

Donegal Group Inc. (DGICA; DGICB)

Q4'24 Earnings Call Transcript – 02202025 FINAL

Karin Daly – Vice President, The Equity Group Inc.

Good morning and thank you for joining us today. This morning, Donegal Group issued its Fourth Quarter and Full Year 2024 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. We are pleased to provide an update today on our quarterly results, important accomplishments in 2024, and areas of focus for 2025. At this time last year, I stated that we believed the action plans and rate increases we implemented during 2023 would lead to incremental improvement in our results for 2024 and beyond. In today's call, we will outline the details of the improvement we achieved.

Our fourth quarter 2024 net income of \$24.0 million represents the highest quarterly earnings in our history. While weather-related losses were lower than average during the fourth quarter of 2024, the primary driver of our favorable results was substantial improvement in core loss ratios in both commercial lines and personal lines. We are now reaping the benefits of all of the underwriting actions, specific state strategies, significant premium rate increases we implemented over the past several years, and leveraging our new technology and product enhancements. We are not finished with all of those actions, as we continue to address pockets of underperformance to build on the positive momentum.

We made excellent progress during 2024 on the last two major software releases within our systems modernization project. As a reminder, a major commercial systems release scheduled for deployment in the third quarter of 2025 will include a new commercial package policy and will modernize the other mid-market commercial products remaining on our legacy systems. These products will allow us to continue to compete effectively for profitable commercial accounts. Our last major software release will facilitate the conversion of all remaining legacy personal lines policy renewals to the new operating platform. I want to express my appreciation to the technology and business teams that are working diligently to complete the development and testing for both of these releases, which will allow us to decommission all of our legacy systems when the conversion is complete in 2027.

Donegal Group Inc. (DGICA; DGICB)

Q4'24 Earnings Call Transcript – 02202025 FINAL

As our call progresses, you'll hear from Jeff Hay and Dan DeLamater about our areas of focus for 2025. After implementing many changes over the past several years, we are now fine-tuning our strategy to respond to external challenges and opportunities. We have developed and implemented sophisticated analytical and reporting tools to give us granular insights into all aspects of our business, with performance monitoring routines in place to allow us to respond quickly to address issues or to meet market changes. We expect further efficiency gains as we take full advantage of recent and ongoing technology investments, including the development of a comprehensive cloud-based data infrastructure that will provide further enhancements in data analysis and reporting capabilities when fully deployed.

Our favorable results for the second half of 2024 has generated confidence that our strategies will result in sustained excellent financial performance. Keeping profitability as our primary objective, we also desire to capitalize on opportunities to grow our premium base. Our business plan for 2025 includes detailed regional action plans to achieve high-single-digit percentage growth in commercial lines, targeting profitable small and mid-market accounts in specific geographical regions and classes of business. We expect a modest decline in personal lines for 2025. As the year progresses, we expect to stabilize our personal lines premium writings by gradually increasing new business levels while maintaining the rate adequacy we worked so hard to achieve over the past several years.

Our team is focused on the completion of the major systems transformation project, execution of ongoing profit-focused initiatives and the achievement of measured, intentional growth. At this point, I will turn the call over to Jeff Miller for a review of our financial results.

Jeff Miller – Chief Financial Officer

Thanks Kevin. I'll start with a summary of our fourth quarter results and then provide some highlights of our full year results. For the fourth quarter of 2024, net premiums earned increased 4.6% to \$236.6 million. Net premiums written decreased by 0.6%, with a 5% decrease in personal lines premiums offset partially by 2.8% growth in commercial lines. Rate increases achieved during the fourth quarter were in double-digit percentages for all major lines of business except workers' compensation, averaging 11% in total and 12% when excluding workers' comp.

The combined ratio for the fourth quarter of 2024 was an excellent 92.9%, compared to 106.8% for the prior-year quarter. We attribute the improvement to a 9.5 percentage point decrease in the core loss ratio compared to the prior-year quarter. 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 4.4 percentage-point decrease in the commercial lines core loss ratio and a 16.7 percentage-point decrease in the personal lines core loss ratio for the fourth quarter of 2024. The substantial improvement in the personal lines core loss ratio was due largely to the favorable impact of premium rate increases on net premiums earned for that segment.

