

# FOURTH QUARTER & FULL YEAR 2023 RESULTS

FEBRUARY 14, 2024

## Safe harbor statement and non-GAAP measures

This presentation may contain forward-looking statements about our operations, anticipated performance and other similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor under the Securities Act of 1933 and the Securities Exchange Act of 1934 for forward-looking statements. The forward-looking statements are not historical facts and involve risks and uncertainties that could cause actual results to differ from those expected and/or projected. Such forward-looking statements are based on current expectations, estimates, forecasts and projections about the Company, the industry in which we operate, and beliefs and assumptions made by management. Words such as "expect(s)," "anticipate(s)," "intend(s)," "plan(s)," "believe(s)," "continue(s)," "seek(s)," "estimate(s)," "goal(s)," "remain(s) optimistic," "target(s)," "forecast(s)," "project(s)," "predict(s)," "should," "could," "may," "will," "might," "hope," "can" and other words and terms of similar meaning or expression in connection with a discussion of future operations, financial performance or financial condition, are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed in such forward-looking statements. Information concerning factors that could cause actual outcomes and results to differ materially from those expressed in the forward-looking statements is contained in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K/A for the year ended December 31, 2022, filed with the Securities and Exchange Commission ("SEC") on March 1, 2023. The risks identified in our Annual Report on Form 10-K/A and in our other SEC filings are representative of the risks, uncertainties, and assumptions that could cause actual outcomes and results to differ materially from what is expressed in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release or as of the date they are made. Except as required under the federal securities laws and the rules and regulations of the SEC, we do not have any intention or obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

This presentation also includes certain non-GAAP financial measures within the meaning of Regulation G, including "adjusted operating income (loss)". Refer to information about the non-GAAP measures contained in this presentation. Additional information as required by Regulation G are available in our Annual Report on Form 10-K and our Form 8-K furnished as of the date of this presentation with the SEC, which are available at <http://ir.ufginsurance.com> under "Financial Documents". Investors are cautioned not to place undue reliance on these non-GAAP measures in assessing our overall financial performance.

## Fourth quarter 2023

- Net income of \$19.6 million driven by increased underwriting income and higher investment income
- Net premiums written<sup>(1)</sup> of \$246.8 million increased 5.2% compared to the fourth quarter of 2022
- GAAP combined ratio of 99.2%, including a loss ratio of 64.8% and underwriting expense ratio of 34.4%
- Underlying combined ratio of 94.4%<sup>(3)</sup>
- Loss ratio components include underlying loss ratio<sup>(2)</sup> of 60.0%, catastrophe loss ratio of 1.5% and prior year reserve development of 3.3%
- Net investment income of \$19.1 million increased 48.4% compared to the fourth quarter of 2022
- Book value per common share increased \$3.51 to \$29.04 as of December 31, 2023, compared to September 30, 2023

## Full year 2023

- Net premiums written of \$1.1 billion increased 8.4% as compared to full year 2022
- GAAP combined ratio of 109.3% driven by loss ratio of 74.4% and underwriting expense ratio of 34.9%
- Underlying combined ratio of 97.1%
- Loss ratio components include underlying loss ratio of 62.2%, catastrophe loss ratio of 6.2% and prior year reserve development of 6.0%
- Net investment income of \$59.6 million increased 32.7% compared to full year 2022

1) Net premiums written is a performance measure reflecting the amount charged for insurance policy contracts issued and recognized on an annualized basis at the effective date of the policy

2) Underlying loss ratio is defined as the net loss ratio less impacts of catastrophes and non-catastrophe prior year reserve development

3) Underlying combined ratio is defined as the GAAP combined ratio less impacts of catastrophes and non-catastrophe prior period reserve development

