



# 2021 SECOND QUARTER EARNINGS CONFERENCE CALL

**AUGUST 4, 2021**

## Financial Highlights – 2Q 2021

	<u>2Q2021</u>	<u>2Q2020</u>	<u>YTD2021</u>	<u>YTD2020</u>
Net income (loss) per diluted share	\$ 0.54	\$ 0.24	\$ 1.28	\$ (2.66)
After-tax net realized investment gains (losses)	\$ 0.19	\$ 0.50	\$ 0.95	\$ (2.45)
Adjusted operating income (loss) per share	\$ 0.35	\$ (0.26)	\$ 0.33	\$ (0.21)
Catastrophe losses per share	\$ 0.67	\$ 1.58	\$ 1.58	\$ 2.08
GAAP combined ratio	100.8%	111.4%	104.3%	108.2%
Book value per share			\$33.42	\$34.38
Return on equity			7.8%	(15.0%)

# Property and Casualty Business Highlights

## ■ Q2 2021 Results

- \$224.7M in net premiums earned in Q2 2021— a decrease of 14.8% over Q2 2020 primarily due to our strategic plan in non-renewal of underperforming accounts in commercial auto line of business and exit of the personal lines business which began in September 2020.
- Catastrophe losses added 9.6 percentage points to the combined ratio in Q2 2021 compared to 19.2 percentage points in Q2 2020
- Prior year favorable reserve development \$1.8M in Q2 2021 compared to favorable reserve development of \$10.0M in Q2 2020
  - Favorable reserve development for the current quarter came primarily from commercial auto and workers' compensation line of business offset by unfavorable development in commercial fire and allied and commercial liability.
- Commercial auto loss ratio in Q2 2021 improved 11.7 percentage points as compared to Q2 2020 primarily due to a decrease in frequency and severity of auto liability claims
- Impact from COVID-19 pandemic on operations is manageable. Nearly all the policies we have issued contain contract language which specifically excludes business interruption coverage losses attributable to viruses such as COVID-19 pandemic.

# Property and Casualty Business

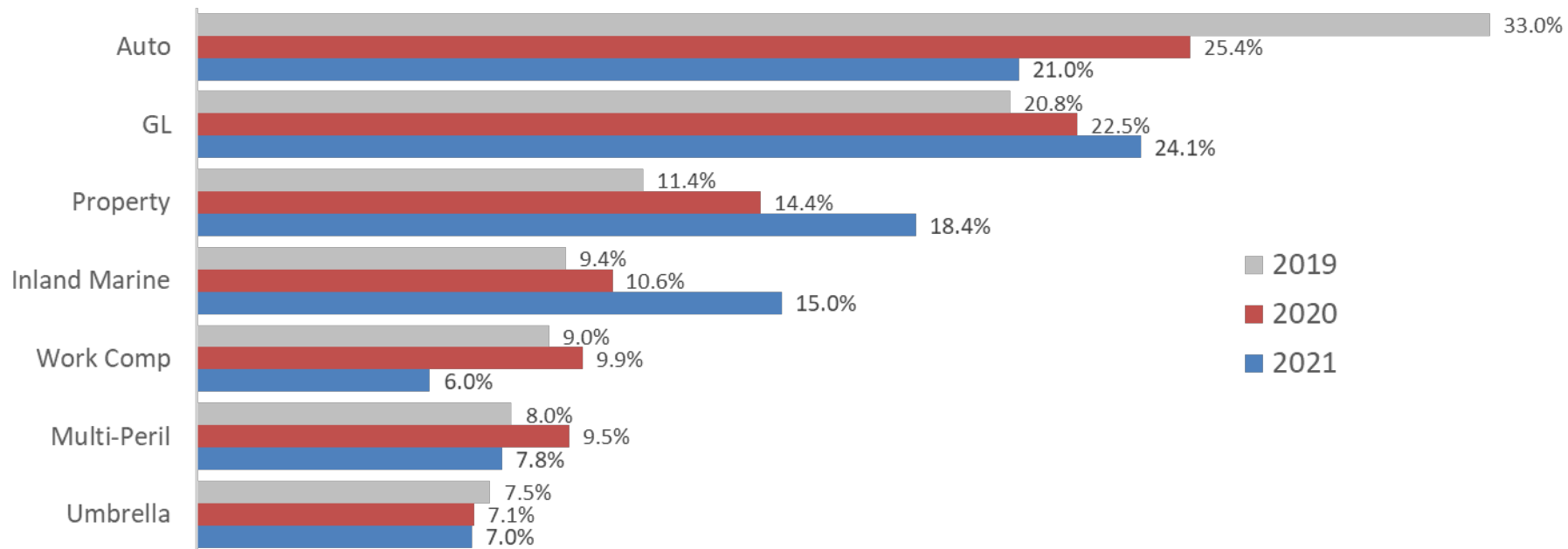
## Strategic Plan: "One UFG boldly forward"

