

# THIRD QUARTER 2022 RESULTS

NOVEMBER 3, 2022

## 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 for the year ended December 31, 2021, filed with the Securities and Exchange Commission ("SEC") on February 25, 2022. The risks identified in our Annual Report on Form 10-K 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)" and "net premiums written". 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 [www.ir.ufginsurance.com](http://www.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.

# Third quarter highlights

## In the third quarter of 2022, United Fire Group, Inc. reported:

- Net Loss of \$0.91 per Diluted Share and Non-GAAP Adjusted Operating Loss of \$0.47 per Diluted Share
- Net premiums earned decreased 0.3% compared to the third quarter of 2021
- Net premiums written<sup>(1)</sup> increased 9.1% compared to the third quarter of 2021
- Combined ratio of 111.7% driven by catastrophe loss ratio of 11.4% and unfavorable prior year reserve development of 5.9%. Expense ratio was 35.1%.
- Net investment income of \$11.6 million increased 0.3% compared to the third quarter of 2021
- Year to date Return on Equity of (0.9)%
- Book value per common share of \$27.82, down 20.6% compared to year-end 2021

# Q3 2022 results

## Consolidated financial results

<u>(In Millions, Except Per Share Data)</u>	Third Quarter		Year to Date	
	2022	2021	2022	2021
Net premiums written	\$247	\$227	\$749	\$721
Net premiums earned	\$238	\$239	\$704	\$723
Net underlying loss ratio <sup>(1)</sup>	59%	62%	58%	65%
Catastrophe Loss Ratio	11%	17%	9%	13%
Reserve development impact	6%	(5%)	(0%)	(4%)
Net loss ratio	77%	73%	66%	74%
Underwriting expense ratio	35%	36%	35%	32%
Combined ratio	112%	110%	101%	106%
Underlying combined ratio <sup>(2)</sup>	94%	98%	92%	97%
Net investment income	\$12	\$12	\$32	\$42
Net investment gains (losses)	(\$14)	(\$2)	(\$36)	\$28
Other income (loss)	(\$1)	(\$0)	(\$2)	(\$2)
Net income (loss)	(\$23)	(\$10)	(\$5)	\$23
Adjusted operating income (loss) <sup>(3)</sup>	(\$12)	(\$8)	\$23	\$1
Net income (loss) per diluted share	(\$0.91)	(\$0.38)	(\$0.20)	\$0.90
Adjusted operating income (loss) per diluted share	(\$0.47)	(\$0.31)	\$0.92	\$0.02
Return on equity <sup>(4)</sup>			(1%)	4%

- Q3 results reflect industrywide events while year-to-date results reflect benefits of strategies to deliver profitable growth
- Growth momentum accelerating with Q3 net written premium +9% over prior year
- Underlying loss ratio continues to improve on both a Q3 and year-to-date basis
- Combined ratio improved by 5 points on a year-to-date basis despite elevated Q3 combined ratio driven by catastrophe losses and prior year reserve actions
- Declining asset prices negatively impacted investment results, while higher interest rate environment sustainably improving current and future earnings

(1) Net underlying loss ratio is defined as the net loss ratio less impacts of catastrophes and reserve development.

(2) Underlying combined ratio is defined as the GAAP combined ratio less impacts of catastrophes and reserve development.

(3) Adjusted operating income (loss) is a non-GAAP financial measure of net income excluding net investment gains and losses, after applicable taxes. Management evaluates this measure and ratios derived from this measure and the Company provides this information to investors because we believe it better represents the normal, ongoing performance of our business. See Definitions of Non-GAAP Information and Reconciliations to Comparable GAAP Measures for a reconciliation of adjusted operating income (loss) to net income.

(4) Return on equity is calculated by dividing annualized net income by average year-to-date stockholders' equity.

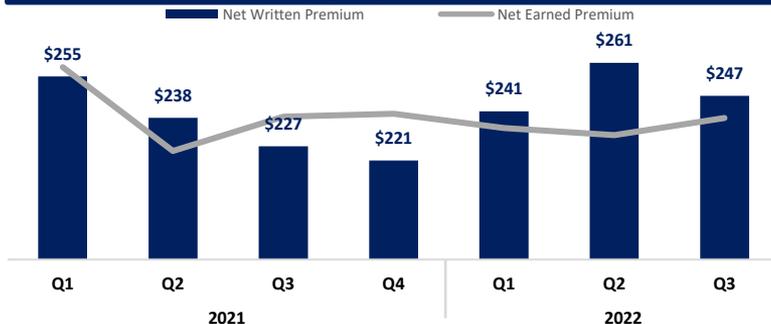
# P&C results

## Results

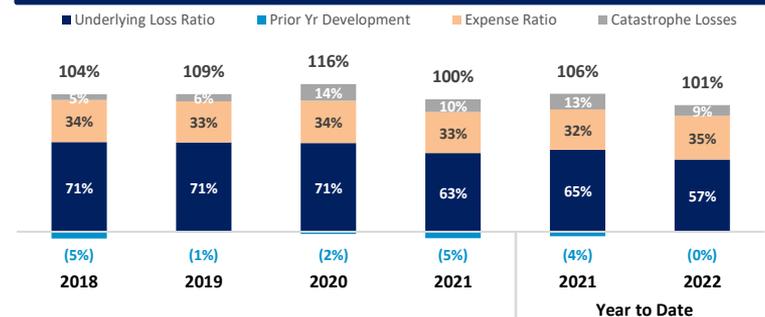
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- Written premium growth accelerated in Q3 '22, driven by specialized lines
- Elevated Q3 combined ratio driven by catastrophe losses and prior year reserve strengthening
- Underlying loss ratio continues to improve, total combined ratio 5 points lower than 2021 on a year-to-date basis