Weather-related losses of \$7.7 million, or 3.3 percentage points of the loss ratio for the fourth quarter of 2024, decreased from \$13.4 million, or 5.9 percentage points of the loss ratio for the fourth quarter of 2023. We incurred lower commercial property losses, with \$1.5 million of weather losses contributing 2.8 percentage points to the quarterly commercial multi-peril loss ratio, compared to \$3.5 million of weather losses contributing 7.0 percentage points for the fourth quarter of 2023. The fourth

Donegal Group Inc. (DGICA; DGICB)

Q4'24 Earnings Call Transcript – 02202025 FINAL

quarter of 2024 weather impact to the homeowners line was \$3.7 million, or 10.5 percentage points of the homeowners loss ratio, significantly lower compared to \$8.3 million, or 24.5 percentage points, for the prior-year quarter. In total, 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 single event during the fourth quarter of 2024 or 2023 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 4.0 percentage points to the loss ratio for the fourth quarter of 2024, which was lower than 4.8 percentage points for the prior-year quarter. A decline in the severity of homeowner fire losses was the primary driver of the decrease.

Our insurance subsidiaries experienced a nominal level of net development of reserves for losses incurred in prior accident years, with minimal impact to the loss ratio for the fourth quarter of 2024 or 2023. Details by line of business for the fourth quarter of 2024 included net favorable development of \$4.8 million for commercial multi-peril, \$600,000 for homeowners and \$500,000 for workers' comp that was partially offset by unfavorable development of \$5.1 million for commercial auto and \$1.6 million for personal auto. We attribute the unfavorable development in those two lines to higher-than-expected severity for previously reported bodily injury losses in accident years 2021 through 2023 in light of continuing social inflation trends. Netting all of the lines together, we had virtually no development in the fourth quarter.

The expense ratio of 32.8% for the fourth quarter of 2024 decreased from 34.1% for the prior-year quarter. The decrease primarily reflected the benefits of various expense reduction initiatives that we discussed in the past several earnings calls. These benefits were offset partially by an increase in underwriting-based incentive costs for employees and higher technology systems-related expenses related to our ongoing systems modernization initiatives.

Shifting to the full year of 2024 results, the loss ratio of 64.5% compared favorably to 69.1% for 2023, with a 3.5 percentage point improvement in the 2024 core loss ratio compared to the prior year. That improvement reflected a 2.1 percentage-point decrease in the commercial lines core loss ratio and a 5.6 percentage-point decrease in the personal lines core loss ratio.

Weather-related losses for the full year of 2024 were \$67.7 million, or 7.2 percentage points of the loss ratio, comparing favorably to \$72.9 million, or 8.3 percentage points of the loss ratio, for the full year of 2023, and generally in line with the previous five-year average of 7.0 percentage points of the loss ratio

Large fire losses contributed 4.9 percentage points to the 2024 loss ratio, a modest decrease from 5.2 percentage points for 2023.

Net favorable development of reserves for losses incurred in prior accident years reduced the 2024 loss ratio by 1.6 percentage points, generally in line with the 1.9 percentage-point reduction in the 2023 loss ratio. Details by line of business include favorable development of \$13.9 million in commercial multi-peril, \$3.8 million for other commercial (which is primarily commercial umbrella), \$1.4 million in personal auto and \$1.4 million for homeowners. That favorable development was partially offset by \$6.2 million of unfavorable development in workers' comp and \$1.0 million in commercial auto, for total net favorable development of \$15.0 million. In total, we had net favorable development primarily for reserves in accident years 2019 through 2022, with virtually no net development for reserves in accident year 2023.

Donegal Group Inc. (DGICA; DGICB)

Q4'24 Earnings Call Transcript – 02202025 FINAL

The expense ratio was 33.7% for the full year of 2024, compared to 34.7% for the full year of 2023, again reflecting the benefits of various expense-reduction initiatives we implemented during 2024, offset partially by higher underwriting-based incentive costs and increased technology expenses.

The decreases in our loss and expense ratios contributed to a combined ratio of 98.6% for 2024, representing a significant improvement from 104.4% for 2023.

