Sustainability Accounting Standards Board Report for the Insurance Industry

December 31, 2020
### Table 1. Sustainability Disclosure Topics & Accounting Metrics

<table>
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<th>Accounting Metric</th>
<th>SASB Code</th>
<th>Page</th>
</tr>
</thead>
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<td>Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers</td>
<td>FN-IN-270a.1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Complaints-to-claims ratio</td>
<td>FN-IN-270a.2</td>
<td>2</td>
</tr>
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<td>Customer retention rate</td>
<td>FN-IN-270a.3</td>
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<td>Description of approach to informing customers about products</td>
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<td>Total invested assets, by industry and asset class</td>
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<td></td>
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<td></td>
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</tr>
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<td></td>
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<td>14</td>
</tr>
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<td></td>
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<td>FN-IN-550a.3</td>
<td>14</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Activity Metric</th>
<th>Code</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of policies in force, by segment: (1) property and casualty, (2) life, (3) assumed reinsurance</td>
<td>FN-IN-000.A</td>
<td>14</td>
</tr>
</tbody>
</table>

Introduction

The following disclosure is aligned with the Sustainability Accounting Standards Board (SASB) standards for the insurance industry. For more information about SASB, please visit sasb.org. For additional information about United Fire Group, Inc. or its subsidiaries, please visit ufginsurance.com.

Transparent Information & Fair Advice for Customers

FN-IN-270a.1

*Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers.*

In the normal course of its business, we are a party to a variety of legal proceedings. While the final outcome of these legal proceedings cannot be predicted with certainty, management believes all of the proceedings pending as of December 31, 2020 to be ordinary and routine and does not expect these legal proceedings to have a material adverse effect on our financial position or results of operations. Additional information can be found in our 2020 Annual Report on Form 10-K in Part 1. Item 3. Legal Proceedings.

FN-IN-270a.2

*Complaints-to-claims ratio*

We do not calculate a complaints-to-claims ratio internally. However, the National Association of Insurance Commissioners (“NAIC”) does provide consumer complaint data for each of our subsidiary insurance companies. For more information, visit the NAIC website at: https://content.naic.org/cis_consumer_information.htm.

FN-IN-270a.3

*Customer retention rate*

We track both policy and premium retention rates for our commercial lines and personal lines of business polices separately. Our overall group policy retention rate has averaged in the low-80% range for each of 2018 and 2019, and in the high-70% range in 2020. Our overall group premium retention rate has averaged in the mid-80% range for 2018 and 2019 and in the high-70% range in 2020.

Our personal lines policy premium retention rate has averaged in the mid-80% range for each of 2018, 2019. Our premium retention rate has average in the high-80% to low 90% range for each of 2018 and 2019. In May 2020, the Company entered into a renewal rights agreement for our personal lines business, providing our independent insurance agents with the opportunity to transfer their personal lines policies to Nationwide Mutual Insurance Company beginning in the third quarter of 2020.
FN-IN-270a.4

Description of approach to informing customers about products

We market our products through independent insurance agencies across the country. We aim to be a competitive and consistent carrier for our agents, delivering simple insurance solutions to meet the complex coverage needs of business owners.

We work in close partnership with our independent insurance agents—who know their customers and know their needs—to ensure that our policyholders have the necessary insurance protection to repair, rebuild and recover after a loss.

Because we rely solely on independent agencies, we offer a competitive commissions program and a rewarding profit-sharing plan as incentives for agents to place high-quality property and casualty insurance business with us. In 2020, our property and casualty insurance agencies received profit-sharing payments of $19.6 million based on profitable business produced by these agencies in 2019.

Through our agency rewards program, our agents also have the opportunity to take advantage of:

- Agency planning—develop a strategic business plan with common goals for long-term success.
- Rewards program—earn reward dollars for continuing education, technology enhancements, etc.
- Travel program—qualify for expense-paid trips to exciting destinations.

To strengthen our agency partnerships, our marketing representatives regularly visit the independent agents who represent us to discuss new products/services, production goals and business opportunities. Marketing representatives are often joined by members of underwriting and risk control.

