



# 2017 Third Quarter Earnings Conference Call

## Financial Highlights– 3Q2017 & YTD 2017

	<u>3Q2017</u>	<u>3Q2016</u>	<u>YTD 2017</u>	<u>YTD 2016</u>
Net Income (Loss) per Diluted Share	(\$ 0.72)	\$ 0.48	\$ 0.20	\$ 1.47
Net Realized Investment Gains per Share	\$ 0.01	\$ 0.07	\$ 0.18	\$ 0.15
Operating Income (Loss) Per Share	(\$ 0.73)	\$ 0.41	\$ 0.02	\$ 1.32
Catastrophe Losses per Share	\$ 0.80	\$ 0.32	\$ 1.74	\$ 1.32
GAAP Combined Ratio	118.1%	100.9%	107.6%	99.5%
Book Value per Share			\$37.99	\$37.83
Return on Equity			0.7%	5.5%

## Continuing Operations Highlights

### ■ 3Q 2017 Results

- \$256M in net premiums earned in 3Q 2017– an increase of 6.8% over 3Q 2016
- Catastrophe losses added 12.0 percentage points to the combined ratio; higher than our historical 10-year average of 8.9 percentage points for third quarters
- Core loss ratio deterioration –
  - Driven primarily due to an increase in severity of large losses (over \$500k) in our commercial auto line of business

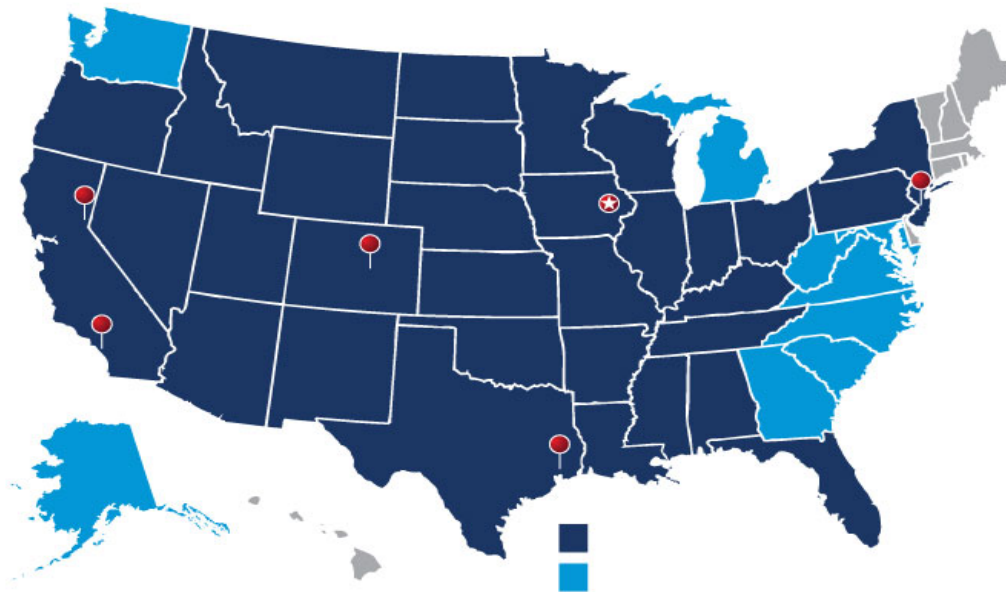
### ■ 2018 Strategies

- Commercial auto initiatives
  - Rate increases
  - Distracted driving campaign “Worth It”
  - Loss control visits focusing on accounts with significant exposure
  - Increased use of analytics for underwriting and pricing risks

## P & C Market Conditions

- **Soft market cycle** – continues to be competitive across all regions
- **Commercial lines renewal rate increases** – overall up in the mid-single digits
- **Commercial lines filed rate increases** –
  - Commercial fire and allied and commercial auto filed rate increases continue to be in the mid to upper single digits
  - Workers' compensation saw rate decreases
- **Personal lines renewal and filed rate increases** – low-single digit increases in personal auto and homeowners lines

