The Plymouth Rock Company
695 Atlantic Avenue
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Chairman's Letter

February 8, 2026

To Our Shareholders:

Sometimes everything just clicks, and 2025 was one of those lucky years financially. Aided by an unusually strong securities market, our bottom line, consolidated comprehensive income, hit a new record high of $373 million. There was, however, a blemish on the year's otherwise quite handsome picture. Consumer surveys by two reputable organizations suggested that a number of our policyholders were finding their experiences with us disappointing. While the unwelcome feedback didn't mar the year's financial statements, Andy and I appreciate fully that our success cannot long persist without the enthusiastic affection of our customers. Hearing these questions about our service levels was a personal source of distress for me, and rather ironic given Plymouth Rock's history. From the day we began doing business in 1984, Plymouth Rock prioritized customer satisfaction. I wrote proudly to our team in that first year that "Plymouth Rock is (already) known ... as the best company in the market for timeliness, accuracy and friendliness of service." For the initial few decades, we felt comfortable that we were in fact demonstrably superior to our peers in the provision of admirable customer experiences. But it is apparent now that in more recent years, our focus on growing the top and bottom lines may have caused attention to drift from our founding principle. The customer satisfaction rankings we received from Consumer Reports and J. D. Power certainly energized Andy and me. Restoring exemplary service luster has been a front-burner chore for us in 2025 and remains so in the new year.

All three of our insurance operating groups turned in underwriting profits in 2025, the first time in too many years that has happened. The overall combined ratio for the year was 95%, about five points better than in the year prior and a full ten points better than in the year before that. Andy and I would like to see the combined ratio fall yet further by a few points, but a combined ratio anywhere in the nineties can provide you with a pretty decent rate of return on your capital. Comprehensive consolidated return on equity in 2025 for the Plymouth Rock family of companies was a hearty 23%. I have long described the aspirational insurance business as a 20-20 company, with annual growth of 20% and a return on equity of 20%. Plymouth Rock's revenue growth in 2025 was more like 13%, so we will need to up our growth game a bit to secure a gold medal in some future year, but a 23-13 company is no slouch. We can think of 2025 as having earned us a silver medal. We are truly grateful to our two thousand staffers, our agents, and all the others who helped us get this win. Our consolidated comprehensive income for the year compares with $153 million in the prior year, better than a double. Our shareholder-owned company earned $256 million in comprehensive income, versus the prior year's $123 million. The Palisades Reciprocal Group of companies we manage also did well, with income of $117 million versus only $30 million in the prior year. Some of the year's improvement was plainly due to a felicitous industry environment, but the hard work, creativity, and discipline of our team were evident contributors as well. We ended the year writing about $2.4 billion in annual premiums, with a closing enterprise book value of $1.9 billion. That's a long and rewarding climb from the $3 million with which we were founded. The from-inception (41-year) compounded return on shareholder book value, adjusted for dividends, edged up just a fraction of a point, and still rounds to 18%.

Some extra excitement surrounded the Direct Group this past year. Its new leader, Greg Kalinsky, has attracted and hired impressive new talent, and he has ambitious plans for the future. Greg has also rolled up his sleeves and made serious progress in improving his group's customer experience record. Customer complaints are already down by 40% since he joined us. His thirty-seven years at GEICO, rotating through a variety of senior positions before becoming Executive Vice President, have taught him more than I will ever know about the direct insurance business. Greg's Direct Group includes volume from three separate channels: there is still $140 million in business remaining with us from our 2003 Prudential transaction; there is about $260 million in Partner business, sourced from other carriers, super-agents, affinity groups, and aggregators, all without independent agency contracts; and there is over $100 million now in our Core Direct business. The most straightforward of the businesses for Greg and his team to manage is the loyal and well-seasoned Legacy book acquired from Pru, which continues to perform admirably. Unfortunately, it is subject to attrition, increasingly from deaths rather than from churn. We love our Legacy policyholders and do all we can to keep them happy. We wish them extraordinarily long lives and safe, cautious road travels.

