



**SECOND QUARTER 2015  
EARNINGS CALL**

August 4, 2015

**simple solutions**  

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**for complex times**

## FINANCIAL HIGHLIGHTS – 2Q2015

	<u>2Q2015</u>	<u>YTD</u>
<b>Operating Gain Per Share</b>	<b>\$ 0.57</b>	<b>\$ 1.50</b>
<b>Net Income per Diluted Share</b>	<b>\$ 0.59</b>	<b>\$ 1.54</b>
<b>Net Realized Investment Gains per Share</b>	<b>\$ 0.02</b>	<b>\$ 0.04</b>
<b>Catastrophe Losses per Share</b>	<b>\$ 0.52</b>	<b>\$ 0.53</b>
<b>GAAP Combined Ratio</b>	<b>97.7%</b>	<b>93.8%</b>
<b>Book Value per Share</b>		<b>\$33.21</b>
<b>Return on Equity</b>		<b>9.4%</b>



# 2Q2015 P&C PREMIUM GROWTH

## P&C written premium growth

- 15 consecutive quarters of rate increases
- Commercial lines (2Q) 9.9%
- Personal lines (2Q) 2.1%
- Group (all lines) 9.3%
  - Rate change/Endorsement
  - New business

## Retention

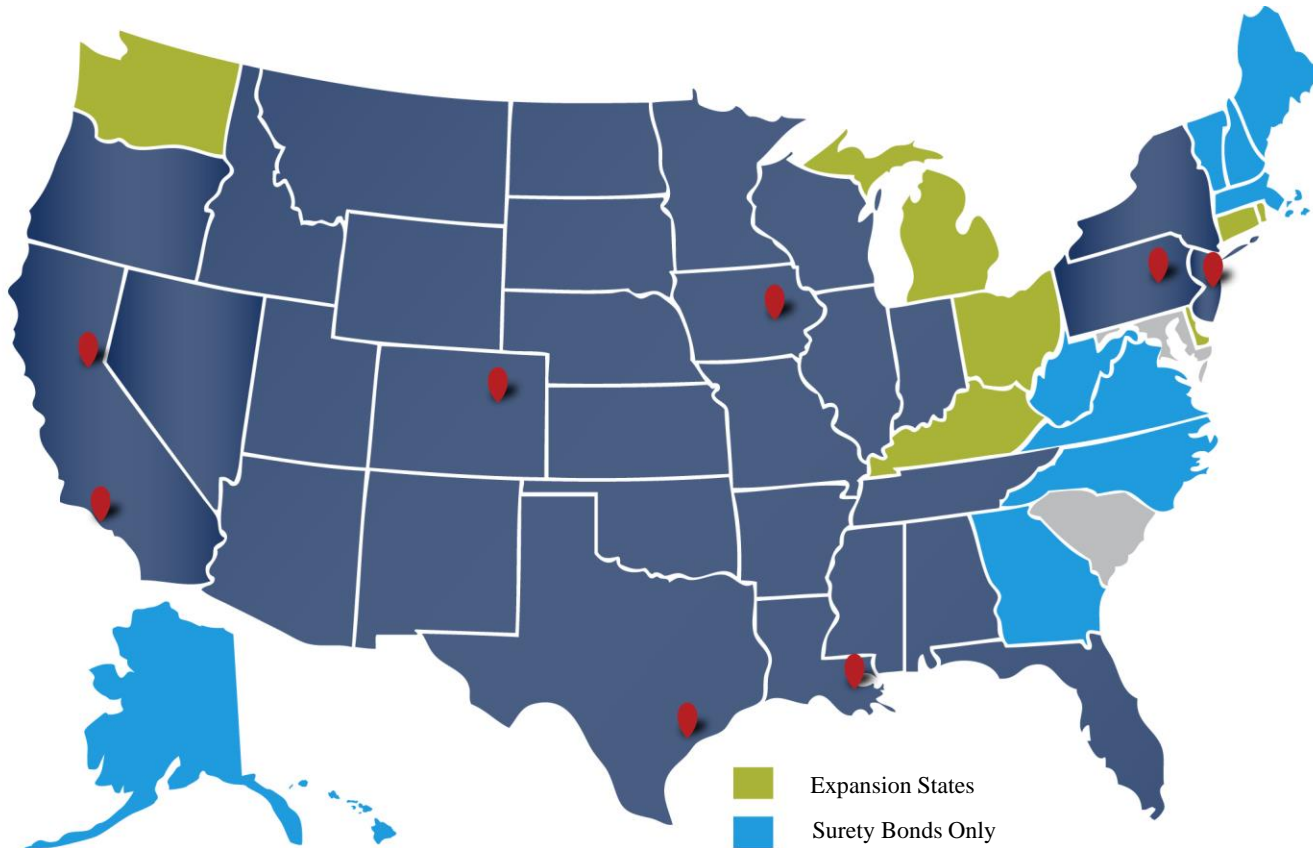
- Premium retention (down) 84.7%
- Policy retention (up slightly) 82.4%

