

## **United Fire Group, Inc. Corporate Governance Guidelines**

United Fire Group, Inc. (the “Company”) is a publicly held company and operates in a regulated industry. These Corporate Governance Guidelines (the “Guidelines”) have been adopted by the Company’s Board of Directors (the “Board”) to assist the Board in the exercise of its responsibilities and to serve best the interests of the Company and its shareholders. These Guidelines should be interpreted in the context of applicable laws and the Company’s articles of incorporation, Code of Ethics and Business Conduct, and other corporate governance documents. The Guidelines are intended to serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations. The Board may modify the Guidelines from time to time.

**Responsibility** – The fundamental responsibility of the Board is to promote the best interests of the Company and its shareholders by overseeing the management of the Company’s business and affairs. In doing so, directors have two basic legal obligations to the Company and its shareholders: (1) the duty of care, which requires that directors exercise appropriate diligence in making decisions and in overseeing management of the Company; and (2) the duty of loyalty, which requires that directors make decisions based on the best interests of the Company and its shareholders, without regard to any personal interest.

**Policies and Practices** – The Board is responsible for organizing its functions and conducting its business in the manner it deems most effective and efficient, consistent with its duties of care and loyalty. To meet that responsibility, the Board has adopted a set of flexible policies to guide its governance practices. These practices will be regularly evaluated by the Board’s Nominating & Governance Committee in order to continue serving the best interests of shareholders. Accordingly, the summary of current practices is not a fixed policy or resolution by the Board, but merely a statement of current practices that is subject to continuing assessment and change.

**Authority** – The Board has the authority to retain, at the Company’s expense, consultants, legal counsel, or others to assist the Board in conducting its business and meeting its responsibilities to the Company and its shareholders. The Board also has the authority to approve fees and retention terms associated with the retention of consultants, legal counsel, or other entities utilized in the performance of the Board’s duties.

**Purpose** – The Board is responsible for overseeing the exercise of corporate powers and ensuring that the Company’s business and affairs are properly managed. The Board recognizes its responsibility to engage, and provide for the continuity of, executive management that possesses the character, skills, and experience required to manage the Company. The Board also recognizes its responsibility to select nominees for the Board of Directors who possess appropriate qualifications and reflect a reasonable diversity of backgrounds and perspectives.

### **Board Composition and Director Qualifications**

**Composition** – The Board is composed of not less than nine (9), nor more than fifteen (15), directors. The exact number of board members will be fixed by the Board and notice given to the shareholders of the Company at least fifteen (15) days prior to a meeting at which the election of directors is to be held. The number of Board members will be assessed from time to time to ensure that the Board can efficiently discharge its fiduciary duties and regulatory responsibility. A majority of the directors must meet the most current independence requirements of the NASDAQ Stock Market, LLC.

**Offices of the Chairman and the Chief Executive Officer** – The Board appoints the chairman of the Board and chief executive officer in the manner and based on the criteria that it deems appropriate and in the best interests of the Company given the circumstances at the time of such appointment. The Board does not have a firm policy as to whether the position of the chairman and the position of the chief executive officer should be separate and intends to preserve the freedom to decide what is in the best interest of the Company at any point in time. However, the Board does strongly endorse the concept of an independent director being in a position of leadership for the rest of the outside directors. If at any time neither the chairman nor the vice chairman is an independent director, the independent directors will elect an independent director to serve as lead director.

**Director Qualification Standards** – The Board believes that directors should act on behalf of all shareholders, should not represent the interests of particular constituents, and should reflect a diversity of experience and viewpoints. Directors must always act in a manner consistent with their duties of loyalty and care. Key considerations by the Board when selecting a direct nominee include, but are not limited to:

- (1) An ability to demonstrate integrity and independent judgment;
- (2) A history of holding positions of leadership;
- (3) Possession of business or professional skills and experience that will contribute to the effectiveness of the Board and its committees without overlapping current director skills;
- (4) An intent to foster long-term value for the Company's shareholders;
- (5) An ability to act in the interests of all shareholders;
- (6) A willingness and ability to devote the time and effort necessary to serve as an effective director and committed committee member;
- (7) Possess superior skills or extensive experience in the fields of leadership, management, accounting, finance, investment management, technology, risk management, innovation, consumer focus, executive compensation, highly regulated industries, corporate governance, and/or strategy formation.

**Identification of Director Candidates, Invitation to Join the Board** – When identifying candidates to be nominated for election as directors, the Nominating & Governance Committee solicits input from current directors, the chairman of the Board, and chief executive officer. The Committee will consider shareholder-recommended candidates and will evaluate shareholder-recommended candidates on the same basis as other candidates. The Committee may also retain a search firm. The Committee evaluates candidates and makes recommendations to the Board regarding potential nominees. Ultimately, the Board determines who will be nominated.