- Several initiatives aimed at long-term profitability, diversification and growth in profitable lines, and innovation.
- Portfolio management initiatives include diversifying our book of business and targeting attractive markets and products.
  - Includes reducing size of commercial auto book by non renewing underperforming accounts and reducing the number of commercial auto exposure units.
  - Growth in profitable lines: E&S, surety and assumed reinsurance.
- Underwriting initiatives include rate increases and focusing on consistency across regional branches.
- Claims initiatives include shorting cycle time, reducing legal expenses and the impact of litigation.
- Expansion of analytics capabilities

## P & C Market Conditions

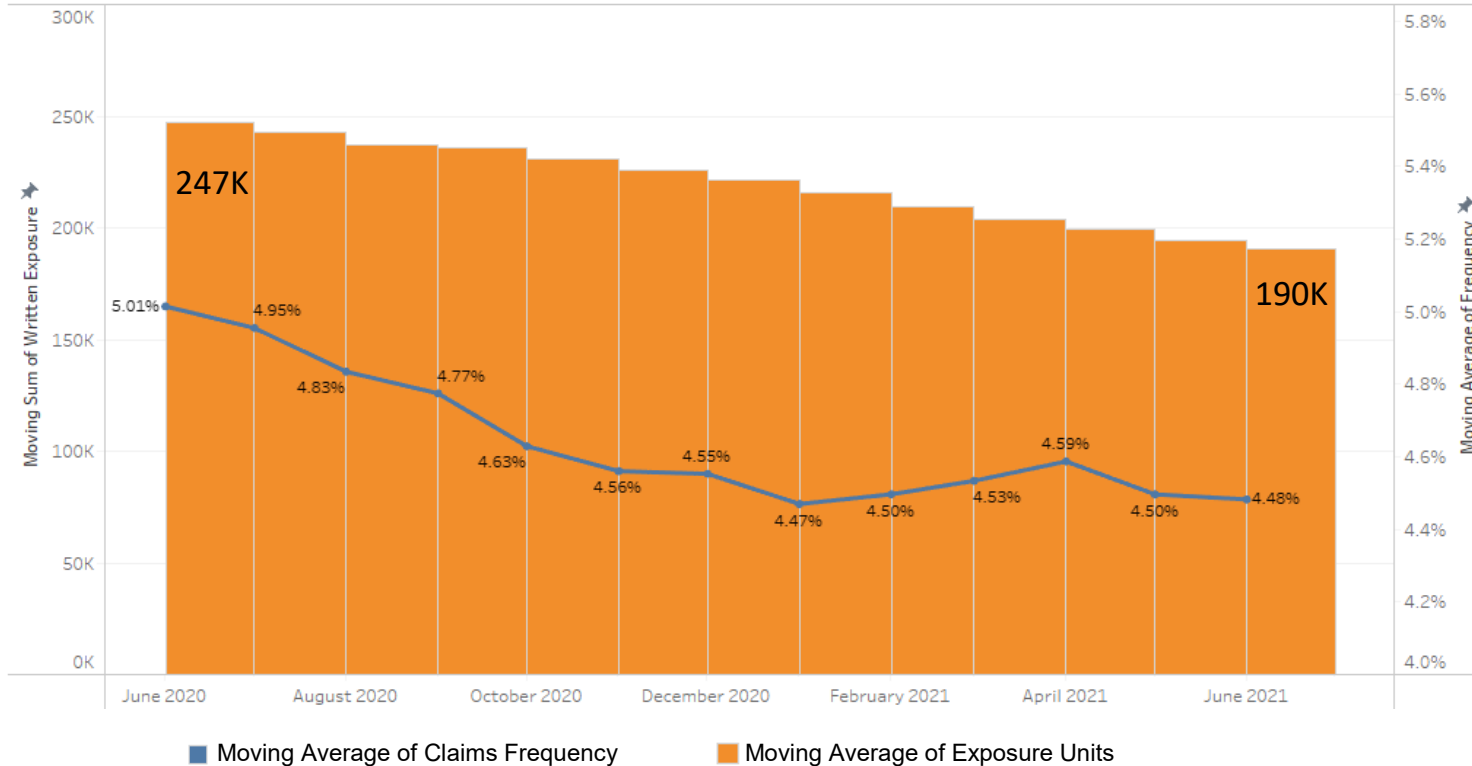
- **Renewal rates increases:**
  - Overall rate increase of 6.4% YTD, increase of 7.8% YTD excluding workers' compensation.
    - Rate increases led by commercial auto and commercial property
      - Commercial auto average increase was 9.9%
      - Commercial property average increase was 8.4%.

