



**THIRD QUARTER 2015  
EARNINGS CALL**  
November 5, 2015

**simple solutions**  

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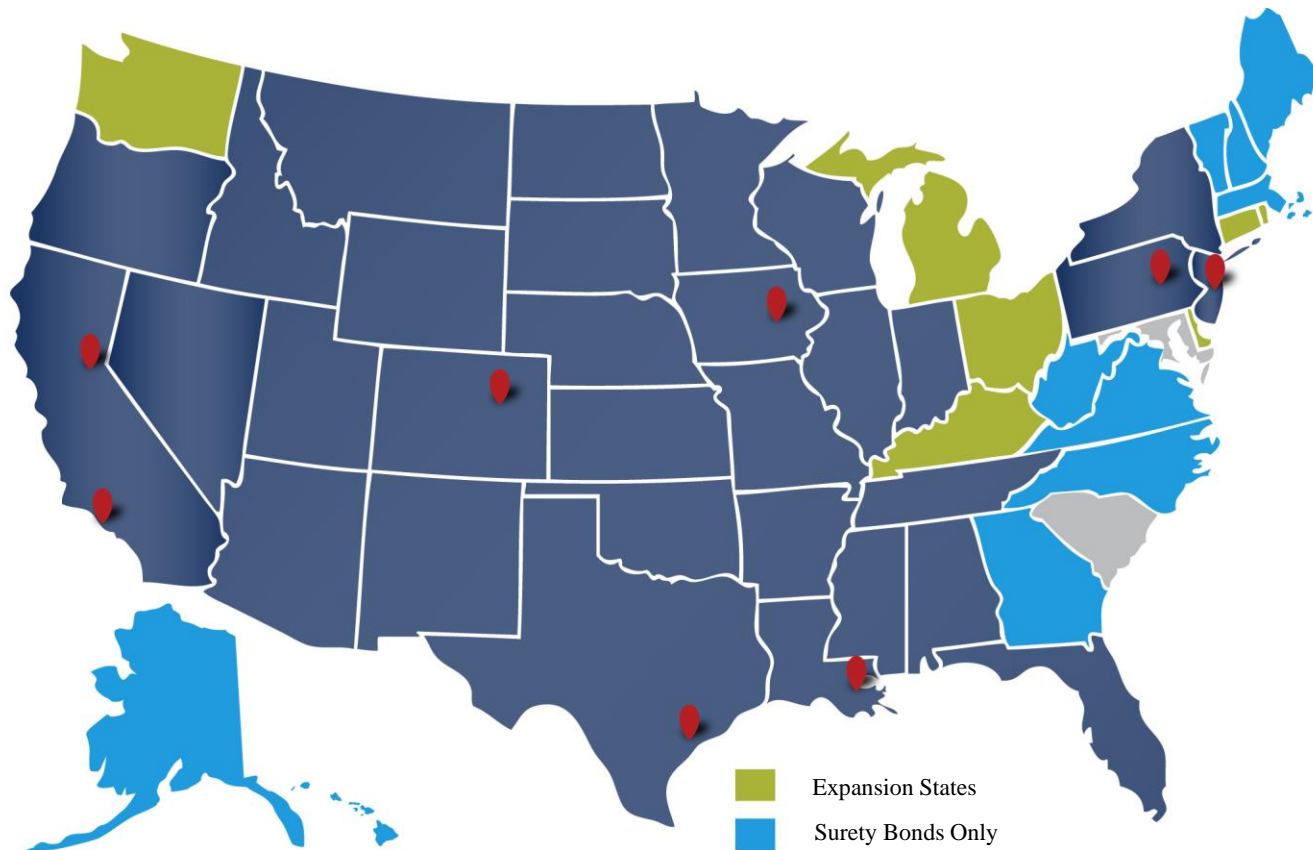
**for complex times**

