



**2019 FOURTH QUARTER & YEAR END  
EARNINGS CONFERENCE CALL**

FEBRUARY 18, 2020

## Financial Highlights – 4Q 2019 & Year End 2019

	<u>4Q2019</u>	<u>4Q2018</u>	<u>2019</u>	<u>2018</u>
Net income (loss) per diluted share	\$ (0.93)	\$ (1.17)	\$ 0.58	\$ 1.08
Gain on sale of discontinued operations, net of tax	\$ -	\$ -	\$ -	\$ 1.07
After-tax net realized investment gains (loss) per share	\$ 0.11	\$ (0.87)	\$ 1.66	\$ (0.66)
Adjusted operating income (loss) per share	\$ (1.04)	\$ (0.30)	\$ (1.08)	\$ 0.67
Catastrophe losses per share	\$ 0.61	\$ 0.50	\$ 1.99	\$ 1.44
GAAP combined ratio	117.9%	108.5%	109.0%	104.0%
Book value per share			\$36.40	\$35.40
Return on equity			1.6%	3.0%

# Property and Casualty Business Highlights

## ■ Q4 2019 Results

- \$273M in net premiums earned in 4Q 2019 – an increase of 0.9% over 4Q 2018 primarily due to rate increases
- Catastrophe losses added 7.1 percentage points to the combined ratio; higher than our historical 10-year average of 4.8 percentage points for 4<sup>th</sup> quarters and up 1.2 percentage points compared to 4Q 2018.
- The increase in losses and loss settlement expenses in 4Q 2019 compared to 4Q 2018 was primarily driven by an increase in severity of commercial auto losses.
- Prior year favorable reserve development \$4.6M in 4Q 2019 compared to favorable reserve development of \$6.5M in 4Q 2018
  - Favorable reserve development for the current quarter driven by commercial property and workers' compensation offset by prior year reserve strengthening in commercial auto and other liability lines of business.

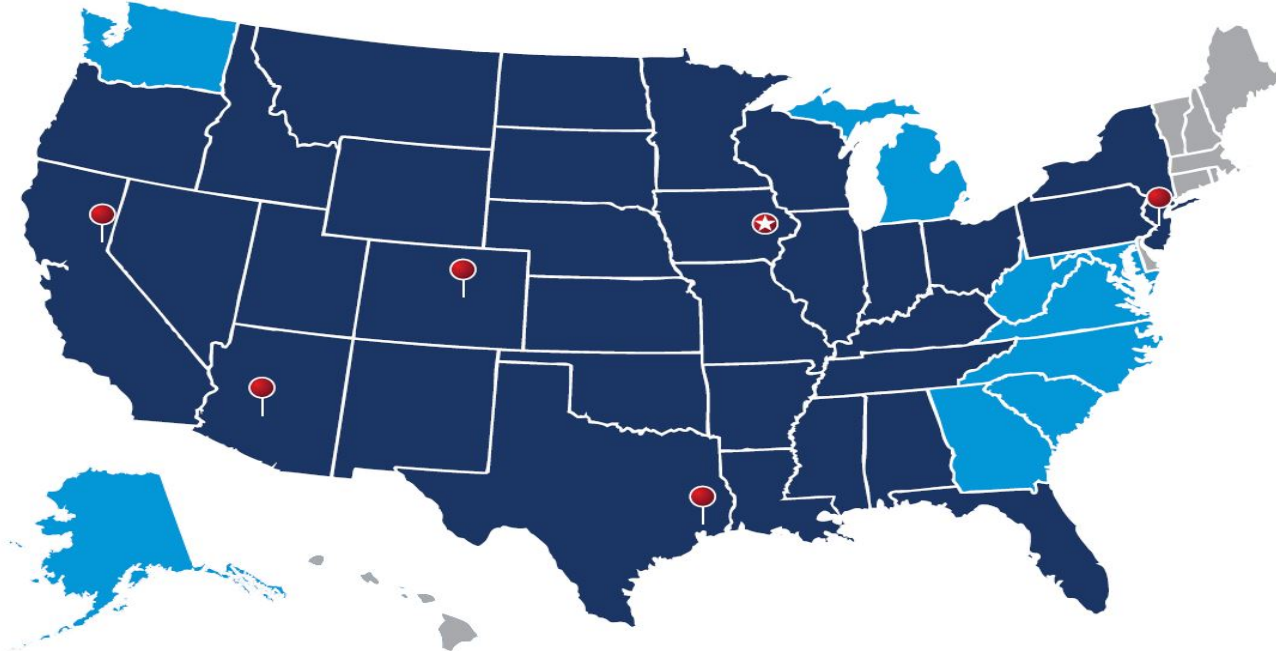
## ■ 2020 Strategies

- Strategy to improve profitability includes underwriting initiatives, claims initiatives, analytics initiatives, portfolio management initiatives and innovation initiatives.
- Portfolio management initiatives include diversifying 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 units.
- 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.

