



# 2018 FOURTH QUARTER & YEAR END EARNINGS CONFERENCE CALL

FEBRUARY 20, 2019

## Financial Highlights – Q4 2018 & Year End 2018

	<u>Q42018</u>	<u>Q42017</u>	<u>2018</u>	<u>2017</u>
Net income (loss) per diluted share	\$ (1.17)	\$ 1.81	\$ 1.08	\$ 1.99
Gain on sale of discontinued operations, net of tax	\$ -	-	\$ 1.07	-
After-tax net realized investment gains (losses)	\$ (0.87)	\$ 0.03	\$ (0.66)	\$ 0.20
Adjusted operating income (loss) per share	\$ (0.30)	\$ 1.78	\$ 0.67	\$ 1.79
Catastrophe losses per share	\$ 0.50	\$ 0.13	\$ 1.44	\$ 1.88
GAAP Combined Ratio	108.5%	93.8%	104.0%	104.0%
Book Value per Share			\$35.40	\$39.06
Return on Equity			3.0%	5.3%

# Property and Casualty Business Highlights

## ■ Q4 2018 Results

- \$271M in net premiums earned in 4Q 2018– an increase of 4.1% over 4Q 2017
- Catastrophe losses added 5.9 percentage points to the combined ratio; higher than our historical 10-year average of 4.3 percentage points for fourth quarters and higher than 4Q 2017 which added 2.0 percentage points to the combined ratio
- Core loss ratio deterioration driven by an increase in severity of non-catastrophe losses (losses greater than \$500,000) in Q4 2018 compared to Q4 2017 with largest impact in general liability and commercial auto lines of business.
- Prior year favorable reserve development \$6.5M in 4Q 2018 compared to favorable reserve development of \$16.3M in 4Q 2017

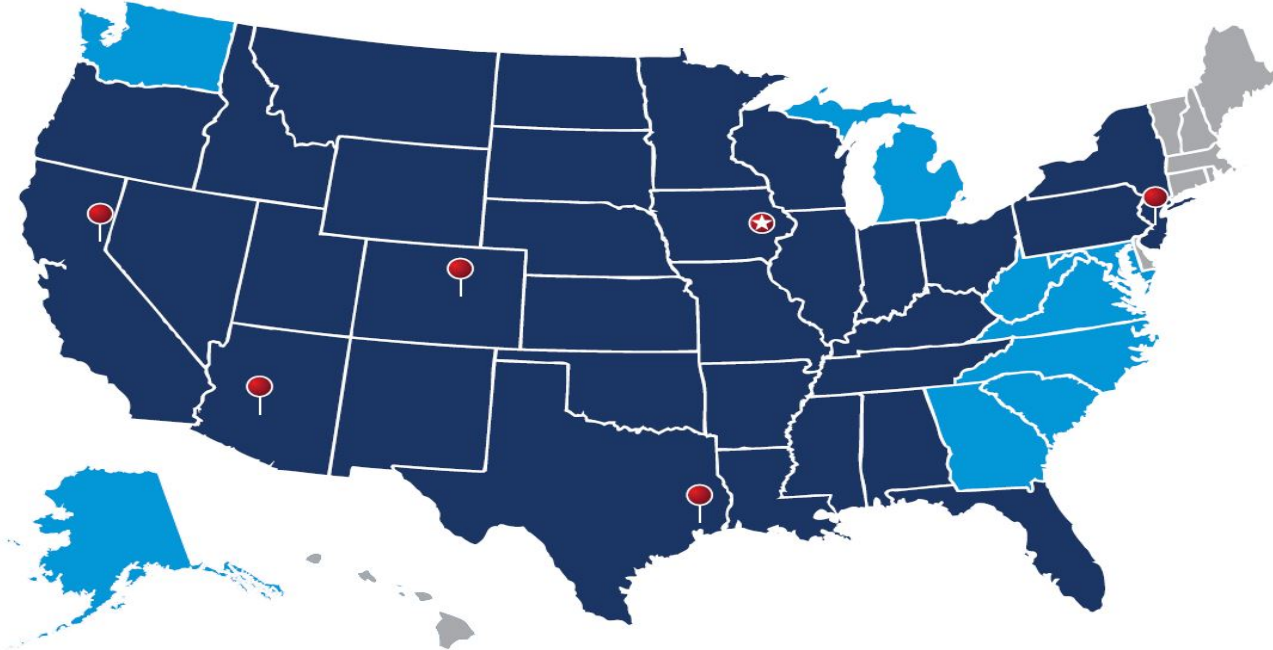
## ■ 2019 Strategies

- Focus on profitability
- Underwriting action on underperforming accounts
- Continue strategic initiatives with commercial automobile book of business
- Increased utilization of our Enterprise Analytics group and incorporate technical pricing into underwriting
- Claims initiatives by shorting cycle time, reduce claims costs and reduce impact of litigation
- Strategic initiatives in our West Coast operation

