

Becca Gregg Sansom – Senior Corporate Communications Specialist

Good morning and thank you for joining us today. This morning, Donegal Group issued its Third Quarter 2026 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. We are pleased to provide an update today on our third quarter results and ongoing business strategies and initiatives.

Similar to the first half of 2026, we had favorable underwriting results for the third quarter of 2026. Compared to prior-year third quarter, we experienced higher weather-related losses, less impact from large fire losses, and more favorable prior-year reserve development. Weather-related losses were modestly lower than our previous five-year average for the third quarter. The core loss ratio was below our target, with a modest increase in the commercial lines core loss ratio due to an uptick in severe casualty losses largely offset by a lower personal lines core loss ratio. A solid increase in investment income augmented the underwriting profit, contributing to \$18.2 million after-tax net income, equating to an annualized return on equity of 10.9% for the third quarter.

Soft market conditions continue to create headwinds in our pursuit of profitable growth. We are engaging with our independent agents to drive opportunities for new business, and positive momentum continues to build across our regions and business segments despite the market challenges.

Our technology and business teams are making steady progress on the migration of our on-premises Guidewire claims and billing systems to the new Guidewire cloud platform, with planned deployment on track for the first half

of 2027. We have also begun to prepare for the migration of our on-premises policy administration system to the cloud, which we expect to complete in 2028. The policy administration migration was intentionally planned as a second phase of our cloud migration project to ensure the successful conversion of all remaining legacy mainframe policies to the Guidewire application, which remains on track for completion in May of 2027.

We are following an intentional approach to the integration of artificial intelligence capabilities within our organization. Our technology team has embraced utilization of AI development tools and AI agents to increase efficiency in our IT and data operations. We have taken a cautious but intentional approach towards the integration of AI into our core operations. After evaluating multiple vendors and product offerings, we narrowed our strategy to developing and deploying AI solutions that are embedded within core system platforms already in use within our operations. We have partnered with vendors, such as Guidewire, Snowflake, and others with whom we have developed deep relationships and mutual commitments. We are in the final stages of completing an AI-ready technology foundation that includes a single source-of-truth cloud data infrastructure supporting integrated cloud-based core operating applications that will allow us to deploy AI solutions at scale in order to generate powerful insights as we drive operational consistency and efficiency. We believe this approach will allow us to maintain a pace of technology innovation that will allow us to compete effectively. Considering the rapid pace of development of AI-powered innovations across the insurance eco-system, we are also creating opportunities to engage directly with our independent agents to understand how the emergence of these innovations is impacting their operations and interactions with their customers, so that we can identify any potential opportunities for us to support and enhance those interactions.

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

Jeff Miller – Chief Financial Officer

Thank you, Kevin. For the third quarter of 2026, net premiums earned decreased 3.0% to \$222.9 million. Net premiums written decreased by 4.5%, as lower premium rate increases and retention levels were offset partially by an increase in new business volume. We saw a 5.6% decrease in personal lines net premiums written and a 3.7% decrease in commercial lines. Rate increases achieved during the third quarter of 2026 averaged 4.3% in total and 4.9% when excluding workers' compensation.

The combined ratio was 96.5% for the third quarter of 2026, up slightly from 95.9% for the prior-year quarter, primarily due to higher weather impact and a higher expense ratio, offset partially by lower large fire losses and

more favorable development of reserves for losses incurred in prior accident years. The core loss ratio remained fairly stable at 51.8%, compared to 51.1% for the prior-year quarter.

Weather-related losses were \$19.1 million, or 8.6 percentage points of the loss ratio for the third quarter of 2026, which were higher than the \$14.3 million, or 6.2 percentage points for the third quarter of 2025 when weather conditions were unusually favorable. The quarterly weather claim impact was modestly below the previous five-year average for the third quarter of 9.3 percentage points.

Large fire losses (which we define as over \$50,000 in damages) contributed 2.6 percentage points to the loss ratio for the third quarter of 2026, which was lower than the 4.4 percentage points for the prior-year quarter and reflected a decrease in severity of both commercial and homeowner fire losses.

