



# 2018 SECOND QUARTER EARNINGS CONFERENCE CALL

AUGUST 8, 2018

## Financial Highlights – 2Q 2018 & YTD 2018

	<u>2Q2018</u>	<u>2Q2017</u>	<u>YTD2018</u>	<u>YTD2017</u>
Net Income per diluted share	\$ 0.01	\$ 0.12	\$ 1.80	\$ 0.89
Gain on sale of discontinued operations, net of tax	\$ -	-	\$ 1.07	-
After-tax net Realized Investment Gains (Losses)	\$ 0.04	\$ 0.07	\$ (0.23)	\$ 0.17
Adjusted Operating Income (Loss) per share	\$ (0.03)	\$ 0.05	\$ 0.96	\$ 0.72
Catastrophe Losses per share	\$ 0.47	\$ 0.72	\$ 0.57	\$ 0.96
GAAP Combined Ratio	107.9%	107.2%	100.9%	102.0%
Book Value per Share			\$38.52	\$38.46
Return on Equity			6.9%	4.8%

# Property and Casualty Business Highlights

## ■ 2Q 2018 Results

- \$257M in net premiums earned in 2Q 2018– an increase of 4.7% over 2Q 2017
- Catastrophe losses added 5.9 percentage points to the combined ratio; lower than our historical 10-year average of 10.8 percentage points for second quarters and lower than 2Q 2017 which added 11.6 percentage points to the combined ratio
- Increase in severity of non-catastrophe losses (losses greater than in \$500,000) primarily in our workers compensation and commercial other liability lines of business partially due to auto liability related claims
- Prior year favorable reserve development– \$10.3M in 2Q 2018 compared to \$16.3M in 2Q 2017
  - Primarily in workers compensation line of business

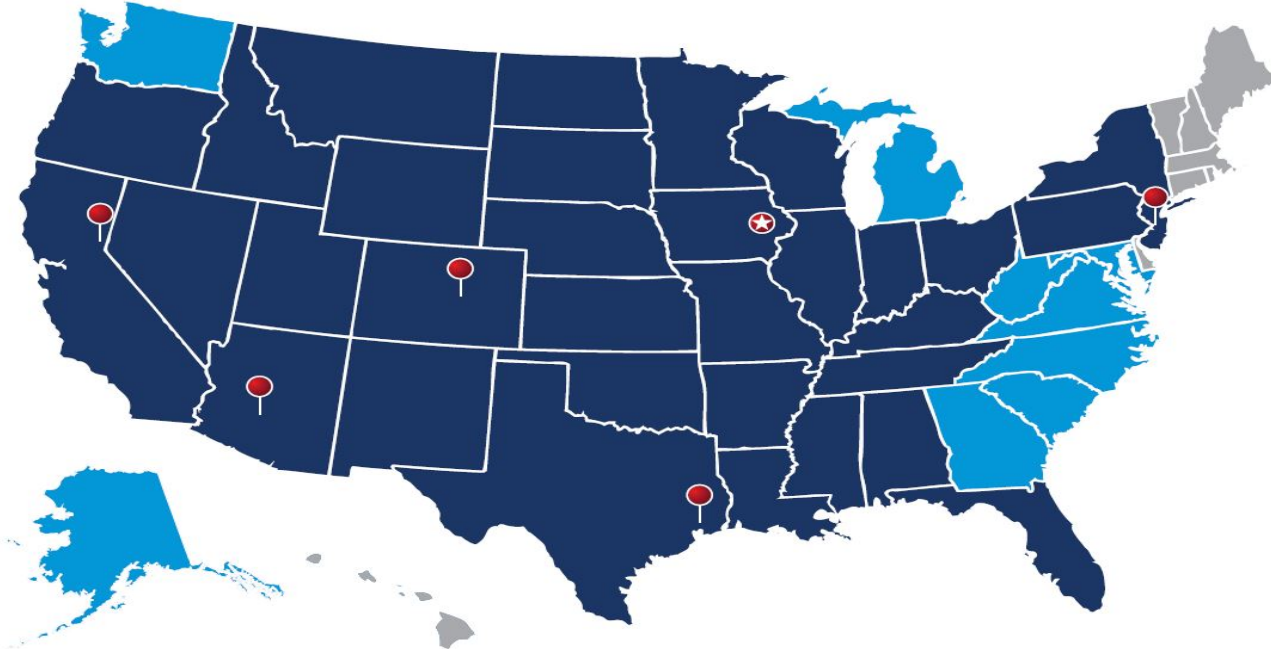
## ■ 2018 Strategies

- Focus on profitability
- Targeted organic growth (4-6% overall)
- Continue strategic initiatives with commercial automobile book of business
- Increased utilization of our Enterprise Analytics group
- Progress with our OASIS Project (underwriting technology platform)