# FINANCIAL HIGHLIGHTS – 3Q2015

	<u>3Q2015</u>	<u>YTD</u>
<b>Operating Gain Per Share</b>	<b>\$ 0.75</b>	<b>\$ 2.25</b>
<b>Net Income per Diluted Share</b>	<b>\$ 0.77</b>	<b>\$ 2.31</b>
<b>Net Realized Investment Gains per Share</b>	<b>\$ 0.02</b>	<b>\$ 0.06</b>
<b>Catastrophe Losses per Share</b>	<b>\$ 0.18</b>	<b>\$ 0.71</b>
<b>GAAP Combined Ratio</b>	<b>94.1%</b>	<b>93.9%</b>
<b>Book Value per Share</b>		<b>\$33.73</b>
<b>Return on Equity</b>		<b>9.3%</b>



# 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.*

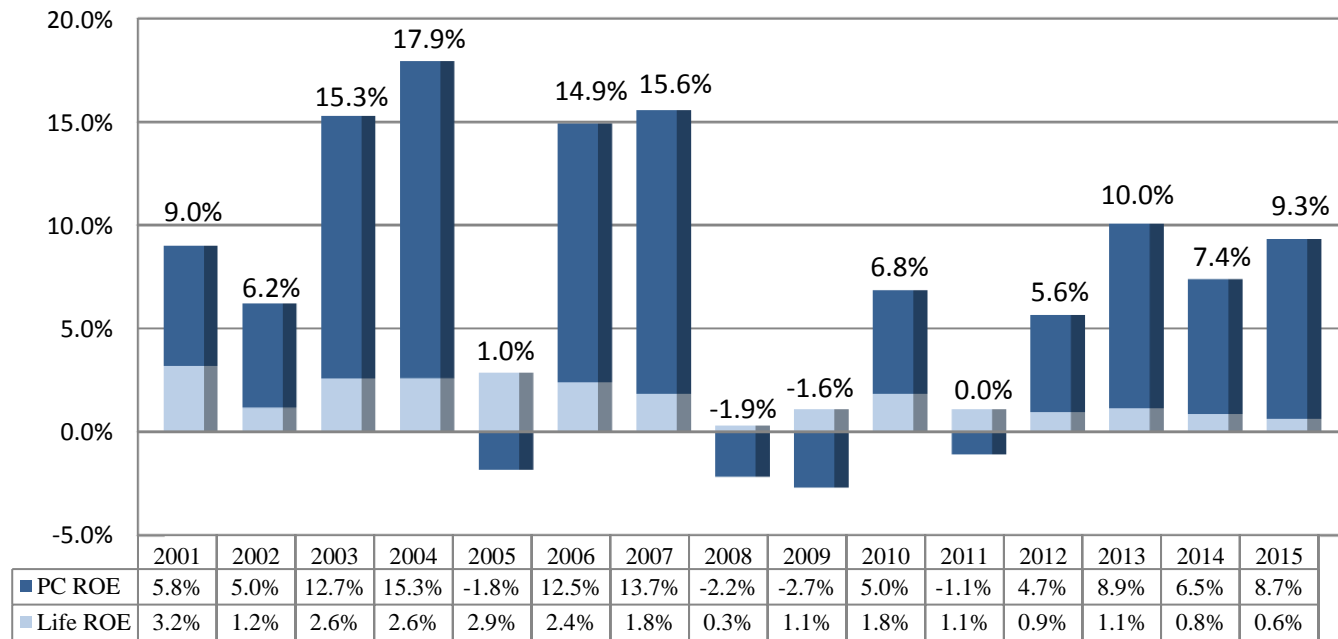
