



# 2018 FIRST QUARTER EARNINGS CONFERENCE CALL

MAY 9, 2018

## Financial Highlights – 1Q 2018

	<u>1Q2018</u>	<u>1Q2017</u>
Net Income per diluted share	\$ 1.80	\$ 0.77
Gain on sale of discontinued operations, net of tax	\$ 1.07	-
After-tax net Realized Investment Gains (Losses)	(\$ 0.27)	\$ 0.10
Adjusted Operating Income per share	\$ 1.00	\$ 0.67
Catastrophe Losses per share	\$ 0.10	\$ 0.24
GAAP Combined Ratio	93.5%	96.5%
Book Value per Share	\$38.96	\$37.90
Return on Equity	11.0%	8.4%

## Continuing Operations Highlights

### ■ 1Q 2018 Results

- \$245M in net premiums earned in 1Q 2018– an increase of 3.7% over 1Q 2017
- Catastrophe losses added 1.4 percentage points to the combined ratio; lower than our historical 10-year average of 2.6 percentage points for first quarters
- Prior year favorable reserve development– \$38.1M in 1Q 2018 compared to \$24.5M in 1Q 2017
  - Primarily in other liability, commercial automobile and commercial fire and allied.

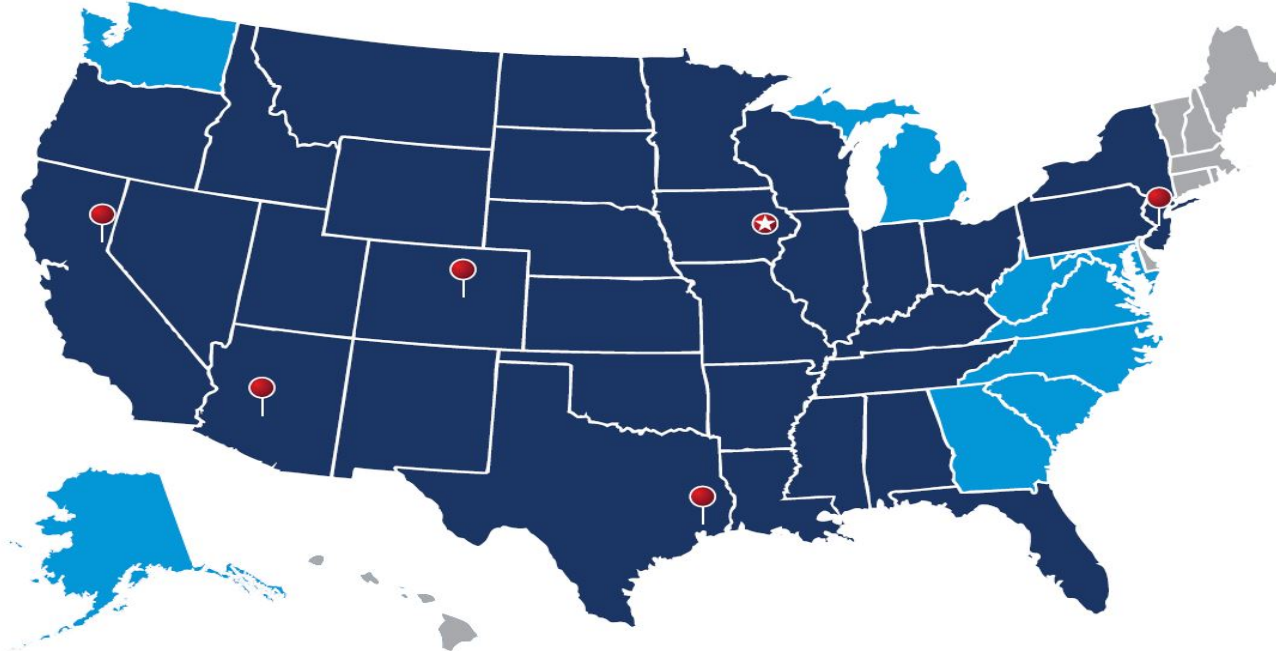
### ■ 2018 Strategies

- Focus on profitability
- Targeted organic growth (4-6% overall)
- Continue strategic initiatives with commercial automobile book of business
- Increased utilization of our Enterprise Analytics group
- Progress with our OASIS Project (underwriting technology platform)