The Partner segment of the Direct Group's volume has been a disappointment for us over time. Loss ratios in almost every element of it have been high for years now. I had hoped at one time that profits from this source would subsidize the marketing costs of acquiring direct customers, but this was not to be. In contrast to prior years, the Partner business made us a small profit in 2025, but it is still underperforming. Greg has been cleaning up the Partner book skillfully, but that has required trimming volume. While we don't like to shrink any part of our business, we have never for a moment given volume priority over profitability. The Partner book is a good bit larger than the Legacy book. We wish the chasm between their income contributions could be eliminated, but, for a while at least, the spread may be more likely to be reduced by trimming than by adding attractive new volume. Over time, we will seek more business from Pru, Progressive, and other sources, but we are resigned to seeing the Partner totals shrink a bit more this year. Our $75 million Teachers product continues to be an attractive element in the Partner book. It grew by 24% in 2025. We are eager to expand it further in the year just begun, with an added focus on educators in Pennsylvania.

Our future hopes for the Direct Group lie mainly with the Core Direct business, policies acquired directly from customers without any payment to intermediaries. We now write about $110 million in annual Core Direct premiums, and Greg has presented to the board a goal of reaching a half-billion dollars in volume by the end of the decade. To accomplish this, he will need to keep the policy acquisition and administrative costs under control, while simultaneously attracting drivers that bring us reliably good accident records and sticky tenures. Our strategy for accomplishing this relies on a cutting-edge commitment to the use of telematics. We call our approach Telematics First because we will aim our marketing at customers willing to have their level of responsibility behind the wheel monitored for some period of time. With the advent of artificial intelligence, behavioral information from telematics will be ever more valuable in risk assessment. This has helped convince us that we should position ourselves near the industry frontier in use of this approach. The Direct Group as a whole finished 2025 with an overall combined ratio just south of 97%. This sounds nice, but we don't actually look forward to keeping an underwriting profit in the Direct channel. Growing a Core Direct book requires substantial first-year acquisition spending – to be justified later by a durable stream of underwriting profits. In fact, though this may sound ironic, on the path to building the marvelous profit machine a direct business can become after its renewal book has grown to scale, there will come a transitional period in which the more money we lose, the better we will be doing. We can show you the math if you need to be convinced.

You are already well aware that I have kept a watchful eye on the Home Group for half a dozen years. More specifically, it became apparent that the supercharged growth its leader, Bill Martin, has championed was allowing the loss ratios to run away from us. We suffered a serious cumulative underwriting loss as a consequence. At the same time, though, I have always praised Bill's success in turning a passive $75 million home book of business into a burgeoning $450 million operation. On balance, Andy and I remained strong supporters throughout, but it has taken years to bring the underwriting results under control. The repair process was delicate because we never wanted to sacrifice too much of the forward thrust. This past year Bill and his team have been seen smiling a great deal. The increase in Home Group writings was close to 13% in 2025 and the net combined ratio was below 92%, bettering the prior year by almost fifteen points.

The smiles are well justified. The Product and Marketing folks in the Home Group deserve a hearty pat on the back for the progress they made in analytically segmenting our business into buckets ranked by likelihood of profitability in the near future. Working appropriately within regulatory strictures, they shed some of the business with the poorest prospects, increased rates where needed for more promising business, and worked to expand the contents of the already fruitful bucket. The year's results reflect in large measure that project's success. The improved results and good work do not assure, unfortunately, that the path forward will be bathed in constant sunshine. Two gray clouds can be seen on the horizon. One arises from the nature of catastrophes ... or the catastrophes of nature. The Home Group's recent success is owed in part to favorable major storm experience in our states. Very few hurricanes have impacted Plymouth Rock policyholders in recent decades, and all of them were diminishing in force by the time they reached our footprint. There is certainly no assurance that this felicitous pattern will endure.

I have talked to some of the best scientists in the field of meteorology, and none of them can explain why global warming has not brought the anticipated storm violence to our locales. The seas are indeed warmer, and storms in the Caribbean are stronger than before, but hurricane activity on the Atlantic coast of the United States has been surprisingly mild recently in comparison to historical precedent. The Home Group budgeted $37 million as an allowance for catastrophe payments in 2025, while actual catastrophes, all relatively minor in scale of damage, cost us only $13 million. This is why Bill is telling us not to feel fully comfortable until our combined ratio, in mild catastrophe years, is ten points lower than this past year's number. To get there, we will need to further improve all three of the combined ratio's major components: the expense ratio, reinsurance costs, and non-catastrophe claim costs. Plans are in the works in all three arenas.