# CURRENT OBJECTIVES

## 2020 Vision

- Goals
  - Increase ROE
  - Increase Written Premiums
  - Provide best-in-class service
  - Be a “best place to work” so as to recruit and retain the best employees
- Strategies
  - Expand our agency plant and geographic footprint
  - Leverage our existing product portfolio
  - Expand our geographic footprint
  - Excess & Surplus Branch in Los Angeles of February 1, 2014
  - Continue to capitalize on strategic growth opportunities

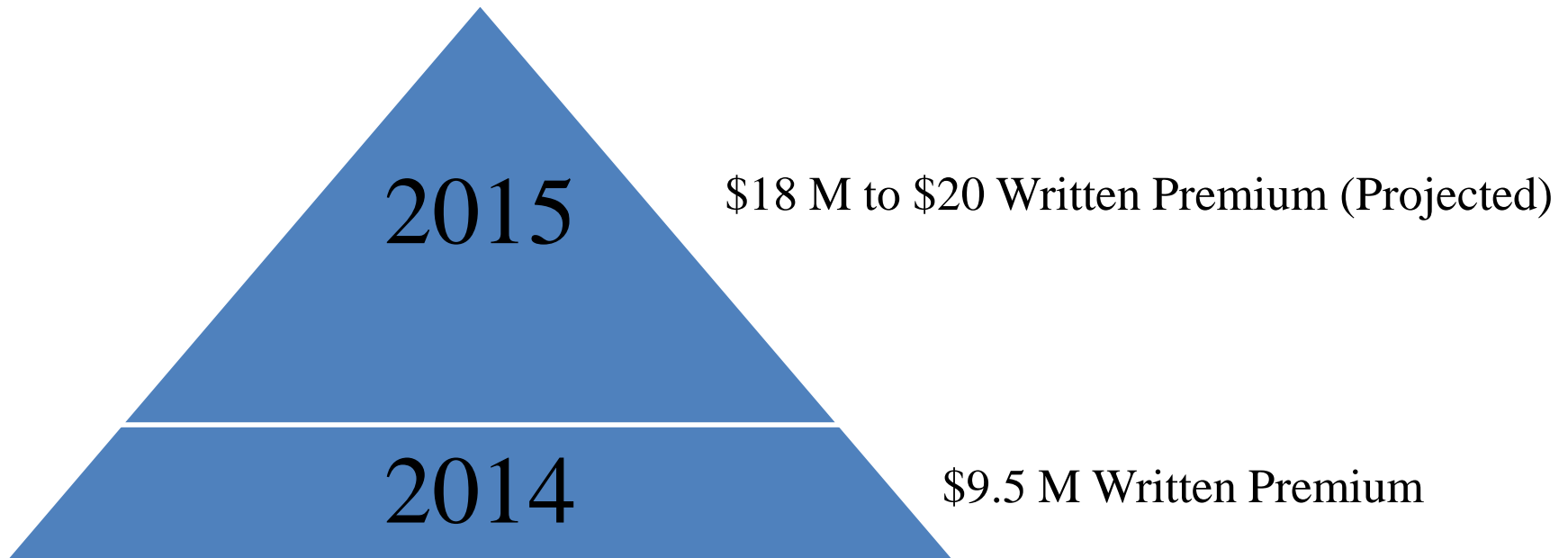
# PROPOSED EXPANSION TO SUPPORT ORGANIC GROWTH