We view an agency partnership as more than a signed contract—it’s a partnership dedicated to the growth and success of both our agent and our company. We further support our agency force by providing them with the latest technology, training opportunities, responsive claims service and access to our service center.

Technology

Through our investment in the latest digital technology, we strive to continually improve the ease and speed of doing business with us. With our dedicated self-service websites, agents can effectively manage their business and policyholders can efficiently manage their policies—wherever and whenever.

- At ufgagent.com, agents have the ability to process quotes, submit business, retrieve policies, view billing information and more. Our mobile app even allows them to service policies, report claims and retrieve billing information on the go. Agents also have complete access to our marketing materials at ufgmarketingsolutions.com, including agent sales guides, consumer flyers, promotional videos and company newsletters. These materials can be viewed electronically, printed in their office or ordered directly from us. Many of our marketing materials can also be co-branded with agency logo and contact info.
- At ufgpolicyholder.com, our policyholders can view policies, report claims, print auto ID cards, pay bills, enroll in automatic payments and sign up for paperless billing and email alerts.

Claims Service

We view every claim as an opportunity to deliver on our promise of protection and prove to our customers that they made the right decision by choosing us. We have a gold-standard philosophy of prompt, fair and courteous claims service, with streamlined processes to meet our customers’ needs following a loss. With our local expertise and national presence, our team of 186 claims representatives (70 working in the field) can handle any size loss with the same level of best-in-class service, providing:
• Frequent agent updates, including real-time access to claim notes for review within our agent portal.
• Dedicated claim review process available for top tier agents.
• Specialization and expertise in liability and property claims, as well as workers compensation.
• Professionals with vast industry experience with authority to streamline the claim.
• Express claims unit to expedite minor auto claims, like towing, glass repair, hail damage and single-vehicle accidents.
• Variety of convenient ways to report a claim 24/7, including online, email, phone or fax.
• Policyholders recommend their own vendor for auto or property repairs.

We’re also committed to introducing new efficiencies to our customers to elevate the claims experience, including the ability to take photos of a damaged vehicle and submit them directly to the adjuster for handling and the option to receive claim payments electronically instead of waiting for a check to arrive in the mail.

In the event of a hurricane or tornado, we use our CATography® software to quickly identify affected policyholders, accessing real-time information in a map format. This allows us to efficiently deploy storm teams of claims representatives, minimizing travel time and maximizing time spent inspecting damage. With our mapping software, we can respond to claims faster—and get our customers back to life as they know it as soon as possible.

While we are first and foremost committed to paying the claims we owe, we remain objective in the investigation and evaluation of claims submitted to us. To that end, all claims personnel receive anti-fraud training on an annual basis to help prevent the payment of any potentially fraudulent claims.

**Training**

To help streamline work processes and improve work flow with our agencies, our agency training specialists on staff to provide personalized and on-demand technology training sessions to our agents and their staff members. The training sessions are customized specifically for our agents and can be held either in their agency office or online, whichever they prefer.

In addition, we also offer an annual training event geared toward producers who are either new to commercial insurance or new to UFG within their agency, giving them the opportunity to visit our corporate headquarters and learn more about our company, people and products.

As part of this training event, our underwriters and marketing representatives share their insights directly with our agents, discussing our underwriting philosophy, application process, coverage enhancements and specialty programs in detail.

**Incorporation of Environmental, Social and Governance Factors in Investment Management**

**FN-IN-410a.1**

**Total invested assets, by industry and asset class**

Our assets are invested to preserve capital and maximize after-tax returns while maintaining an appropriate balance of risk. The return on our portfolio is an important component of overall financial results, but quality and safety of principal is the highest priority of our investment program. Our general investment philosophy is to purchase financial instruments with the expectation that we will hold them to their maturity. However, active management of our portfolio is considered necessary to appropriately manage risk, achieve portfolio objectives and maximize investment income as market conditions change.
Each of our insurance company subsidiaries develops an appropriate investment strategy that aligns with its business needs and supports our strategic plan and risk appetite. The portfolio is structured so as to be in compliance with state insurance laws that prescribe the quality, concentration and type of investments that may be made by insurance companies. All but a very small portion of our investment portfolio is managed internally.

