

## Risk Factors Comparison 2025-03-10 to 2024-03-06 Form: 10-K

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Risks Relating to the Property and Casualty Insurance Industry Industry trends, such as increasing loss severity due to higher rates of litigation against the insurance industry and individual insurers, the willingness of courts to expand covered causes of loss, rising jury awards, escalating medical, automobile and property repair costs and other factors may contribute to increased costs and result in ultimate loss settlements that exceed the reserves of our insurance subsidiaries. Loss severity in the property and casualty insurance industry has increased in recent years, principally driven by factors such as distracted driving, larger court judgments, higher jury awards and increasing medical and automobile and property repair costs, including increases due to inflation and supply chain disruption. In addition, many classes of complainants have brought legal actions and proceedings, **some of which may be funded by third- party litigation financing**, that tend to increase the size of judgments. The propensity of policyholders and third- party claimants to **utilize specialized plaintiff firms and** litigate and the willingness of courts to expand causes of loss and the size of awards, to eliminate exclusions and to increase coverage limits may result in ultimate settlements of current and future losses that exceed the loss reserves of our insurance subsidiaries. Our insurance subsidiaries are subject to catastrophe losses and losses from other severe weather events, which are unpredictable and may adversely affect our results of operations, liquidity and financial condition. The underwriting results of our insurance subsidiaries are subject to weather and other conditions that may adversely affect our financial condition, liquidity or results of operations. Because the occurrence and severity of catastrophes are inherently unpredictable and may vary significantly from year to year and region to region, our historical results of operations may not be indicative of our future results of operations. Our property and casualty insurance operations expose us to claims arising from catastrophic events affecting multiple policyholders. Such catastrophic events consist of various natural disasters, including, but not limited to, hurricanes, tropical storms, tornadoes, windstorms, hailstorms, fires and wildfires, flooding, landslides, earthquakes, severe winter weather events and man- made disasters such as terrorist attacks, explosions and infrastructure failures. Historically, our insurance subsidiaries have experienced weather- related losses from hurricanes and tropical storms in Mid- Atlantic and Southern states, tornadoes and hailstorms in Mid- Atlantic, Midwestern and Southern states and severe winter weather events in Mid- Atlantic ~~and Midwestern and New England states.~~ **27-26** - Index Losses from catastrophic events are a function of both the extent of our insurance subsidiaries' exposures, the frequency and severity of the events themselves and the level of reinsurance coverage our insurance subsidiaries purchase. The increased frequency and severity of weather- related catastrophes and other losses, such as from wildfires and flooding, incurred by the industry in recent years may be indicative of changing weather patterns due to climate change. Should those patterns continue to emerge, increased weather- related catastrophes in the states in which our insurance subsidiaries operate would lead to higher overall losses that they may be unable to offset through pricing actions. Our insurance subsidiaries seek to reduce their exposure to catastrophe losses through their underwriting strategies and their purchase of catastrophe reinsurance. **Advancements in economic capital modeling and catastrophe risk modeling assist our insurance subsidiaries in measuring risk concentrations and inform their reinsurance purchase decisions**. Nevertheless, reinsurance may prove inadequate under certain circumstances. While the emerging science regarding climate change and its connection to extreme weather events continues to be studied, climate change, to the extent it produces rising temperatures and changes in weather patterns, could affect the frequency and severity of weather events and other losses and thus impact the affordability and availability of catastrophe reinsurance coverage for our insurance subsidiaries. Our insurance subsidiaries' ability to appropriately manage catastrophe risk depends partially on catastrophe models, which may be affected by inaccurate or incomplete data, the uncertainty of the frequency and severity of future events and the uncertain impact of changing climate conditions that tend to occur gradually over time. Changing climate conditions could lead to new or revised regulations with which our insurance subsidiaries would have to comply. Such regulations could impact the ability of our insurance subsidiaries to manage their exposures in areas impacted by increased weather activity, require our insurance companies to alter the terms and conditions of their policies or impact the ability of our insurance subsidiaries to obtain sufficient pricing increases to offset higher loss activity. Our insurance subsidiaries must establish premium rates and loss and loss expense reserves from forecasts of the ultimate costs they expect will arise from risks underwritten during the policy period, and the profitability of our insurance subsidiaries could be adversely affected if their premium rates or reserves are insufficient to satisfy their ultimate costs. One of the distinguishing features of the property and casualty insurance industry is that it prices its products before it knows its costs, since insurers generally establish their premium rates before they know the amount of losses they will incur. Accordingly, our insurance subsidiaries establish premium rates from forecasts of the ultimate costs they expect to arise from risks they have underwritten during the policy period. Proposed increases in premium rates are subject to regulatory approval on a state- by- state basis, and there is a lag between the time that our insurance subsidiaries file for such approval and the date upon which our insurance subsidiaries can implement any such approved premium rate increase across their book of business for a product in a particular state. The premium rates our insurance subsidiaries charge may not be sufficient to cover the ultimate losses they incur. Further, our insurance subsidiaries must establish reserves for losses and loss expenses as balance sheet liabilities based upon estimates involving actuarial and statistical projections at a given time of what our insurance subsidiaries expect their ultimate liability to be. Significant periods of time often elapse between the occurrence of an insured loss, the reporting of the loss and the settlement of that loss. It is possible that our insurance subsidiaries' ultimate liability could exceed these estimates because of the future development of known losses, the existence of losses that have occurred but are currently unreported and larger than historical settlements of pending and unreported claims. The process of estimating reserves is

inherently judgmental and can be influenced by a number of factors, including the following: • trends in claim frequency and severity; • changes in operations; • emerging economic and social trends; • economic and social inflation; and • changes in the regulatory and litigation environments. - 28-27 - Index