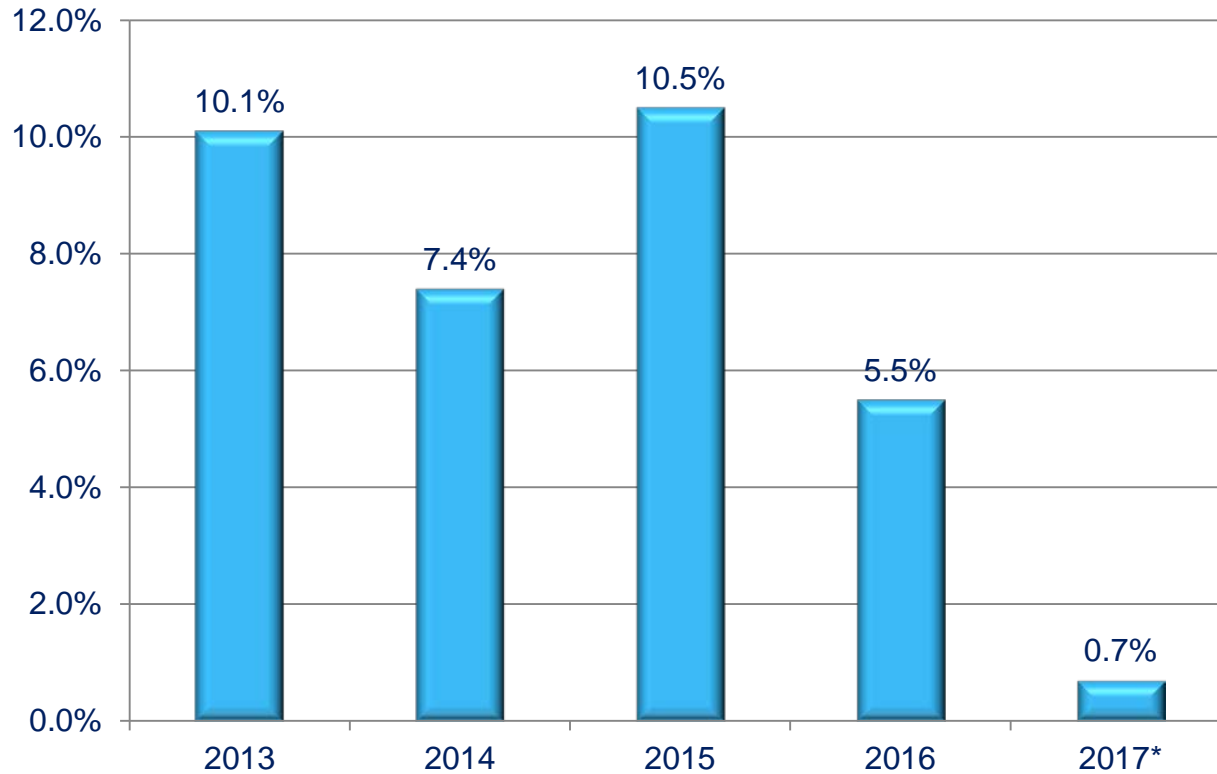
## P & C Segment Geographic Footprint



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

*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