Our invested assets at December 31, 2020 totaled $2.1 billion, compared to $2.2 billion at December 31, 2019, a decrease of $5.9 million. At December 31, 2020, fixed maturity securities and equity securities comprised 85.0 percent and 9.6 percent of our investment portfolio, respectively. Because the primary purpose of the investment portfolio is to fund future claims payments, we utilize a conservative investment philosophy, investing in a diversified portfolio of high-quality, intermediate-term taxable corporate bonds, taxable U.S. government and government agency bonds and tax-exempt U.S. municipal bonds. Our overall investment strategy is to stay fully invested (i.e., minimize cash balances). If additional cash is needed we have an ability to borrow funds available under our revolving credit facility.

The composition of our investment assets by asset class at December 31, 2020 is presented at carrying value in the following table:

<table>
<thead>
<tr>
<th>(In Thousands)</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed maturities:</td>
<td></td>
</tr>
<tr>
<td>Available-for-sale</td>
<td>$1,825,438</td>
</tr>
<tr>
<td>Equity securities</td>
<td>206,685</td>
</tr>
<tr>
<td>Mortgage loans</td>
<td>47,614</td>
</tr>
<tr>
<td>Other long-term investments</td>
<td>69,305</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>175</td>
</tr>
<tr>
<td>Total</td>
<td>$2,149,217</td>
</tr>
</tbody>
</table>

The composition of our investment assets by industry at December 31, 2020 is presented at fair value in the following table:

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AVAILABLE-FOR-SALE</strong></td>
<td></td>
</tr>
<tr>
<td>Fixed maturities</td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>$149,938</td>
</tr>
<tr>
<td>U.S. government agency</td>
<td>64,518</td>
</tr>
<tr>
<td>States, municipalities and political subdivisions</td>
<td></td>
</tr>
<tr>
<td>General obligations</td>
<td></td>
</tr>
<tr>
<td>Midwest</td>
<td>81,980</td>
</tr>
<tr>
<td>Northeast</td>
<td>30,450</td>
</tr>
<tr>
<td>South</td>
<td>109,970</td>
</tr>
<tr>
<td>West</td>
<td>110,021</td>
</tr>
<tr>
<td>Special revenue</td>
<td></td>
</tr>
<tr>
<td>Midwest</td>
<td>125,098</td>
</tr>
<tr>
<td>Northeast</td>
<td>61,076</td>
</tr>
<tr>
<td>South</td>
<td>226,706</td>
</tr>
<tr>
<td>West</td>
<td>139,399</td>
</tr>
<tr>
<td>Foreign bonds</td>
<td>29,602</td>
</tr>
</tbody>
</table>
Public utilities 83,502
Corporate bonds
Energy 25,336
Industrials 43,257
Consumer goods and services 50,567
Health care 7,576
Technology, media and telecommunications 41,636
Financial services 101,031
Mortgage-backed securities 20,577
Collateralized mortgage obligations
Government national mortgage association 86,152
Federal home loan mortgage corporation 152,843
Federal national mortgage association 83,282
Asset-backed securities 926
Total Available-For-Sale Fixed Maturities $ 1,825,443
Equity securities
Public utilities 16,320
Energy 9,918
Industrials 36,556
Consumer goods and services 32,061
Health care 24,549
Technology, Media & Telecommunications 17,109
Financial Services 69,577
Nonredeemable preferred stocks 595
Total Equity Securities $ 206,685
Mortgage Loans $ 48,932
Other Long-Term Investments $ 69,305
Short-Term Investments $ 175
Total Investment Assets Measured at Fair Value $ 2,150,540

FN-IN-410a.2

Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment management processes and strategies

In 2019, we adopted the following statement into our Investment Strategy and Acquisition/Holding Investment Practices:

“At UFG, we pride ourselves on being a socially responsible company: one that abides by ethical business practices, one that supports sustainability initiatives and one that gives back to its communities—and we make a conscious effort to invest in companies whose values and commitments align with our own. When analyzing investments and building our portfolio, it is our practice to fully consider the environmental, social and corporate governance criteria available to us, taking advantage of this important data to guide our investment decisions. For years, we have maintained a buy-and-hold investment strategy at UFG, investing in high-quality stocks and bonds for the long term and actively monitoring and evaluating our investment portfolio in the short term. With every investment, we observe the strictest rules and regulations for our industry. Our objective is to achieve a strong return on our investment—first, a financial return, for the
benefit of our UFG shareholders, employees, insurance agents and policyholders; and second, a social return, for the benefit of our society as a whole. It is our clear preference to uphold both financial and social objectives whenever practical as part of our investment philosophy at UFG.