# CURRENT OBJECTIVES

## 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

# ROE BY SEGMENT *(as of 9/30/2015)*

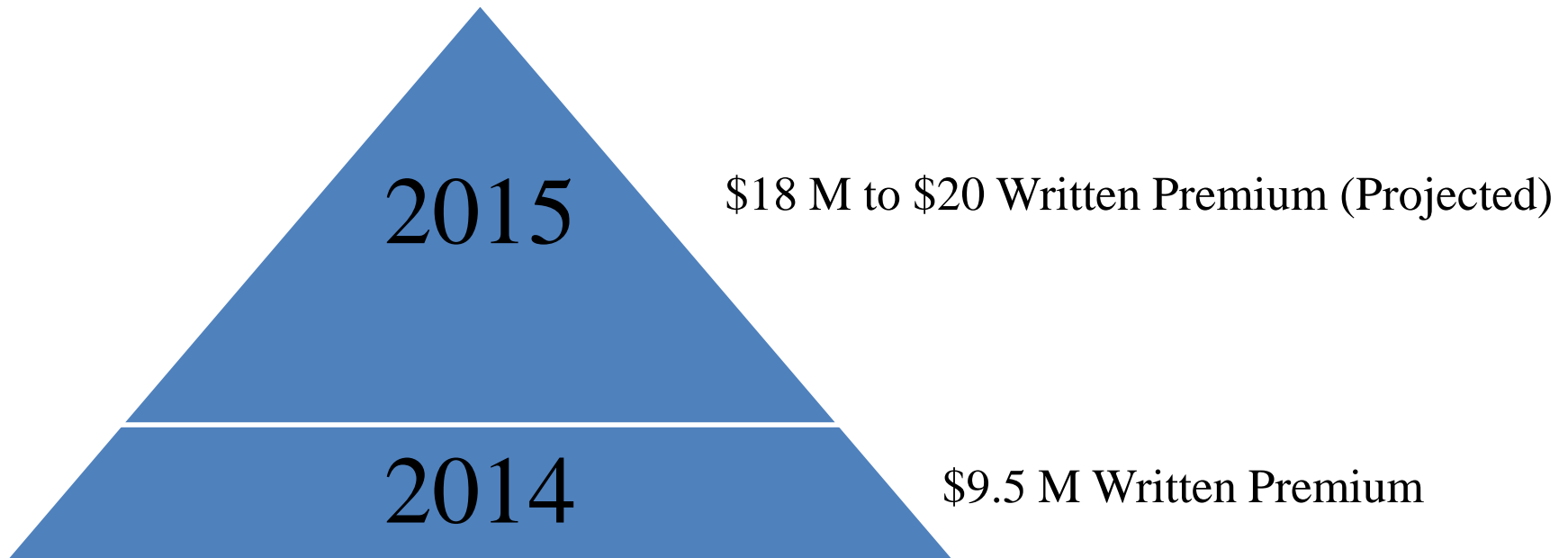
## ROE by Segment



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



# 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.



# 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**

## **ECONOMY / MARKET CONDITIONS**

- **Positive P&C rate environment for 16 quarters**
- **Rate increases continued through Q32015 though diminishing as the year progresses**
- **Positive audit premium for the last 16 quarters**
- **Our insureds continue to add exposures at renewal**
- **Policy count growth opportunities**