## P & C Market Conditions

- **Commercial lines renewal rates increases averaged in mid-single digits**
  - Renewal rate increases led by commercial auto
  - Commercial auto filed rate increases averaged in the high-single digits
  - Commercial auto effective rate change averaged in the low double-digits
- **Personal lines renewal rate increases** – averaged mid-single digit increases

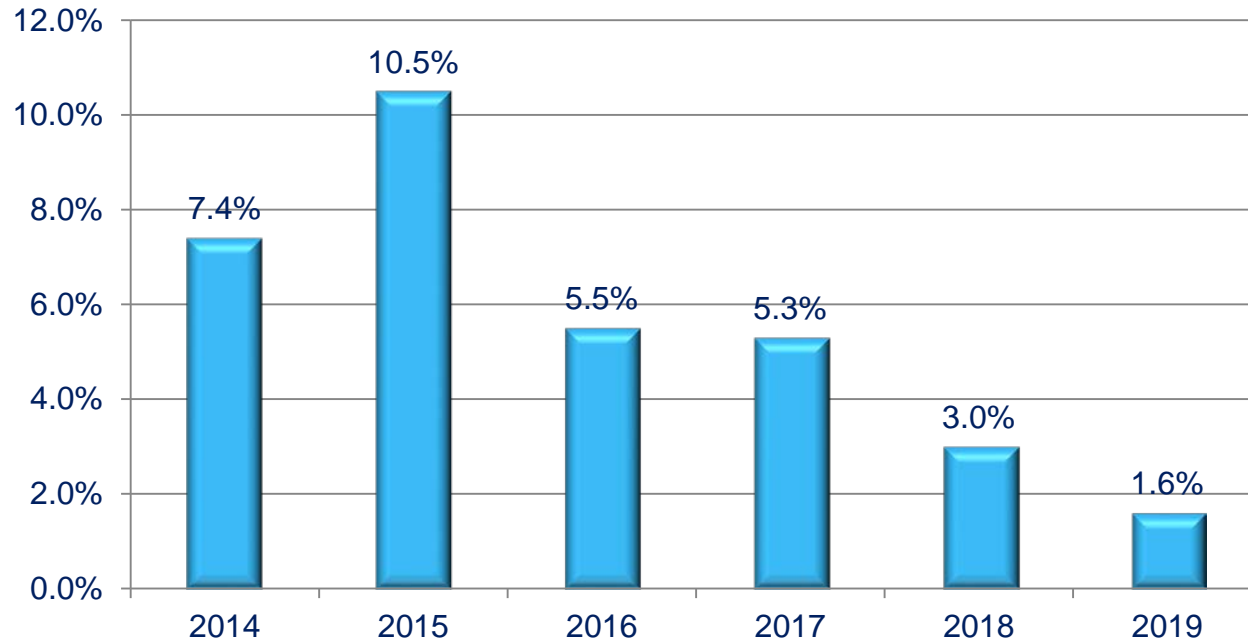
## P & C Geographic Footprint



*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