Before concluding my remarks, I will provide a brief summary of the renewal of our reinsurance program for 2025. As in past years, Donegal Mutual and the insurance subsidiaries of Donegal Group are purchasing reinsurance together to achieve economies of scale. We successfully renewed our program for 2025 with a similar structure, but with several changes in coverage or loss retention. We added \$25 million to the top-end limit of our property catastrophe reinsurance coverage, primarily in response to changes within the catastrophe models we utilize to measure our potential exposures to severe weather events. Those changes within the models increased the expected losses at the targeted return period we use when determining the amount of reinsurance to purchase. We made no change to the retention level for that program or the intercompany catastrophe reinsurance agreement with Donegal Mutual.

We renewed the property per risk and workers' compensation excess of loss programs for 2025 with no changes in coverage or retentions from 2024. For our casualty excess of loss reinsurance program, we increased our external retention amount from \$3 million to \$6 million, because we considered the cost to renew coverage at a \$3 million retention to be unreasonably high in relation to our historical loss experience. To mitigate the potential impact of the higher retention to the results of several of our insurance subsidiaries, they entered into a new intercompany reinsurance agreement with Donegal Mutual that maintains their individual company retentions at \$3 million. When including both external and internal reinsurance, we expect our ceded reinsurance premium costs for 2025 will be virtually unchanged from 2024. I will now turn the call over to our Chief Underwriting Officer, Jeff Hay, to provide more details about our commercial and personal lines segment results and an update on rate activity and other underwriting initiatives.

Jeff Hay – Chief Underwriting Officer

Thank you, Jeff. We are very pleased with the significant improvement in our bottom-line performance for both the fourth quarter and full year of 2024 that we believe reflects the strategies and the action plans we have been executing to transform our underwriting discipline over the past few years. We saw improvement in the core loss ratio in every major line across our book of business compared to the prior-year quarter, with 9.5 percentage points of improvement for all lines combined, which is a continuing trend from the third quarter of 2024 where we achieved 6.6 points of improvement over the prior-year quarter.

Commercial lines, specifically, net premiums written grew 2.8% during the fourth quarter, resulting in a 3.7% growth for the full-year. While we are still intentionally shedding business in certain profit-challenged classes and geographies, the execution of our go-forward strategy in our commercial lines of business is generating positive momentum as we head into 2025.

As we mentioned in the third quarter webcast, we completed our exit of commercial lines business in the states of Georgia and Alabama. This marked a significant milestone in our profit improvement efforts, with the impact of this exit on our growth now behind us. During 2025, we will begin to non-renew all policies in Maine and New Hampshire, which together represent less

Q4'24 Earnings Call Transcript – 02202025 FINAL

than \$2 million of commercial lines premium. Our exit from these two states will further refine our core footprint and allow us to concentrate resources in areas where we have opportunities for sustainable growth.

We continued to achieve solid new business growth and high retention rates for desired commercial accounts this past quarter. Our new business remains well aligned within our targeted geographies and classes of business. Notably, we wrote 67% of our new business in highly targeted classes due to their higher expected profitability, exceeding our goal of 60% and improving from 62% in Q4 2023.

Next month, we will be releasing an interactive appetite guide to our independent agents. The dynamic functionality of the appetite guide will provide our agents even more clarity in the types of businesses that we are looking to insure. We believe this will be a valuable tool for our internal sales and underwriting staff as they work with our distribution partners to optimize our portfolio mix as we intentionally and strategically grow our commercial business. The appetite guide covers both our middle market and small business appetite.

Our small business initiatives continue to gain traction, resulting in improvements in our straight-through processing rate and hit rates on our new products and service offerings. While we are striving for outsized growth in our small business segment, we expect the majority of our commercial lines premium over the next several years will continue to come from the writing of new high quality middle market accounts.

We continue to institutionalize other measures designed to improve our underwriting discipline. They include, but are not limited to, the utilization of:

- Our new Probable Maximum Loss fire underwriting analysis on our property book to identify factors that increase the risk of large fire losses;
- revised underwriting guidelines to reduce exposures in certain profit challenged classes of business; and
- mandatory wind/hail deductibles in all catastrophe-prone states, and even in some states not historically identified as subject to severe weather.

These initiatives resulted in a planned level of retention of 80.5% for the quarter and 79.3% for the full year, similar to 2023 levels of retention but lower than our historical average. Some other intentional actions driving our retention levels down, but expected to improve future loss experience, include insured to value improvements, enhanced roof underwriting through aerial imagery, and point of sale integrations to our catastrophe model results that prompt us to impose stricter terms and conditions on more exposed properties. Our enhanced underwriting tools helped us to identify less desirable risks within our portfolio, resulting in the removal of over \$1 billion of total insured value through individual policy non-renewals over the past year.