# 3Q2015 P&C PREMIUM GROWTH

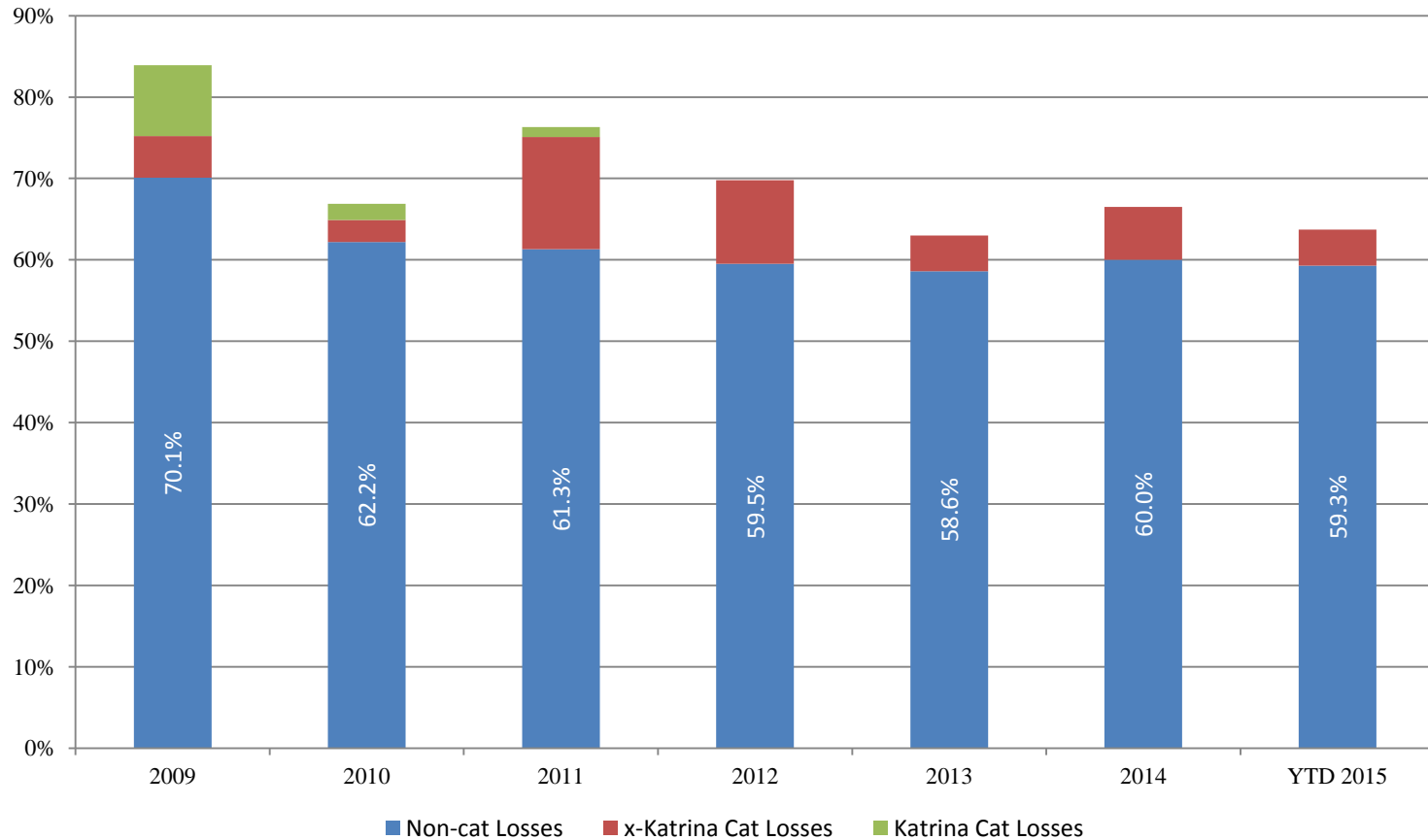
## P&C net written premium growth

- 16 consecutive quarters of rate increases
- Commercial lines w/assumed (3Q) 14.6%
- Personal lines (3Q) 2.8%
- Group (all lines) 13.4%
  - Rate change/Exposure
  - New business