## Q4 2019 P & C Written Premium Change & Retention

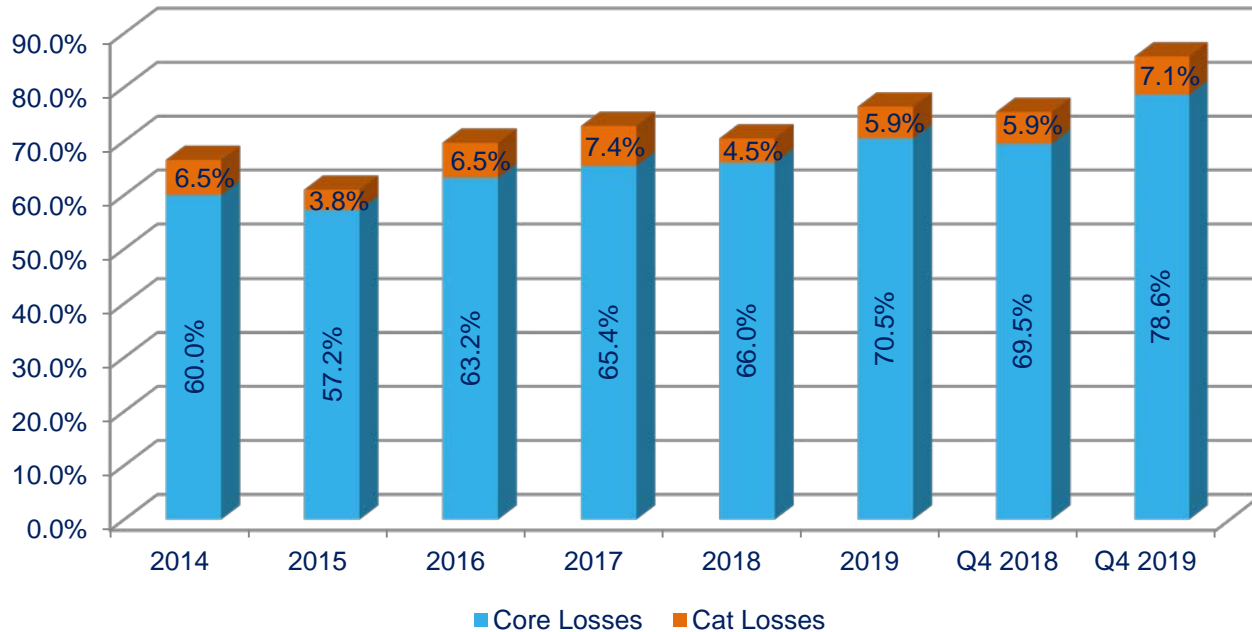
### ■ P & C Written premium change

‣ Commercial lines	3.1%
‣ Personal lines	(0.4%)
‣ Group (all lines)	2.7%

### ■ P & C Retention

‣ Premium retention	83.7%
‣ Policy retention	80.9%

## Core Loss Ratio vs. Catastrophe Losses



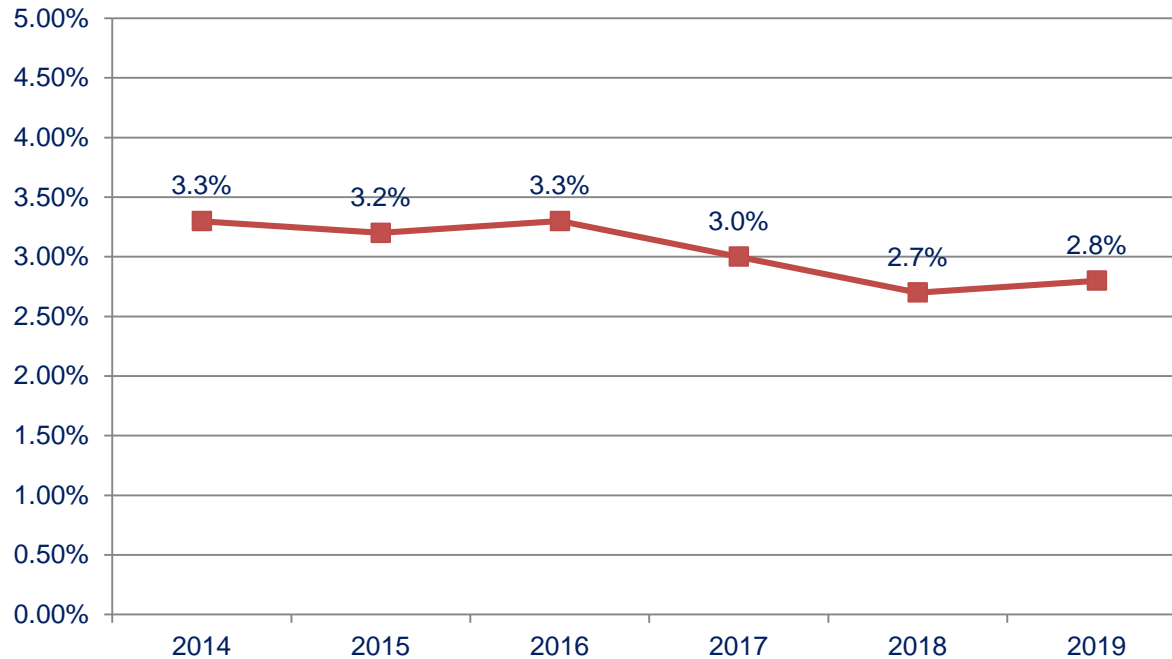
Cat losses in Q4 2019 added 7.1 percentage points to the loss ratio.