Policies Designed to Incentivize Responsible Behavior

FN-IN-410b.1

Net premiums written related to energy efficiency and low carbon technology

We do not calculate net premiums written related to energy efficiency or low carbon technology. Net premiums written is reported by state in our 2020 Annual Report on Form 10-K in Part II Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

FN-IN-410b.2

Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviors

As a company, we offer several products and services for policyholders that incentivize health and safety and environmentally responsible actions and behaviors.

Health & Safety

Through our workers compensation protection and risk control services, we strive to help business owners maintain safe and healthy work environments, as well as assist with any covered employee injuries. As a company, we also work to raise awareness on the dangers of distracted driving with our “Worth It” program.

Workers’ compensation

We offer workers’ compensation primarily as a companion product, covering small- to mid-size businesses in general. Our workers’ compensation services include:

- Assistance with development of transitional return-to-work program.
- Early intervention nurse case manager assigned to select claims.
- Independent medical examinations.
- Preferred Provider Organization (PPO) network.
- Medical and hospital bill review.
- Fee schedule application.
- Prescription drug program.
- Diagnostic testing PPO.
- Durable medical equipment PPO.
- Approved rehabilitation vendors.
- Approved defense attorney panel.
- Initiative surveillance on potentially questionable claims.

Risk control

Our risk control consultants work side-by-side with business owners, helping to identify and resolve safety issues with manageable plans of action. We offer complimentary resources and consultations, all of which can be customized for the policyholder. With our loss prevention services, policyholders can
take steps to minimize the probability, frequency, severity and unpredictability of injuries and illnesses at
their business—potentially maximizing their productivity and profitability.

Our risk control representatives make multiple visits to a job site or business in order to establish a close
working relationship with our customers. These risk control efforts have yielded positive results over the
years, with significantly fewer and less severe losses for businesses receiving our risk control services. A
safer work environment has these potential benefits for businesses: increased efficiency and
productivity; reduced medical and insurance costs; improved employee morale; and enhanced company
reputation.

With extensive knowledge and valuable experience, our risk control team is prepared to offer assistance
and guidance in all areas of safety, including: training, ergonomics, fleet control, construction, property
hazards, injury management, product liability, occupational health and more. We also provide safety
resources on a wide variety of topics for customers at ufginsurance.com/riskcontrol—from fall
prevention and distracted driving to OSHA tools and COVID-19 guidelines.

Through our recent partnership with Safety Source, our policyholders have access to up-to-date safety
video training covering dozens of workplace topics. While most videos are available to purchase in DVD
format, they can also be streamed directly from the Safety Source website. Our Simple Solutions blog at
ufginsurance.com also features timely content and tips on a variety of safety topics for consumers.

**Distracted driving**

Auto losses have been on the rise throughout the insurance industry in recent years. While there doesn’t
seem to be one specific cause for the rise, we know that distracted driving is a contributing factor. To do
our part to stop distracted driving, we introduced “Worth It” in 2017. It is a program aimed specifically at
preventing auto losses and saving lives.

At ufgworthit.com, we’ve created a variety of tools and resources for agents, policyholders, educators
and individuals—all with the important message that life is worth it, driving distracted is not. Our goal
behind the program is to not only highlight distracted driving issues that are trending in the insurance
industry, but to offer ways to help stop the growing epidemic.

To reinforce our Worth It message, we offer the LifeSaver app at no charge to our commercial auto
policyholders. This smartphone app encourages safe driving behaviors by capturing data when a vehicle
is in motion and scores drivers based on levels of distracted driving behavior to help companies make
adjustments in safety training or education.