## P & C Market Conditions

- **Soft market cycle** – competitive market conditions continued during the quarter for both renewals and new business
- **Commercial lines renewal rates increases averaged mid-single digits**
  - Renewal rate increases led by commercial auto
  - Commercial auto filed rate increases averaged in the low-double digits
- **Personal lines renewal rate increases** – mid-single digit increases

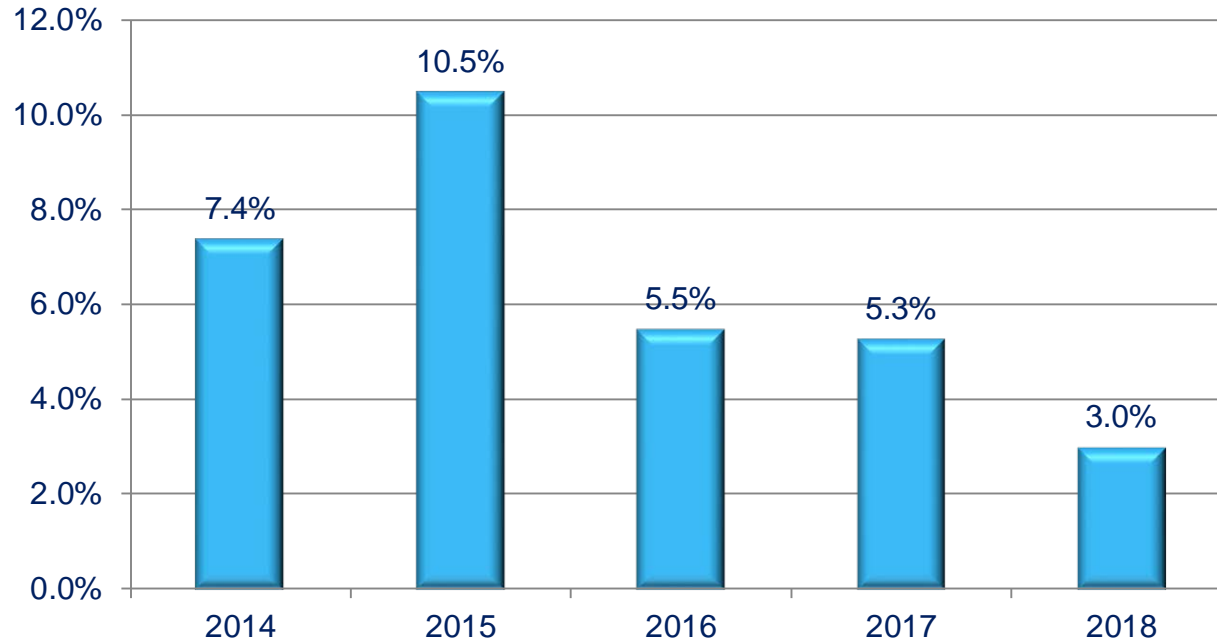