*Offices in Cedar Rapids, Iowa (corporate headquarters); Denver, Colorado; Houston, Texas; Pennington, New Jersey; Lock Haven, Pennsylvania; New Orleans, Louisiana; Rocklin, California and Los Angeles, California.*

*Licensed in 43 states plus the District of Columbia, we have agency appointments in the states shaded blue. Applications are pending in the states shaded yellow and expansion applications are pending in the states shaded green.*

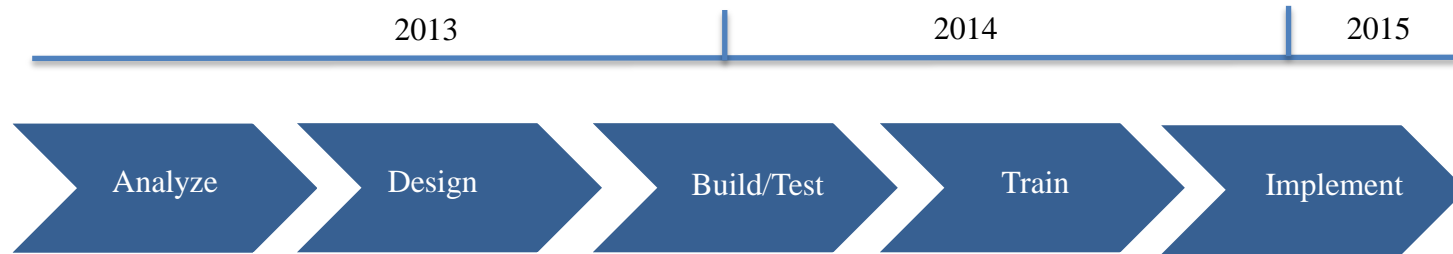
# UFG SPECIALTY INSURANCE COMPANY



New branch office opened in Los Angeles on February 1, 2014. First policy issued by the end of February. Currently in the states of CA, OR, NV, AZ. 2015 expansion includes NM, ID, WA, UT.



# ACC CLAIMS SYSTEM



## Objectives

- **Enhance service to policyholders and agents**
- **Reduce expenses by improving employee efficiency and accuracy**
- **Provide field adjusters with tools to enhance customer service**
- **Provide additional/expanded management reports**
- **Improve reserve accuracy**
- **Currently, more than 20,000 claims converted**
- **All existing claims have now been moved to the new system**

# SMALL BUSINESS OWNERS' POLICY



# PremierPro®

FOR BUSINESS OWNERS

As a business owner, you have enough things to worry about – insurance shouldn't be one of them.

Operating your own business can be one of the most rewarding and satisfying experiences of your life. Of course, your business owner would agree that it also comes with its share of stress and frustration.

With countless hours and dollars invested in your business, you are dedicated to its long-term success. But no matter how careful you are, your business has many unique exposures that could result in a severe financial loss if not properly insured against.

For instance, is your business adequately protected in the event of a fire, theft or a theft? Are you generating enough profit to withstand a major disaster? Or could one accident destroy your business?

**PremierPro®** from United Fire Group was designed especially for business owners, containing broad property, liability and crime protection with a variety of optional coverages to meet your specific needs.

In addition, **PremierPro®** provides personal coverage enhancements, including Data Processing, Employee Dishonesty, Equipment Breakdown, False Payment, Products, Storage and Securities Of Financial Institutions, Ordinance or Law, and Storm Backup/Sumo Overflows.

We encourage you to learn more about **PremierPro®** today – and choose us to protect the business you're excited to build!