## Retention

- Premium retention (up) 85.1%
- Policy retention (up) 82.9%

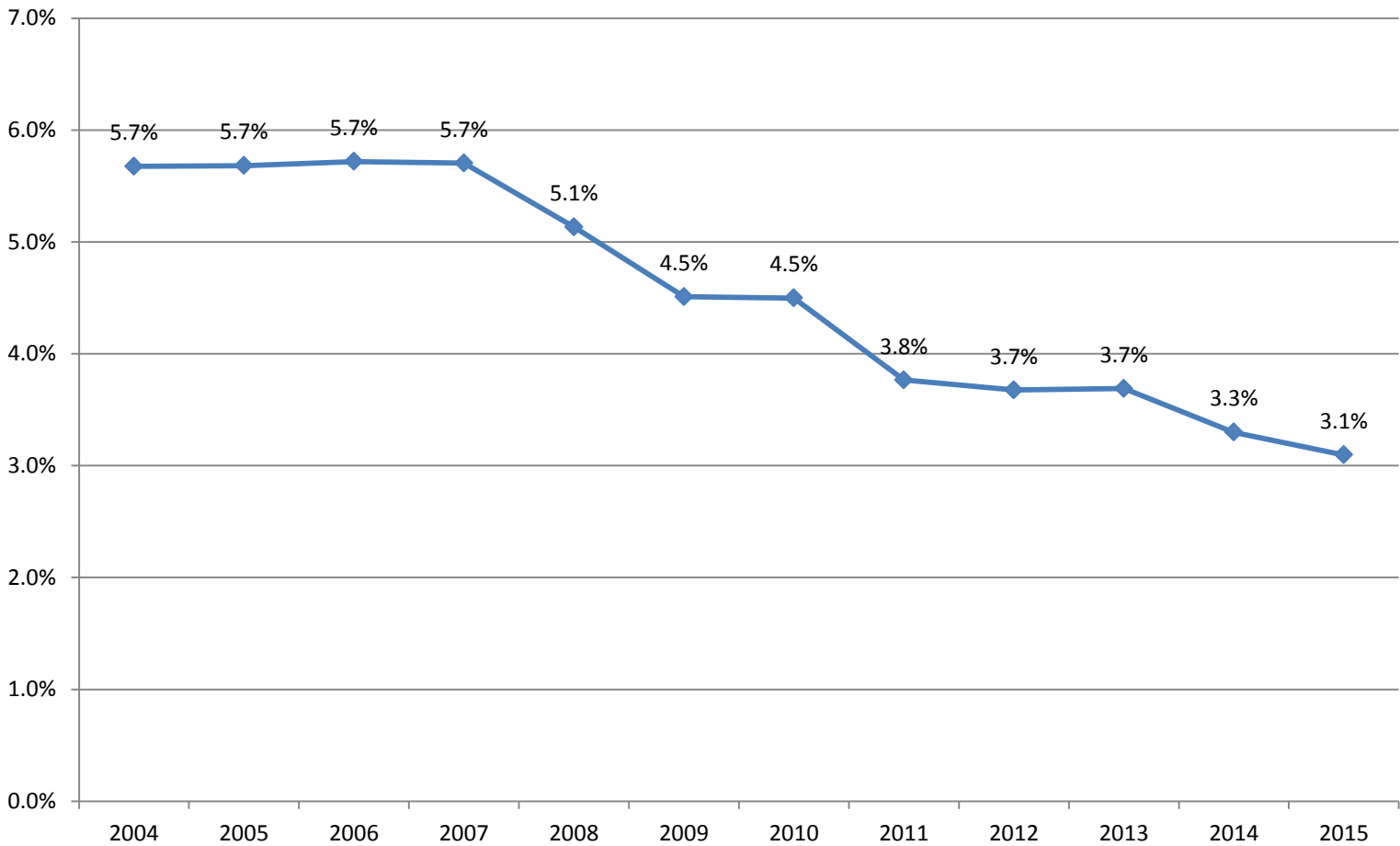
# CORE LOSS RATIO vs. CATASTROPHE LOSSES



Core loss ratio deteriorated slightly due to an increase in large losses in 2014  
YTD as of September 30, 2015