If our insurance subsidiaries determine that their reserves are insufficient to cover their ultimate liability, they will increase their reserves. An increase in reserves results in an increase in losses and a reduction in net income for the period in which our insurance subsidiaries recognize a deficiency in reserves. Accordingly, an increase in reserves may adversely impact the business, liquidity, financial condition and results of operations of our insurance subsidiaries. The financial results of our insurance subsidiaries depend primarily on their ability to underwrite risks effectively and to charge adequate rates to policyholders. The financial condition, cash flows and results of operations of our insurance subsidiaries depend on their ability to underwrite and set rates accurately for a full spectrum of risks across a number of lines of insurance. Rate adequacy is necessary to generate sufficient premium to pay losses, loss adjustment expenses and underwriting expenses and to realize a profit. The ability to underwrite and set rates effectively is subject to a number of risks and uncertainties, including those related to: • the availability of sufficient, reliable data; • the ability to conduct a complete and accurate analysis of available data; • the ability to recognize in a timely manner changes in trends and to project both the severity and frequency of losses with reasonable accuracy; • uncertainties generally inherent in estimates and assumptions; • the ability to project changes in certain operating expense levels with reasonable certainty; • the development, selection and application of appropriate rating formulae or other pricing methodologies; • the effective development, governance and appropriate use of modeling tools to assist with correctly and consistently achieving the intended results in underwriting and pricing; • the ability to innovate with new pricing strategies and the success of those innovations upon implementation; • the ability to secure regulatory approval of premium rates on an adequate and timely basis; • the ability to predict policyholder retention accurately; • unanticipated court decisions, legislation or regulatory action; • unanticipated changes in our claim settlement practices; • changes in driving patterns for auto exposures; • changes in weather patterns for property exposures; • changes in the medical sector of the economy that impact bodily injury loss costs; • changes in new and used car prices, auto repair costs and auto parts prices, including the increasing integration of sophisticated technology-related components; - 29-28 - Index

• the impact of emerging technologies, including driver assistance technologies and autonomous vehicles, on pricing, insurance coverages and loss costs; • the impact of inflation and other factors on the cost and availability of construction materials and labor; • the **impact of medical advances on the cost and duration of bodily injury claims**; • the ability to monitor property concentration in catastrophe-prone areas, such as hurricane, earthquake, **wildfire** and wind / hail regions; and • the general state of the economy in the states in which our insurance subsidiaries operate. Such risks may result in our insurance subsidiaries basing their premium rates on inadequate or inaccurate data or inappropriate assumptions or methodologies and may cause our estimates of future changes in the frequency or severity of claims to be incorrect. As a result, our insurance subsidiaries could underprice risks, which would negatively affect our margins, or our insurance subsidiaries could overprice risks, which could reduce their premium volume and competitiveness. In either event, underpricing or overpricing risks could adversely impact our operating results, financial condition and cash flows. The pace of innovation within the insurance industry is rapidly increasing, and our insurance subsidiaries may be unable to effectively implement new technologies and anticipate changes in customer preferences and insurance needs, which could put our insurance subsidiaries at a competitive disadvantage and adversely affect their future profitability. Innovation, recent technological developments, changing customer demographics and preferences, societal shifts and emerging technologies such as artificial intelligence are greatly impacting the insurance industry. Our insurance subsidiaries compete with much larger insurers that are focused on implementing technology and innovative solutions to select and price risks, **identify and target potential customers**, enhance the experience of their customers and improve their operations. If our insurance subsidiaries are unable to anticipate changes in customer expectations and keep pace with the technological changes their competitors implement, our insurance subsidiaries may not be able to attract and maintain quality accounts, adequately price risks or operate as efficiently as their competitors. In addition, emerging technologies such as electric and autonomous vehicles, driver-assistance and accident avoidance features on vehicles, sensor technology and other forms of automation may reduce the future need for, or decrease the future pricing of, the insurance products our insurance subsidiaries offer. Loss or significant restriction of the use of **credit scoring specific rating attributes, analytical models or technologies** in the pricing and underwriting of the personal lines insurance products by our insurance subsidiaries could adversely affect their future profitability. Our insurance subsidiaries **consider use credit scoring as a factor variety of rating attributes** in making risk selection and pricing decisions for personal lines insurance products where allowed by state law. There is increasing regulatory debate as to whether use of **credit scoring certain rating attributes is** unfairly **discriminates discriminatory** against people with low incomes, minority groups and the elderly. **For example, Consumer consumer** groups and regulators often call for the prohibition or restriction on the use of credit scoring in underwriting and pricing. **In addition, there is increasing regulatory attention on the governance over and use of analytical models and technologies, including artificial intelligence systems, to ensure that such technologies comply with laws that address unfair trade practices and unfair discrimination.** Laws or regulations that significantly curtail the use of **credit scoring specific rating attributes or other analytical models and technologies** in the underwriting process could reduce the future profitability of our insurance subsidiaries. Changes in applicable insurance laws or regulations or changes in the way insurance regulators administer those laws or regulations could adversely affect the operating environment of our insurance subsidiaries and increase their exposure to loss or put them at a competitive disadvantage. - 30 - Index