### Included Coverages

- PROPERTY**
- Special Causes of Loss
  - Automatic Valuation Adjustment on Buildings
  - Inflation Guard on Contents
  - Business Income and Extra Expense
  - Newly Acquired or Constructed Property
  - Equipment Breakdown

- LIABILITY**
- Gifts, Injuries and Property Damage
  - Personal and Operations
  - Products and Completed Operations
  - Personal and Advertising Injury
  - Tax Damage
  - Medical Expense

- CRIME**
- Money and Securities
  - Surgery or Alteration
  - Money Orders and Counterfeit Money
  - False Pretenses
  - Employee Dishonesty

### Optional Coverages

To better meet your needs, you can customize your business policy with a variety of optional coverages. For example, our **Personal and Operations Endorsement** provides personal property and liability protection for a business owner who uses the business as a primary residence.

### Claim Examples

Many policyholders don't understand the value of their insurance coverage until they experience a loss. Review our claim examples to better understand the protection provided to you by **PremierPro®**.

- You set a floor slip. It costs before **PremierPro** you learn that your supplier will not be able to fill your order due to a fire that destroyed the supplier's operations. You would be covered for your business income loss after a 72-hour waiting period, subject to the coverage limit and deductible.
- You sign your \$100,000 bill with a check. After it is received, an employee at the bank's company changes the amount to \$1,000. You would be covered for your loss up to \$1,000, subject to a deductible.
- A customer alleges to you the invoice, using all \$20,000, is a scam. You discover that the \$20,000 was counterfeit. You would be covered for the loss up to \$20,000, subject to a deductible.

*(Claim examples are provided for illustrative purposes only.)*

Please note that if there are any nonpayment or non-compliance with the terms and conditions of the policy, that would void the policy and all coverages listed. Contact your agent about specific coverages covered in your policy.



United Fire & Casualty Company  
 Liberty Life Insurance Company  
 Liberty National Insurance Company  
 Liberty Life & Surety Company  
 United Fire Group  
 Member Insurance Company  
 Member Insurance Company of New Jersey, Inc.  
 National Insurance Company  
 National Pacific Insurance Company  
 United Service  
 10000 Park 10th Street, Suite 2000  
 Dallas, Texas 75244-4000  
 Available Through:

The information contained in this fact sheet is intended only as an overview of the information available in our policy. For more information, please contact your agent. United Fire Group does not warrant any obligation to provide the information contained in this fact sheet or to update it.

PF180-0000 (04/18)





## **ECONOMY / MARKET CONDITIONS**

- **Positive P&C rate environment for 15 quarters**
- **Rate increases are expected through Q32015 though diminishing as the year progresses**
- **Positive audit premium for the last 15 quarters**
- **Our insureds continue to add exposures at renewal**
- **Policy count growth opportunities**

# LIFE COMPANY

- **New/Expanded products**
  - **Graded Benefit Whole Life**
  - **Long Term Care rider (Qualified Care Accelerated Death Benefit)**
- **Strong capitalization according to A.M. Best**
- **Lapse ratio of 5.5**
- **Life Asset / Liability matching in alignment with future maturities supporting investment returns**
- **Continue to appropriately price products**
  - **Single Premium Whole Life**
- **\$20 million dividend to parent in the last two years**