## P & C Market Conditions

- **Soft market cycle** – competitive market conditions continued during the quarter for both renewals and new business
- **Commercial lines renewal rates decreased slightly**
- **Commercial lines filed rate increases**
  - Commercial auto filed rate increases averaged in the high-single digits
  - Workers' compensation saw rate decreases in the mid-single digits
- **Personal lines renewal rate increases** – mid-single digit increases

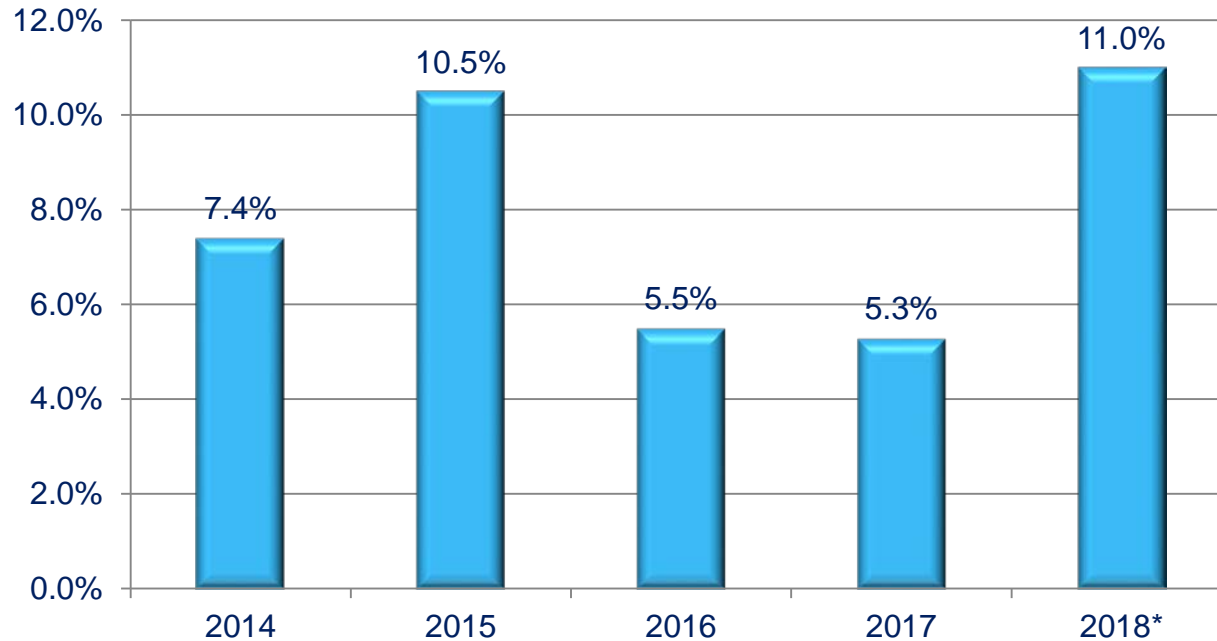
## P & C Geographic Footprint



*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



\*YTD

## 1Q 2018 P & C Gross Premium Change & Retention

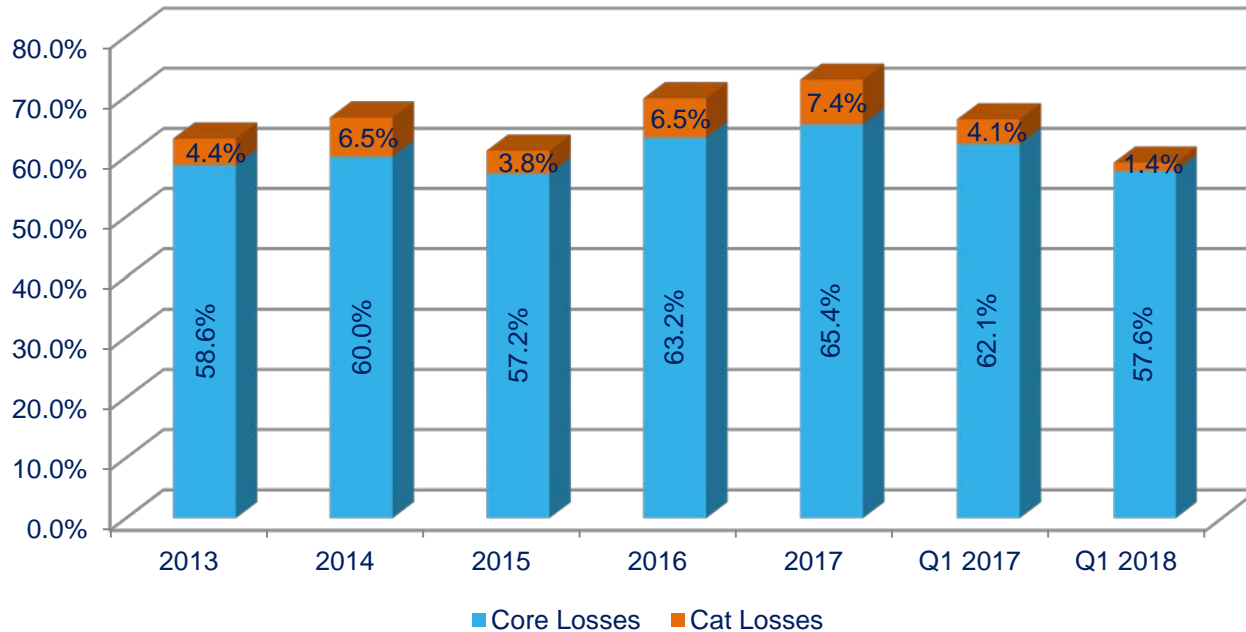
### ■ P & C Gross written premium change