**Property** and casualty insurers are subject to extensive supervision in their domiciliary states and in the states in which they do business. This regulatory oversight includes matters relating to: - 29 - Index • licensing and examination; • approval of premium rates; • market conduct; • policy forms; • limitations on the nature and amount of certain investments; • claims practices; • mandated participation in involuntary markets and guaranty funds; • reserve adequacy; • insurer solvency; • transactions between affiliates; • the amount of dividends that insurers may pay; and • restrictions on underwriting standards. Such regulation and supervision

are primarily for the benefit and protection of policyholders rather than stockholders. The NAIC and state insurance regulators re-examine existing laws and regulations from time to time, specifically focusing on areas such as: • insurance company investments; • issues relating to the solvency of insurance companies; • risk-based capital guidelines; • restrictions on the terms and conditions included in insurance policies; • certain methods of accounting; • reserves for unearned premiums, losses and other purposes; • the values at which insurance companies may carry investment securities and the definition of other-than-temporary impairment of investment securities; and • interpretations of existing laws and the development of new laws. Changes in state laws and regulations, as well as changes in the way state regulators view related-party transactions in particular, could change the operating environment of our insurance subsidiaries and have an adverse effect on their business. **- 30- Insurance Index**

**Insurance** companies are subject to assessments, based on their market share in a given line of business, to assist in the payment of unpaid claims and related costs of insolvent insurance companies. Such assessments could adversely affect the financial condition of our insurance subsidiaries. **Our - 31- Index**

**Our** insurance subsidiaries are subject to assessments pursuant to the guaranty fund laws of the various states in which they conduct business. Generally, under these laws, our insurance subsidiaries can be assessed, depending upon the market share of our insurance subsidiaries in a given line of insurance business, to assist in the payment of unpaid claims and related costs of insolvent insurance companies in those states. We cannot predict the number and magnitude of future insurance company failures in the states in which our insurance subsidiaries conduct business, but future assessments could adversely affect the business, financial condition and results of operations of our insurance subsidiaries. **Us and**

**Our** Business The COVID- 19 pandemic affected the business operations of our insurance subsidiaries and Donegal Mutual, and economic disruption related to a future pandemic may adversely affect our revenues, profitability, results of operations, cash flows, liquidity and financial condition. During 2020 and 2021, the COVID-19 pandemic resulted in significant disruptions in economic activity throughout our operating regions. We cannot predict the ultimate impact that the economic and financial disruption related to a pandemic may have on us. Risks related to a pandemic include, but are not limited to, the following: • the business operations or a specific operational function of our insurance subsidiaries and Donegal Mutual could be disrupted by the illness of significant numbers of their employees and remedial efforts that would be required upon discovery of exposure to a communicable illness within their facilities; • the business operations of our insurance subsidiaries and Donegal Mutual are dependent upon technology systems for which regular physical access is required to maintain critical operational capabilities, and the business operations of our insurance subsidiaries and Donegal Mutual would be adversely impacted by government mandates requiring closure of facilities where those technology systems are located or restricting physical access to such facilities; • the revenues of our insurance subsidiaries and Donegal Mutual may decrease as a result of reduced demand for their insurance products as economic disruption adversely impacts current and potential insurance customers; • our insurance subsidiaries and Donegal Mutual may incur an increase in their losses and loss expenses in certain lines of business as a result of a pandemic and related economic disruption, and such losses and loss expenses may exceed the reserves our insurance subsidiaries and Donegal Mutual have established or may establish in the future; • our insurance subsidiaries and Donegal Mutual may incur increased costs related to legal disputes over policy coverages or exclusions and their defense against litigation related to a pandemic; • legislative, judicial and regulatory actions may expand coverage definitions, retroactively mandate coverage or otherwise require our insurance subsidiaries and Donegal Mutual to pay losses for damages that their policies explicitly excluded or did not intend to cover; • legislative, judicial and regulatory actions may require our insurance subsidiaries and Donegal Mutual to reduce or refund premiums, suspend cancellation of policies for non-payment of premiums or otherwise grant extended grace periods and time allowances for the payment of premium balances due to them; • our insurance subsidiaries and Donegal Mutual may not be able to collect premium balances due to them, resulting in reduced operating cash flows and an increase in premium write-offs that would increase their operating expenses; **31- Index**

• our insurance subsidiaries may suffer declines in the market values of their investments as a result of financial market volatility related to pandemic concerns and related economic disruption; and • economic disruption related to a pandemic could result in significant declines in the credit quality of issuers, ratings downgrades or changes in financial market conditions and regulatory changes that might adversely impact the value of the fixed-maturity investments that our insurance subsidiaries own. **losses in these**

losses in these states could adversely affect the results of operations of our insurance subsidiaries. Our insurance subsidiaries and Donegal Mutual conduct business in **21- 23** states located primarily in the Mid- Atlantic, Midwestern, **New England**, Southern and Southwestern states. A substantial portion of their business consists of private passenger and commercial automobile, homeowners, commercial multi-peril and workers' compensation insurance in Pennsylvania, Michigan, Maryland, Delaware and Virginia. While our insurance subsidiaries and Donegal Mutual actively manage their respective exposure to catastrophes through their underwriting processes and the purchase of reinsurance, a single catastrophic occurrence, destructive weather pattern, general economic trend, terrorist attack, regulatory development or other condition affecting one or more of the states in which our insurance subsidiaries conduct substantial business could materially adversely affect their business, financial condition and results of operations. Common catastrophic events include hurricanes, earthquakes, tornadoes, wind and hailstorms, fires and wildfires, explosions and severe winter storms. **If - 34- Index**