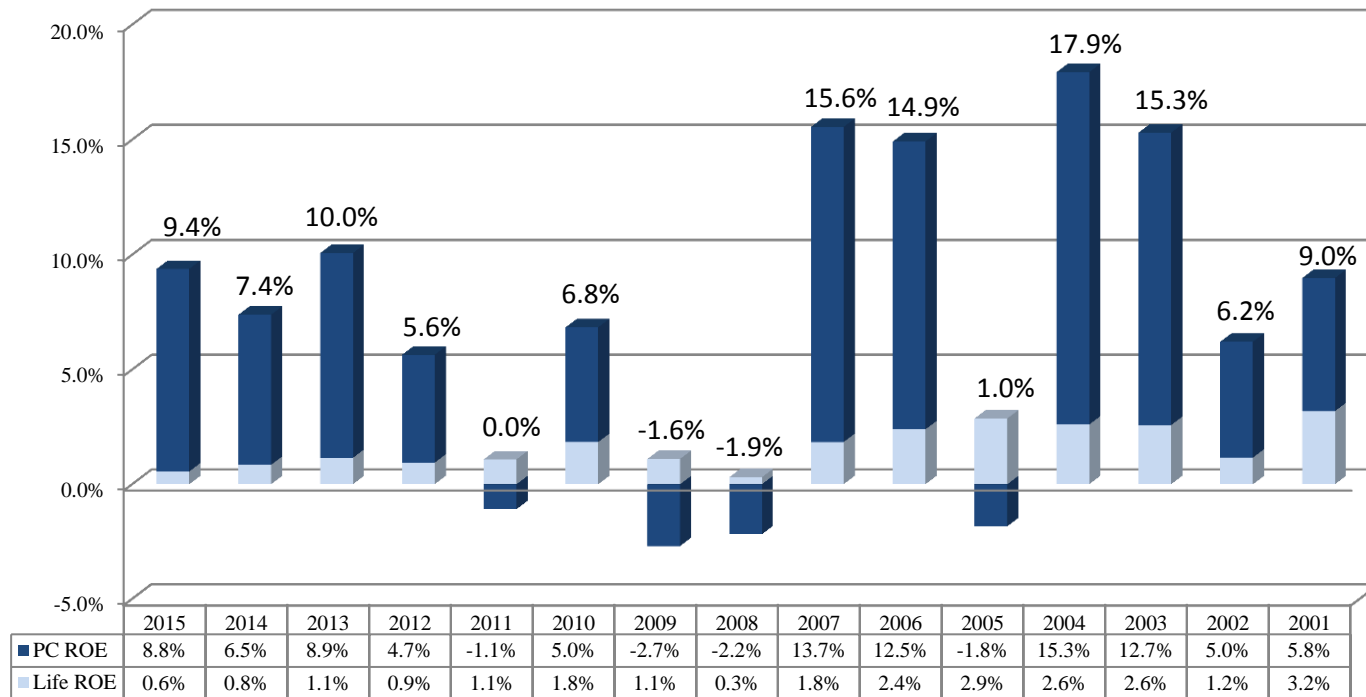
# CORE LOSS RATIO vs. CATASTROPHE LOSSES