## P & C Market Conditions

- **Soft market cycle** – competitive market conditions continued during the quarter for both renewals and new business
- **Commercial lines renewal rates increases averaged mid-single digits**
- **Commercial lines filed rate increases**
  - Commercial auto filed rate increases averaged in the high-single digits
  - Workers compensation saw rate decreases in the low-double digits
- **Personal lines renewal rate increases** – mid-single digit increases

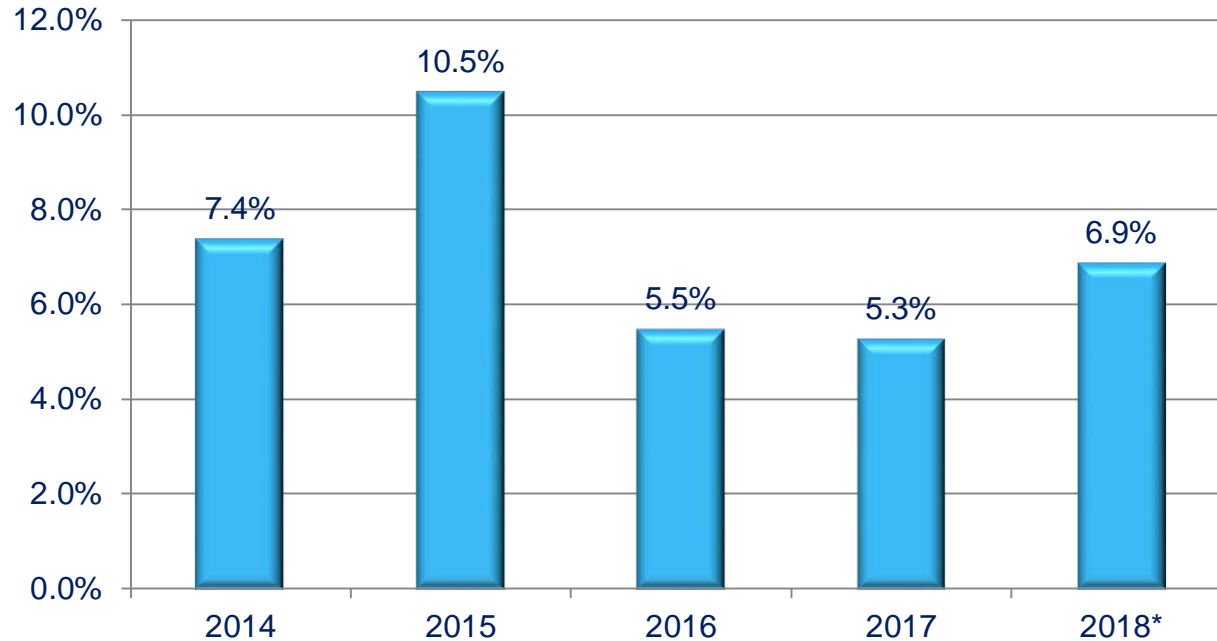
## P & C Geographic Footprint



*Regional Underwriting Offices in Cedar Rapids, Iowa (corporate headquarters); Denver, Colorado; Houston, Texas; Pennington, New Jersey; Rocklin, California and Phoenix, AZ.*

*Currently licensed and actively writing P & C and Surety Bonds in the 33 states shaded dark blue. The 9 states shaded light blue plus the District of Columbia are currently licensed and able to write Surety Bonds only.*