**If** the independent agents who market the products of our insurance subsidiaries and Donegal Mutual do not maintain their current levels of premium writing with us and Donegal Mutual, fail to comply with established underwriting guidelines of our insurance subsidiaries and Donegal Mutual or otherwise inappropriately market the products of our insurance subsidiaries and Donegal Mutual, the business, financial condition and results of operations of our insurance subsidiaries could be adversely affected. Our insurance subsidiaries and Donegal Mutual market their insurance products solely through a network of approximately 2, **100 200** independent insurance agencies. This agency distribution system is one of the most important components of the competitive profile of our insurance subsidiaries and Donegal Mutual. As a result, our insurance subsidiaries and Donegal Mutual depend to a material extent upon their independent agents, each of whom has the authority to bind one or more of our insurance subsidiaries or Donegal Mutual to insurance coverage. To the extent that such independent agents' marketing efforts fail to result in the

maintenance of their current levels of volume and quality or they bind our insurance subsidiaries or Donegal Mutual to unacceptable insurance risks, fail to comply with the established underwriting guidelines of our insurance subsidiaries and Donegal Mutual or otherwise inappropriately market the products of our insurance subsidiaries and Donegal Mutual, the business, financial condition and results of operations of our insurance subsidiaries could suffer. The business of our insurance subsidiaries and Donegal Mutual may not continue. 32- Index Donegal Index Donegal Mutual to retain existing, and to attract new, independent agents is essential to the continued growth of the business of our insurance subsidiaries and Donegal Mutual. If independent agents find it easier to do business with the competitors of our insurance subsidiaries and Donegal Mutual, our insurance subsidiaries and Donegal Mutual could find it difficult to retain their existing business or to attract new business. While our insurance subsidiaries and Donegal Mutual believe they maintain good relationships with the independent agents they have appointed, our insurance subsidiaries and Donegal Mutual cannot be certain that these independent agents will continue to sell the products of our insurance subsidiaries and Donegal Mutual to the consumers these independent agents represent. Some of the factors that could adversely affect the ability of our insurance subsidiaries and Donegal Mutual to retain existing and attract new independent agents include: • the significant competition among insurance companies to attract independent agents; • the labor- intensive and time- consuming process of selecting new independent agents; • the insistence of our insurance subsidiaries and Donegal Mutual that independent agents adhere to certain standards; • the ability of our insurance subsidiaries and Donegal Mutual to pay competitive and attractive commissions, bonuses and other incentives to independent agents; and • the ongoing consolidation of independent agencies, which may result in the acquisition of independent agencies from which our insurance subsidiaries and Donegal Mutual currently receive business by larger entities with which our insurance subsidiaries and Donegal Mutual do not have business relationships. While our insurance subsidiaries and Donegal Mutual sell insurance to policyholders solely through their network of independent agencies, many competitors of our insurance subsidiaries and Donegal Mutual sell insurance through a variety of delivery methods, including independent agencies, captive agencies and direct sales. To the extent that current and potential policyholders change their distribution channel preference, the business, financial condition and results of operations of our insurance subsidiaries may be adversely affected. -35- Index Dividends ----- Dividends from our insurance subsidiaries are the primary a significant source of funds for the payment of our operating expenses and dividends to our stockholders; however, there are regulatory restrictions and business considerations that may limit the amount of dividends our insurance subsidiaries may pay to us. As a holding company, we rely primarily on dividends from our insurance subsidiaries as a significant source of funds to meet our corporate obligations and to pay dividends to our stockholders. The amount of dividends our insurance subsidiaries can pay to us is subject to regulatory restrictions and depends on the amount of surplus our insurance subsidiaries maintain. From time to time, the NAIC and various state insurance regulators consider modifying the method of determining the amount of dividends that an insurance company may pay without prior regulatory approval. The maximum amount of ordinary dividends that our insurance subsidiaries can pay to us in 2024 2025 without prior regulatory approval is approximately \$ 39-53. 