Our overall renewal rate increases continued to be strong at an average of 11.9%, excluding workers' compensation, for the fourth quarter, led by commercial multi-peril at 13.7%, commercial auto at 10.3%, and commercial umbrella at 9.2%. For the full year, renewal rate increases averaged 11.8% for commercial lines, excluding workers' compensation.

Donegal Group Inc. (DGICA; DGICB)

Q4'24 Earnings Call Transcript – 02202025 FINAL

Relative to our state strategic postures, we continue to grow at higher rates of new business and retention in states we have targeted for growth, with 4.6% growth in the quarter, which compared favorably to modest contraction in states where we desire to maintain our current volume or need further profit improvement. Of course, we continued to achieve higher levels of rate achievement in the “profit improvement” states, averaging +13.2%, excluding workers’ compensation. This deliberate shift in geographic mix of business is just one driver of the improvement in our overall profitability.

Moving from the top-line to a review of our profitability, the commercial lines statutory combined ratio of 97.3% for the fourth quarter of 2024 improved 8.5 percentage points from the prior-year quarter. The improvement was largely driven by a 4.4-point decrease in core loss ratio, a 1.8-point decrease in the weather loss ratio and a modest reduction in the impact of large fire losses. Prior year reserve development was essentially flat for the quarter. For the full year, our commercial lines statutory combined ratio was 98.2%, compared to 101.6% for 2023.

To provide an update on loss trends, for commercial auto, we are seeing claim frequency adhere to a longer-term declining trend. Physical damage claim severity followed our expected trend line, and liability severity came in just above the trend line for the fourth quarter. We are closely watching potential pricing pressure on imported automobile parts, and we are continuing to implement rate increases to keep up with the impact of social inflation that is resulting from the proliferation of attorney advertising, jury anchoring, third-party litigation financing and growth in nuclear verdicts.

Commercial multi-peril claim severity continued to moderate relative to past periods, primarily due to reduced frequency and severity of large fire losses. Similar to commercial auto, we are continuing to see pressure in liability claim severity, a likely indication of social inflation impact in this line as well.

For workers’ compensation, we experienced a continuation of favorable prior year reserve development that began in the third quarter, providing a 2-point reduction in the workers’ compensation loss ratio in the fourth quarter. From a loss trend perspective, we continue to see medical inflation returning to the long term trend line, a welcome contrast to the anomalous increase we saw in the first half of 2024. Frequency continues to follow a favorable multi-year negative trend, even steepening in recent quarters. Recent observed increases in indemnity severity due to wage inflation showed a reversion to the trend line during the fourth quarter. While the workers’ compensation market continues to be very competitive with premium pressure from ongoing negative rate filings from bureaus, we believe this line of business to be rate adequate.

Shifting to personal lines, net premiums written decreased 5.0% during the fourth quarter, resulting in 7.4% growth in net premiums written for the full-year. That full year growth was entirely driven by significant rate increases that were offset partially by other factors. One of those factors was our strategy to pause new business, which was down 48% for the year, in an effort to accelerate our return to profitability in personal lines and to allow capacity to increase our commercial lines business over time.

Another factor was an intentional reduction in exposures in areas prone to severe weather. The number of personal lines policies-in-force at December 31, 2024 was down 11.6% compared to the prior year-end. This accelerated rate of reduction was a direct result of our decision to non-renew the legacy business of one of our subsidiaries in the state of Maryland, which began in September and accounted for 1.7% of the decrease in policy count. We expect the run-off of the remaining

Donegal Group Inc. (DGICA; DGICB)

Q4'24 Earnings Call Transcript – 02202025 FINAL

approximately \$15 million of in-force premiums will continue to suppress our growth in personal lines net premiums written through August of 2025. We expect to increase slowly the amount of targeted new business writings across our personal lines footprint beginning in the latter half of 2025, desiring to grow our personal lines book in a very measured fashion while ensuring the achievement of targeted returns.