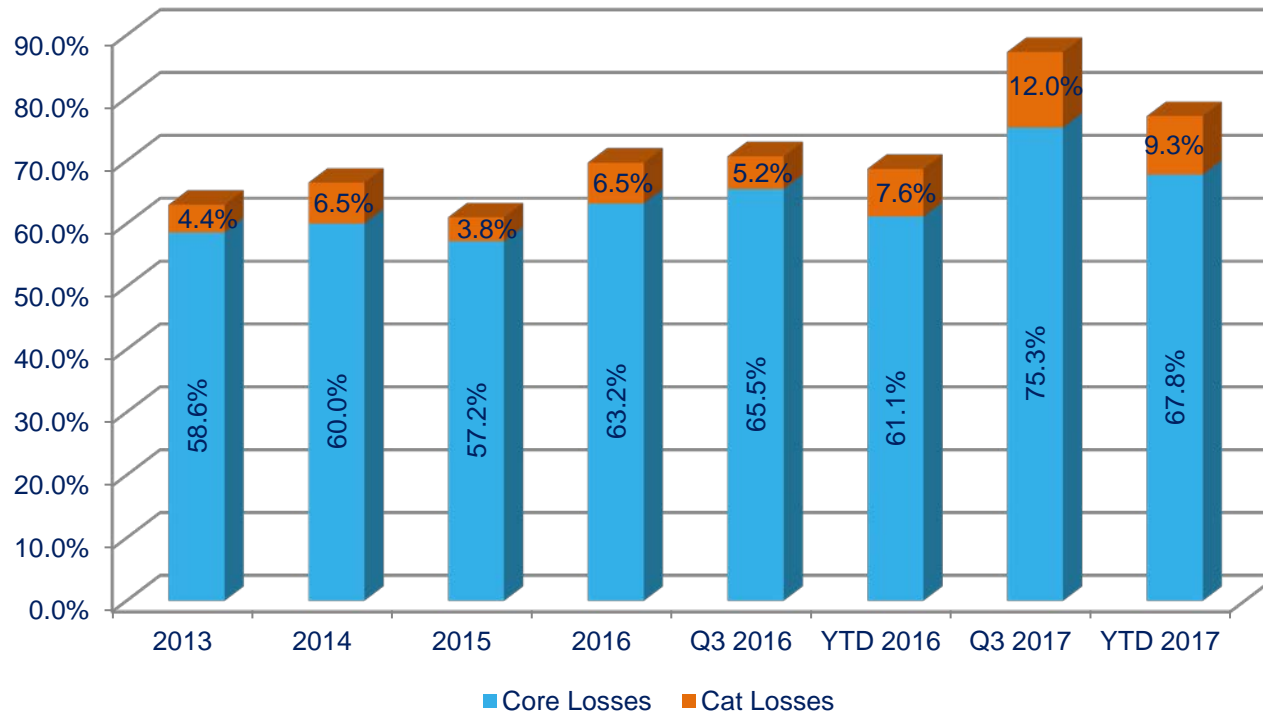


\*Annualized

## 3Q 2017 P & C Gross Premium Growth & Retention

- P&C Gross written premium growth
  - › Commercial lines 6.1%
  - › Personal lines 0.1%
  - › Group (all lines) 5.5%
  