## New Business Premium Breakdown Jan-June (Excluding Surety and Specialty)

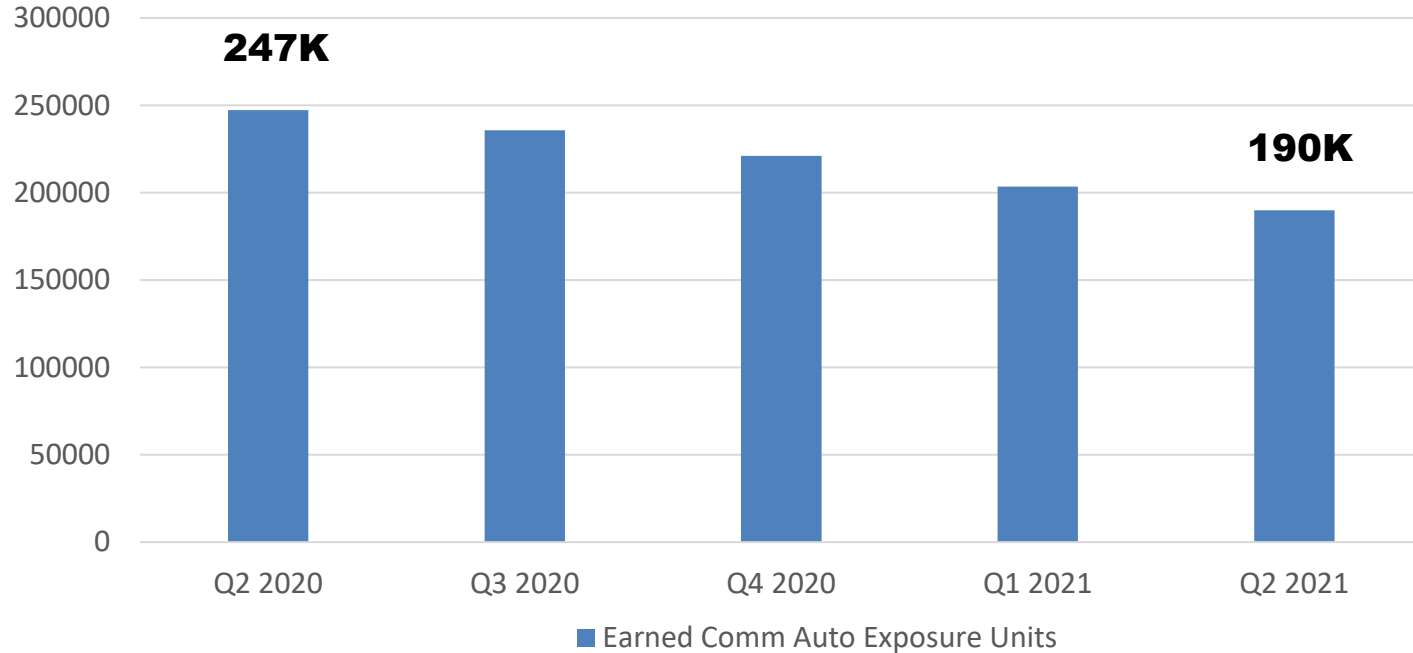


# Commercial Auto Moving Average Frequency and Exposure Units

**Frequency down 11%, Exposure down 23%**



## Commercial Auto Exposure – by Quarter



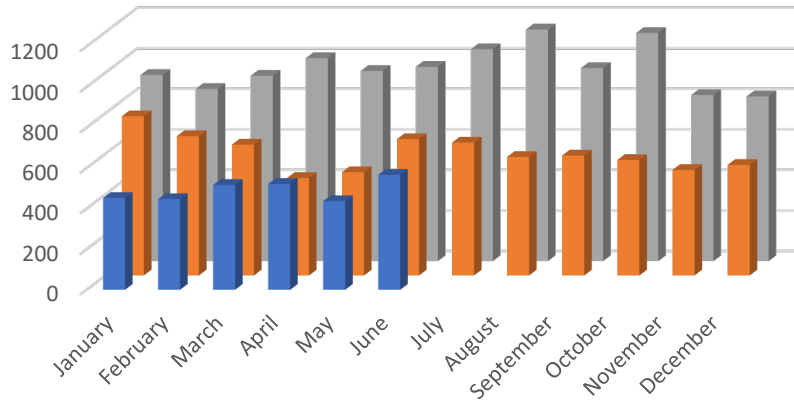
