



simple solutions for complex times®

2016 FOURTH QUARTER & YEAR END EARNINGS  
CONFERENCE CALL

## FINANCIAL HIGHLIGHTS – 4Q & Full Year

	<u>4Q2016</u>	<u>4Q2015</u>	<u>2016</u>	<u>2015</u>
Net Income per Diluted Share	\$ 0.46	\$ 1.21	\$ 1.93	\$ 3.53
Net Realized Investment Gains per Share	\$ 0.00	\$ 0.00	\$ 0.15	\$ 0.07
Operating Income Per Share	\$ 0.46	\$ 1.21	\$ 1.78	\$ 3.46
Catastrophe Losses per Share	\$ 0.22	\$ 0.13	\$ 1.54	\$ 0.83
GAAP Combined Ratio	102.6%	86.8%	100.3%	92.0%
Book Value per Share			\$37.04	\$34.94
Return on Equity			5.5%	10.5%



# P&C SEGMENT HIGHLIGHTS

## ■ 2016 Results

- \$1 billion in gross written premium in 2016 – achieved for the first time in company history
- Catastrophe losses added 6.5 percentage points to the combined ratio; near historical 10-year average at of 6.7 percentage points
- Core loss ratio deterioration –
  - Large losses (greater than \$500 thousand) increased by \$22 million in 2016 compared to 2015, driven by Commercial auto and commercial property lines
  - Workers' compensation and personal auto losses also contributing to core loss ratio deterioration

## ■ 2017 Strategies

- Improved profitability in our commercial auto and commercial property lines
  - Rate increases
  - Implementation of loss control initiatives

# ECONOMY / P&C MARKET CONDITIONS

- **Softening Market cycle** - particularly evident in the Midwest region where competition is the greatest
- **Commercial renewal rate increases** - overall, increases on commercial lines were flat to very low-single digits
  - Commercial property and Commercial auto rate increases continue to be in the mid to upper single digits
  - Other casualty lines and workers' compensation rate increases are flat or slightly negative
- **Personal lines renewal rate increases** - averaged in the low to mid-single digits for the quarter, driven by homeowners and personal auto