- Retention
  - › Premium retention 84.1%
  - › Policy retention 81.1%

## Core Loss Ratio vs. Catastrophe Losses



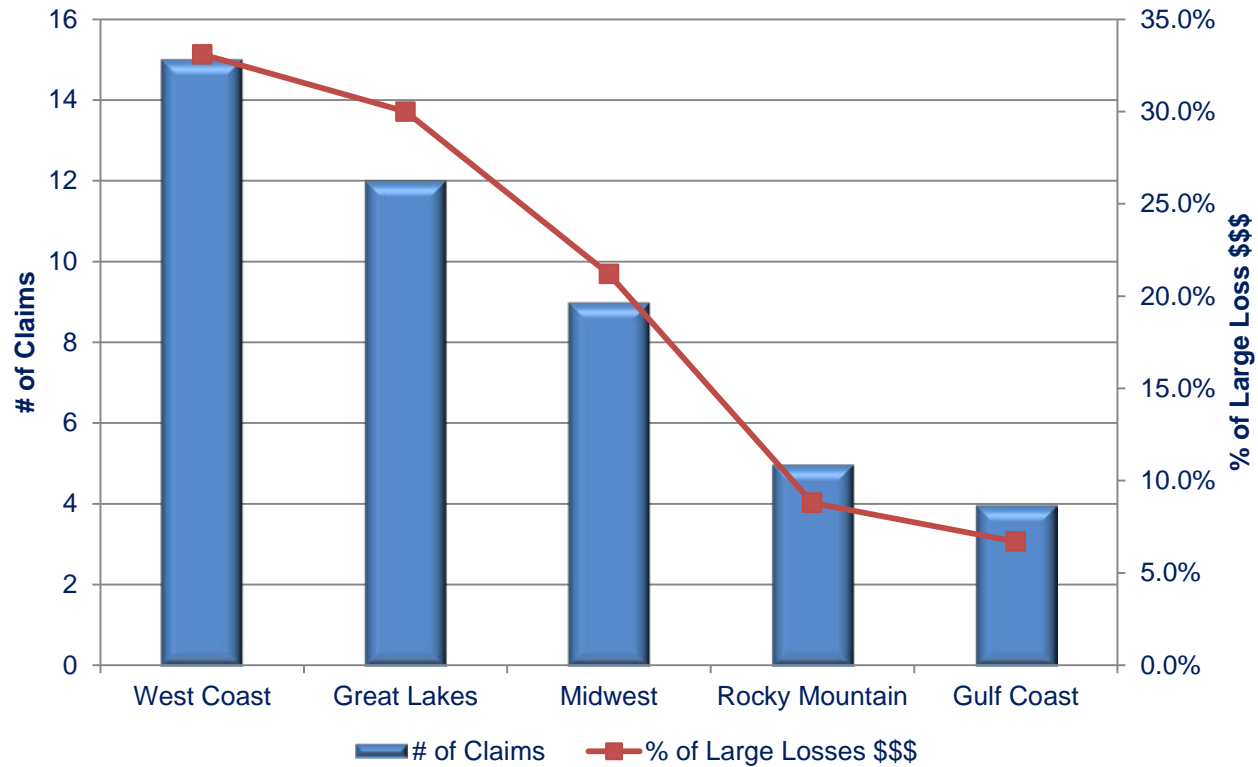
Cat losses in 3Q 2017 added 12.0 percentage points to the loss ratio.



## Adjusted Combined Ratio

	2017	2016	2017	2016
<b>Adjusted Combined Ratio</b>	<b>3Q2017</b>	<b>3Q2016</b>	<b>YTD</b>	<b>YTD</b>
P&C Loss Ratio (as reported)	87.3%	70.7%	77.1%	68.7%
Impact of Catastrophes	-12.0%	-5.2%	-9.3%	-7.6%
Loss Ratio Ex-Catastrophes	75.3%	65.5%	67.8%	61.1%
Impact of Reserve Development	-1.2%	0.3%	5.2%	3.9%
<b>Loss Ratio Ex - CAT and Ex-Development</b>	<b>74.1%</b>	<b>65.8%</b>	<b>73.0%</b>	<b>65.0%</b>
P&C Expense Ratio	30.8%	30.2%	30.5%	30.8%
<b><i>Adjusted Combined Ratio</i></b>	<b>104.9%</b>	<b>96.0%</b>	<b>103.5%</b>	<b>95.8%</b>

