



# 2020 SECOND QUARTER EARNINGS CONFERENCE CALL

AUGUST 5, 2020

## Financial Highlights – 2Q 2020

	<u>2Q2020</u>	<u>2Q2019</u>	<u>YTD2020</u>	<u>YTD2019</u>
Net income (loss) per diluted share	\$ 0.24	\$ (0.17)	\$ (2.66)	\$ 1.57
After-tax net realized investment gains (losses)	\$ 0.50	\$ 0.42	\$ (2.45)	\$ 1.24
Adjusted operating income (loss) per share	\$ (0.26)	\$ (0.59)	\$ (0.21)	\$ 0.33
Catastrophe losses per share	\$ 1.58	\$ 0.69	\$ 2.08	\$ 0.79
GAAP combined ratio	111.4%	111.7%	108.2%	103.9%
Book value per share			\$34.38	\$38.36
Return on equity			(15.0%)	8.7%

# Property and Casualty Business Highlights

## ■ Q2 2020 Results

- \$263.6M in net premiums earned in 2Q 2020— a decrease of 4.7% over 2Q 2019 primarily due to strategic plan in non-renewal of underperforming accounts in commercial auto line of business.
- Catastrophe losses added 19.2 percentage points to the combined ratio; higher than our historical 10-year average of 12.2 percentage points for 2nd quarters. The increase is primarily from 20 events in 2Q 2020 with 7 events accounting for the majority of the losses.
- Prior year favorable reserve development \$10.0M in 2Q 2020 compared to unfavorable reserve development of \$9.4M in 2Q 2019
  - Favorable reserve development for the current quarter came primarily from favorable development in workers' compensation and commercial fire and allied lines of business.
- Impact from COVID-19 pandemic on operations is manageable. Nearly all of the policies we have issued contain contract language which specifically excludes business interruption coverage losses attributable to viruses such as COVID-19 pandemic.

# Property and Casualty 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 exposure 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 and commercial property
  - Commercial auto effective rate change averaged in the low double-digits
- **Personal lines renewal rate increases** – increases averaged mid-single digits