Our insurance subsidiaries experienced \$3.5 million of net favorable development of reserves for losses incurred in prior accident years, or a 1.5-percentage-point reduction in the loss ratio, for the third quarter of 2026, compared to \$1.0 million of unfavorable development, or a 0.4-percentage-point increase in the loss ratio, for the prior-year quarter. Specific line of business detail for the third quarter of 2026 included favorable development of \$2.3 million for commercial auto, \$2.3 million for workers' compensation and \$900,000 for homeowners, offset partially by unfavorable development of \$1.2 million for commercial umbrella and \$800,000 for commercial multi-peril.

The expense ratio was 34.8% for the third quarter of 2026, compared to 33.5% for the prior-year quarter. The increase primarily reflected the impact of the lower base of net premiums earned for the current quarter.

In closing, solid underwriting income and higher investment income contributed to after-tax net income of \$18.2 million for the third quarter of 2026.

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

Jeff Hay – Chief Underwriting Officer

Thank you, Jeff. As Kevin mentioned, we are pleased with the underwriting profitability in the third quarter of 2026, and we continue to emphasize the need to increase new business in targeted areas to offset attrition and achieve moderate growth levels in this softening market.

Within our commercial lines segment, our third quarter 2026 results were impacted by several primary drivers, including higher weather losses compared to the third quarter of 2025; more favorable prior-year reserve development, and an increase in core loss ratio that was partially due to a notable increase in severe workers' compensation claims. I'll expand upon each of these, but first:

As the overall market remains soft, there is intense competition for quality new business. We continue to stand firm in maintaining underwriting and pricing discipline to protect margins.

Although we fell short of our business plan objective in the third quarter, I'm pleased to report that we had continued success in new business writings. New business volume increased by 11% over the same quarter in 2025, with 69.5% of new business written in our highly targeted classes with higher expected profitability.

Our investment in small commercial capabilities continues to accelerate. Additionally, our focus on increasing quote volume and distribution points continues to expand across our footprint. Compared to the same quarter in 2025, we have seen a 10% or higher increase in small business quote volume in more than half of our top small commercial agencies; and more than 75% of our top agencies have increased quote volume year over year in 2026.

Real retention fell slightly to 81.5% for the third quarter of 2026, as we continue to work with our independent agents to retain quality accounts. The decline also reflects the impact of our exit from the farm line of business as mentioned in prior calls. The nonrenewal of farm business had a negative impact of 1.0 points on retention and 1.2 points on our overall commercial lines growth rate for the quarter. Excluding the impact of the farm exit, we achieved a real retention rate of 82.5 percent, with overall growth at 2.5 percent.

Our commercial lines rate and exposure increase, excluding workers' compensation, slowed to 6.7% for the third quarter of 2026. We believe we are generally rate adequate across our lines of business and continue to emphasize driving rate increases in areas where the intersections of class, line of business, and geography present challenges, in order to keep pace with loss costs.

Shifting now to third quarter commercial lines loss trends, the impact from large fires resulted in a 1.4 percentage point decrease to the commercial multi-peril loss ratio when compared to same quarter in 2025. This was driven by a modest decrease in the frequency of large fires in the quarter, and a substantial 21.5% decrease in the severity of those fires versus the third quarter of 2025.

Higher third quarter weather-related losses resulted in a 1.5% increase to our commercial lines loss ratio, but the weather impact remained fairly low at only 4.9 percentage points of the total commercial lines loss ratio.

This favorable weather experience was despite active weather patterns in our regions, including a wind and hail event that caused widespread damage and power outages in Pennsylvania in early July and several other less impactful wind and hail events throughout the quarter across our operating regions.

Commercial lines prior-year reserve development was favorable overall for the third quarter of 2026, decreasing the segment loss ratio by 1.8 percentage points, compared to a decrease of 0.5 percentage points for the third quarter of 2025. The favorable prior-year-development was driven by lower-than-expected emergence of prior year claims for workers' compensation and commercial auto liability that was partially offset by increases in commercial multi-peril and umbrella liability for accident years 2024 and 2025.