# Commercial Auto Large Losses\* YTD 2017 By Region



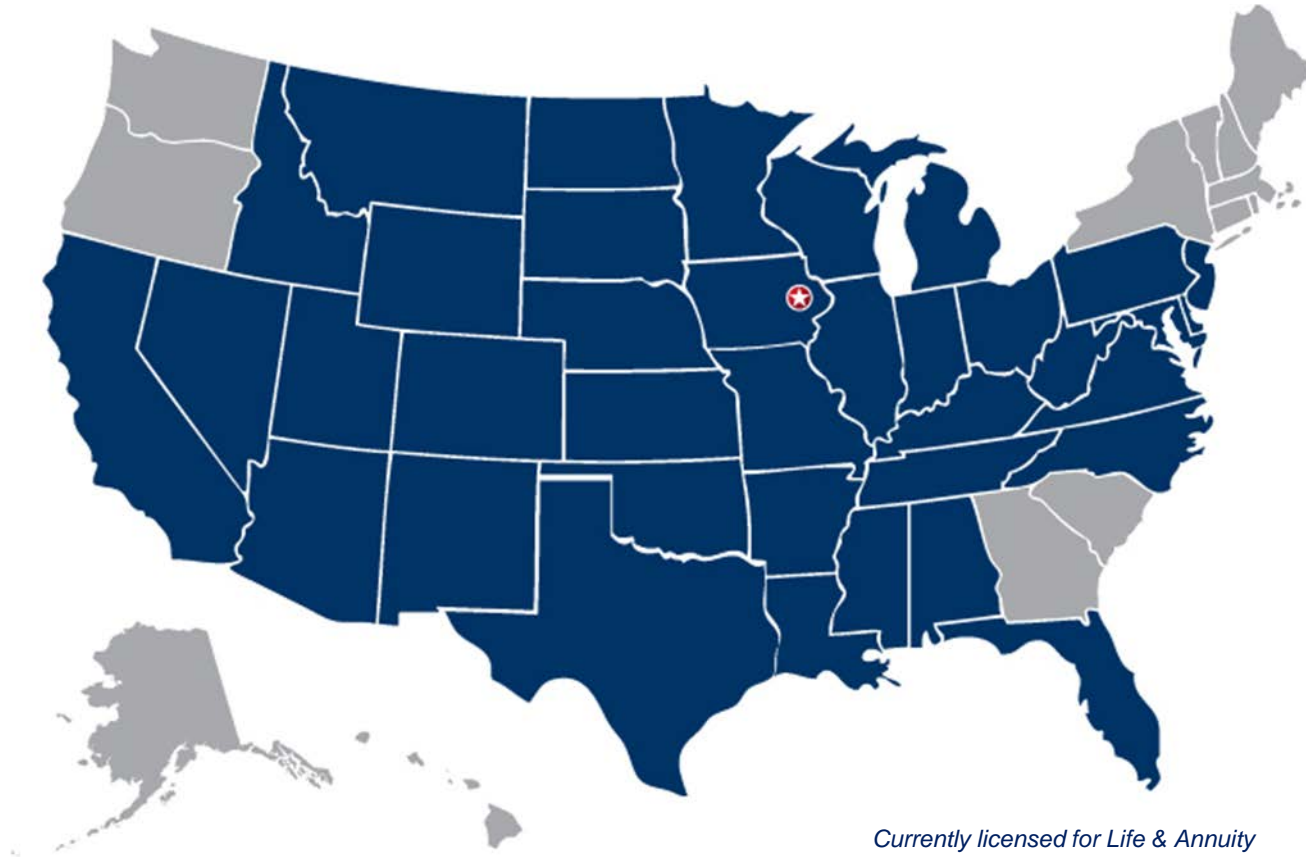
\*Large losses are defined as losses greater than \$500 thousand before reinsurance recoveries

## Life Operations\*

- Strong capitalization according to A.M. Best
- Lapse ratio of 4.6
- Net premiums earned decreased by 30.9% in Q3 2017 compared to Q3 2016 mainly due to a decline in sales of single premium whole life policies.
- Net income in Q3 2017 was \$1.2 million compared to \$0.7 million in Q3 2016 and \$5.4 million YTD 2017 compared to \$0.8 million YTD 2016.