# P & C SEGMENT GEOGRAPHIC FOOTPRINT

## P&C & Surety Bonds

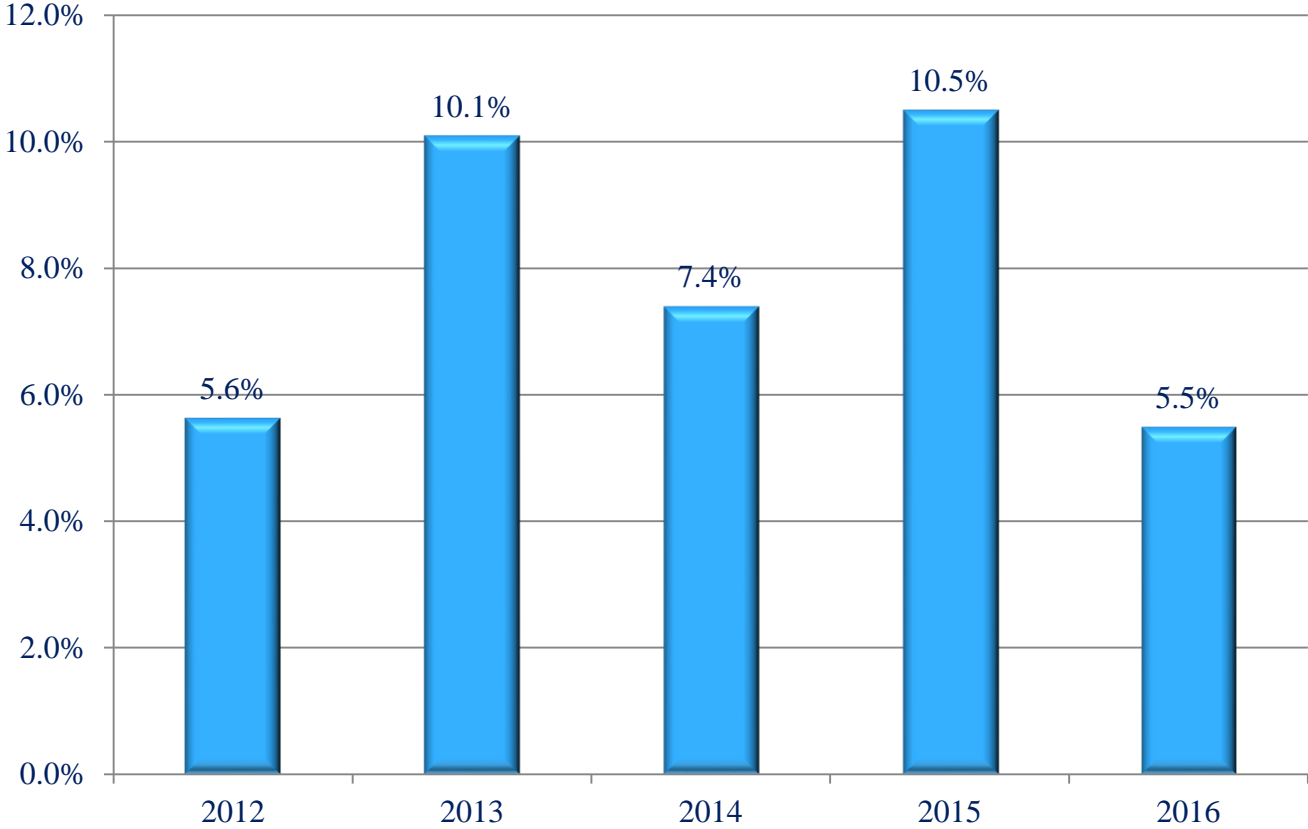


*Regional Underwriting Offices in Cedar Rapids, Iowa (corporate headquarters); Denver, Colorado; Houston, Texas; Pennington, New Jersey; Rocklin, California and Los Angeles, California.*