## Adjusted Combined Ratio

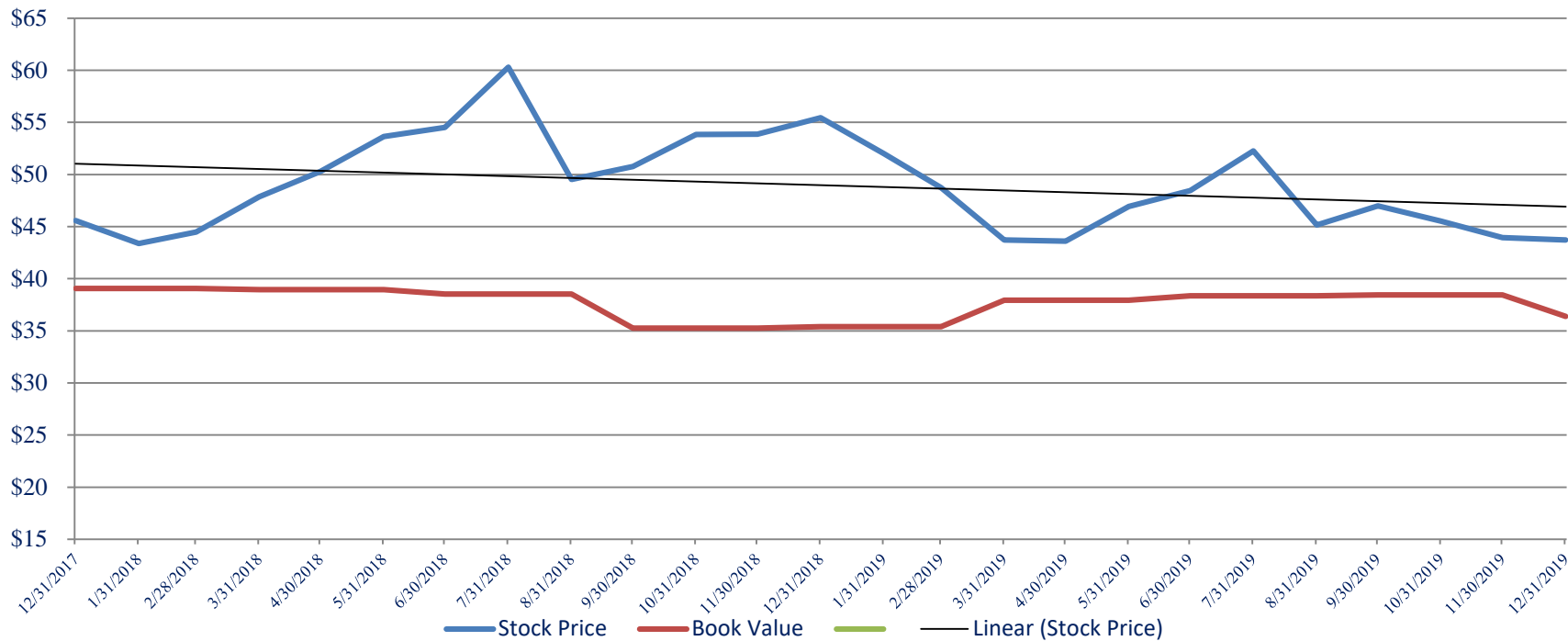
Adjusted Combined Ratio	4Q2019	4Q2018	2019	2018
P&C Loss Ratio (as reported)	85.7%	75.4%	76.4%	70.5%
Impact of Catastrophes	-7.1%	-5.9%	-5.9%	-4.5%
Loss Ratio Ex-Catastrophes	78.6%	69.5%	70.5%	66.0%
Impact of Reserve Development	1.7%	2.4%	0.5%	5.2%
<b>Loss Ratio Ex - CAT and Ex-Development</b>	<b>80.3%</b>	<b>71.9%</b>	<b>71.0%</b>	<b>71.2%</b>
P&C Expense Ratio	32.2%	33.1%	32.6%	33.5%
<b><i>Adjusted Combined Ratio</i></b>	<b>112.5%</b>	<b>105.0%</b>	<b>103.6%</b>	<b>104.7%</b>

## Consolidated Income Yield



NOTE: Total Invested Assets excludes Cash & Cash Equivalents

## UFCS Stock Price (12/31/17 – 12/31/19)



52 Week High: \$56.21 --- 52 Week Low: \$40.86

## Recognition

- Rated A (Excellent) by A.M. Best Company in December 2019 for the 26<sup>th</sup> 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* for 2019.
- *Business Insurance*, an industry news and information source, has named UFG in its annual list of Best Places to Work in Insurance

