a favorable negative trend. For Workers' Compensation, while we have observed increases in indemnity and medical severity that we consider a reversion to the historical trend line in recent quarters, we experienced an anomalous increase in claim severity in the first quarter driven by a small number of severe injury claims. The workers' compensation market continues to be very competitive, with margin pressure from continued negative rate filings from bureaus that show no signs of abating as we head further into 2025. Despite the current quarter losses, we still consider ourselves rate adequate in this line due to continuing negative frequency trends and in-check severity trends overall.

For Commercial Auto, frequency continued to adhere to the longer-term decreasing trend, but we saw an anomalous increase in auto physical damage severity that was above the historical trend line during the quarter. This is an area we will monitor closely considering the potential for pricing pressure on imported automobiles and repair parts. Commercial auto liability severity continued to increase above the trend line, similar to what we saw in the fourth quarter of last year. We are seeking higher commercial auto rate increases to offset the increasing loss costs.

Commercial Multi-peril loss trends continued to moderate due in large part to reduced frequency & severity of large fires. Favorable frequency declines for this line accelerated in the last two quarters. While I mentioned that auto liability severity ticked up in the past two quarters, the severity in the general liability sub-line of commercial multi-peril has shown signs of settling closer to the longer-term trend line. We are continuing to monitor all of these trends closely, and we will act swiftly to respond to any changes, including the impact of social inflation related to the proliferation of attorney advertising, jury anchoring, third party litigation financing and the growth in nuclear verdicts that are impacting the insurance industry at large.

Within our underwriting operation, we are working to increase scale in our small commercial segment while continuing the positive momentum in our middle market commercial segment. To that end, we made several organizational changes to further define our focus and to position our operations for sustained success. Our Commercial Lines operation is now functioning as two divisions that we refer to as Middle Market and Small Commercial. We have described in previous calls the large-scale investments we made in Small Business products and service capabilities as a part of our technology transformation efforts. As Kevin mentioned earlier, we look forward to the July 2025 deployment of another major commercial software release that will represent the largest investment in company history in our Middle Market products and capabilities. We have shored up the systems, talent, product and processes needed to deliver on our commitment to market-leading product and service offerings in both of these commercial divisions that are critical to our future growth and success.

Turning to our personal lines business segment, net premiums written decreased 9.9% during the first quarter of 2025, driven by our strategies to accelerate our return to profitability by lowering new business volume and non-renewal of a legacy Maryland book of business. Drilling down further into those strategies, we intentionally limited our new business volume, producing only one million dollars of new business in the quarter, compared to \$10 million for the first quarter of 2024. Given the naturally elevated loss ratio new business generates, our intentional limiting of new business volume has helped us accelerate our return to profitability. Secondly, our non-renewal actions in Maryland are well underway and accounted for approximately half of the decrease in net premiums written during the quarter. That impact will continue as non-renewals will occur through August of this year, but the removal of these historically unprofitable policies will further improve our profit margin and reduce our exposure to hurricane catastrophe risk.

We believe it is helpful to consider the quarterly premium decline in personal lines within the context of a broader time horizon. We had outsized premium growth in 2023 and early 2024, primarily as a result of rate increases but also reflecting significantly higher amounts of new business. In fact, at March 31, 2025, our average in-force premium per policy was 16% and 15% higher in auto and homeowners, respectively, compared to prior-year periods. We are not alarmed at all by the recent premium decline that is essentially right-sizing our overall product mix. That said, we are currently putting in place several strategies to slow that rate of decline as 2025 progresses, ultimately seeking to maintain a relatively stable personal lines premium level as we emphasize commercial lines growth in the years ahead.

Our real retention rate for personal lines, excluding the impact of the Maryland non-renewals, was a healthy 86.7%, with overall rate achievement of +9.3%. Renewal rate increases during the first quarter averaged +5.8% for Personal Auto, slowing a bit from 2024 levels as we have essentially achieved rate adequacy in that line, and +15.9% for Homeowners. We will be ready to adjust our rate strategies in the event that underlying costs shift due to any inflationary impact of changes in economic policies.

Our personal lines combined ratio improved 16.7 percentage points to 83.6% in the first quarter of 2025. By line of business, homeowners' combined ratio improved 19.1 percentage points to 83.8%. The improvement in homeowners was partially driven by a 50% reduction in large fire losses compared to the first quarter of 2024 – as a result of lower frequency and severity. Homeowners non-weather trends were largely in-line with expectations, and for the first time in several quarters, we experienced a decrease in the frequency of weather claims that contributed 7.6 percentage points of improvement in the homeowners loss ratio compared to the prior-year quarter. The personal auto combined ratio improved 14.8 percentage points to 85%, with 10 percentage points of improvement in the core loss ratio and more favorable impact of prior period reserve development. Personal auto physical damage severity was generally in-line with the longer-term trend line, and personal auto liability frequency continued to increase moderately, also consistent with the longer-term trend line.

Overall, we are pleased with the underwriting improvements across nearly every major line of business compared to the prior-year quarter. The early signs of progress began to emerge in the third quarter of 2024, and we believe our enhanced performance and profitability serve as clear evidence of the sustained impact of the strategic initiatives and disciplined action plans our team has diligently executed over the past several years.

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

**Dan Delamater – Chief Operating Officer**

Thank you, Jeff. I will share an update on a few operational initiatives and how we are navigating the current competitive landscape.

We are certainly pleased with our excellent profitability in the first quarter, and we are confident that our strong performance reflects the impact of our numerous initiatives and changes we implemented over the past several years. To name just a few, they include our consolidated regional structure; a disciplined state strategy planning process; a “One Team” alignment between marketing, underwriting, and product teams; enhanced price sophistication; and continued company-wide expense reduction efforts.