- › Commercial lines -0.6%
- › Personal lines -0.3%
- › Group (all lines) -0.6%

### ■ P & C Retention

- › Premium retention 83.5%
- › Policy retention 80.9%

## Core Loss Ratio vs. Catastrophe Losses



Cat losses in 1Q 2018 added 1.4 percentage points to the loss ratio.



## Adjusted Combined Ratio

<b>Adjusted Combined Ratio</b>	<b>1Q2018</b>	<b>1Q2017</b>
P&C Loss Ratio (as reported)	59.0%	66.2%
Impact of Catastrophes	<b>-1.4%</b>	<b>-4.1%</b>
Loss Ratio Ex-Catastrophes	57.6%	62.1%
Impact of Reserve Development	15.5%	10.6%
<b>Loss Ratio Ex - CAT and Ex-Development</b>	<b>73.1%</b>	<b>72.7%</b>
P&C Expense Ratio	34.5%	30.3%
<b><i>Adjusted Combined Ratio</i></b>	<b>107.6%</b>	<b>103.0%</b>

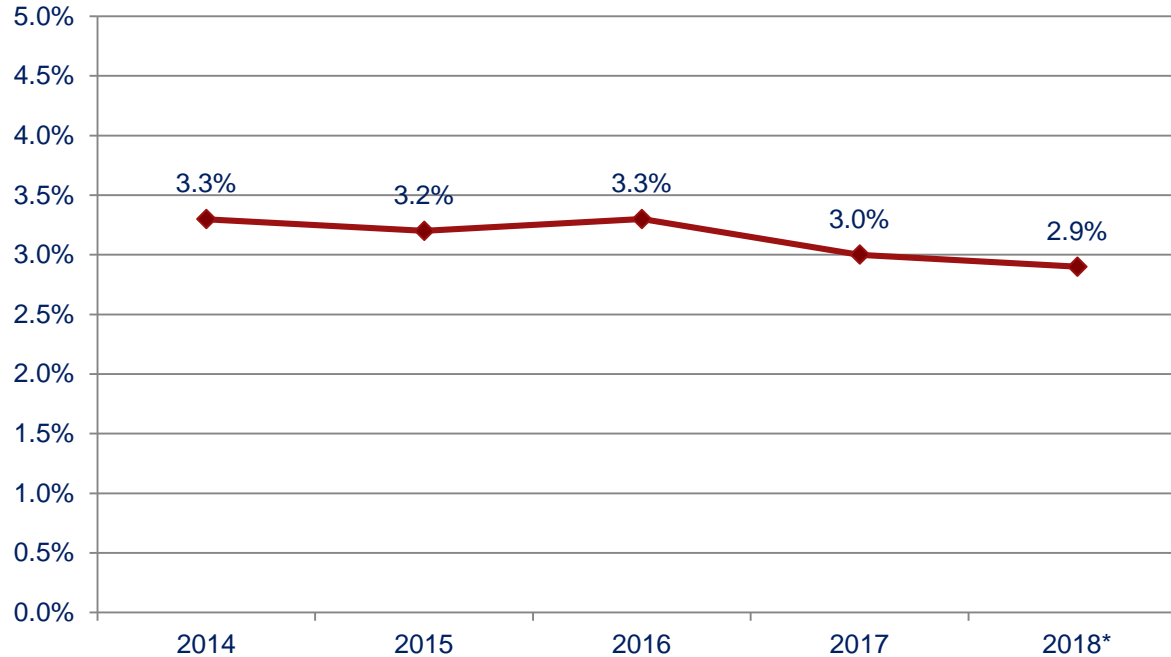