An invitation to join the Board may be extended by the Board itself or, with the Board's authorization, by the chair of the Nominating & Governance Committee, the chief executive officer, or the chairman of the Board.

**Board Attendance at Annual Shareholder Meetings** – All directors are required to attend the Annual Meeting of Shareholders, except for absences due to causes beyond the reasonable control of the director.

**Service on Other Public Company Boards** – A director of the Company's Board who is a full-time employee of a publicly traded company is limited to serving on his or her own company board (when applicable) and no more than one additional publicly traded company's board.

**Directors Who Experience Changed Circumstances** – A director who experiences changed circumstances that could diminish his or her effectiveness as a director is expected to offer his or her resignation to the chairman of the Board. The Board in its discretion will determine whether to encourage such director to continue serving as a director for any portion of his or her unexpired term. Directors

wishing to join the board of another publicly traded company are required to notify the chair of the Nominating & Governance Committee, the chairman of the Board, and the chief executive officer prior to joining such board.

**Term Limits** – There are no term limits for service on the Board. The absence of term limits allows the Company to retain directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

**Mandatory Retirement and Resignation** – A director must submit his or her resignation not later than the first day of February after his or her attainment of age 72 years. An employee director must submit his or her resignation from the Board upon termination of his or her active service as an employee of the Company.

**Director Orientation and Continuing Education** – The Company has an orientation process for new directors that includes materials and meetings with key management designed to familiarize new directors with the Company's business, operations, finances, and governance practices. The Board encourages directors to participate in education programs to assist them in performing their responsibilities as directors.

**Evaluation of the Chairman of the Board and Chief Executive Officer** – Each year the Nominating & Governance Committee will conduct a formal evaluation of the performance of the chairman of the Board and the chief executive officer based on appropriate quantitative and qualitative criteria.

**Succession Planning** – The Nominating & Governance Committee, together with the chairman of the Board and the chief executive officer, will annually review succession planning practices and procedures and report its findings to the Board.

**Board interaction with Institutional Investors, the Media, and Customers** – The Board believes that the responsibility lies with management for communications and relationships on behalf of the Company with institutional investors, the media, and customers. Therefore, the Board may participate occasionally in such interaction, but will generally do so only at the request of or with the prior knowledge of management.

**Board Compensation Review** – The Compensation Committee of the Board will annually review the compensation of the non-employee directors and committee members. The Committee will also recommend to the Board for approval of any changes in director or committee member compensation.

**Directors' Stock Ownership** – The Board believes that non-employee directors should own and hold common stock of the Company to further align their interests and actions with the interests of the Company's shareholders. Accordingly, each non-employee director is required to meet the following guidelines:

*Qualifying Shares.* Pursuant to the Articles of Incorporation of the Company, each director must be a stockholder. Therefore, each director must own at least 100 shares of Company stock. Each director candidate who has agreed to stand for election by the stockholders at the annual meeting or for election by the Board to fill a vacancy must own at least 100 shares of Company stock within 30 days prior to the election.

*Guidelines for Stock Ownership.* Each director is required to be a shareholder. To qualify as a director, each director, or candidate for director, should own at least 100 shares of Company stock at the

time he or she joins the Board. Each non-employee director is expected to own a minimum of 5,000 shares of company stock by December 31, 2013 or within five years of his or her first election to the Board, whichever is later.

Compliance. Stock that counts towards satisfaction of these guidelines includes:

- a. Shares owned outright by the director or his or her immediate family members residing in the same household;
- b. Restricted stock issued and held by the director, whether or not vested, and
- c. Shares acquired upon stock option exercises that the director continues to hold.

Exceptions. It is intended that these guidelines be flexible to avoid foreclosing viable candidates in appropriate circumstances. The guidelines may also be waived at the discretion of the Nominating & Governance Committee, if compliance would create severe hardship or prevent a director from complying with a court order.

Implications of Non-Compliance. If the guideline is not achieved with respect to any director, the Nominating & Governance Committee has the authority to review each director's compliance (or progress towards compliance) with these guidelines from time to time and, in its sole discretion, to impose such conditions, restrictions, or limitations on any participant as the committee determines to be necessary or appropriate in order to achieve the purposes of these guidelines.

## **Board Meetings and Materials, Access to Management and Advisors**

**Meetings** – The Board will meet at least four (4) times each calendar year and may hold additional meetings as necessary. Meetings may be in person or telephonically. Prior to each meeting, the meeting agenda and appropriate preparatory materials will be provided to all Board members. Directors are expected to use all reasonable efforts to attend each meeting. The chairman of the Board or chief executive officer or their designee may also request that members of management, legal counsel, or other advisors attend the meetings of the Board. Minutes of each meeting will be prepared under the direction of the chairman of the Board or chief executive officer and circulated to each director for review and approval.