*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.*



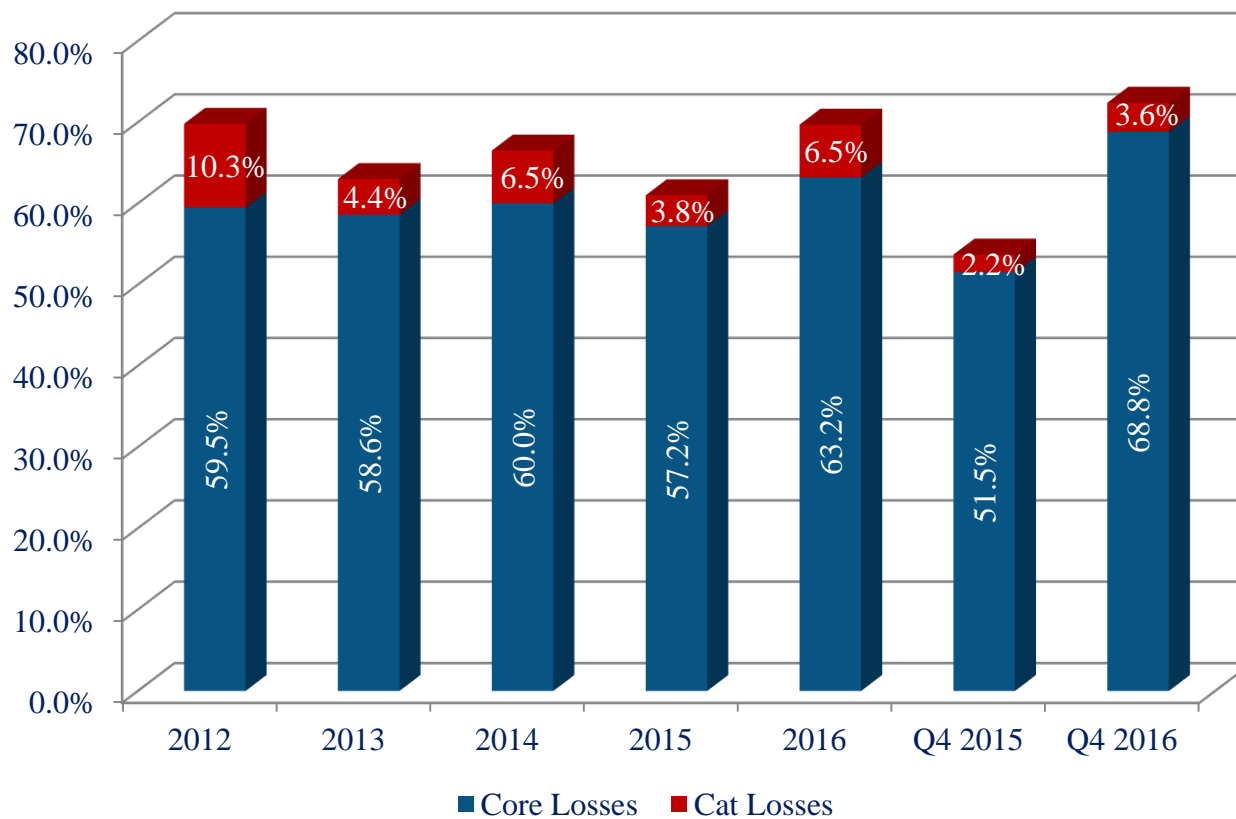
# CONSOLIDATED GAAP ROE



# 4Q 2016 P&C GROSS PREMIUM GROWTH & RETENTION

- P&C Gross written premium growth
  - › Commercial lines 9.2%
  - › Personal lines 1.4%
  - › Group (all lines) 8.6%
  
- Retention
  - › Premium retention 83.9%
  - › Policy retention 81.6%

# CORE LOSS RATIO vs. CATASTROPHE LOSSES



Cat losses in 4Q 2016 added 3.6 percentage points to the loss ratio.



## ADJUSTED COMBINED RATIO

	2016		2015	
	4Q2016	2016	4Q2015	2015
<b>Adjusted Combined Ratio</b>				
P&C Loss Ratio (as reported)	72.4%	69.7%	53.7%	61.0%
Impact of Catastrophes	-3.6%	-6.5%	-2.2%	-3.8%
Loss Ratio Ex-Catastrophes	68.8%	63.2%	51.5%	57.2%
Impact of Reserve Development	1.7%	3.3%	7.3%	4.7%
<b>Loss Ratio Ex - CAT and Ex-Development</b>	<b>70.5%</b>	<b>66.5%</b>	<b>58.8%</b>	<b>61.9%</b>
P&C Expense Ratio	30.2%	30.6%	33.1%	31.0%
<b><i>Adjusted Combined Ratio</i></b>	<b>100.7%</b>	<b>97.1%</b>	<b>91.9%</b>	<b>92.9%</b>