**Note:** Bars represent a rolling 12 month view of written exposure.



## Claim Counts of Major Commercial Casualty Lines

CA BI+PD Liability Claims Counts

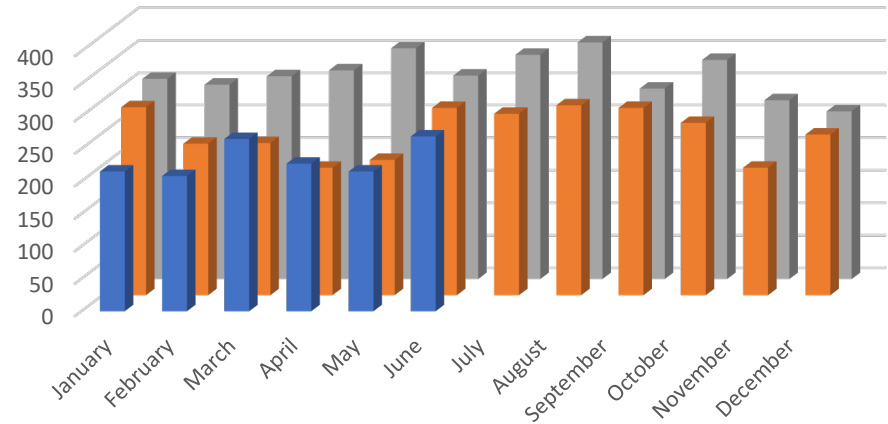
Claims down 22% June YTD 2021 vs June YTD 2020