6-3 million. Other business and regulatory considerations, such as the impact of dividends on surplus that could affect the ratings of our insurance subsidiaries, competitive conditions, RBC requirements, the investment results of our insurance subsidiaries and the amount of premiums that our insurance subsidiaries write could also adversely impact the ability of our insurance subsidiaries to pay dividends to us. If A.M. Best downgrades the rating it has assigned to Donegal Mutual or any of our insurance subsidiaries, it would adversely affect their competitive position. Industry ratings are a factor in establishing and maintaining the competitive position of insurance companies. A.M. Best, an industry- accepted source of insurance company financial strength ratings, rates Donegal Mutual and our insurance subsidiaries. A.M. Best ratings provide an independent opinion of an insurance company's financial health and its ability to meet its obligations to its policyholders. We believe that the financial strength rating of A.M. Best is material to the operations of Donegal Mutual and our insurance subsidiaries. For example, certain lenders require customers to purchase insurance from an insurance carrier that has received an A.M. Best rating that exceeds a certain level. Currently, Donegal Mutual and our insurance subsidiaries each have an A (Excellent) rating from A.M. Best. In April May 2023 2024, A.M. Best affirmed its A (Excellent) ratings of Donegal Mutual and our insurance subsidiaries. However, if A.M. Best were to downgrade the rating of Donegal Mutual or any of our insurance subsidiaries, it would adversely affect the competitive position of Donegal Mutual or that insurance subsidiary and make it more difficult for it to market its products and retain its existing policyholders. The - 33- Index The growth and profitability of our insurance subsidiaries depend, in part, on the effective maintenance and ongoing development of Donegal Mutual's information technology systems, and the allocation of related costs to our insurance subsidiaries may adversely impact their profitability. Our insurance subsidiaries utilize Donegal Mutual's information technology systems to conduct their insurance business, including policy quoting and issuance, claims processing, processing of incoming premium payments and other important functions. As a result, the ability of our insurance subsidiaries to grow their business and conduct profitable operations depends on Donegal Mutual's ability to maintain its existing information technology systems and to develop new technology systems that will support the business of Donegal Mutual and our insurance subsidiaries in a cost- efficient manner and provide information technology capabilities equivalent to those of our competitors. The allocation among our insurance subsidiaries and Donegal Mutual of the costs of developing and maintaining Donegal Mutual's information technology systems may adversely impact our insurance subsidiaries' expense ratio and underwriting profitability, and such costs may exceed Donegal Mutual's and our expectations. Donegal -36- Index Donegal Mutual is currently in the midst of a multi- year effort to modernize certain of its key infrastructure and applications systems, and the allocation of related costs to our insurance subsidiaries has resulted in an increase to their expense ratio. These new systems are intended to provide various benefits to the member companies of the Donegal Insurance Group, including streamlined workflows and business processes, service enhancements for their agents and policyholders, opportunities to implement new product models and innovative business solutions, greater utilization of data analytics and operational efficiencies. Since 2020, we have implemented five major releases of Our insurance subsidiaries began to issue workers' compensation policies from the new