Whether we’re helping policyholders create a distracted driving policy for their business or having one of
our speakers present at a high school, we believe that Worth It has the potential to make a positive and
lasting difference, not only in our loss ratios but in the lives of our customers, agents, employees and
community members.

As of December 31, 2020, more than 6,700 individuals have signed the Worth It pledge to not drive
distracted. UFG also proudly awarded $2,000 scholarships to 10 college students across the country in
2020 as part of our Worth It program.

**Environmental Responsibility**

We recognize our impact on the environment. In addition to ensuring our facilities are operating
responsibly, we believe our partnerships and coverages play a role in conservation and offsetting our
footprint. As a whole, we look at what we can do to engage in both sustainable and responsible
business practices.

**Land Improvement Contractors of America (LICA)**

We are honored to have been appointed the insurance provider for the members of state Land
Improvement Contractors of America (LICA). This organization, which is known for its mission of
professional conservation of soil and waste, as well as best practices in the construction and protection
of cities, farms, ranches and rural areas where we live and work, has worked with us to develop a program that is customized to this targeted group of insureds. Our program is specifically designed for state LICA contractors and includes professional risk control services, safety group dividends that are based on the performance of the group, specialty pricing and the broadened coverages contractors need when working to conserve our soil and water.

**Responsible coverages and products**

Product innovation, especially as it relates to corporate social responsibility, continues to play a big part in our goal to offer simple solutions for complex times.

- **Pollution coverage.** We offer liability coverage for a covered job site pollution event. This coverage is also available through our business owners’ property endorsement with varying levels of protection.

- **Pollutant redefined endorsement.** Our pollutant redefined endorsement broadens our commercial general liability policy, providing coverage for carbon monoxide poisoning due to faulty workmanship.

**Paper reduction**

We are remain interested in reducing our dependency on printed paper formats. Agents are encouraged to sign up for direct deposit of commission checks and electronic copies of insurance policies while policyholders have the option to take advantage of electronic billing statements, paperless payment options and email billing alerts. While we know paperless solutions save time and money, we also support the positive impact our efforts have on the environment and will continue to encourage our customers to go paperless.

**Environmental Risk Exposure**

**FN-IN-450a.1**

*Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes*

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, some of which are affected by changing weather patterns and climate change. We are exposed to tropical storms and hurricanes along the Gulf Coast, Eastern and Southeastern coasts of the United States. We are exposed to ‘severe convective storms’ throughout the United States; this peril includes tornado, hailstorm, and straight-line wind events. We have exposure to earthquakes along the West Coast and the New Madrid Fault area. Through our assumed reinsurance portfolio, we are also exposed to natural catastrophes outside of the United States.
The following table summarizes our Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes:

### Direct Insurance Policies:

<table>
<thead>
<tr>
<th>Peril</th>
<th>Gross Probable Maximum Loss (PML)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1-in-50</td>
</tr>
<tr>
<td>Hurricane</td>
<td>$73,042</td>
</tr>
<tr>
<td>Severe convective storm</td>
<td>30,604</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Peril</th>
<th>Net Probable Maximum Loss (PML)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1-in-50</td>
</tr>
<tr>
<td>Hurricane</td>
<td>$28,431</td>
</tr>
<tr>
<td>Severe convective storm</td>
<td>24,153</td>
</tr>
</tbody>
</table>

### Assumed Reinsurance:

<table>
<thead>
<tr>
<th>Peril</th>
<th>Probable Maximum Loss (PML)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1-in-50</td>
</tr>
<tr>
<td>North Atlantic hurricane</td>
<td>$19,639</td>
</tr>
<tr>
<td>European windstorm</td>
<td>17,500</td>
</tr>
<tr>
<td>Japanese windstorm</td>
<td>7,388</td>
</tr>
</tbody>
</table>

The PML figures are calculated on an Occurrence Exceedance Probability (OEP) basis and represent the anticipated value of the largest monetary loss affecting our portfolio that could result from the natural catastrophes identified. For the direct-basis PMLs, we have use 50/50 weights to blend results from two vendor models to produce these figures: RMS 18.1 and AIR Touchstone v7. The figures for our assumed reinsurance portfolio are based only on results from RMS 18.1.