## Consolidated GAAP ROE



\*YTD

## 2Q 2018 P & C Net Written Premium Change & Retention

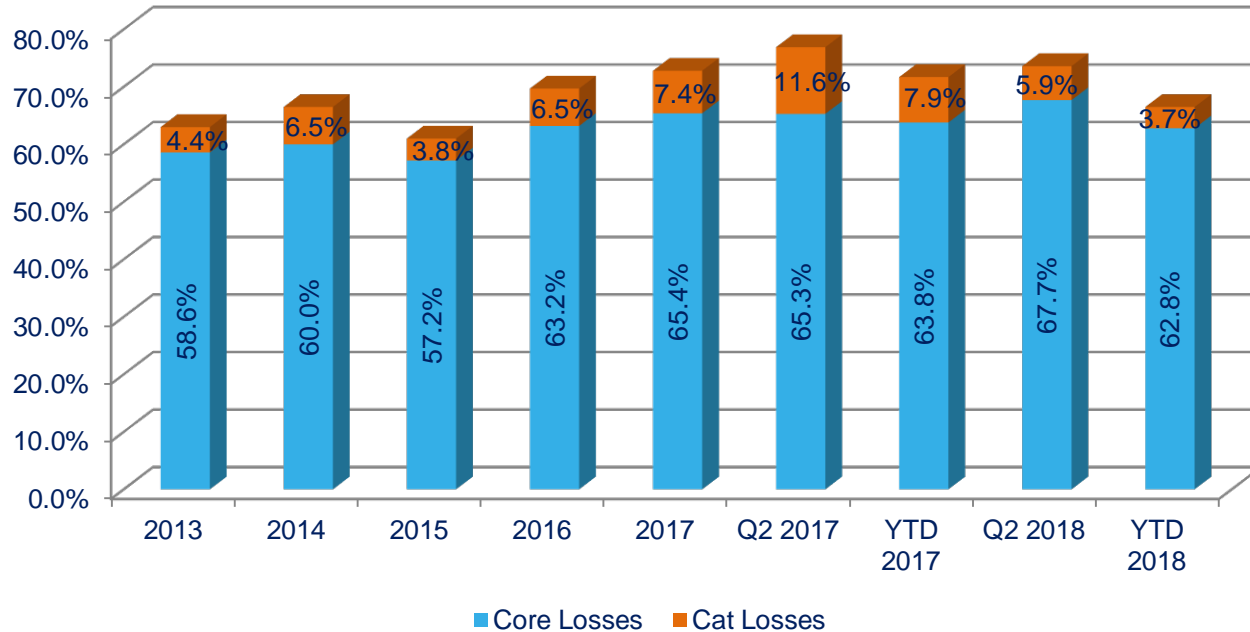
### ■ P & C Net written premium change

› Commercial lines	6.0%
› Personal lines	2.9%
› Group (all lines)	5.8%

### ■ P & C Retention

› Premium retention	84.0%
› Policy retention	80.9%

## Core Loss Ratio vs. Catastrophe Losses



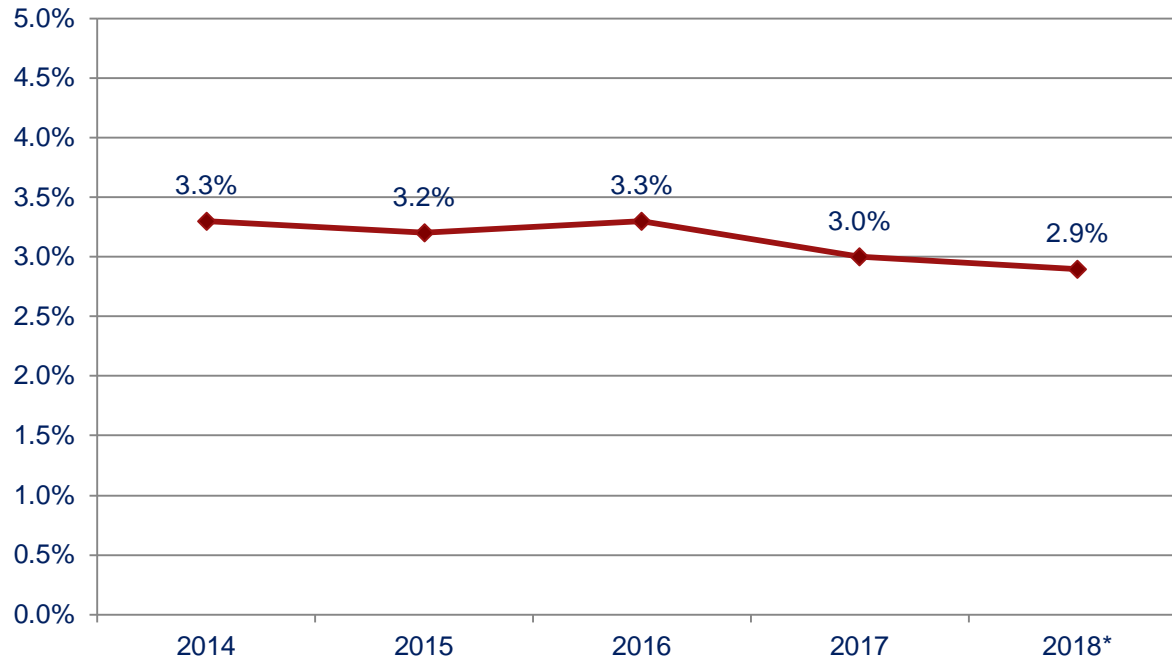
Cat losses in 2Q 2018 added 5.9 percentage points to the loss ratio.