Core loss ratio deteriorated slightly due to an increase in large losses in 2014

# ROE BY SEGMENT

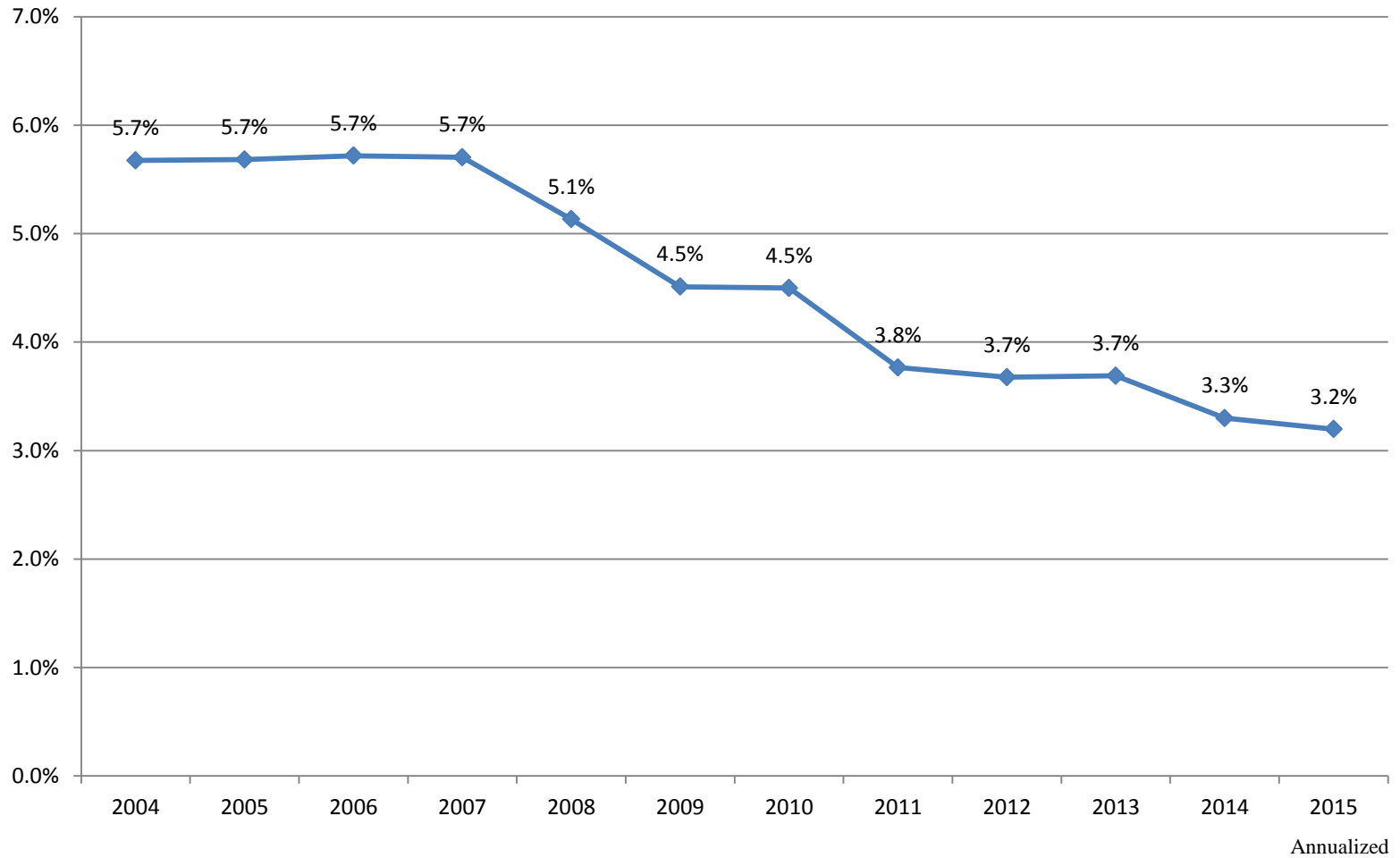
## ROE by Segment



NOTE: Totals may vary slightly from reported ROE figures due to rounding