# INVESTMENT YIELD



Annualized

NOTE: Total Invested Assets excludes Cash and Cash Equivalents



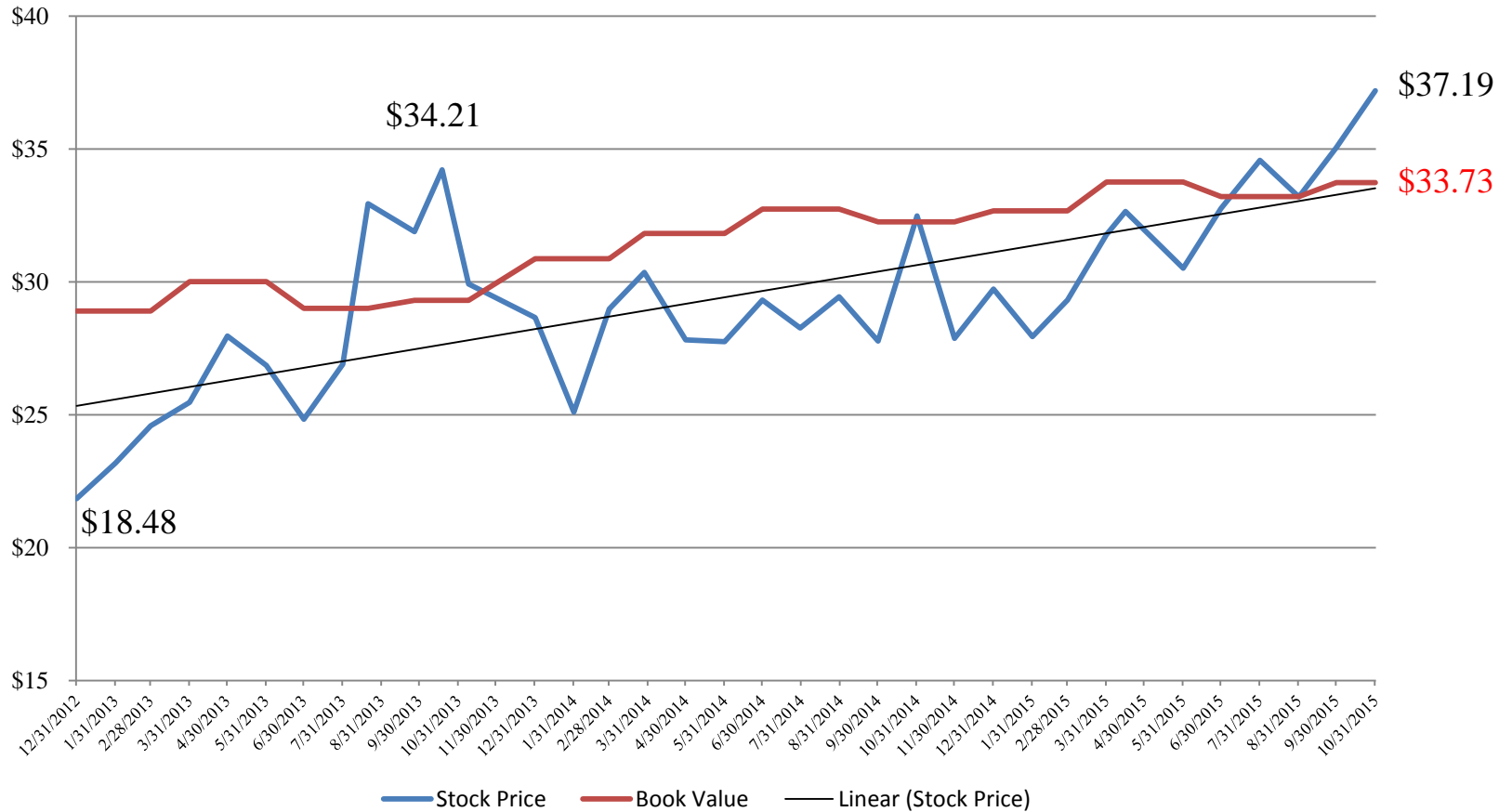
# CAPITAL MANAGEMENT

	2010	2011	2012	2013	2014	2010-2014	YTD 2015
Total Shares O/S	26,195,552	25,505,350	25,227,463	25,360,893	25,019,415		25,064,339
Shares Repurchased	343,328	702,947	340,159	59,603	461,835	1,907,872	79,396
Average Repurchase Price/share	\$ 18.29	\$ 17.69	\$ 21.46	\$ 27.58	\$ 28.02	\$ 22.61	\$ 30.51
Total Repurchased	\$ 6,280,042	\$ 12,433,158	\$ 7,300,724	\$ 1,643,645	\$ 12,941,886	\$ 40,599,455	\$ 2,422,670
Dividend Payments	\$ 15,773,889	\$ 15,507,401	\$ 15,269,472	\$ 17,483,803	\$ 19,680,192	\$ 83,714,757	\$ 16,023,092
Total Capital Returned to SH	\$22,053,931	\$27,940,559	\$22,570,196	\$19,127,448	\$32,622,078	\$ 124,314,212	\$ 18,445,762

September 30, 2015

Current Quarterly Dividend      \$0.22 per share  
 2015 YTD Dividend                \$0.64 per share (as of September 30, 2015)  
 Repurchase Authorization        1,528,886 shares (program expires August 31, 2016)

# STOCK PRICE



52 Week High: \$39.09 --- 52 Week Low: \$27.49



# RECOGNITION

- Rated A (Excellent) by A.M. Best Company
- Named a *Super Regional Property/Casualty Insurer*<sup>TM</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* ' 2015 list of “America’s 50 Most Trustworthy Financial Companies”
- 2015 Recipient of the Better Business Bureau’s Integrity Award