## Premium trend



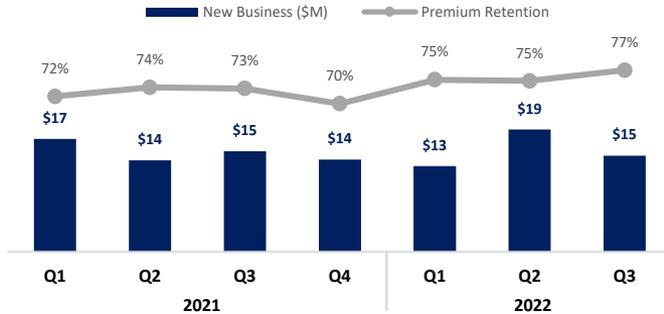
## Combined ratio trend



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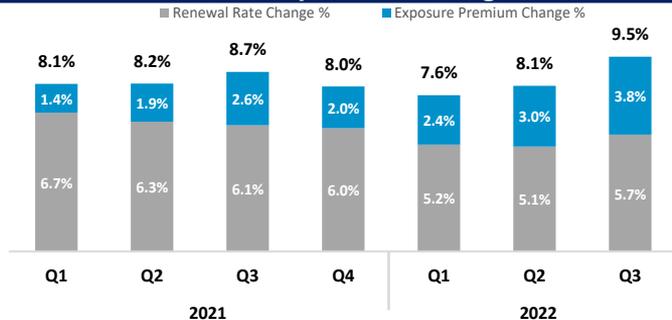
# Commercial insurance production

## New business & premium retention trend



- Retention and new business trends stabilizing premium
- Retention improving while average renewal price change remains elevated

## Renewal premium change



- Average renewal premium change of 9.5% in Q3 '22 driven by increasing exposure premium change
- Total renewal premium change excluding Workers Comp in Q3 '22 was 10.7%

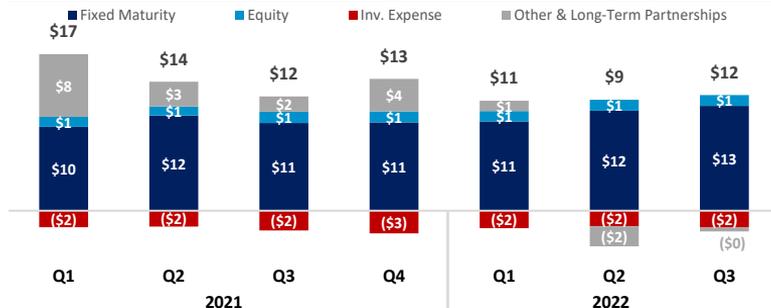
# Investment income

## Results

(In Millions)	Third Quarter		Year to Date	
	2022	2021	2022	2021
<b>Investment income:</b>				
Interest on fixed maturities	\$13	\$11	\$36	\$32
Dividends on equity securities	\$1	\$1	\$4	\$4
Income on other long-term investments	(\$1)	\$1	(\$4)	\$11
Other	\$1	\$1	\$2	\$2
<b>Total investment income</b>	<b>\$14</b>	<b>\$14</b>	<b>\$38</b>	<b>\$49</b>
Less investment expenses	\$2	\$2	\$6	\$6
<b>Net investment income</b>	<b>\$12</b>	<b>\$12</b>	<b>\$32</b>	<b>\$42</b>
<b>Yield (pre-tax):</b>				
Fixed Maturity <sup>(1)</sup>	3.1%	2.6%	2.9%	2.6%

- Net Investment income flat in Q3 '22 vs. prior year as increasing fixed income yields offset by declining limited partnership valuation
- Efforts to shorten fixed income duration paying off as we reinvest at higher yields
- Fixed income new money yields have increased from 1.0% in Q3 '21 to 4.7% in Q3 '22

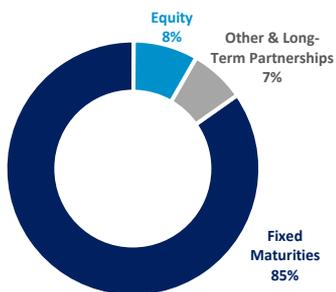
## Net investment income trend (\$M)



# Investment portfolio

## Investment portfolio composition & quality

### Q3 Portfolio Composition



### Fixed Maturity Credit Rating

Rating	% of Portfolio
AAA	35%
AA	32%
A	15%
BBB	17%
<hr/>	
<b>Investment Grade</b>	<b>99%</b>
Other / Not Rated	1%
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<b>Total Fixed Maturity</b>	<b>100%</b>

- Q3 Invested assets of \$1.8B, with 85% of assets in fixed income securities
- High-quality portfolio with 82% of fixed maturity assets rated “A” or better
- Portfolio strategically positioned to reinvest at higher rates with duration of 4.1 years
- Higher rate environment that benefits investment income adversely impacts net unrealized position and stockholder’s equity

## Unrealized Gain / Loss impact on Stockholder’s Equity

Fixed Maturity Asset Balance (\$M)	Year End 2021	Q3 2022	YTD Change
Book Value	\$1,657	\$1,682	
Unrealized Gain (Loss)	\$63	(\$135)	(\$198)
<b>Carried Assets on Balance Sheet</b>	<b>\$1,720</b>	<b>\$1,547</b>	

Change in Equity (After-Tax) (\$156)