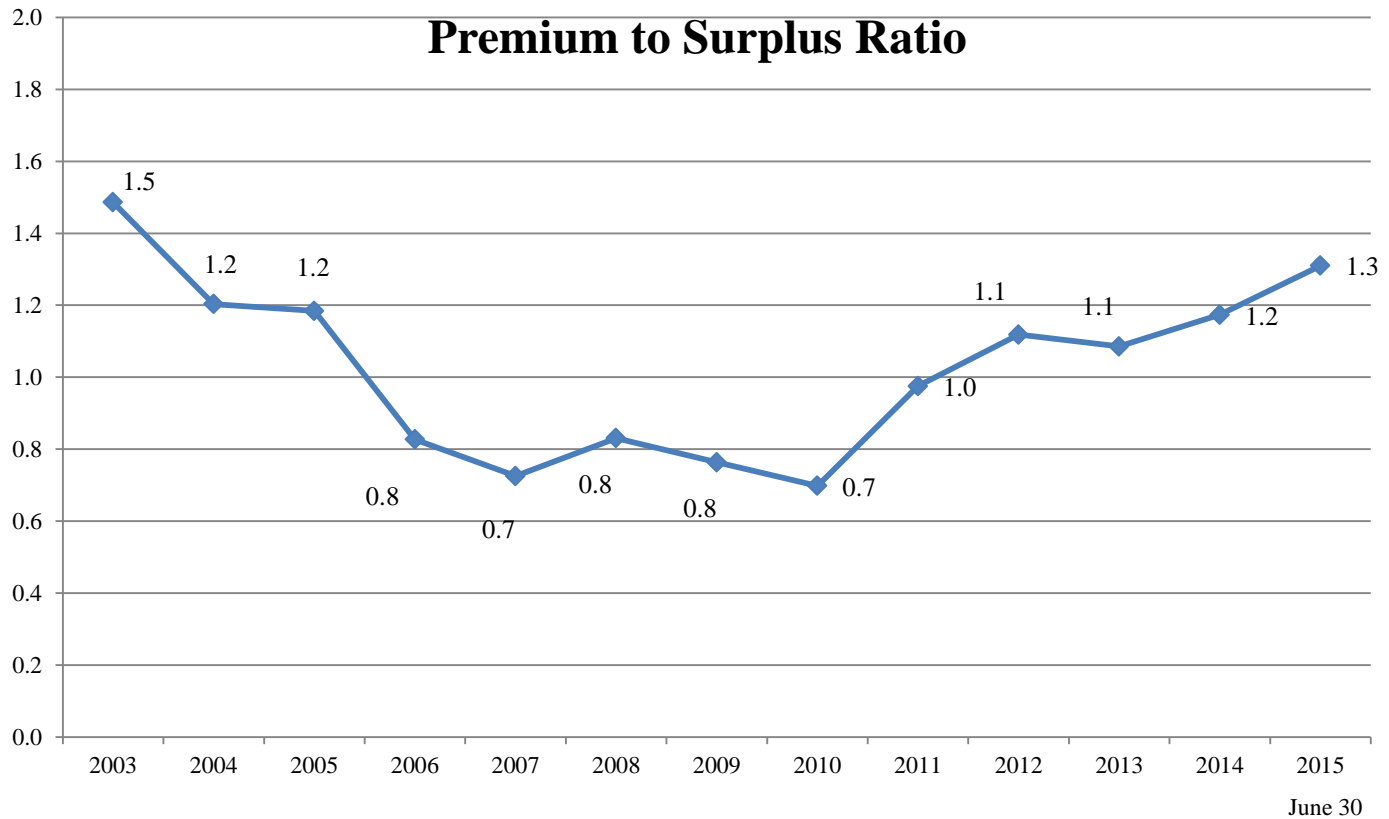
# INVESTMENT YIELD



NOTE: Total Invested Assets excludes Cash and Cash Equivalents



# PREMIUM TO SURPLUS RATIO



An indication organic growth remains a viable objective  
Additional leverage results in more favorable ROE