## P & C Geographic Footprint



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



## Q4 2018 P & C Written Premium Change & Retention

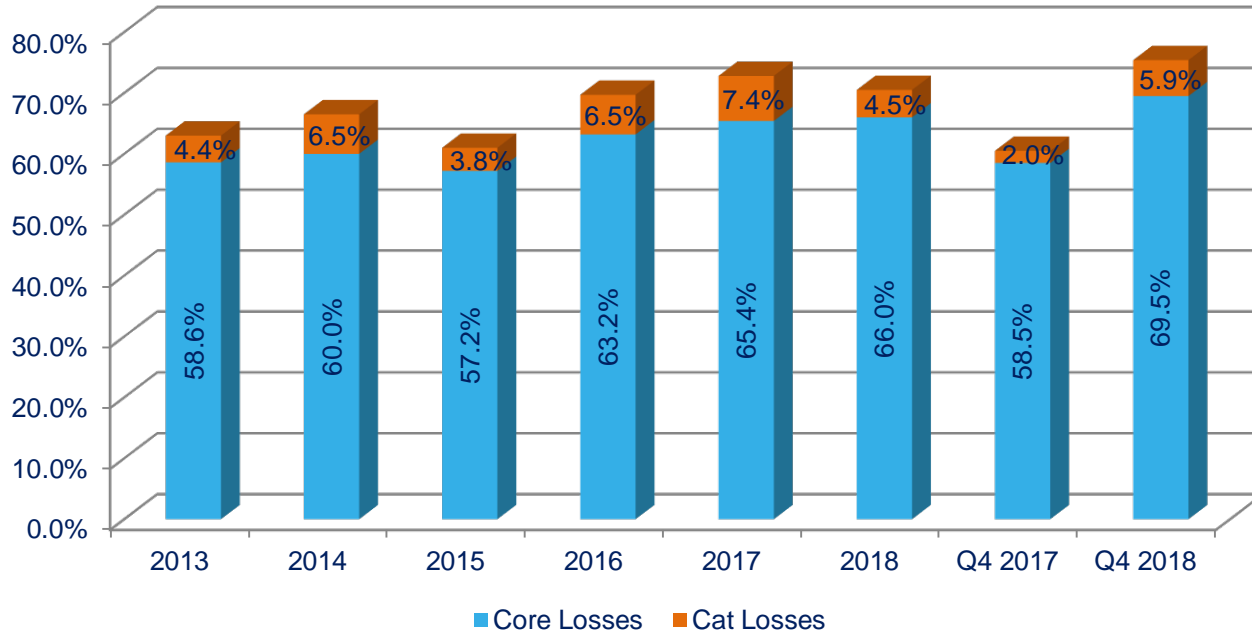
### ■ P & C Written premium change

- › Commercial lines 4.0%
- › Personal lines 2.0%
- › Group (all lines) 3.9%

### ■ P & C Retention

- › Premium retention 84.3%
- › Policy retention 81.2%

## Core Loss Ratio vs. Catastrophe Losses



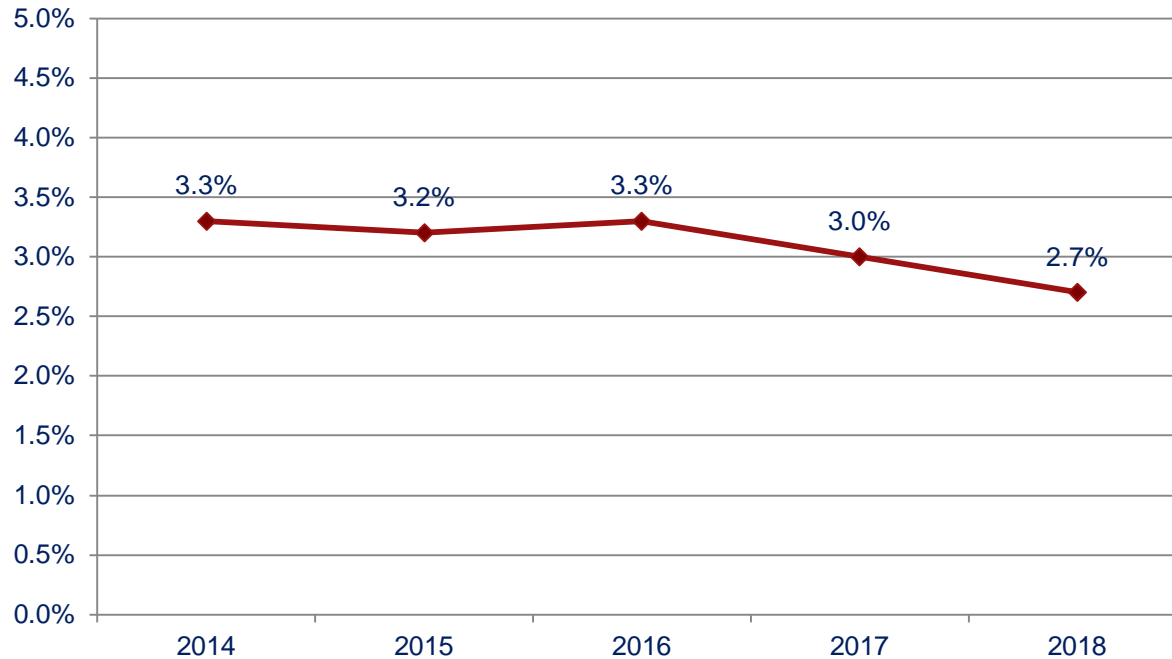
Cat losses in Q4 2018 added 5.9 percentage points to the loss ratio.