■ 2021 ■ 2020 ■ 2019

CGL BI+PD Liability Claims Counts

Claims down 3% June YTD 2021 vs June YTD 2020

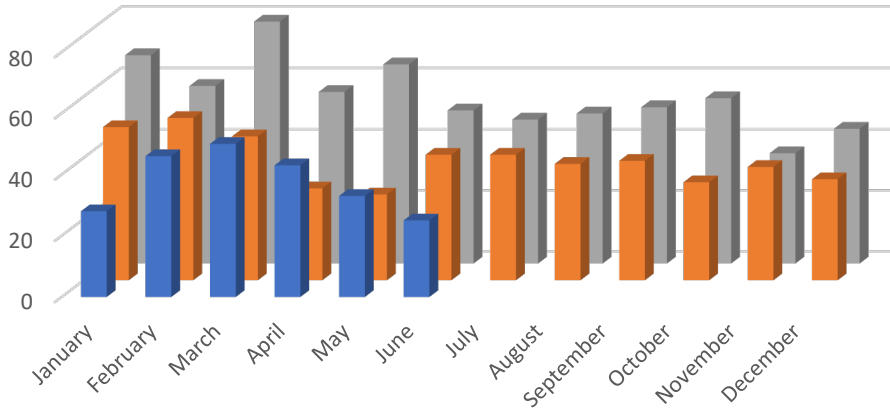


■ 2021 ■ 2020 ■ 2019

# Claim Counts of Major Commercial Casualty Lines

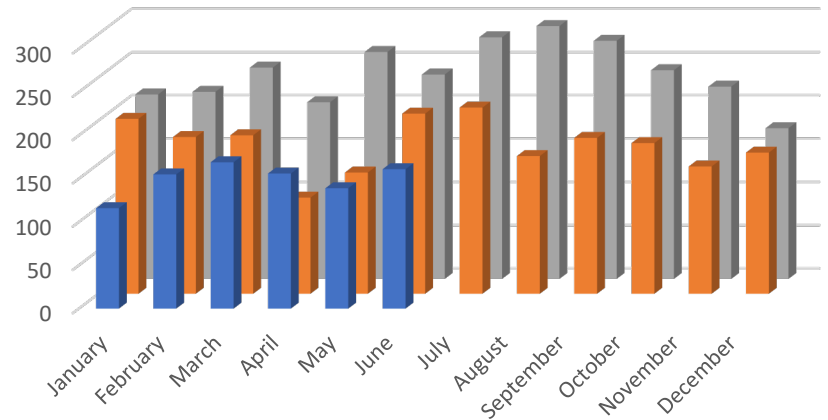
## BOP Liability Claims Counts

Claims down 10% June YTD 2021 vs June YTD 2020



## Work Comp Claim Counts

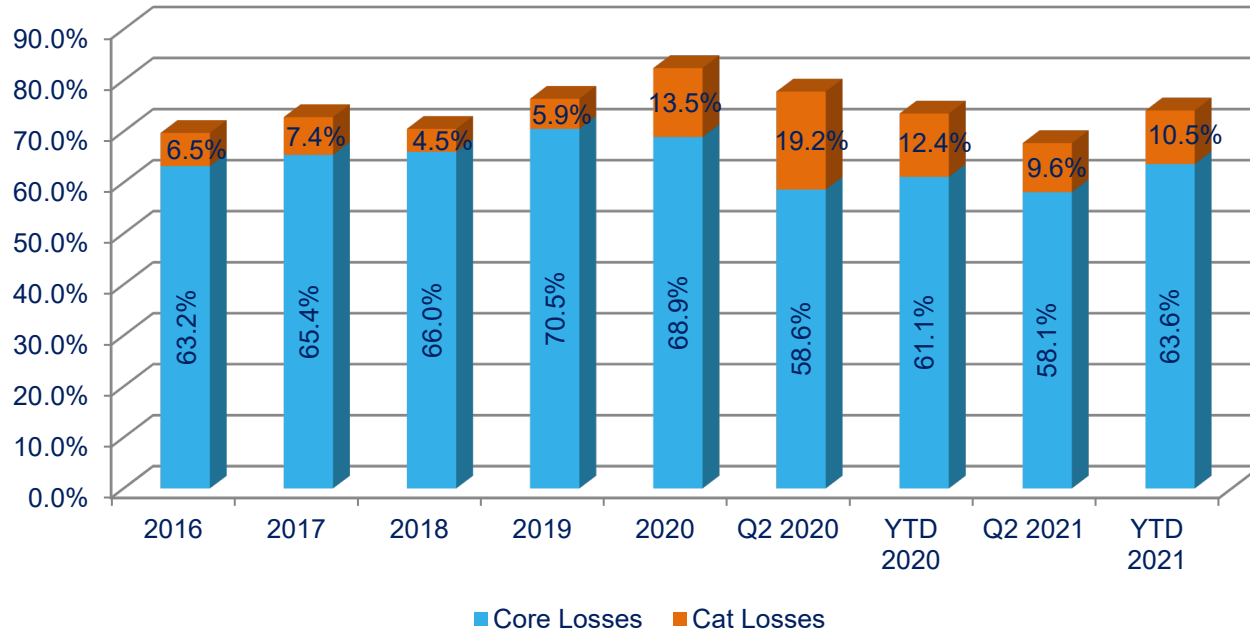
Claims down 13% June YTD 2021 vs June YTD 2020