# Financial results

## Consolidated financial results

(In Millions, Except Per Share Data)	Fourth Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Net premiums written	\$247	\$235	5%	\$1,067	\$984	8%
Net premiums earned	\$264	\$248	7%	\$1,035	\$952	9%
GAAP Ratios:						
Net loss ratio	64.8%	69.8%	(5.0) pts	74.4%	67.0%	7.4 pts
Underwriting expense ratio	34.4%	34.1%	0.3 pts	34.9%	34.5%	0.4 pts
Combined ratio	99.2%	103.9%	(4.7) pts	109.3%	101.5%	7.8 pts
Loss Ratios:						
Net loss ratio	64.8%	69.8%	(5.0) pts	74.4%	67.0%	7.4 pts
Catastrophe loss ratio <sup>(1)</sup>	1.5%	4.9%	(3.4) pts	6.2%	7.7%	(1.5) pts
Reserve development (excl. catastrophe) <sup>(1)</sup>	3.3%	4.9%	(1.6) pts	6.0%	0.1%	5.9 pts
Underlying loss ratio <sup>(1)</sup>	60.0%	60.0%	0.0 pts	62.2%	59.2%	3.0 pts
Underlying combined ratio <sup>(2)</sup>	94.4%	94.1%	0.3 pts	97.1%	93.7%	3.4 pts
Net investment income	\$19	\$13		\$60	\$45	
Net investment gains (losses)	\$4	\$20		\$1	(\$16)	
Other income (loss)	(\$1)	(\$0)		(\$5)	(\$3)	
Net income (loss)	\$20	\$20		(\$30)	\$15	
Adjusted operating income (loss) <sup>(3)</sup>	\$17	\$5		(\$31)	\$28	
Net income (loss) per diluted share	\$0.77	\$0.79		(\$1.18)	\$0.59	
Adjusted operating income (loss) per diluted share <sup>(3)</sup>	\$0.65	\$0.18		(\$1.22)	\$1.09	
Return on equity <sup>(4)</sup>				(4.0%)	1.9%	
Book Value per Share				\$29.04	\$29.36	

- Net written premium growth continued in Q4 with full year premium exceeding \$1 billion
- Q4 2023 combined ratio below prior year due to lower catastrophe losses and reserve development while 2022 expense ratio benefitted from one-time items
- Q4 reserve development driven by a small number of late developing property claims and severity pressure in a few casualty lines
- Full year combined ratio above prior year due to increased prior period reserve development, increased Surety large loss activity, and increased reinsurance costs, while 2022 expense ratio benefitted from one-time items
- Higher interest rate environment increased net investment income vs. prior year
- Book value per common share increased to \$29.04 due to contraction in unrealized loss

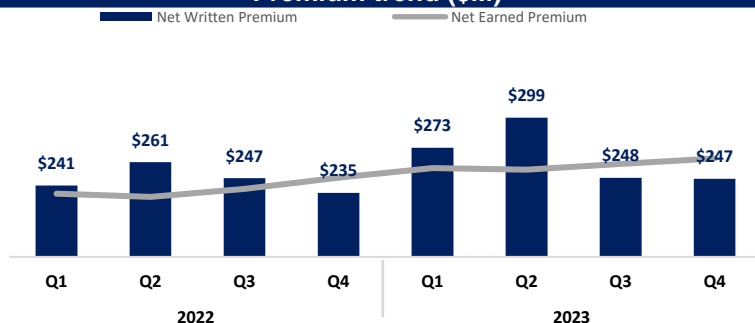
# P&C results

## Results

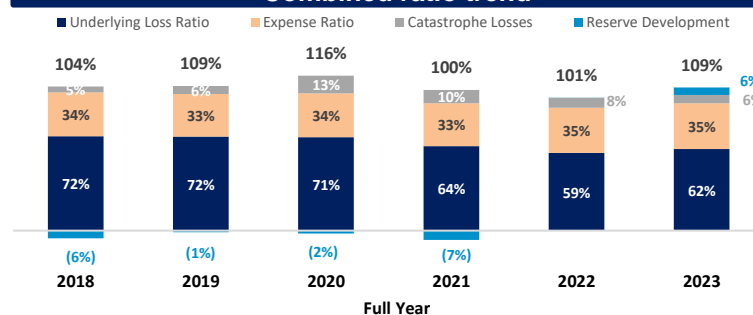
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Underlying combined ratio <sup>(2)</sup>	94.4%	94.1%	0.3 pts	97.1%	93.7%	3.4 pts