systems in the second quarter of 2020 and began to issue personal lines policies from the new systems, including a new personal lines agency portal, in the fourth quarter of 2021. In 2023-2025, Donegal Mutual implemented two additional major releases of new systems, which included three commercial lines of business with enhanced straight-through processing capabilities as well as dwelling fire and conversion of legacy homeowners renewal policies in two initial states. Over the next two years, Donegal Mutual expects to implement new systems for the remaining lines of business the Donegal Insurance Group issues currently and for the conversion of remaining legacy renewal policies of the Donegal Insurance Group. **The conversion process will continue into 2026 as legacy policies renew on a state-by-state rollout schedule.** Even with Donegal Mutual's and our best planning and efforts and the involvement of third-party experts, Donegal Mutual may not complete the implementation of these new systems within its planned timeframes or budget. Further, Donegal Mutual's information technology systems may not deliver the benefits Donegal Mutual and we expect and may fail to keep pace with our competitors' information technology systems. As a result, Donegal Mutual and our insurance subsidiaries may not have the ability to grow their business and meet their profitability objectives. **Our While we are currently placing less emphasis on pursuing acquisitions because Donegal Mutual and we believe there are significant opportunities for profitable organic growth, our** strategy to grow in part through acquisitions of other insurance companies exposes us to risks that could adversely affect our results of operations and financial condition. The affiliation with, and acquisition of, other insurance companies involves risks that could adversely affect our results of operations and financial condition. The risks associated with these affiliations and acquisitions include: • the potential inadequacy of reserves for losses and loss expenses of the other insurer; • the need to supplement management of the other insurer with additional experienced personnel; • conditions imposed by regulatory agencies that make the realization of cost-savings through integration of the operations of the other insurer with our operations more difficult; • our management's lack of familiarity with the geography, demographics and distribution systems in the markets the other insurer serves that cause the other insurer to fail to meet the growth and profitability objectives we anticipated at the time of the acquisition or affiliation; • **potential difficulties with integration of information technology systems and other operations;** • the need of the other insurer for additional capital that we did not anticipate at the time of the acquisition or affiliation; and • the use of more of our management's time in improving the operations of the other insurer than we originally anticipated. **If - 34- Index** If we cannot obtain sufficient capital to fund the organic growth of our insurance subsidiaries and to make acquisitions, we may not be able to expand our business. Our strategy is to expand our business through the organic growth of our insurance subsidiaries and through our strategic acquisitions of regional insurance companies. Our insurance subsidiaries may require additional capital in the future to support this strategy. If we cannot obtain sufficient capital on satisfactory terms and conditions, we may not be able to expand the business of our insurance subsidiaries or to make future acquisitions. Our ability to obtain additional financing will depend on a number of factors, many of which are beyond our control. For example, we may not be able to obtain additional debt or equity financing because we or our insurance subsidiaries may already have substantial debt at the time, because we or our insurance subsidiaries do not have sufficient cash flow to service or repay our existing or additional debt or because financial institutions are not making financing available. In addition, any equity capital we obtain in the future could be dilutive to our existing stockholders. Competition within the property and casualty insurance industry may adversely impact the revenues and profit margins of our insurance subsidiaries. **The - 37- Index** The property and casualty insurance industry is intensely competitive. Competition can be based on many factors, including: • the perceived financial strength of the insurer; • premium rates; • policy terms and conditions; • policyholder service; • reputation; and • experience. Our insurance subsidiaries and Donegal Mutual compete with many regional and national property and casualty insurance companies, including direct sellers of insurance products, insurers having their own agency organizations and other insurers represented by independent agents. Many of these insurers have greater capital than our insurance subsidiaries and Donegal Mutual, have substantially greater financial, technical and operating resources, have substantially greater exposure and access to potential customers and have equal or higher ratings from A.M. Best than our insurance subsidiaries and Donegal Mutual. In addition, our competitors may become increasingly better capitalized in the future as the property and casualty insurance industry continues to consolidate. The greater capitalization of many of the competitors of our insurance subsidiaries and Donegal Mutual enables them to operate with lower profit margins and, therefore, allows them to market their products more aggressively, to take advantage more quickly of new marketing opportunities and to offer lower premium rates. In addition to established insurers, our insurance subsidiaries and Donegal Mutual compete with a growing number of start-ups, some of which have received substantial infusions of capital, that seek to disrupt traditional business platforms and distribution channels. Our insurance subsidiaries and Donegal Mutual may not be able to maintain their current competitive position in the markets in which they operate if their competitors offer prices for their products that are lower than the prices our insurance subsidiaries and Donegal Mutual are prepared to offer. Moreover, if these competitors lower the price of their products and our insurance subsidiaries and Donegal Mutual meet their pricing, the profit margins and revenues of our insurance subsidiaries and Donegal Mutual may decrease and their ratios of claims and expenses to premiums may increase. All of these factors could materially adversely affect the financial condition and results of operations of our insurance subsidiaries and their A.M. Best ratings. **The - 35- Index** The investment portfolios of our insurance subsidiaries consist primarily of fixed-income securities; therefore, the investment income and the fair value of the investment portfolios of our insurance subsidiaries could decrease as a result of a number of factors. Our insurance subsidiaries invest the premiums they receive from their policyholders and maintain investment portfolios that consist primarily of fixed-income securities. The effective management of these investment portfolios is an important component of the profitability of our insurance subsidiaries. Our insurance subsidiaries derive a significant portion of their operating income from the income they receive on their invested assets. A number of factors may affect the quality and / or yield of their investment portfolios, including the general economic and business environment, government monetary policy, changes in the credit quality of the issuers of the fixed-income securities our insurance subsidiaries own, changes in market conditions and regulatory changes. The fixed-income securities our insurance subsidiaries own consist primarily of securities issued by domestic entities that are backed by either the