As mentioned in previous calls, an ongoing initiative to reduce net retained umbrella liability limits within our book of business is well underway, resulting in additional significant reductions in limits exposed in our book. We expect a continuation of exposure decreases throughout the remainder of this year. This action is intended to mitigate the social inflationary pressures that much of the industry is experiencing, particularly in commercial auto and general liability claim severity.

Our commercial lines core loss ratio, which excludes the impact of large fires, weather, and prior-year reserve development, increased by 3.2 percentage points in the third quarter compared to the same quarter in 2025. This deterioration was driven by large workers' compensation activity in the quarter, and an increase in expected ultimate umbrella liability losses. Large workers' compensation losses incurred increased by 55% over the prior-year quarter, with two losses in excess of \$1 million during the quarter.

From a trend perspective, recent upward pressure on liability severity for both commercial auto and commercial multi-peril coverages continued to abate in the third quarter of 2026, as frequency and severity for both liability and property coverages returned to long-term trend lines. Commercial property continues to show overall frequency declines, but severity increased for the second quarter in a row due to weather-related claims. Additionally, workers' compensation showed an elevated level of volatility in medical severity due to the increase in large losses.

Now, turning to our personal lines segment. We had another excellent quarter of profitability, driven by personal auto results and coupled with an improved core loss ratio for our homeowners line of business.

The 5.6% decline in personal lines net premiums written improved from the 15.9% decline in the prior-year third quarter. New business written totaled \$6.4 million, representing a strong increase of 146% over the second quarter, and 540% versus the third quarter of 2025.

We continue to build momentum in alignment with the strategies we've put in place. Fueling the new business momentum was the introduction of a 12-month auto policy option in the third quarter, which has become a popular selection by our agents and insureds. It's important to note, however, that due to 12 months written policy booked

premium at the time of the sale versus 6 months in the second quarter and in prior years when only a 6-month policy was available, the comparison of new business premium to prior periods is somewhat distorted from an overall written premium perspective.

We are encouraged with continuing improvement month-over-month we have seen throughout the first nine months of 2026. Additionally, I'm pleased to report that our real retention for the third quarter held steady at a healthy 89.7 percent. Rate and exposure increases also held steady at 2.9% for the third quarter, reflecting the general achievement of rate adequacy in this segment.

For the third quarter of 2026, the personal auto loss ratio decreased by 4.1 percentage points compared to the same quarter in 2025. This decrease was driven by a 1.7 percentage-point improvement in the core loss ratio and a 3.8-point improvement in prior-year development in the quarter, with some offsetting deterioration in weather-related claims.

Our homeowners loss ratio saw a third quarter improvement of 12.1 percentage points over the prior-year quarter. We attribute the improvement to a 9-percentage-point decline in large fire loss impact, in addition to 8.8 points of core loss ratio improvement, with some offsetting deterioration from the weather events that I previously mentioned. Homeowners frequency and severity trends for the third quarter of 2026 were in line with long-term trends, and reflective of recent signs of improvement – especially in severity.

Frequency trends in personal auto remained in check, as auto physical damage severity continued to show signs of improvement, while bodily injury severity reverted to long-term trend lines. We continue to monitor an increase in bodily injury frequency over the past two quarters.

With that overview of our underwriting results for the third quarter, 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. As we review our operational performance for the third quarter of 2026, I will expand on our top line growth initiatives from a marketing perspective, and provide a brief update on the operational efficiency initiatives discussed in previous calls.

We operated at an expense ratio of 35.3% for the first nine months of 2026. That ratio is higher than the 33.4% we achieved in the first nine months of 2025 for two reasons: First and foremost, lower top line premium volume

represents a lower denominator in the expense ratio fraction. Second is the fact that we continue to feel the expense impact of our multi-year systems modernization project while also continuing to invest in our future from a technology perspective. We continue to make progress on the migration of our data and core application systems to the cloud, as Kevin mentioned earlier. This investment will create significant efficiencies in product design, speed to market in rate and product implementations, and AI integrations.

As you've heard throughout this call, soft market conditions continue to present challenges in our pursuit of profitable growth. We recognize the current competitive marketplace across the industry, and the pressure this puts on new business competitiveness, rate achievement, and renewal retention. Despite that, we continue to perform well against our goals for new business – operating within half a point of our business plan. Our marketing efforts continue to align with underwriting and product initiatives, as we proactively engage with our independent agents at both local and national account levels.