- Fourth quarter and annual net written premium growth supported by Core Commercial and Alternative Distribution
- Q4 2023 combined ratio below prior year due to lower catastrophe losses and reserve development while 2022 expense ratio benefitted from one-time items
- Full year combined ratio above prior year due to increased prior period reserve development, increased Surety large loss activity, and increased reinsurance costs, while 2022 expense ratio benefitted from one-time items

## Premium trend (\$M)

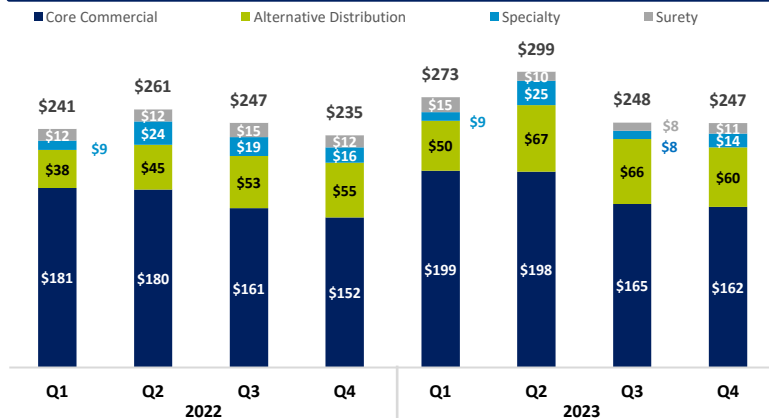


## Combined ratio trend



# P&C portfolio production

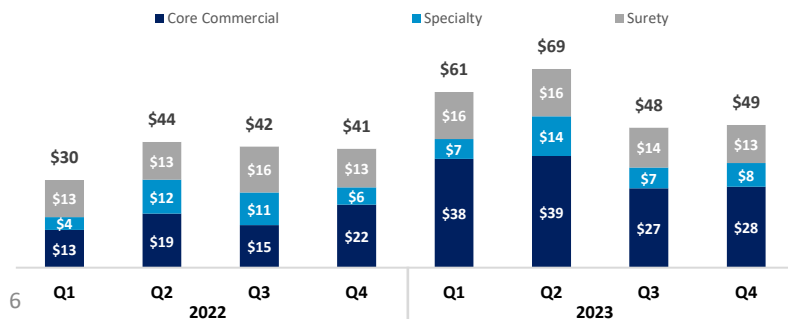
## Net written premium (\$M)



### Net written premium growth supported by Core Commercial and Alternative Distribution

- Core commercial growing with all production metrics improved
- Alternative distribution leveraging hard market to deliver diversifying growth
- Specialty premium below prior year due to targeted actions on underperforming accounts and increased reinsurance costs
- Surety net written premium impacted by reinsurance reinstatements

## New business (\$M)



### New business remains above prior year with improved governance in place to support long-term profitability goals

New business defined as direct premium written for full policy new to UFG or new coverage line added to existing policy, not applicable to Alternative Distribution

Core commercial: Admitted commercial lines business sold through approximately 1,000 independent agents

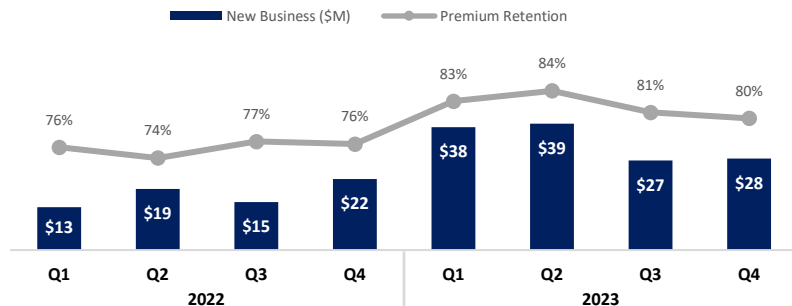
Specialty: Excess & Surplus lines distributed through wholesale market

Surety: Contract and commercial surety bonds

Alternative Distribution: Includes assumed reinsurance, delegated underwriting authority, Funds at Lloyd's