For the fourth quarter, our personal lines retention, excluding the legacy run-off, was 86.8%, with overall average rate achievement of 11.8% yielding a premium retention rate in the quarter of 97.3%. Rate and exposure achievement in the fourth quarter was 11.8% for personal auto and 13.1% for homeowners. We began implementing significant premium rate increases in late 2022, and we are now seeing earned premiums increases at levels exceeding loss costs, resulting in margin expansion for the personal lines segment. While we believe we are essentially rate adequate for our overall personal lines of business, we will continue to take additional rate in states and lines of businesses, as needed.

Our personal lines statutory combined ratio was 89.5% for the fourth quarter of 2024, compared to 111.1% for the prior-year quarter. We attribute the enhanced profitability to higher earned premiums from the rate increases I just mentioned, as well as more favorable weather and large-fire loss impacts. For personal auto, the loss ratio decreased 20.4 points from the fourth quarter of 2023, primarily driven by a 25.4-point improvement in the core loss ratio, offset partially by net unfavorable prior-year reserve development in the quarter. The core loss ratio improvement is an indication of systemic improvement in the underlying performance of the book of business. Furthermore, similar to commercial auto, auto physical damage and liability trends are generally following the longer-term trend lines.

The homeowners' loss ratio for the fourth quarter improved 23.4 points from the prior-year quarter, primarily driven by a 14-point improvement in weather-related losses, a 5.9-point improvement in the core loss ratio and a 3.4 point improvement in large fire losses (as a result of lower frequency and severity). There was similar modest net prior-year reserve development.

As shared in past calls, part of our offensive strategy in personal lines is to diversify the geographic footprint of our homeowners property book to optimize the "spread of risk" diversification benefit. We have identified, down to the county level, where we are looking to grow or shrink exposures to execute effectively on this strategy. In 2024, we successfully reduced policies in-force by over 20% in counties targeted for reduced exposure concentrations. We believe this ongoing strategy will yield favorable impact on our results over time.

As I highlighted throughout my commentary, we believe the progress we achieved in 2024 was the direct result of the strategic initiatives and disciplined action plans we have implemented across both our commercial and personal lines to enhance our underwriting discipline over the past few years. With that, I will turn the call over to Dan DeLamater. Dan?

Dan DeLamater – Chief Operating Officer

Thank you, Jeff. As in the past, I will provide an update on several operational initiatives that support our underwriting actions and overall corporate objectives. We are pleased with our performance and significant improvement realized during the quarter and throughout 2024. Bottom line, in addition to all the strategies Jeff Hay just discussed, we believe that we are also seeing favorable results from our consolidated regional structure; robust state strategy planning process; One-Team alignment

Donegal Group Inc. (DGICA; DGICB)

Q4'24 Earnings Call Transcript – 02202025 FINAL

between marketing, underwriting, and product teams; enhanced price sophistication; and organizational focus on expense reduction.

As highlighted in previous quarterly calls,

- Our product team members continue to work closely with both underwriting and marketing staff to manage closely each regional product portfolio. This alignment is critical as we look to balance necessary rate achievement with top line growth objectives.
- Our analytics team continues to provide visibility to key data points for our book of business so that our teams have quick and easy access to key metrics at a regional, state, territory, and agency level.
- These analytical professionals work closely with our technical data team to provide robust and consumable data so that we can make intelligent, data-driven business decisions. Our ability to develop this area as a core operational strength during a multi-year overhaul of our entire policy management eco-system is a testament to the technical team we have at Donegal.
- Additionally, our entire leadership team embraced our objective to reduce our expense ratio, relative to our original 2024 projections, by 1 percentage point in 2024 and 2 percentage points by the end of 2025. We are pleased to have achieved the objective we set for 2024.

The timing of our expense reduction efforts is challenging but critical for our operations. We realized the peak expense impact of our multi-year systems modernization project in 2024 – representing 1.3% percentage points of our expense ratio. Despite that headwind, we were able to operate in the fourth quarter of 2024 at an expense ratio of 32.8%, compared to prior-year fourth quarter at 34.1%. This decrease contributed to a full year expense ratio of 33.7% for 2024, compared to 34.7 for the full year 2023. As I have discussed in previous calls, we recognize the challenge an elevated expense ratio poses to long-term profitability, and we have undertaken an organization-wide effort to improve our efficiency and expense discipline. We were pleased to realize significant improvement in 2024 and will continue such efforts into 2025 and beyond. We believe that we are well positioned to face any new challenges that may emerge in the year ahead.