## Life Business\*

- Strong capitalization according to A.M. Best
- Lapse ratio of 4.5
- Net premiums earned decreased by 25.4% in Q1 2018 compared to Q1 2017 mainly due to a decline in sales of single premium whole life policies.
- Net loss in Q1 2018 was \$1.9 million compared to net income of \$1.4 million in Q1 2017

\*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. This transaction was completed on March 30, 2018.

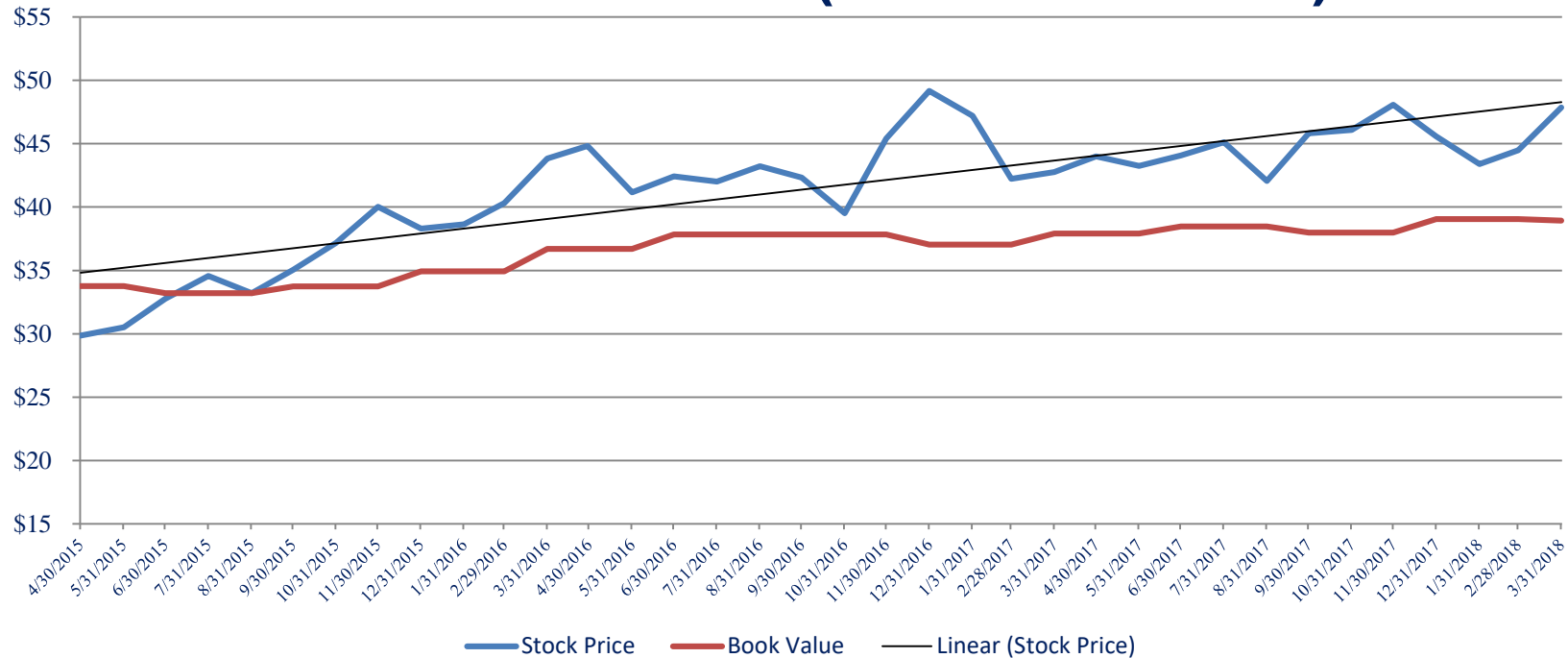


## Consolidated Income Yield



NOTE: Total Invested Assets excludes Cash & Cash Equivalents and \*=YTD

## UFCS Stock Price (4/30/15 – 3/31/18)



52 Week High: \$49.74 --- 52 Week Low: \$38.95

## 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.