## Adjusted Combined Ratio

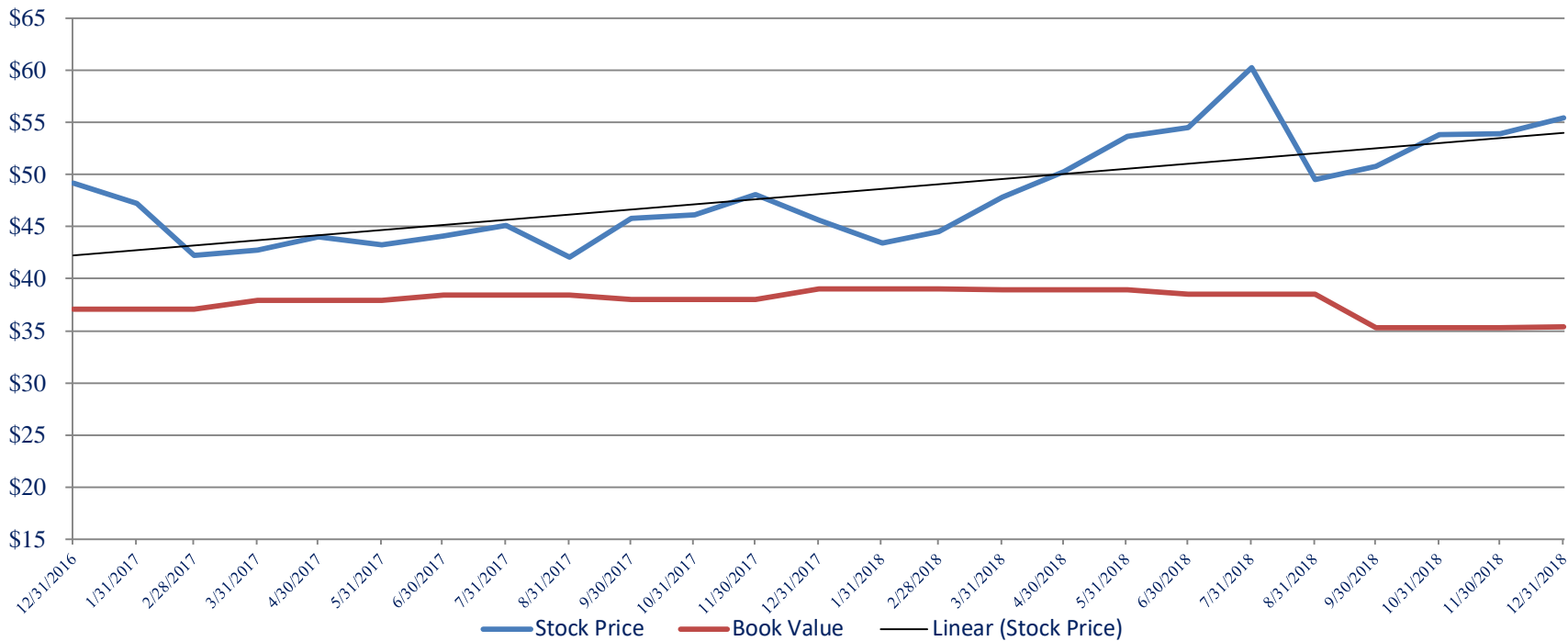
<b>Adjusted Combined Ratio</b>	<b>Q42018</b>	<b>Q42017</b>	<b>2018</b>	<b>2017</b>
P&C Loss Ratio (as reported)	75.4%	60.5%	70.5%	72.8%
Impact of Catastrophes	<b>-5.9%</b>	<b>-2.0%</b>	<b>-4.5%</b>	<b>-7.4%</b>
Loss Ratio Ex-Catastrophes	69.5%	58.5%	66.0%	65.4%
Impact of Reserve Development	2.4%	6.3%	5.2%	5.4%
<b>Loss Ratio Ex - CAT and Ex-Development</b>	<b>71.9%</b>	<b>64.8%</b>	<b>71.2%</b>	<b>70.8%</b>
P&C Expense Ratio	33.1%	33.3%	33.5%	31.2%
<b><i>Adjusted Combined Ratio</i></b>	<b>105.0%</b>	<b>98.1%</b>	<b>104.7%</b>	<b>102.0%</b>

## Consolidated Income Yield



NOTE: Total Invested Assets excludes Cash & Cash Equivalents

## UFCS Stock Price (12/31/16 – 12/31/18)



52 Week High: \$61.56 --- 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 *Forbes*' list of "America's 50 Most Trustworthy Financial Companies" every year since 2014.
- Placed on July 2018 *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 2018 by *The Des Moines Register*.
- Named a Five-Star Carrier by *Insurance Business America* for 2018.
- Named one of Sandler O'Neill's 2016 Insurance Premium Players.