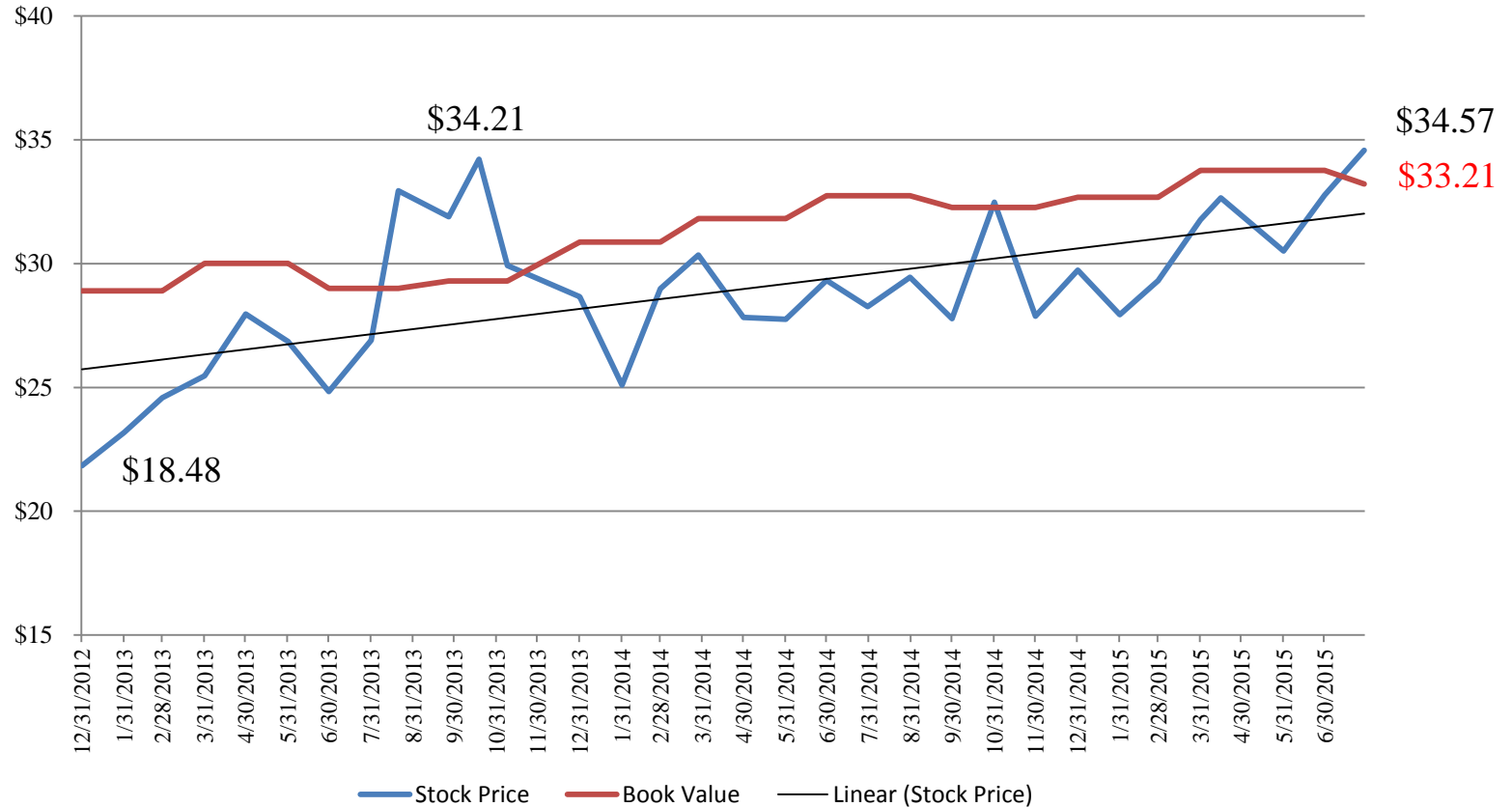


# CAPITAL MANAGEMENT

	2010	2011	2012	2013	2014	2010-2014	1H2015
Total Shares O/S	26,195,552	25,505,350	25,227,463	25,360,893	25,019,415		25,048,114
Shares Repurchased	343,328	702,947	340,159	59,603	461,835	1,907,872	49,705
Average Repurchase Price/share	\$ 18.29	\$ 17.69	\$ 21.46	\$ 27.58	\$ 28.02	\$ 22.61	\$ 29.04
Total Repurchased	\$ 6,280,042	\$ 12,433,158	\$ 7,300,724	\$ 1,643,645	\$ 12,941,886	\$ 40,599,455	\$ 1,443,237
Dividend Payments	\$ 15,773,889	\$ 15,507,401	\$ 15,269,472	\$ 17,483,803	\$ 19,680,192	\$ 83,714,757	\$ 10,503,066
Total Capital Returned to SH	\$ 22,053,931	\$ 27,940,559	\$ 22,570,196	\$ 19,127,448	\$ 32,622,078	\$ 124,314,212	\$ 11,946,303

Current Quarterly Dividend      \$0.22 per share  
 2014 Annual Dividend            \$0.78 per share  
 Repurchase Authorization        1,558,577 shares (program expires August 31, 2016)

# STOCK PRICE



Book Value per Share at 6/30/2015: \$33.21





# NATIONAL RECOGNITION

- Rated A (Excellent) by A.M. Best Company
- Named a *Super Regional Property/Casualty Insurer*<sup>™</sup> every year since 2006 by *Insurance Journal* magazine
- Received the 2014 Interface Partner Award from Applied Systems<sup>®</sup> (sixth consecutive year)
- Placed on *Forbes*' 2014 list of "America's 50 Most Trustworthy Financial Companies"
- 2015 Recipient of the Better Business Bureau's Integrity Award