## Q2 2020 P & C Written Premium Change & Retention

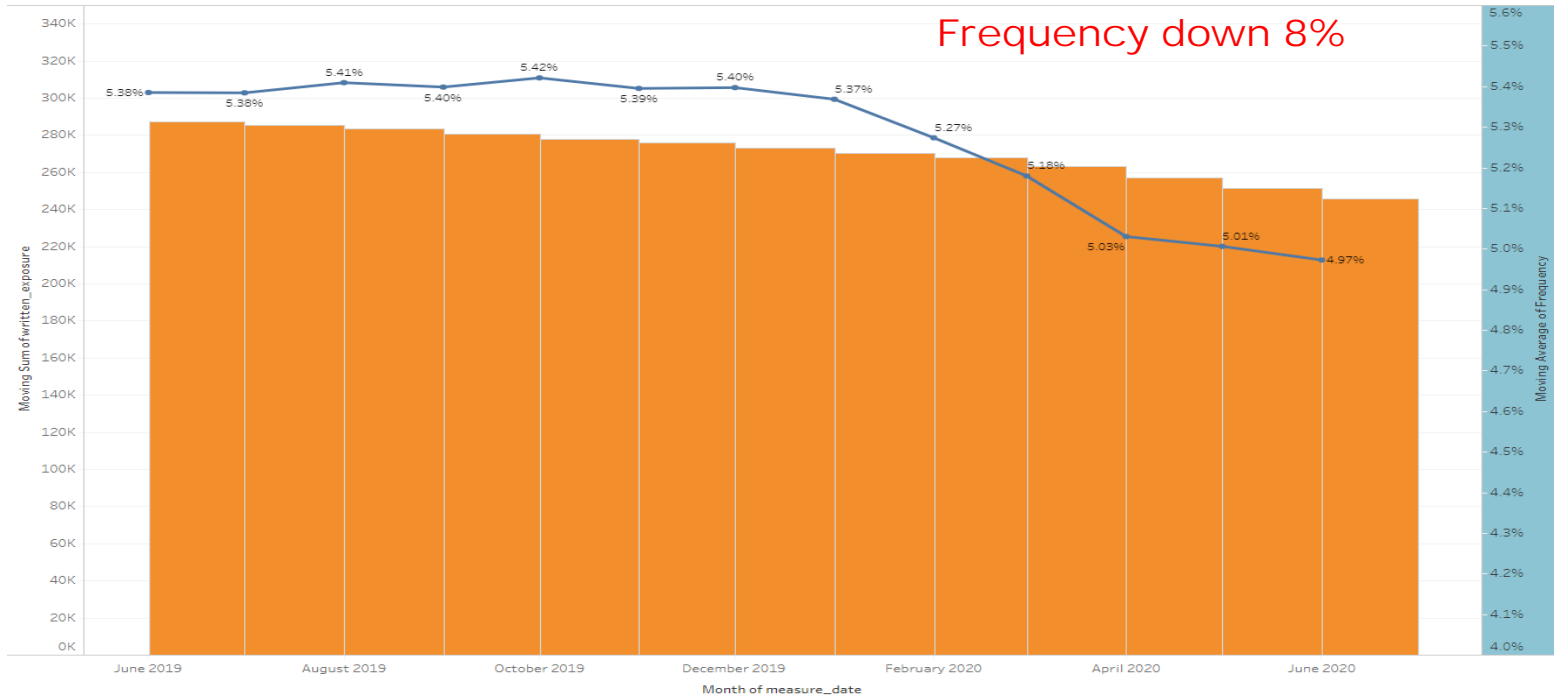
### ■ P & C Written premium change

- › Commercial lines (3.4%)
- › Personal lines (7.7%)
- › Group (all lines) (3.6%)

### ■ P & C Retention

- › Premium retention 80.0%
- › Policy retention 80.5%

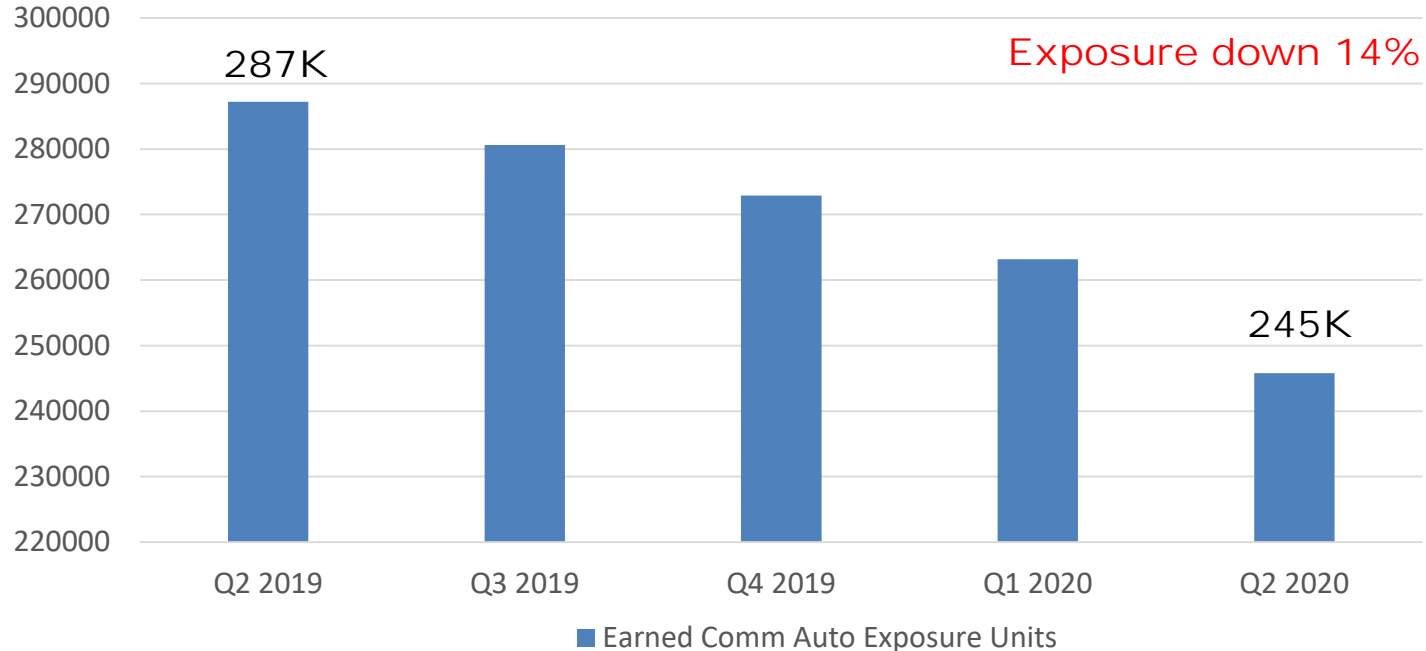
# Commercial Auto Moving Average Frequency and Exposure Units