■ 2021 ■ 2020 ■ 2019

■ 2021 ■ 2020 ■ 2019

## Core Loss Ratio vs. Catastrophe Losses

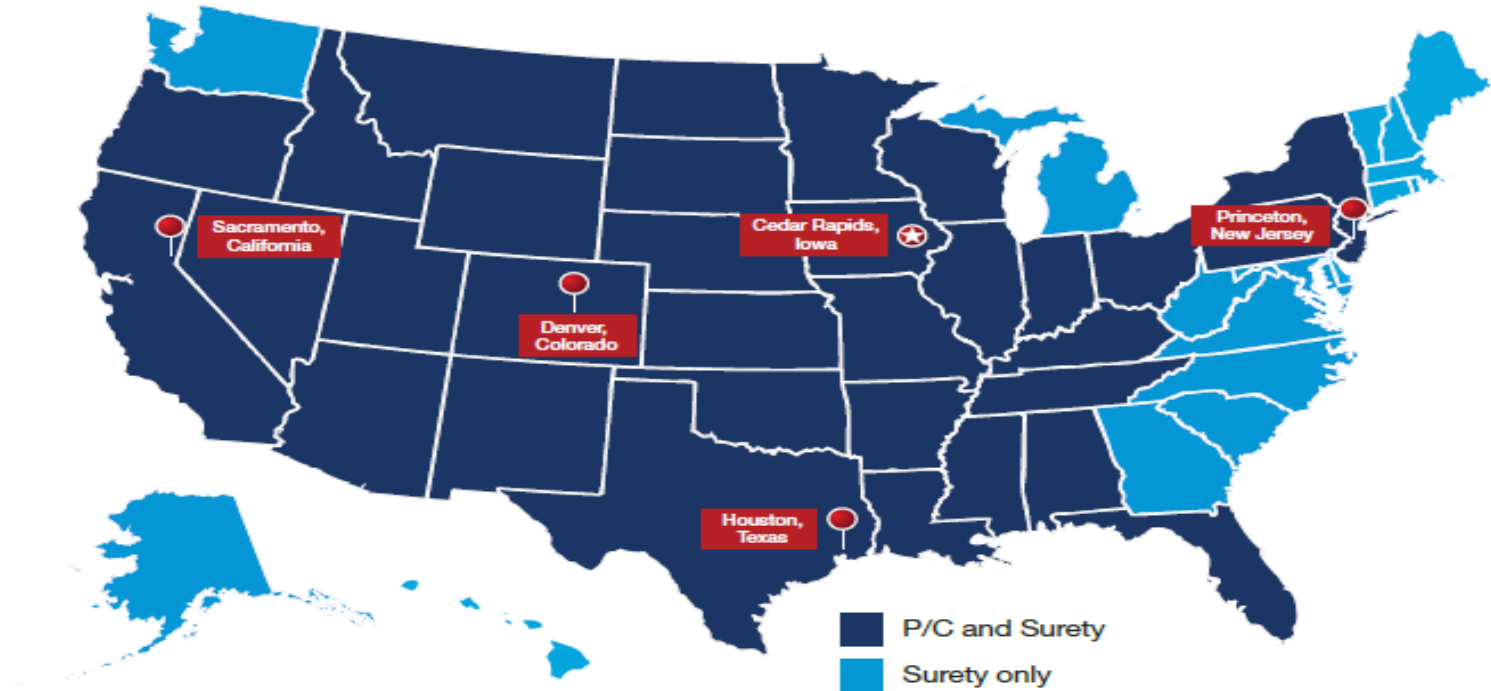


Cat losses in Q2 2021 added 9.6 percentage points to the loss ratio.

## Adjusted Combined Ratio

Adjusted Combined Ratio	2021	2020		2021	2020	
	Q2	Q2		FY	FY	
P&C Loss Ratio (as reported)	67.7%	77.8%		74.1%	73.5%	
Impact of Catastrophes	-9.6%	-19.2%		-10.5%	-12.4%	
Loss Ratio Ex-Catastrophes	58.1%	58.6%		63.6%	61.1%	
Impact of Reserve Development	0.8%	3.8%		3.1%	4.5%	
<b>Loss Ratio Ex-CAT and Ex-Development</b>	<b>58.9%</b>	<b>62.4%</b>	<b>-3.5%</b>	<b>66.7%</b>	<b>65.6%</b>	<b>1.1%</b>
Impact of all lines aggregate reinsurance (ALA)	0.0%	5.8%		0.0%	2.9%	
<b>Loss Ratio Ex-CAT, Ex-Development, &amp; Ex-ALA</b>	<b>58.9%</b>	<b>68.2%</b>	<b>-9.3%</b>	<b>66.7%</b>	<b>68.5%</b>	<b>-1.8%</b>

## P & C Geographic Footprint



Regional Underwriting Offices in Cedar Rapids, Iowa (corporate headquarters); Denver, Colorado; Houston, Texas; Princeton, New Jersey; and Sacramento, California.

Headquartered in Cedar Rapids, Iowa, UFG is represented by independent agents throughout the country. UFG is licensed and actively writing P&C and surety bonds in the 33 states shaded dark blue. The 17 states shaded light blue, plus the District of Columbia, are currently licensed and able to write surety bonds only.

## Recognition

- Rated A (Excellent) by A.M. Best Company in December 2020 for the 27th consecutive year.
- United Fire & Casualty Co. has been named a Super Regional Property/Casualty Insurer™ every year since 2006 by *Insurance Journal* magazine.
- Placed on July 2019 *Best's Review* list of Top 200 U.S. Property/Casualty Writers.
- Named a Five-Star Carrier by *Insurance Business America* in 2019.
- Named to *Business Insurance's* Annual Best Places to Work in Insurance list in 2019.