The other cloud on the Home Group horizon is related to staffing. Retention of talent has been an unexpectedly serious problem for the company as a whole, and especially for this group. In our early years, I was always proud that Plymouth Rock had a just-right turnover rate of personnel. To my likes, the right exit rate should be about 10% per year. Too low a number implies that a company is keeping people for whom the job is not truly a good fit. Too high a turnover rate can suggest insufficient screening at the hiring stage, inadequate remuneration, or something amiss in the work environment. We have long done well in Best Place to Work competitions, so it is puzzling that Bill Martin's group had a turnover rate in 2025 approaching twice the optimal number. Statistics and anecdotal evidence suggest that some of the explanation lies with an economy-wide culture change. Young people these days may prize mobility more than stability. Still, our other operating groups, and the insurance industry as a whole, did a little better on retention than the Home Group, so the flaw is not all resultant from culture change. There are many good reasons to remedy the excessive turnover problem as promptly as possible, not least of which is that it doubtlessly impacts the customer experience metrics we are so concerned about. We're on the case.

The Independent Agency Group remains the Big Enchilada of our enterprise. It writes 50% more business than the other two groups combined, all of it automobile coverage and all produced by independent agents. Volume came in just short of $1.5 billion in 2025. Ethan Tarby, the group's chief, has been at the helm there for almost two years. With improved underwriting results, as well as profits beefed up by a record $22 million gain from Pilgrim Insurance, our third-party administrator, and with a second boost from our internal reinsurance program, the group scored a 95% combined ratio for the year. This welcome number is several points better than last year's number. Still, despite our obvious appreciation of the group's teamwork, Andy and I are a shade more concerned about this group than about the other two. Some portion of the credit for the underwriting profit must be given to industry conditions, conditions that we see as fragile looking forward. Underwriting results for personal lines carriers as a whole have seldom been better. Company after company is celebrating higher than normal profit margins. All that champagne presages an intensification of competition and a softening of prices. Not only may we be deprived of support from a favorable industry climate this year, but Plymouth Rock's individual history suggests that we actually do best following unfavorable years for our competitors. We like it when other carriers get nervous or discouraged, and we tremble when they get too exuberant.

As a consequence of the external pressure, Plymouth Rock's new business rates will be kept roughly flat going into 2026. This implies that we will need to count all the more on recent improvements in segmentation. Growth for the Independent Agency Group was under budget for the year just ended, and it looks to be modest in the new year. Combined ratios in the states that were most fruitful for us this past year, notably Massachusetts and New Hampshire, will surely be under pressure. Those states that underperformed most visibly, moreover, will be harder to nurse back to underwriting health this year. Most pressing in that latter category is New York, where long-troublesome liability claims development once again pushed the combined ratio over 115%. New

Jersey liability trends are threatening as well, and rate increases in the Garden State are harder than usual to come by this season no matter how justifiable.

The Independent Agency Group has some internal issues to wrestle with as well. A deep dive into the customer experience reviews that encroached on peace of mind this past spring indicates that the dissatisfaction can be disproportionately traced to claim handling within the Independent Agency Group. This is not the only part of our enterprise to improve by any means, but better claims service there would go a long way to bringing our review metrics up to snuff. Improved claims processing would presumably also help customer retention. Persistency, always influenced by both rate competition and service quality, fell by a few points in 2025. The Direct Group can offer especially attractive pricing to many customers, and the Home Group can boast of ease and availability in a product market often needlessly restricted and awkward to navigate. But service quality, for agents and policyholders alike, stands tall among competitive tools for the Independent Agency Group.

To get where we need to go in terms of service, the group needs to make multiple adjustments, many of which will be equally valuable for the other operating groups. We are beginning to train our new hires more methodically, and we are completing a modern training facility for that purpose. A new and rigorous curriculum has been introduced for both auto and home learners. We are revamping our templates for written communications to customers, which had become uneven in quality and occasionally sloppy. We have culled the runaway herd of phone numbers our policyholders had to use to reach the right desk. Excessive turnover, not just a Home Group issue, is also being addressed in the Independent Agency Group. Finally, we started the year with some key jobs to fill on Ethan's team. An accomplished Chief Operating Officer joined us this year, but we still have a vacancy or two to fill this year. An increasing share of my time and Andy's is now devoted to interviews.