■ Moving Average of Claims Frequency

■ Moving Average of Exposure Units

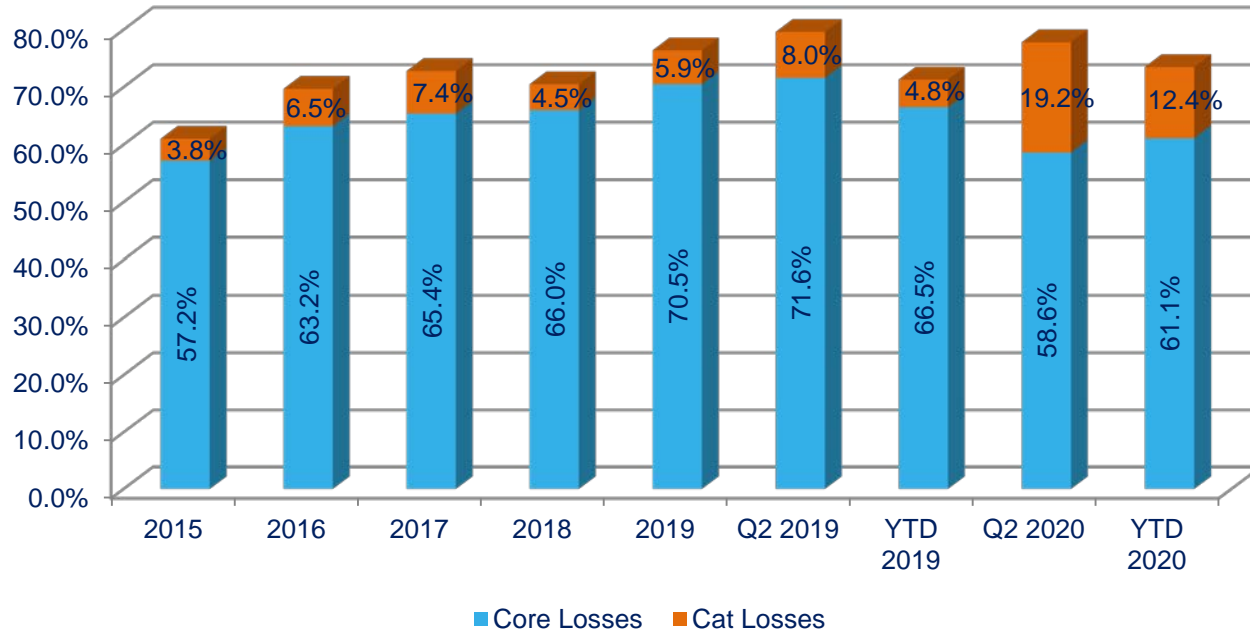
## Commercial Auto Exposure – by Quarter



Note: Bars represent a rolling 12 month view of written exposure.