Our product team members continue to collaborate closely with our underwriting and marketing teams to actively manage each regional product portfolio. Plus, our analytics team continues to deliver valuable insights to ensure that our teams are equipped with quick and easy access to key metrics across regional, state, territory, and agency levels, in conjunction with our technical data team, who provide robust and consumable data to enable us to make intelligent, data-driven underwriting decisions. This alignment is essential as we look to balance necessary rate achievement with top line growth objectives.

As part of our ongoing monitoring of the broader markets in each of our regions, we are keeping a careful eye on economic inflation and the potential impacts of the federal tariff policy. We also continue to monitor social inflation as an industry-specific challenge. Considering this broadening inflationary pressure, critical attention to fundamentals such as policy language, line of business and class management, coverage limits, and pricing discipline is as important as ever to mitigate the impact of social inflation on our claim costs. Additionally, our claims team continues to monitor the specific impact from medical inflation on our bodily injury liability claims. We are not seeing outsized medical inflation in workers compensation and other bodily injury claims - these costs have been relatively stable with increases generally in line with economic inflation. However, we have recognized an increase in medical utilization rates, manifesting itself in more medical visits, more diagnostic testing, and a greater use of prescription medications. While this escalation in medical utilization applies upward pressure on our claim costs, we are closely managing rate levels to achieve targeted returns.

We are working diligently with our more than 2,000 independent agency partners to drive sustainable profitable commercial lines premium growth. At present, Construction represents the largest industry within our current in-force book of business at 36%, with the vast majority of those accounts in specialty trades, followed by Services and Retail industries. In order to further diversify our commercial risk portfolio, we have refined and expanded our underwriting appetite, identifying specific additional industries and classes that we view as attractive profit opportunities but are underrepresented in our portfolio mix. We are emphasizing to our agents the risks we want to write. We expect that our recently implemented interactive appetite guide tool will provide enhanced clarity to our agents, and we look forward to increased quoting opportunities in those targeted classes.

Additionally, leaders and team members across the organization have continued to embrace our expense management efforts – enabling us to incrementally reduce our expense ratio by nearly 2 percentage points over the past two years. As we work toward further improvement, we have developed a comprehensive and sustainable budgeting and expense monitoring tool that we expect will further empower our teams toward expense and efficiency improvement and accountability for results.

We expect to achieve additional efficiencies from the sizable investments we have made in technology systems and analytical capabilities over the past several years. Last year, we incurred the peak expense impact of our multi-year systems modernization project, accounting for 1.3 percentage points of the expense ratio. We project a modest decline in 2025 to 1.0 percentage point of expense impact related to that project. As a result of our loss ratio improvement in the first quarter, we incurred a higher level of expense for estimated underwriting-based incentive compensation for agents and employees compared to the prior-year quarter. Even so, we lowered our expense ratio by 1.1 percentage points from the prior-year quarter.

Overall, we believe we are well positioned to face the challenges in today's dynamic insurance landscape. And with that, I'll turn it over to Tony Viozzi for an investment update. Tony?

**Tony Viozzi – Chief Investment Officer**

Thanks, Dan. As we continue to navigate an increasingly complex and volatile investment market environment, I want to reiterate that our investment strategy includes a prudent, disciplined approach that is intended to achieve capital preservation, risk-mitigation and long-term value creation. We have all witnessed the recent heightened uncertainty across the market, driven by shifting economic indicators, persistent inflationary pressures, geopolitical tensions, and rapid movements in interest rates. Against this backdrop, our conservative approach has proven effective. We prioritize high credit quality and attractive spread products to provide consistent investment income and to ensure that our portfolio remains resilient, particularly in the face of short-term market disruptions.

During the first quarter of 2025, net investment income totaled \$12.0 million, representing an increase of 9.2% from the prior-year quarter. The average tax-equivalent yield was 3.50%, up from 3.40% for the first quarter of 2024. In terms of portfolio mix, we have methodically reduced our exposure to lower-spread fixed income assets, gradually replacing them with what we view as high-quality, credit-focused corporate debt and structured notes. Fixed-income reinvestments in the first quarter of 2025 provided an 85 basis point boost in yield compared to maturing and called bonds during the quarter. We are currently investing new funds at rates north of 5.50%, representing a spread of close to 150 basis points from the average yield on bonds maturing and called in the second quarter of 2025. We project approximately \$130 million in bond cash flows over the next twelve months, currently yielding 3.55%, which will provide additional opportunities to increase our portfolio yield if rates continue to remain higher than that level.

We positioned our relatively modest equity portfolio defensively in anticipation of heightened market volatility. As a result of that cautious approach, we finished the quarter with minimal net investment losses, outperforming the S&P 500 Index during the quarter. Moving forward, we will maintain a defensive stance on equities until the market stabilizes. Our goal is to strike a balance between equity growth opportunities and downside protection.

On the fixed income side, we will continue to stay the course, prioritizing high-quality spread products. We will also remain vigilant, poised to take advantage of opportunities that the market presents, while adhering to our disciplined investment approach and positioning ourselves for long-term success.

As of March 31, 2025, our book value per share increased 5.7% to \$16.24, from \$15.36 on December 31, 2024. The increase of \$0.88 since year-end was driven by strong underwriting results and investment income, along with a modest improvement in the value of our available-for-sale fixed income portfolio.

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

**Kevin Burke – President and Chief Executive Officer**

Thanks, Tony. With three sequential quarters with favorable operating performance we are pleased with the positive momentum. We announced an increase in our quarterly cash dividend last week, which is further evidence of our confidence in our business strategies that are designed to achieve our long-term objective of excellent financial performance. We look forward to reporting on our ongoing progress in future calls. I'll now turn it 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 first quarter 2025 earnings webcast. You may now disconnect.