Our direct insurance business is reinsured excess of a $20M retention per event. Each of the Gross PMLs for direct business exceed that retention, but the corresponding Net PMLs differ slightly due to reinstatement premiums necessary in each case to reinstate the reinsurance layers.

Reflecting our view on potential changes in weather patterns, we use near-term, rather than long-term, frequency rates in these models.

Other natural catastrophes that may be affected by changing weather patterns, including winter weather, extreme heat, drought, wildfire, and flood are not modeled.

**FN-IN-450a.2**

*Total amount of monetary losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modeled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)*

The following table shows catastrophe losses incurred during 2020, by geographic location and gross and net of reinsurance, which individually exceeded $5 million.
### Catastrophe Losses Incurred

*(dollars in millions)*

<table>
<thead>
<tr>
<th>Dates</th>
<th>Events</th>
<th>Geographic Location</th>
<th>Gross of reinsurance</th>
<th>Net of reinsurance</th>
<th>Assumed Reinsurance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>Fire-Other</td>
<td>Texas</td>
<td>$17,509</td>
<td>$2,607</td>
<td>—</td>
<td>$2,607</td>
</tr>
<tr>
<td>March</td>
<td>Wind and Thunderstorm Event</td>
<td>Midwest/Northeast</td>
<td>9,447</td>
<td>9,447</td>
<td>—</td>
<td>9,447</td>
</tr>
<tr>
<td>April</td>
<td>Hail</td>
<td>Midwest</td>
<td>19,132</td>
<td>19,132</td>
<td>—</td>
<td>19,132</td>
</tr>
<tr>
<td>April</td>
<td>Tornado</td>
<td>Louisiana</td>
<td>8,462</td>
<td>8,462</td>
<td>—</td>
<td>8,462</td>
</tr>
<tr>
<td>May</td>
<td>Wind and Thunderstorm Event</td>
<td>Midwest/South</td>
<td>7,172</td>
<td>7,172</td>
<td>—</td>
<td>7,172</td>
</tr>
<tr>
<td>May</td>
<td>Wind and Thunderstorm Event</td>
<td>Texas</td>
<td>6,088</td>
<td>6,088</td>
<td>—</td>
<td>6,088</td>
</tr>
<tr>
<td>May</td>
<td>Riot</td>
<td>Minnesota</td>
<td>6,736</td>
<td>6,736</td>
<td>—</td>
<td>6,736</td>
</tr>
<tr>
<td>June</td>
<td>Hail</td>
<td>South Dakota</td>
<td>5,981</td>
<td>5,981</td>
<td>—</td>
<td>5,981</td>
</tr>
<tr>
<td>July</td>
<td>Hail and Wind</td>
<td>Iowa/South Dakota</td>
<td>5,269</td>
<td>5,269</td>
<td>—</td>
<td>5,269</td>
</tr>
<tr>
<td>August</td>
<td>Derecho</td>
<td>Iowa</td>
<td>101,787</td>
<td>20,000</td>
<td>—</td>
<td>20,000</td>
</tr>
<tr>
<td>August</td>
<td>Hurricane</td>
<td>Louisiana/Texas</td>
<td>17,822</td>
<td>17,818</td>
<td>—</td>
<td>17,818</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td>$205,405</td>
<td>$108,712</td>
<td>—</td>
<td>$108,712</td>
</tr>
<tr>
<td>All other CATs</td>
<td></td>
<td></td>
<td>25,908</td>
<td>25,604</td>
<td>7,688</td>
<td>33,292</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>231,313</td>
<td>134,316</td>
<td>7,688</td>
<td>142,004</td>
</tr>
</tbody>
</table>

**FN-IN-450a.3**

*Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy*

Our approach to incorporating environmental risks into the underwriting process includes:

a. We have worked with Guy Carpenter to develop CATography Underwriter, an exposure mapping and hazard dashboard tool that allows underwriters to assess risk concentration and hazards at a street address level. In addition to mapping the subject risk and surrounding insured properties/exposures, CATography Underwriter provides an average annual loss calculation, characteristics of the building (when available from the local assessor’s office) and various hazard information for the subject address such as wind, hail, tornado, hurricane, flood, storm surge, wildfire, earthquake, sinkhole and coal mine.
b. We are using modeling software (e.g. RMS, AIR) to monitor risk concentrations and identify areas of opportunity to take on additional coastal exposure without increasing our probable maximum loss.