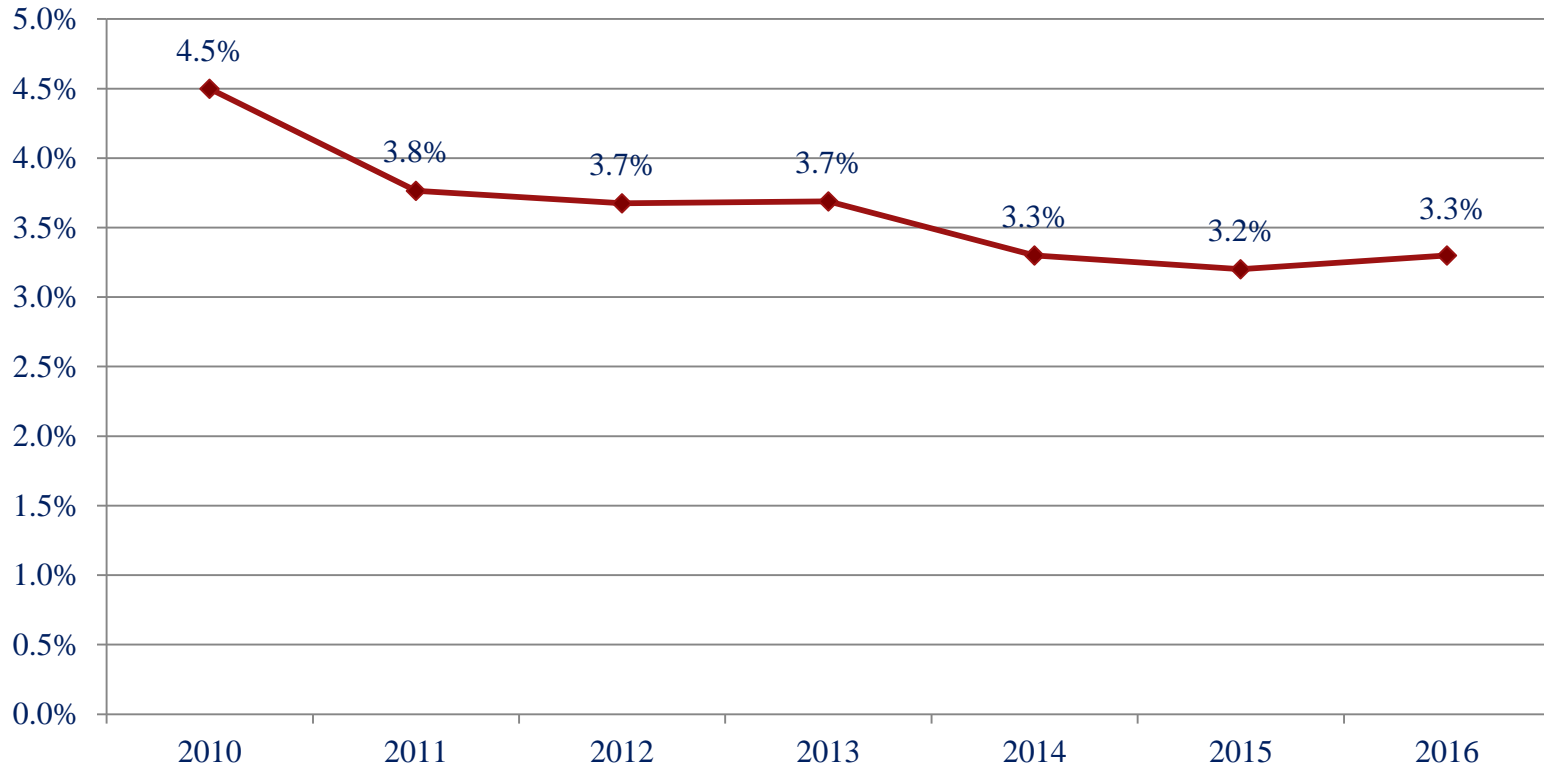
# LIFE SEGMENT

## ■ Life Segment Initiatives

- Improve profitability in 2017
  - › Repricing traditional life products
  - › Restructure commission schedule
  - › Reviewing product mix and researching new products
  - › Increased profitability on annuity products
  - › Expense reduction
- Strong capitalization according to A.M. Best
- Lapse ratio of 4.4
- Net premiums earned decreased by 5.4% in 4Q 2016 compared to 4Q 2015 but increased 10.2% for the full year primarily driven by sales of Single Premium Whole Life