credit or collateral of the underlying issuer. Factors such as an economic downturn, disruption in the credit market or the availability of credit, a regulatory change pertaining to a particular issuer's industry, a significant deterioration in the cash flows of the issuer or a change in the issuer's marketplace may adversely affect the ability of our insurance subsidiaries to collect principal and interest from the issuer in which they invest. ~~The -38- Index~~ The investments of our insurance subsidiaries are also subject to risk resulting from interest rate fluctuations. As we experienced when market interest rates increased significantly in 2022, increasing interest rates or a widening in the spread between interest rates available on U.S. Treasury securities and corporate debt or asset-backed securities will typically have an adverse impact on the market values of fixed-rate securities. If interest rates decline, our insurance subsidiaries will generally have a lower overall rate of return on investments of cash their operations generate. In addition, in the event of the call or maturity of investments in a low interest rate environment, our insurance subsidiaries may not be able to reinvest the proceeds in securities with comparable interest rates. Changes in interest rates may reduce both the profitability and the return on the invested capital of our insurance subsidiaries. We and our insurance subsidiaries depend on key personnel. The loss of any member of our executive management or the senior management of our insurance subsidiaries could negatively affect the continuation of our business strategies and achievement of our growth objectives. The loss of, or failure to attract, key personnel could significantly impede our financial plans, growth, marketing and other objectives and those of our insurance subsidiaries. The continued success of our insurance subsidiaries depends to a substantial extent on the ability and experience of their senior management. Our insurance subsidiaries and we believe that our future success is dependent on our ability to attract and retain additional skilled and qualified personnel and to expand, train and manage our employees. We and Donegal Mutual have employment agreements with our senior officers, including all of our named executive officers. The reinsurance agreements on which our insurance subsidiaries rely do not relieve our insurance subsidiaries from their primary liability to their policyholders, and our insurance subsidiaries face a risk of non-payment from their reinsurers as well as the non-availability of reinsurance in the future. Our insurance subsidiaries rely on reinsurance agreements to limit their maximum net loss from large single catastrophic risks or excess of loss risks in areas where our insurance subsidiaries may have a concentration of policyholders. Reinsurance also enables our insurance subsidiaries to increase their capacity to write insurance because it has the effect of leveraging the surplus of our insurance subsidiaries. Although the reinsurance our insurance subsidiaries maintain provides that the reinsurer is liable to them for any reinsured losses, the reinsurance agreements do not generally relieve our insurance subsidiaries from their primary liability to their policyholders if the reinsurer fails to pay the reinsurance claims of our insurance subsidiaries. To the extent that a reinsurer is unable to pay losses for which it is liable to our insurance subsidiaries, our insurance subsidiaries remain liable for such losses. At December 31, ~~2023~~ **2024**, our insurance subsidiaries had approximately \$ ~~117.99~~ **4.7** million of reinsurance receivables from third-party reinsurers relating to paid and unpaid losses. Any insolvency or inability of these reinsurers to make timely payments to our insurance subsidiaries under the terms of their reinsurance agreements would adversely affect the results of operations of our insurance subsidiaries. ~~-36- Michigan Index~~ Michigan law requires MICO to provide certain medical benefits under the personal injury protection, or PIP, coverage of the personal automobile and commercial automobile policies it writes in the state of Michigan. Michigan law also requires MICO to be a member of the Michigan Catastrophic Claims Association, or MCCA, in order to write automobile insurance. The MCCA receives funding through assessments that its members collect from policyholders in the state and provides reinsurance for PIP claims that exceed a set retention. At December 31, ~~2023~~ **2024**, MICO had approximately \$ ~~54.46~~ **8.3** million of reinsurance receivables from MCCA relating to paid and unpaid losses. The MCCA has generated significant operating deficits in past years. While the MCCA generated an increase in surplus in recent years, the MCCA board approved the return of a significant portion of its accumulated surplus to policyholders in the form of cash refunds in early 2022. Although we currently consider the risk to be remote, should the MCCA be unable to fulfill its payment obligations to MICO in the future, MICO's financial condition and results of operations could be adversely affected. ~~In -39- Index~~ In addition, our insurance subsidiaries face a risk of the non-availability of reinsurance or an increase in reinsurance costs that could adversely affect their ability to write business or their results of operations. Market conditions beyond the control of our insurance subsidiaries, such as the amount of surplus in the reinsurance market and the frequency and severity of natural and man-made catastrophes, affect both the availability and the cost of the reinsurance our insurance subsidiaries purchase. If our insurance subsidiaries cannot maintain their current level of reinsurance or purchase new reinsurance protection in amounts that our insurance subsidiaries consider sufficient, our insurance subsidiaries would either have to accept an increase in their net risk retention or reduce their insurance writings, either of which could adversely affect them. For example, due to increased reinsurance pricing and reduced reinsurance market capacity, our insurance subsidiaries increased their net retentions under several of their reinsurance programs for ~~2023 and 2024~~ **and 2025**. The disruption or failure of Donegal Mutual's information technology systems or the compromise of the security of those systems that results in the theft or misuse of confidential information could materially impact adversely the business of Donegal Mutual and our insurance subsidiaries. Our insurance subsidiaries' business operations depend significantly upon the availability and successful operation of Donegal Mutual's information technology systems. In addition, in the normal course of their operations, Donegal Mutual and our insurance subsidiaries collect, utilize and maintain confidential information regarding individuals and businesses. While Donegal Mutual has established various security measures to protect its information technology systems and confidential data, unanticipated computer viruses, malware, ransomware, power outages, unauthorized access or other cyberattacks could disrupt those systems or result in the misappropriation or loss of confidential data. Donegal Mutual could experience technology system failures or other outages that would impact the availability of its information technology systems. Donegal Mutual has experienced brief disruptions of systems in the past, including those systems that allow underwriting and processing of new policies. Disruption in the availability of Donegal Mutual's information technology systems could affect the ability of Donegal Mutual and our insurance subsidiaries to underwrite and process their policies timely, process and settle claims promptly and provide expected levels of customer service to agents and policyholders. While Donegal Mutual has identified threats to the security of its