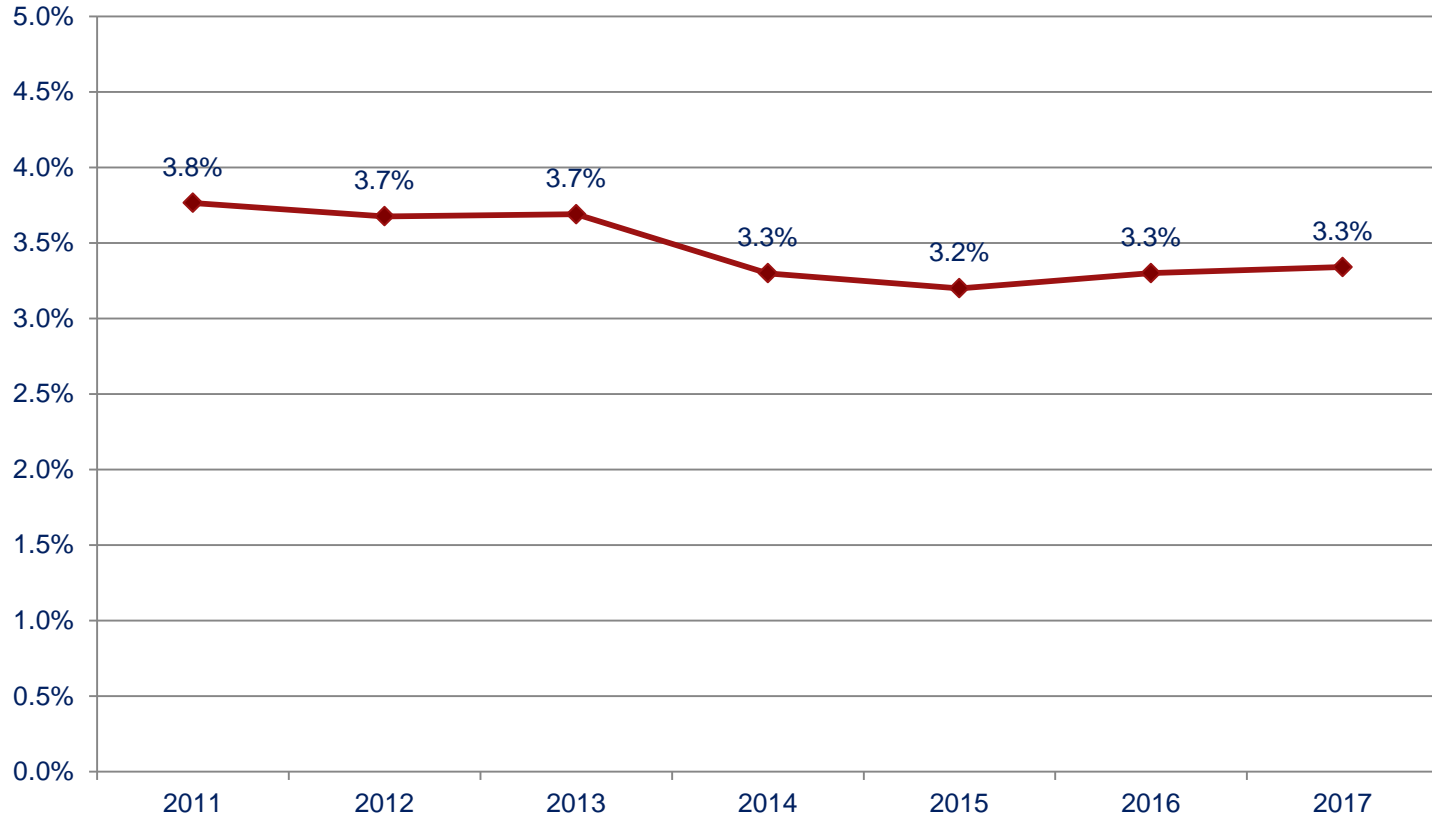
\*On September 18, 2017, the Company signed a definitive agreement to sell its subsidiary United Life Insurance Company to Kuvare US Holdings. As a result, our life insurance business is presented as discontinued operations. The sale is expected to close in the first half of 2018, subject to customary conditions, including insurance department regulatory approval.