c. We control our direct insurance exposures in regions that are prone to naturally occurring catastrophic events through a combination of geographic diversification, restrictions on the amount and location of new business production in such regions, and reinsurance.

d. We have strategies and underwriting standards to manage exposures through individual risk selection, subject to regulatory constraints, and through the purchase of catastrophe reinsurance coverage.

Our approach to incorporating environmental risks into the management of firm-level risk and capital adequacy includes:

a. We maintain an economic capital model that evaluates the relative magnitude of various balance sheet risks, including natural catastrophes as well as investment risk, reserve risk, and non-cat pricing risk. With this model we monitor the probability of statutory surplus being reduced to various levels of financial distress and make capital decisions (e.g. reinsurance program design) with a view on these probabilities.

b. Our corporate risk appetite statement identifies target capitalization that is necessary for our rating and to provide acceptable financial security to our policyholders and shareholders. The effect of environmental risks is reflected in our corporate risk appetite statement via the modeling we produce to estimate probable maximum loss (PML).

We are sensitive to climate change and the risks and opportunities it presents to our business. Our key process for identifying and assessing climate-related risks is our Corporate Risk Register (CRR). In the CRR, each risk has an owner and an evaluation team, all of whom assess (on a monthly basis) both the likelihood of the risk's occurrence as well as the potential financial impact. This process allows us to prioritize risk management activities and begets the Risk Landscape Report that we share on a quarterly basis with our Enterprise Risk Management (ERM) Committee and the Risk Management Committee of our board. The risk named ‘Natural Catastrophe Losses’ ranks #25 in our risk landscape as of December 2020.

The following commentary on specific climate-related risks relevant to our underwriting processes is allocated across short, medium, and long-term horizons for our business:

**Short Term (Present and within the next year)**

a. Wildfires are increasing in number and duration, in part because of climate change-related droughts, changes in wind and vegetation patterns, increased numbers of lightning strikes, and reduced moisture content in vegetation. This is adversely impacting the frequency and severity of property losses, especially in the West Coast and Rocky Mountain states.

b. Because of the potential for large losses associated with a single event and other correlated losses, all these climate change-related risks deeply affect the reinsurance industry.

c. Company or state-mandated higher hurricane and wind/hail deductibles place a growing burden on insureds at time of loss.

d. Increased frequency and severity of heat waves could impact insureds and their employees adversely and result in increased workers' compensation claims frequency and severity for us.

**Medium Term (Within the next few years)**

a. More severe convective storms and hurricanes may result in more deaths and business income and additional living expense claims.

b. Increased regulation adopted in response to climate change may impact our organization and policyholders. State insurance regulation could impact our ability to manage property exposures
in areas vulnerable to significant climate-driven losses. If we are unable to implement risk-based pricing, modify policy terms, reduce exposures and/or withdraw in catastrophe-prone areas as needed, our business/profits may be adversely affected. Participation in residual market mechanisms can result in significant losses or assessments to insurers, especially if losses or assessments are not commensurate with our direct catastrophe exposure in those states. If our competitors leave those states having residual market mechanisms, remaining insurers, including us, may be subject to significant increases in losses or assessments following a catastrophe.

c. Climate change regulation could increase our customers’ costs of doing business. For example, insureds faced with carbon management regulatory requirements may have less available capital for investment in loss prevention and safety features which may, over time, increase loss exposures. Also, increased regulation may result in reduced economic activity, which would decrease the amount of insurable assets and businesses.

**Long Term (Within the decade)**

a. Rising sea levels from Arctic warming and higher storm surges from hurricanes could impact buildings, equipment/property stored in the open and vehicles insured near the coast, bays, inlets and/or rivers. While flood is not a covered peril for building and contents coverage, it is for inland marine and comprehensive coverage for vehicles.

b. In addition to increased property claims to insured property as a direct result of weather, claims for business interruption and other consequences of weather-related events may become more numerous and severe.

c. Following catastrophes, there are sometimes legislative initiatives and court decisions which seek to expand insurance coverage for catastrophe claims beyond the original intent of the policies. We experienced this first-hand following Hurricane Katrina in wind versus flood claim disputes.