Our investment performance in 2025 enjoyed the benefit of powerful public market tailwinds, aiding both the equity and fixed income portfolios. The Standard & Poor's Index provided a return, dividends included, of 17.8%. Our equity holdings, intentionally underweighted in the glamorous mega-stocks, returned 16.3%. We are comfortable with the underweighting. Think how exposed we would have been in 2000, when the Internet bubble burst, had we not already adopted that relatively conservative posture. We held at yearend about $1.8 billion worth of common stocks. There was a moderate amount of portfolio shifting during the year as we continued to adjust our overall asset allocation targets. We have, in past years, aimed to set our stock-to-bond ratio at 60-40, favoring a concentrated portfolio of individually selected stocks. Our current objectives reflect a more cautious mindset. We are now gradually reversing the stock and bond proportions to 40-60 in favor of bonds, and will continue doing so if intermediate fixed income yields continue to hold around present levels and stock multiples remain near historic highs. Within the stock portfolio we will move toward an even split between sectoral exchange-traded funds and individual stock picks. Both adjustments will help us with our ambitious growth plans. Rating agencies prefer bonds to stocks, and risk-based capital scoring penalizes the highly concentrated stock portfolios we have always liked. Having said that, our investment approach will still differ greatly from those of most of our competitors. Most carriers in our industry invest more than 70% of their assets in fixed-income instruments, mainly weighted toward long maturities.

Within the equity portfolio, our biggest 2025 winners in dollar terms were General Electric and (as seems to be something of a norm for us) Microsoft. In percentage terms, the best gains were scored by GE and two of last year's laggards, CVS and Intel. I cannot help but be reminded of the quote from the biblical book of Matthew about the day of reckoning when the "last shall be first and the first last." Applied without license to our 2025 equity market experience, the first phrase of the quote fits well, though not the second. Bob Dylan's reprise of the same thought ("The slow one now will later be fast…for the times they are a'changin'.") deserves an honorable mention for the Saint Matthew Memorial Prize in Inadvertent Stock Market Prediction. While stock performance was not a part of either the apostle's thinking or Dylan's, the underlying thought about reversals is relevant nonetheless. Our favorite stock picks have always been shares in sound companies whose prices the market has overly punished for what we judge to be temporary setbacks. As a private company, we are blessed with the luxury of being able to focus on distant time horizons. This approach to choices has worked well for us over the years. The challenge, of course, is to distinguish between overreaction to short-term ills and meaningful market signaling with respect to a company's long-term future prospects. CVS produced an 88% return for us in 2025 and Intel returned 78%. The worst performing stock in our equity portfolio this past year was Merck, a long-term winner for us that we have no plans to abandon. Our shares in our local competitor, Safety Insurance, also underperformed. We will have to give some thought to whether the issues are temporary.

We attribute a portion of CVS's recovery to a change in management, as well as an absence of the externally generated crises that plagued performance in 2024. We continue to like its positioning as the market leader in an essential and durably sizable sector of the economy. Intel's story is a lot more complicated. It is still no match for Taiwan's TSMC in the foundry business or NVIDIA in high-performance chip design. On the other hand, it remains inconceivable to us that the U.S. will allow itself to be dependent on far-away lands for chip foundry or that any American competitor can match the power of Intel's accumulated fixed investment in foundry any time soon. Intel is an important strategic asset of the United States. Perhaps with that as a factor in their thinking, both NVIDIA and the federal government reached out to Intel in the year gone by. We accept that the stock market's view of Intel is, and is likely to remain, fickle. Our own views about the long-run future of Intel have been fickle as well. We have reduced our position in the stock, but we are comfortable for now holding what remains. Your company's overall equity market performance, with an 11.6% annually compounded return since 1993, continues to have beaten the S&P index by almost a full point per annum. People are often surprised when they learn how few hedge funds or financial institutions can make that claim. There is no more to report than usual with respect to our ample real estate holdings. We are not likely to be buyers or sellers at any time in the foreseeable future, and the space needs of our staff can be met within our current owner-occupied footprint for some time to come. The increasing use of artificial intelligence technologies should help us respond to the growing personnel demands accompanying our expected increases in scale.