## Discontinued Operations Geographic Footprint



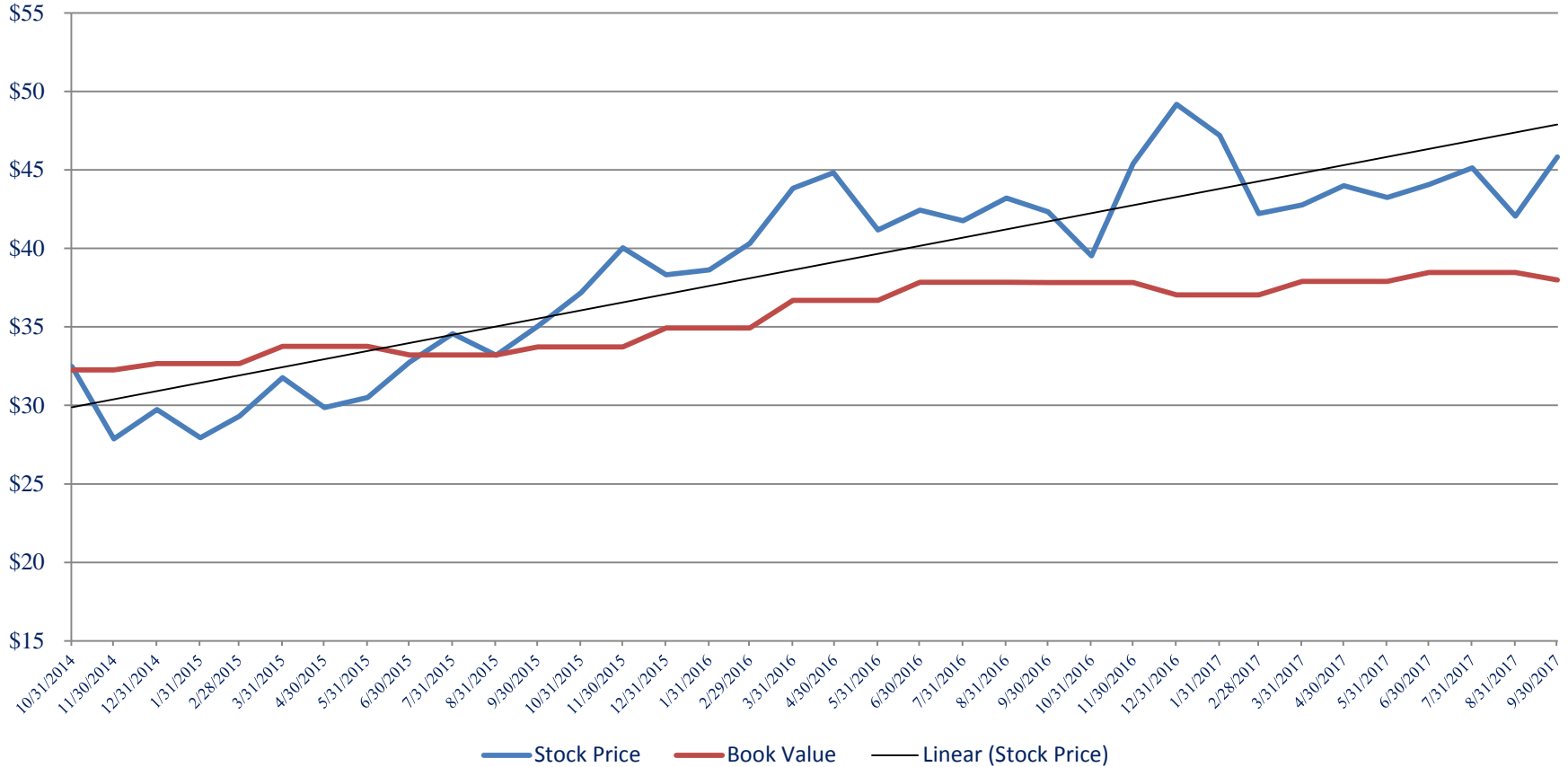
*Currently licensed for Life & Annuity business in 37 states throughout the country which are shaded dark blue. United Life Insurance Company operates out of our Corporate Headquarters in Cedar Rapids, IA.*

## Consolidated Income Yield



NOTE: Total Invested Assets excludes Cash & Cash Equivalents.

## UFCS Stock Price (10/31/2014 – 9/30/2017)



52 Week High: \$50.75 --- 52 Week Low: \$37.54



## 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 *National Underwriter's* 2014 list of Top 100 insurance groups in property and casualty premium rankings for the fifth year in a row.
- Received the 2014 Interface Partner Award from insurance technology company, Applied Systems™, for the sixth consecutive year.
- Placed on *Forbes'* 2017 list of “America’s 50 Most Trustworthy Financial Companies.”
- 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.