## Adjusted Combined Ratio

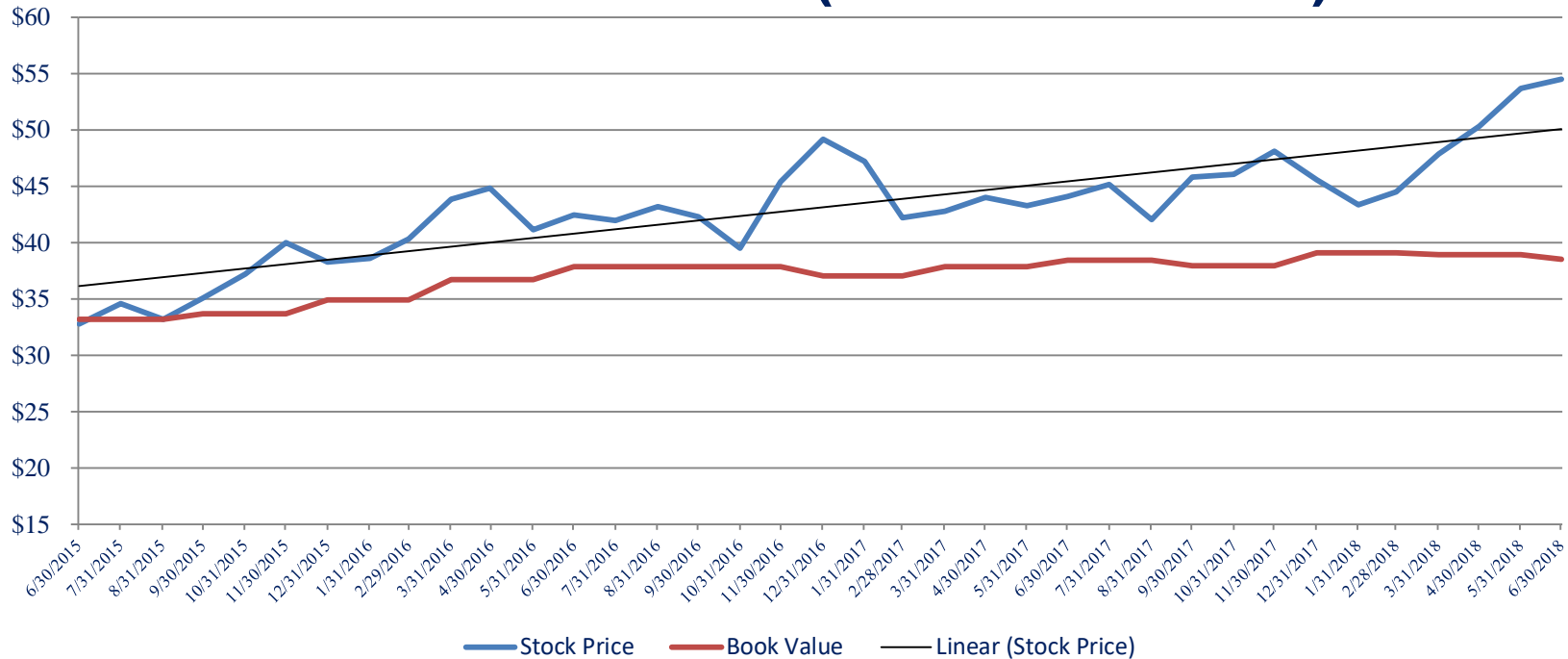
<b>Adjusted Combined Ratio</b>	<b>2Q2018</b>	<b>2Q2017</b>	<b>2018 YTD</b>	<b>2017 YTD</b>
P&C Loss Ratio (as reported)	73.6%	76.9%	66.5%	71.7%
Impact of Catastrophes	<b>-5.9%</b>	<b>-11.6%</b>	<b>-3.7%</b>	<b>-7.9%</b>
Loss Ratio Ex-Catastrophes	67.7%	65.3%	62.8%	63.8%
Impact of Reserve Development	4.0%	6.6%	9.6%	8.6%
<b>Loss Ratio Ex - CAT and Ex-Development</b>	<b>71.7%</b>	<b>71.9%</b>	<b>72.4%</b>	<b>72.4%</b>
P&C Expense Ratio	34.3%	30.3%	34.4%	30.3%
<b><i>Adjusted Combined Ratio</i></b>	<b>106.0%</b>	<b>102.2%</b>	<b>106.8%</b>	<b>102.7%</b>

## Consolidated Income Yield



NOTE: Total Invested Assets excludes Cash & Cash Equivalents and \*=YTD

## UFCS Stock Price (6/30/15 – 6/30/18)



52 Week High: \$58.46 --- 52 Week Low: \$38.95

## Recognition

- Rated A (Excellent) by A.M. Best Company.
- Named Super Regional Property/Casualty Insurer™ every year since 2006 by *Insurance Journal* magazine.
- Placed on *Forbes*' list of "America's 50 Most Trustworthy Financial Companies" every year since 2014.
- Placed on July 2016 *Best's Review* list of Top 200 U.S. Property/Casualty Writers.
- Recipient of the 2015 Iowa Better Business Bureau Integrity Award
- Placed on Iowa's list of Top Workplaces in Iowa for 2017 by *The Des Moines Register*.
- Named a Five-Star Carrier by *Insurance Business America* for 2017.
- Named one of Sandler O'Neill's 2016 Insurance Premium Players.