We are pleased to see a modest increase in personal lines production as we manage the appropriate balance of personal lines to commercial lines in our book of business. Each of our three business segments – middle market commercial, small commercial, and personal lines – has unique challenges with individual action plans. Importantly, we are addressing these challenges by implementing specific key performance indicators as accountability metrics to our 2027 corporate business plan. This will impact all levels – from our marketing representatives to underwriters and regional managers – to enable us to respond to any areas performing below expectations.

We are pleased with the alignment and clarity of focus that was evident in our recently completed state strategy workshop. This annual, multi-day planning summit brings together a cross-departmental mix of several dozen Donegal professionals – including executive, departmental and regional leadership, along with important contributors from our business units. Together, this group refines our product mix, rate strategy, marketing strategy, and growth objectives for every line of business and every state in which we write. This strategic session in August marked the sixth consecutive year for the event, and I believe it was our best to date.

As we look ahead to 2027, enhancing top line growth achievement through new business success and rate and renewal retention will be a top priority. We are operating from a place of bottom-line strength, but we recognize the need to increase written premium volume, particularly in small and middle-market commercial. Our teams are finalizing the operating routines and initiatives that will support our growth plans in 2027, which will be relatively modest in recognition of ongoing market challenges.

In closing, we are pleased to have achieved our ninth consecutive quarter of underwriting profitability. Coupled with our continued organizational alignment, we are confident that this profitability sets a solid foundation for our performance in fourth quarter 2026 and into 2027.

I'll now turn it over to Tony Viozzi for an investment update.

Tony Viozzi – Chief Investment Officer

Thanks Dan. We continue to actively manage our investment portfolio to provide a consistent and growing income base to support our underwriting operations. We had solid investment performance for the third quarter of 2026, as net investment income was up 5%, to \$14.7 million, versus \$13.9 million for the third quarter of 2025.

The average tax-equivalent yield for the third quarter of 2026 increased to 4.06%, compared to 3.90% for the prior-year quarter.

During the third quarter of 2026, we reinvested about \$75 million in bonds yielding an average of 5.40%. This 135 basis points in yield boost is projected to increase net investment income by upwards of \$1 million annually. Our active portfolio management program over the last 12 months has allowed us to perform substantial repositioning within our bond portfolio that is evident in the growth of our investment income and portfolio yield. This activity includes a \$15.5 million swap during the quarter that allowed us to increase yield by 345 basis points on those invested funds, resulting in a projected \$450,000 annual boost to investment income going forward.

Net investment losses in the third quarter of 2026 were approximately \$700,000; with the value of our equity portfolio reflecting a modest gain, largely in line with the performance of the S&P 500. That equity gain was more than offset by realized losses on strategic bond sales that were part of the previously mentioned bond swaps. We have continued to modestly increase our equity exposure as the market presents buying opportunities.

We project investment rates of 5.25 to 5.50% for the fourth quarter of 2026, and we anticipate \$90 million in projected portfolio cash flow over the next twelve months at a current average yield of 4.00%. We are taking advantage of market interest rates not seen since 2007, as we continue to manage our bond portfolio for optimal performance and income generation over the long-term. Additionally, we continue to rotate asset allocation based on risk profile and yield as opportunities arise.

As of September 30, 2026, our book value was \$17.70, representing a 2.1% improvement over \$17.33 as of December 31, 2025. The increase from our year-to-date net income was partially offset by stockholders dividends declared as well as a 65-cent per share reduction related to net unrealized losses within our available-for-sale bond portfolio due to the increase in market interest rates during 2026.

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

Kevin Burke – President and Chief Executive Officer

Thanks, Tony. We are pleased with the consistency of our results as we continue to navigate challenging market conditions. As we look forward to 2027 and beyond, we continue to manage our business in a manner that we expect will result in long-term success and increase the value of the investment of our stockholders over time. I'll now turn the call back to Becca. 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 third quarter 2026 earnings webcast. You may now disconnect.