Where possible, we incorporate our view of the various risks presented by climate change into our economic capital model. Within that model, these risks can affect our non-cat pricing risk module, our natural catastrophe module, our reserving risk module, and even our investment risk module through our economic scenario generator. Our economic capital model captures the short-term range of potential financial results (i.e. one year) as well as the medium term (i.e. three years).

We control our direct insurance exposures in regions that are prone to naturally occurring catastrophic events through a combination of geographic diversification, restrictions on the amount and location of new business production in such regions, and reinsurance. We regularly assess our concentration of risk exposures in natural catastrophe exposed areas. We have strategies and underwriting standards to manage these exposures through individual risk selection, subject to regulatory constraints, and through the purchase of catastrophe reinsurance coverage.

**Systemic Risk Management**

**FN-IN-550a.1**

*Exposure to derivative instruments by category:* (1) total potential exposure to noncentrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearinghouse, and (3) total potential exposure to centrally cleared derivatives

We did not hold any investments in derivative instruments as of December 31, 2020.
FN-IN-550a.2

*Total fair value of securities lending collateral assets*

We do not have securities lending collateral assets as of December 31, 2020.

FN-IN-550a.3

*Description of approach to managing capital and liquidity-related risks associated with systemic non-insurance activities*

United Real Estate Holdings, LLC is a wholly owned subsidiary of United Fire & Casualty Company, organized as an Iowa limited liability corporation to own commercial real estate primarily occupied by the Company. We consider the capital and liquidity-related risks associated with non-insurance activities to be immaterial.

**Activity Metrics**

FN-IN-000.A

*Number of policies in force, by segment: (1) property and casualty, (2) life, (3) assumed reinsurance*

We have one segment: property and casualty insurance. The property and casualty insurance business is comprised of commercial lines insurance, including fidelity and surety, specialty, personal lines insurance and assumed reinsurance.

The following table summarizes the total number of policies in force by line of business as of December 31, 2020, 2019 and 2018:

<table>
<thead>
<tr>
<th>Line of business</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other liability</td>
<td>217,852</td>
<td>248,909</td>
<td>270,295</td>
</tr>
<tr>
<td>Commercial fire and allied</td>
<td>115,769</td>
<td>129,492</td>
<td>135,192</td>
</tr>
<tr>
<td>Commercial auto</td>
<td>144,100</td>
<td>176,235</td>
<td>184,907</td>
</tr>
<tr>
<td>Workers’ compensation</td>
<td>6,850</td>
<td>7,889</td>
<td>8,281</td>
</tr>
<tr>
<td>Fidelity and surety</td>
<td>10,438</td>
<td>10,528</td>
<td>11,545</td>
</tr>
<tr>
<td>Other commercial</td>
<td>84,563</td>
<td>94,187</td>
<td>97,629</td>
</tr>
<tr>
<td>Personal lines</td>
<td>131,579</td>
<td>205,846</td>
<td>217,647</td>
</tr>
</tbody>
</table>

Our assumed reinsurance business is not managed by policy, but rather by contact with each reinsurer.

**About UFG Insurance**

Founded in 1946, UFG is a successful publicly traded and multibillion-dollar-asset insurance company. We offer commercial and personal insurance for businesses, homes and vehicles, as well as surety bonds.

UFG partners with a select group of approximately 1,000 independent insurance agencies across the country. With more than 1,100 employees at our corporate headquarters in Cedar Rapids, Iowa, and five regional offices in Arizona, California, Colorado, New Jersey and Texas, we deliver insurance protection and services to policyholders throughout the U.S.
At UFG, we are committed to achieving long-term financial strength and stability, having used our 75 years of experience to successfully guide us through market cycles and industry challenges. We hold a financial strength rating of “A” (Excellent) from A.M. Best Company, which was affirmed in December 2020.