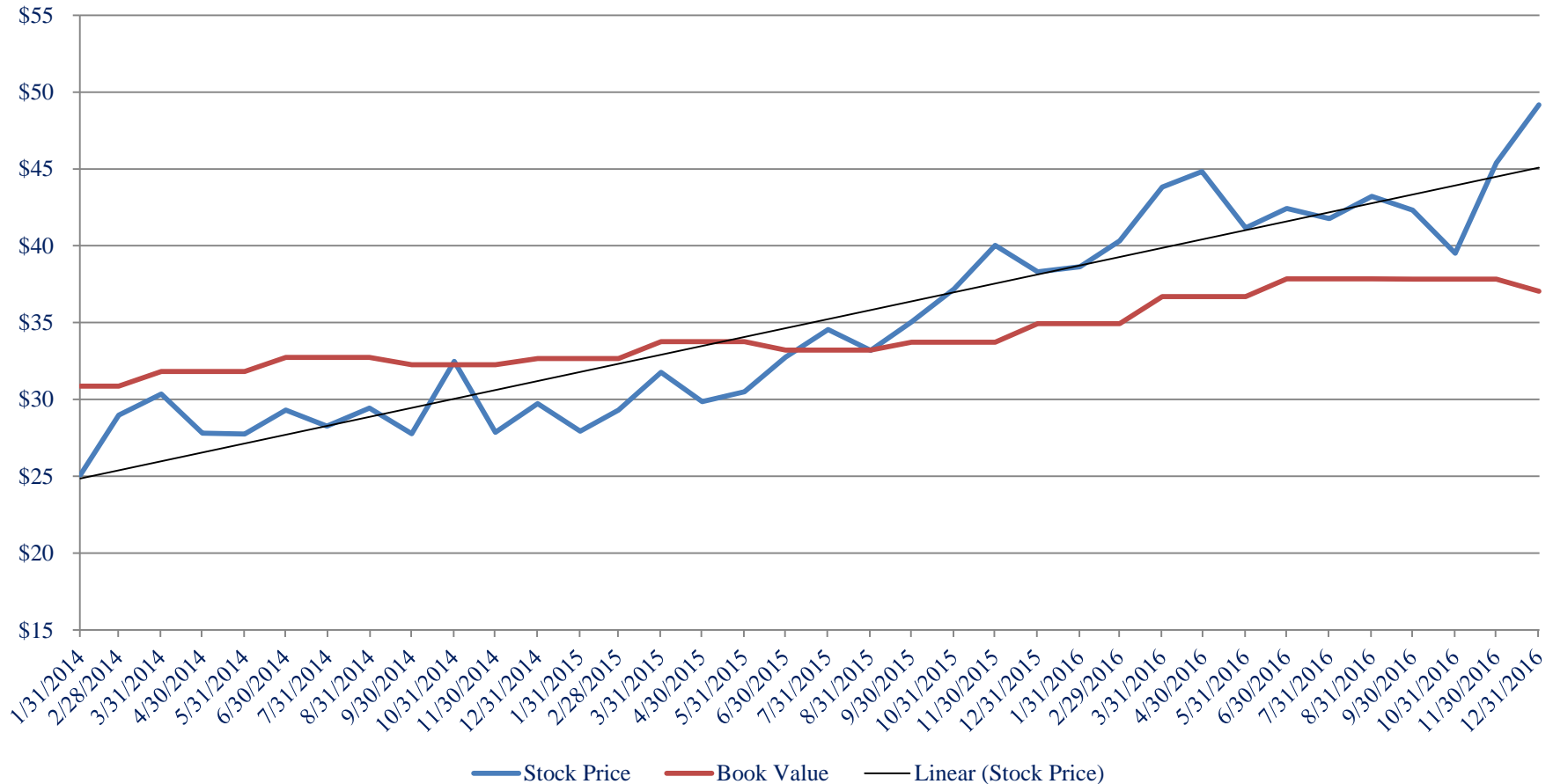
# CONSOLIDATED INCOME YIELD



NOTE: Total Invested Assets excludes Cash and Cash Equivalents



# UFCS STOCK PRICE 1/31/2014-12/31/2016



52 Week High: \$50.75 --- 52 Week Low: \$35.16



# RECOGNITION

- United Fire & Casualty Group rated A (Excellent) by A.M. Best Company
- Named a Super Regional Property/Casualty Insurer™ every year since 2006 by *Insurance Journal* magazine
- Placed on *Forbes*' 2016 list of “America’s 50 Most Trustworthy Financial Companies”
- Placed on July 2016 *Best’s Review* list of Top 200 U.S. Property/Casualty Underwriters
- Recipient of the 2015 Iowa Better Business Bureau’s Integrity Award
- Placed on Iowa’s list of Top 150 Workplaces for 2016 by the *Des Moines Register*
- Named a Five-Star Carrier by *Insurance Business America* for 2016
- Named one of Sandler O’Neill’s 2016 Insurance Premium Players