- We are monitoring recent volatility in weather patterns and will remain diligent in our property concentration management across our regions.
- Industry-specific inflation remains a concern – as does the reality of social inflation driven by increasing litigation trends that vary in intensity depending on the legal jurisdiction.
- Our regional teams are coordinating closely with our national accounts team, which remains as active as ever following several noteworthy agency group acquisitions that were completed and/or announced in 2024.

Donegal remains committed to the independent agency channel as our sole distribution model, and we recognize the rapidly changing environment due to the ongoing pace of mergers and acquisitions in that space. We are thankful for the more than 2,000 independent agencies who represent Donegal across our 21-state footprint, and we believe more-than-ever that independent agents are an important differentiator for us as well as valuable trusted advisors for our insurance consumers.

Donegal Group Inc. (DGICA; DGICB)

Q4'24 Earnings Call Transcript – 02202025 FINAL

All told, we continue to expand our focus on operational excellence as we strive for “sustained excellent financial performance” – both on the underwriting and investment sides of the house. And with that, I’ll turn it over to Tony for an investment update. Tony?

Tony Viozzi – Chief Investment Officer

Thank you, Dan. Our investment approach remains firmly grounded in our conservative philosophy. By strategically selecting assets with strong fundamentals, we aim to mitigate risk while ensuring long-term stability. Our primary objective extends beyond capital preservation—we strive to construct a portfolio that is durable, flexible, and well-positioned to navigate evolving market conditions. As such, in 2024, we continued to shift into higher-spread products including corporate debt, mortgage backed securities, equities and structured notes. By diversifying across asset classes with attractive risk-adjusted yields, we seek to enhance income generation, strengthen portfolio resilience, and position ourselves for long-term growth in a dynamic market environment.

These actions produced a net investment income growth of 12.5%, resulting in \$12.1 million for the fourth quarter of 2024. For the full year, we achieved 10% growth in net investment income year-over-year to \$44.9 million – which was the highest annual net investment income in our history, a testament to our disciplined investment strategy, consistent portfolio growth and increased yields during the year.

The average tax-equivalent yield in the fourth quarter was 3.58%, up from 3.34% the prior-year fourth quarter. This increase reflects the ongoing favorable impact of higher market rates on reinvested cash flow. During 2024, approximately \$153 million of bond cash flow yielding 4.31% was reinvested at 5.37%, for a spread of 106 basis points. Looking forward to 2025, we project that we will receive approximately \$135 million of portfolio cash flow with an average yield of approximately 3.85%. Assuming new money rates remain at current levels, we will receive 115 basis points of improvement in our yield spread as we reinvest those funds.

Our increase in portfolio assets in 2024 allowed us to capitalize on new opportunities, including increasing our equity holdings by approximately 42% throughout the year. While equity investments remain a modest allocation of our portfolio, this increase positions us to benefit from higher stock market valuations over time.

While net investment gains were minimal for the fourth quarter of 2024, compared to a \$2.2 million net investment gain for the fourth quarter of 2023, net investment gains for the full year 2024 were \$5.0 million, compared to \$3.2 million for 2023. These net gains are primarily attributable to the increase in market value of the equity securities held at the end of each respective period.

At December 31, 2024, book value per share was \$15.36, a 6.7% increase from \$14.39 at December 31, 2023. This increase was attributable to the positive impact of our operating income, a \$4.7 million after-tax increase in the market value of our available-for-sale fixed income portfolio, and net investment gains. Those increases were partially offset partially via regular quarterly cash dividends.

Donegal Group Inc. (DGICA; DGICB)

Q4'24 Earnings Call Transcript – 02202025 FINAL

Consistent with our longstanding investment approach, we remain dedicated to disciplined risk management and strategic asset allocation to navigate challenges, seize opportunities, and maintain resilience in a constantly evolving market environment. I will now turn it back to Kevin for closing remarks.

Kevin Burke – President and Chief Executive Officer

Thanks, Tony. I want to recognize the efforts of the entire Donegal team that led to the improvement in our results for the quarter and full year. We are pleased with the progress we achieved in 2024, but we have much more to accomplish as we execute on the strategies we believe will generate sustained favorable results. We look forward to sharing further details of our progress 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 fourth quarter and full year 2024 earnings webcast. You may now disconnect.