**Agendas for Board Meetings** – The chairman of the Board and the chief executive officer, together with appropriate members of management, will develop the agenda for each Board meeting. The agenda is circulated in advance to the directors, who may suggest additional or alternative items for consideration.

**Advance Review of Materials** – As much information and data as practical relating to the meeting agenda items and the Company's financial performance is sent to directors sufficiently in advance of meetings to permit the directors to review the materials.

**Executive Sessions of Independent Directors; Role of Presiding Independent Director** – Each Board meeting agenda will include time for an executive session with only independent directors present. If the chairman of the Board is an independent director, he or she will be the presiding independent director. If the chairman of the Board is not an independent director, the vice chairman of the Board will be the presiding independent director. If neither the chairman nor the vice chairman is an independent director, the lead director will be the presiding independent director.

**Board Access to Senior Management** – All directors have access to senior management, with the exception that such contact will be minimally disruptive to the business operations of the Company. The

chairman of the Board and the chief executive officer are encouraged to invite to the meetings of the Board those senior managers who can provide additional insight into business matters being discussed and those with high future potential who should be given personal exposure to directors.

**Board Access to Independent Advisors** – The Board and each of its committees have the authority to seek legal or other expert advice from a source independent of management.

## **Committees**

**Standing Committees** – The present Board committees are the Executive Committee, the Audit Committee, the Nominating & Governance Committee, the Compensation Committee, the Risk Management Committee, and the Investment Committee. All members of the Audit Committee, the Nominating & Governance Committee, and the Compensation Committee shall meet the current independence requirements of the NASDAQ Stock Market, LLC and the applicable rules and regulations of the Security and Exchange Commission. The Board considers its current committee structure to be appropriate, but reserves the right to restructure the number and scope of committees to meet changing conditions and needs.

**Committee Member Assignments** – The Nominating & Governance Committee is responsible for reviewing and recommending to the Board the assignment of directors to various committees. The Committee may recommend to the Board from time to time changes in committee assignments to provide diversity of director experience and to vary the exposure of the directors to the affairs of the Company.

**Frequency and Length of Committee Meetings** – Generally, the Audit Committee, the Nominating & Governance Committee, and the Compensation Committee meet in conjunction with regular Board meetings. The Executive Committee, the Risk Management Committee, and the Investment Committee meet as frequently as deemed necessary by the chair of each committee. The Committee chairs may also call meetings when they deem it necessary or appropriate. Committee meetings may be as frequent and as long as needed.

**Committee Meeting Agendas** – The agenda for each committee meeting is developed by the chair of the committee, in consultation with appropriate members of management. The agenda for each meeting shall be circulated or discussed in advance of the meeting and Committee members may suggest additional items for consideration.

**Audit Committee Membership** – The Nominating & Governance Committee reviews and assesses the independence, experience, and financial literacy of nominees for the Audit Committee, including Audit Committee Financial Experts.

**Retention of Independent Executive Compensation Consultants** – Under its charter, the Compensation Committee, in its sole discretion, has the authority, resources and funds necessary to retain or obtain the advice of outside advisers, including compensation advisers, legal counsel and other advisers and experts. Prior to retaining or obtaining advice from such outside advisers, the committee determines their independence by reference to the NASDAQ Listing Rules. To maintain the independence of the compensation consultant(s), the Compensation Committee also has the sole authority to terminate a compensation consultant based on its evaluation of independence factors such as the amount of fees received from the Company as a percentage of the consultant's total revenue, deficiency in the consultant's policies and procedures designed to prevent conflicts of interest, and the existence of any business or personal relationship with a member of the Compensation Committee or management that could impact the consultant's independence.

**Complaints Regarding Accounting, Internal Controls, and Auditing** – The Audit Committee has procedures in place for the receipt, retention and treatment of complaints concerning accounting, internal accounting controls, or auditing matters. These procedures are in place so that officers, employees and directors may anonymously submit their concerns regarding questionable accounting or auditing matters. Complaints will be directed to the attention of the Audit Committee or the appropriate members of that committee. For direct access to the Audit Committee, concerns regarding accounting, internal accounting controls, or auditing matters can be sent to the Chairman of the Audit Committee at 118 Second Avenue SE, Cedar Rapids, IA 52401. Such concerns may also be addressed by call the Company’s toll-free concerns and complaints hotline at 1-877-256-1056 or by making a report on the Company’s website at [www.unitedfiregroup.com](http://www.unitedfiregroup.com). Correspondence with the Audit Committee, calls to the concerns and complaints hotline, or reports filed on the Company’s website may be made anonymously.

Adopted by the Board of Directors – August 16, 2013