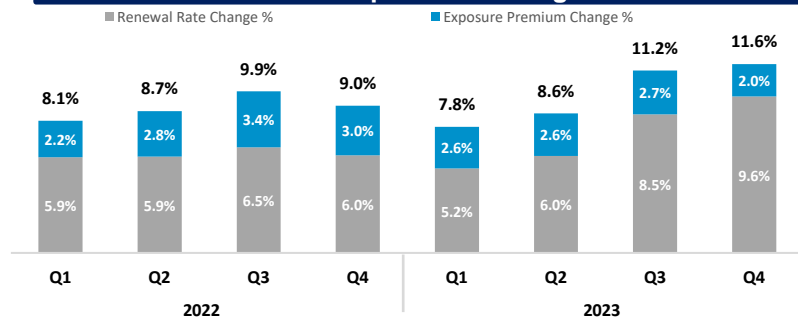
# Core commercial lines production detail

## New business & premium retention trend



- Core Commercial new business and premium retention above prior year

## Renewal premium change

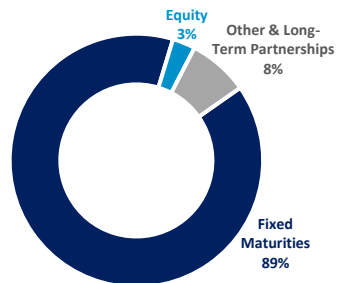


- Q4 renewal premium change accelerated to 11.6%
  - Q4 renewal premium change excluding workers' compensation was 12.5%
  - Average rate increase of 9.6% at highest level in over five years
  - Property renewal premium change increased in Q4 to 23.9%

# Investment portfolio

## Investment portfolio composition & quality

### Portfolio Composition



### Fixed Maturity Credit Rating

Rating	% of Portfolio
AAA	38%
AA	27%
A	15%
BBB	19%
<hr/>	
Investment Grade	98%
Other / Not Rated	2%
<hr/>	
Total Fixed Maturity	100%

*Note: Totals impacted by rounding*

- Q4 invested assets of \$1.9B, with 89% of assets in fixed income securities
- High-quality portfolio with 80% of fixed maturity assets rated “A” or better
- Portfolio strategically positioned to reinvest at higher rates with duration approximately 4 years
- Public equity market values increased in Q4
- Unrealized loss diminished significantly in Q4, improving book value per share

## Unrealized gain / loss impact on stockholder's equity

Fixed Maturity Asset Balance (\$M)	Q4 2023	Year End 2022	YTD Change
Book Value	\$1,771	\$1,663	
Unrealized Gain (Loss)	(\$85)	(\$111)	\$27
Carried Assets on Balance Sheet	\$1,687	\$1,551	

Change in Equity (After-Tax)

\$21



# Investment income

## Results

(In Millions)	Fourth Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
<b>Investment income:</b>						
Interest on fixed maturities	\$15	\$13	17%	\$56	\$49	15%
Dividends on equity securities	\$0	\$1	(61%)	\$4	\$5	(31%)
Income on other long-term investments	\$3	\$1	349%	(\$0)	(\$3)	NM
Other	\$2	\$1	65%	\$9	\$4	147%
<b>Total investment income</b>	<b>\$21</b>	<b>\$16</b>	<b>31%</b>	<b>\$69</b>	<b>\$54</b>	<b>27%</b>
Less investment expenses	(\$2)	(\$3)	(32%)	(\$9)	(\$10)	(0%)
<b>Net investment income</b>	<b>\$19</b>	<b>\$13</b>	<b>48%</b>	<b>\$60</b>	<b>\$45</b>	<b>33%</b>
<b>Net investment gains (losses)</b>						
	<b>\$4</b>	<b>\$20</b>		<b>\$1</b>	<b>(\$16)</b>	
<b>Yield (pre-tax):</b>						
Fixed Maturity <sup>(1)</sup>	3.4%	3.1%		3.3%	2.9%	

- Q4 Net investment income increased vs. prior year on higher fixed maturity yields and improved LP valuation
- Fixed maturity new money yields increased to 6.3% in Q4 2023

## Net investment income trend (\$M)