information technology systems, Donegal Mutual and we are unaware of any significant breach of the security measures

**Donegal Mutual maintains. A significant breach of the security of Donegal Mutual's information technology systems that results in the misappropriation or misuse of confidential information could damage the business reputation of Donegal Mutual and our insurance subsidiaries and could expose Donegal Mutual and our insurance subsidiaries to litigation. The financial impact to Donegal Mutual, us and our insurance subsidiaries of a significant breach could be material.- 37- Index Risks Relating to Us and Our Common Stock The price of our common stock may be adversely affected by its low trading volume. Our Class A common stock and our Class B common stock have limited liquidity. Reported average daily trading volume for our Class A common stock and our Class B common stock for the year ended December 31, 2024 was approximately 64,806 shares and approximately 1,190 shares, respectively. This limited liquidity could subject our shares of Class A common stock and our shares of Class B common stock to greater price volatility. Donegal**

Mutual is our controlling stockholder. Donegal Mutual and its directors and executive officers have potential conflicts of interest between the best interests of our stockholders and the best interests of the policyholders of Donegal Mutual. Donegal Mutual controls the election of all of the members of our board of directors. **Six-Seven** of the eleven members of our board of directors are also directors of Donegal Mutual. Donegal Mutual and we share the same executive officers. These common directors and executive officers have a fiduciary duty to our stockholders and also have a fiduciary duty to the policyholders of Donegal Mutual. Among the potential conflicts of interest that could arise from these separate fiduciary duties are the following: • we and Donegal Mutual periodically review the percentage participation of Atlantic States and Donegal Mutual in the underwriting pool that Donegal Mutual and Atlantic States have maintained since 1986; • our insurance subsidiaries and Donegal Mutual annually review and then establish the terms of certain reinsurance agreements between our insurance subsidiaries and Donegal Mutual; • we and Donegal Mutual allocate certain shared expenses among ourselves and our insurance subsidiaries in accordance with various inter- company expense- sharing agreements; and • we and our insurance subsidiaries may enter into other transactions or contractual relationships with Donegal Mutual. Donegal Mutual has sufficient voting power to determine the outcome of substantially all matters submitted to our stockholders for approval. Each share of our Class A common stock has one- tenth of a vote per share and generally votes as a single class with our Class B common stock. Each share of our Class B common stock has one vote per share and generally votes as a single class with our Class A common stock. Donegal Mutual has the right to vote approximately **71-70** % of the combined voting power of our Class A common stock and our Class B common stock and has sufficient voting control to and has acted to: • elect all of the members of our board of directors, who determine our management and policies; and • control the outcome of any corporate transaction or other matter submitted to a vote of our stockholders for approval, including mergers or other acquisition proposals and the sale of all or substantially all of our assets, in each case regardless of how all of our stockholders other than Donegal Mutual vote their shares. The interests of Donegal Mutual in maintaining this greater- than- majority voting control of us may have an adverse effect on the price of our Class A common stock and the price of our Class B common stock because of the absence of any potential “ takeover ” premium and may, therefore, be inconsistent with the interests of our stockholders other than Donegal Mutual.

Donegal Mutual's majority voting control of us, certain provisions of our certificate of incorporation and by- laws and certain provisions of Delaware law make it remote that anyone could acquire actual control of us unless Donegal Mutual were in favor of another person's acquisition of control of us.- **33-38** - Index Donegal Mutual's majority voting control of us, certain anti- takeover provisions in our certificate of incorporation and by- laws and certain provisions of the Delaware General Corporation Law, or the DGCL, could delay or prevent the removal of members of our board of directors and could make a merger, tender offer or proxy contest involving us more expensive as well as unlikely to succeed, even if such events were in the best interests of our stockholders other than Donegal Mutual. These factors could also discourage a third party from attempting to acquire control of us. In particular, our certificate of incorporation and by- laws include the following anti- takeover provisions: • our board of directors is classified into three classes, so that our stockholders elect only one- third of the members of our board of directors each year; • our stockholders may remove our directors only for cause; • our stockholders may not take stockholder action except at an annual or special meeting of our stockholders; • the request of stockholders holding at least 20 % of the combined voting power of our Class A common stock and our Class B common stock is required for a stockholder to call a special meeting of our stockholders; • our by- laws require that stockholders provide advance notice to us to nominate candidates for election to our board of directors or to propose any other item of stockholder business at a stockholders' meeting; • we do not permit cumulative voting rights in the election of our directors; • our certificate of incorporation does not provide for preemptive rights in connection with any issuance of securities by us; and • our board of directors may issue, without stockholder approval unless otherwise required by law, preferred stock with such terms as our board of directors may determine. We have authorized preferred stock that we could issue without stockholder approval to make it more difficult for a third party to acquire us. We have 2. 0 million authorized shares of preferred stock that we could issue in one or more series without further stockholder approval, unless the DGCL or the rules of the NASDAQ Global Select Market otherwise require, and upon such terms and conditions, and having such rights, privileges and preferences, as our board of directors may determine. Our potential issuance of preferred stock may make it more difficult for a third party to acquire control of us. Because we are an insurance holding company, no person can acquire or seek to acquire a 10 % or greater interest in us without first obtaining approval of the insurance commissioners of the states of domicile of each of our insurance subsidiaries. We own insurance subsidiaries domiciled in the states of Michigan, Pennsylvania and Virginia, and Donegal Mutual is domiciled in Pennsylvania and owns or controls insurance companies domiciled in Georgia and New Mexico. The insurance laws of each of these states provide that no person can acquire or seek to acquire a 10 % or greater interest in us without first filing specified information with the insurance commissioners of those states and obtaining the prior approval of the proposed acquisition of a 10 % or greater interest in us by each of the state insurance commissioners based on statutory standards designed to protect the safety and soundness of us and our insurance subsidiaries. ~~Our insurance subsidiaries and Donegal Mutual currently conduct business in a limited number of~~

states, with a concentration of business in Pennsylvania, Michigan, Maryland, Delaware and Virginia. Any single catastrophe occurrence or other condition affecting losses in these **These approval requirements** states could adversely affect the results of..... of our insurance subsidiaries and Donegal Mutual may not continue to grow and may be..... of our board of directors and could make it more difficult for a merger, tender offer or proxy contest involving us to succeed, even if our stockholders other than Donegal Mutual believed any of such events would be beneficial to them. These factors could also discourage a third party from attempting to acquire control of us. The classification of our board of directors could also have the effect of delaying or preventing a change in our control. - 40-39 - Index In **IndexItem** addition, we have 2.0 million authorized shares of preferred stock that we could issue in one or more series without stockholder approval, to the extent applicable law permits, and upon such terms and conditions, and having such rights, privileges and preferences, as our board of directors may determine. Our ability to issue preferred stock could make it difficult for a third party to acquire us. We have no current plans to issue any preferred stock. Item 1B. Unresolved Staff Comments.