## Core Loss Ratio vs. Catastrophe Losses

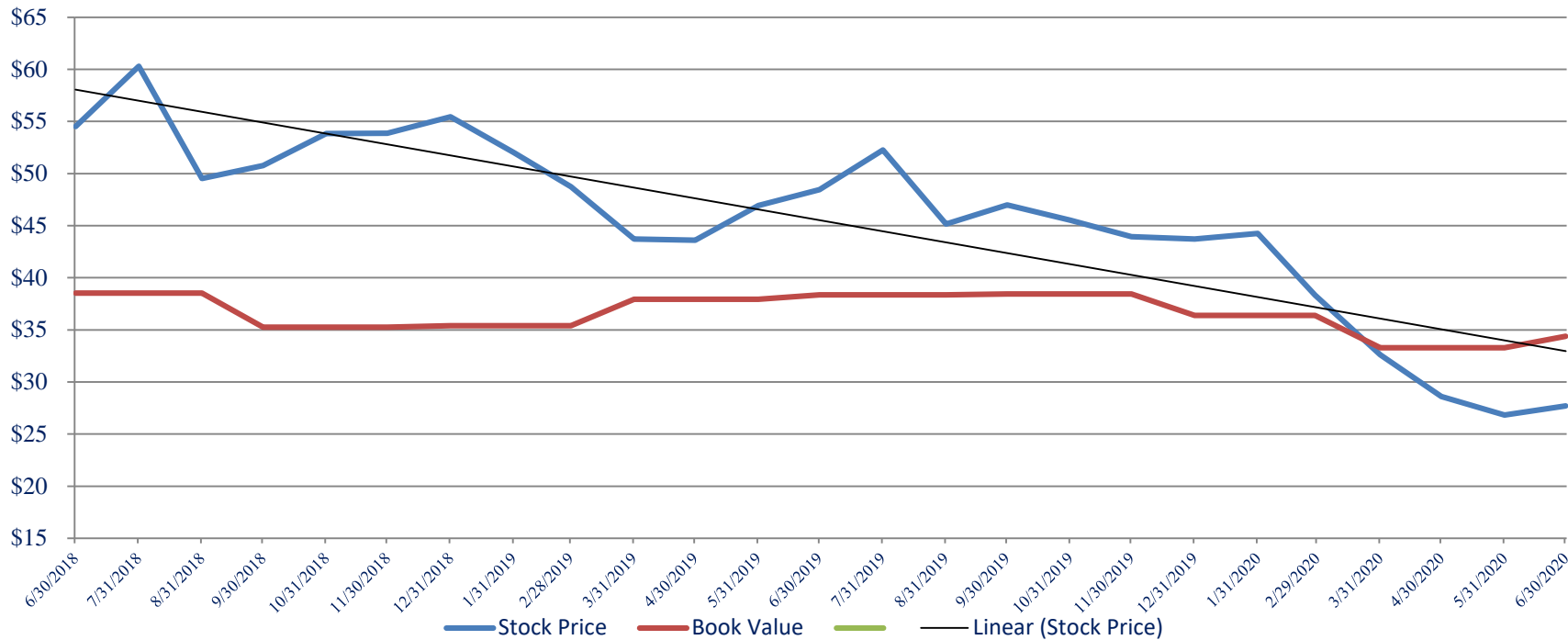


Cat losses in Q2 2020 added 19.2 percentage points to the loss ratio.

## Adjusted Combined Ratio

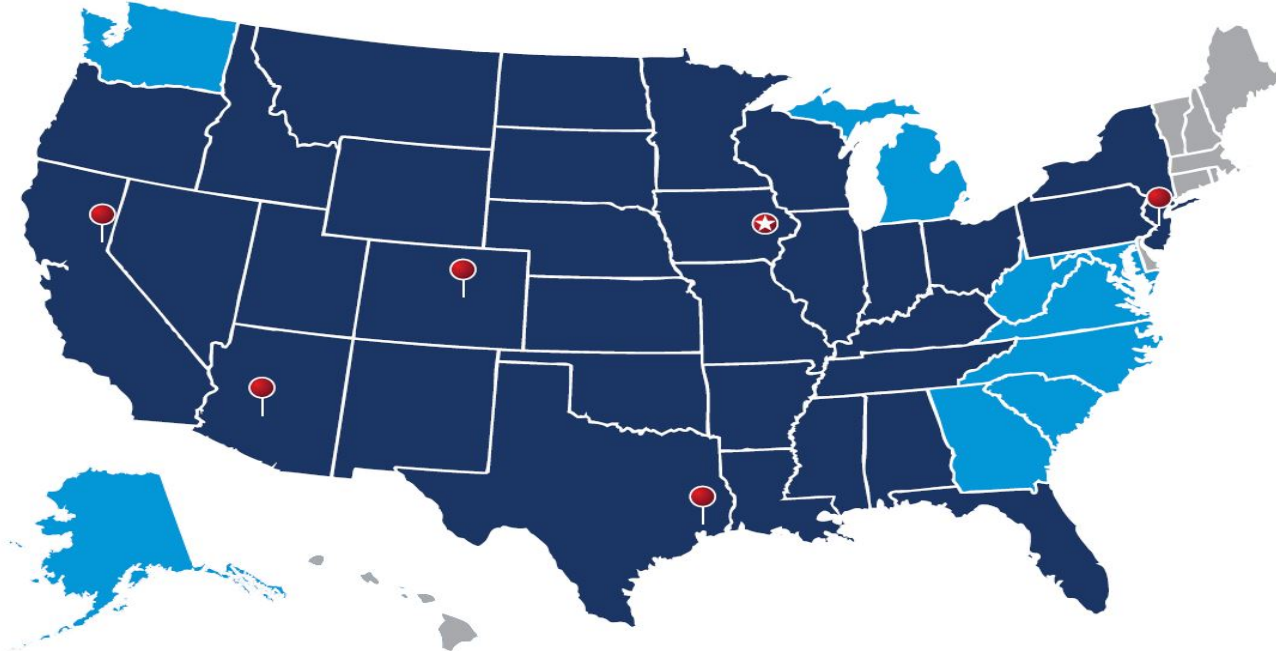
<b>Adjusted Combined Ratio</b>	<b>2Q2020</b>	<b>2Q2019</b>	<b>2020 YTD</b>	<b>2019 YTD</b>
P&C Loss Ratio (as reported)	77.8%	79.6%	73.5%	71.3%
Impact of Catastrophes	<b>-19.2%</b>	<b>-8.0%</b>	<b>-12.4%</b>	<b>-4.8%</b>
Loss Ratio Ex-Catastrophes	58.6%	71.6%	61.1%	66.5%
Impact of Reserve Development	3.8%	-3.4%	4.5%	-0.9%
<b>Loss Ratio Ex - CAT and Ex-Development</b>	<b>62.4%</b>	<b>68.2%</b>	<b>65.6%</b>	<b>65.6%</b>
P&C Expense Ratio	33.6%	32.1%	34.7%	32.6%
<b><i>Adjusted Combined Ratio</i></b>	<b>96.0%</b>	<b>100.3%</b>	<b>100.3%</b>	<b>98.2%</b>

## UFCS Stock Price (06/30/18 – 06/30/20)



52 Week High: \$53.68 --- 52 Week Low: \$22.08

## 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.*

## 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