These days when people ask me perfunctorily how I'm doing, I sometimes respond with a substantive answer they were probably not seeking. I report that within the personal and Plymouth Rock protective bubbles, things are going just fine. Outside the bubble, though, it's a different story. I am uncomfortable with an ever-changing tariff policy that risks yielding to China our place as the most stable and reliable mega-partner for international trade. Just 20 years ago, every one of the countries in South America listed the United States as its largest overseas trading partner. Now only two or three can do so. I am even less comfortable with the world's geopolitical situation in 2026. Fear of devastating nuclear or biological warfare in this era is not a paranoid delusion. Yet too many in the elite of our country's foreign policy establishment now insist that the old paradigm of zones of influence is obsolete, replaced by acceptance that the U.S. should be the militarily dominant power in every corner of the globe. This thinking is dangerous as well as outrageously expensive. China will never abandon its reunification objectives, and Russia is unlikely ever to accept the introduction of hostile weapons to its Ukrainian border. Sadly, moreover, some of our best European friends seem to be urging a course that risks an endless war in Ukraine, a war in which Ukraine and Russia will suffer the casualties and devastation while the U.S. continues paying most of the bills. And, since regime change is now on the agenda, starting in Latin America, I can only hope that our leaders will assiduously review the discouraging long-term record of previously imposed regime changes. I am unable to quell a disconcerting feeling that the current United States foreign policy, taken in its entirety, is inviting as a principal consequence the strengthening of countervailing forces, with a good candidate being the solidification of the BRICS alliance.

On the domestic front, I have too many misgivings right now to list them all given constraints of space -- and perhaps of your patience. Our beloved land seems to be trapped in an internecine, ideological Cold War of sorts. The current situation bodes seriously ill for maintaining the ideal suggested by the phrase "E Pluribus Unum." For a symbolic summary of the current environment, I urge you to read the darkly humorous plaques recently placed under the official presidential portraits in the White House. And then, for contrast, pick up a copy of the letters exchanged by Jefferson and Adams late in their lives. Cicero had it right in his day: "O tempora, O mores".

Andy and I are fully persuaded that the artificial intelligence revolution is a watershed event. We are not alone in thinking that the change to be wrought by AI will rival those of television's explosive expansion in the 1950's and the tsunami that commenced the Internet age in the early 1990's. Many thinkers share our appreciation of the likely import, but, applying unlike lenses, different scholars forecast widely divergent outcomes. Optimists tell us that this will mirror the industrial revolution, creating ever more prosperity and multiplying, rather than diminishing, employment opportunities. An opposing view is that AI will eliminate category after category of jobs until the planet is awash with angry, unemployed youths -- allowing the devil to make work for their idle hands. Or, in a still more extreme scenario, some futurists imagine a human population occupied only in leisurely creative arts, like the Eloi of H. G. Wells' brilliant story, "The Time Machine." Other prognosticators focus on how the artificial intelligence race, like the nuclear arms race, will reshape international power dynamics. At the most pessimistic end of the spectrum are those pundits who envision earthly human predominance subjugated or eliminated after the so-called "Singularity", after which artificial thought engines could express their superiority by seizing control of us and the planet's resources.

We can't begin to provide answers to the behemoth questions. I hope you will be satisfied if Andy and I concentrate mainly on the impact of artificial intelligence on Plymouth Rock in the next decade. We believe change will come rapidly as the result of artificial intelligence, and will act decisively, but we must also remind ourselves that insurance has often been an industry where habits can be sticky. By way of example, I recall predicting as part of my first insurance job in the 1970's that direct writers would very soon decimate the independent agency share of market. The independent agency proportion of the national market for personal lines then stood at about 33%. It is lower today, some fifty years later, but not by a dramatic amount. I may have been directionally accurate, but my forecast of timing and quantitative impact was off by leagues. It is surely fortunate that I had returned to my senses ten years later when I chose to start a company reliant on independent agency business.

Andy and I don't need to know the answers to the global questions to know that we want to prepare our company for a future shaped by artificial intelligence. As a result, we are highly focused at this time on a restructuring of our IT department. We have created two new senior officer positions to work under the able leadership of Brendan Kirby. One of the new officers is charged with scraping as much of our company's accumulated data and knowledge from an almost uncountable number of diverse silos and simultaneously designing future protocols to assure that everything knowable -- from both internal and external sources -- about our customers, potential customers, and our own procedures will be available in formats compatible with AI tools. The other new officer will be empowered to take overall charge of our AI adoption, with an eye to applying the emerging tools to the improvement of customer service, claims handling, programming, and underwriting. We are planning to take full advantage of AI's power. Andy and I are finding this task at least as exhilarating as it is challenging. You can bet safely on an interesting update next year on our AI progress.

James M. Stone