



# 2017 Fourth Quarter & Year End Earnings Conference Call

February 14, 2018

## Financial Highlights– 4Q 2017 & Year End 2017

	<u>4Q2017</u>	<u>4Q2016</u>	<u>2017</u>	<u>2016</u>
Net Income per diluted share	\$ 1.81	\$ 0.46	\$ 1.99	\$ 1.93
Net Realized Investment Gains per share	\$ 0.03	\$ 0.00	\$ 0.20	\$ 0.15
Adjusted Operating Income per share	\$ 1.78	\$ 0.46	\$ 1.79	\$ 1.78
Catastrophe Losses per share	\$ 0.13	\$ 0.22	\$ 1.88	\$ 1.54
GAAP Combined Ratio	93.8%	102.6%	104.0%	100.3%
Book Value per Share			\$39.06	\$37.04
Return on Equity			5.3%	5.5%

## Continuing Operations Highlights

- **4Q 2017 Results**
  - \$260M in net premiums earned in 4Q 2017– an increase of 6.5% over 4Q 2016
  - Catastrophe losses added 2.0 percentage points to the combined ratio; lower than our historical 10-year average of 6.0 percentage points for fourth quarters
  - Core loss ratio improvement –
    - Driven primarily due to an decrease in severity of commercial auto and commercial property losses from our ongoing profit initiatives and rate increases
- **2018 Strategies**
  - Focus on profitability
  - Targeted organic growth (4-6% overall)
  - Continue with auto lines profit initiatives and rate increases
  - Increased utilization of our Enterprise Analytics group

## P & C Market Conditions

- **Soft market cycle** – continues to be competitive across all regions for both renewals and new business
- **Commercial lines renewal rate increases** – low single digits
- **Commercial lines filed rate increases** –
  - Commercial fire and allied filed rate increases in the mid single digits and commercial auto filed rate increases averaged in the low double digits
  - Workers' compensation saw rate decreases in the mid single digits
- **Personal lines rate increases** – **renewal:** low single digit increases; **filed:** upper single digit increases in personal auto and homeowners lines

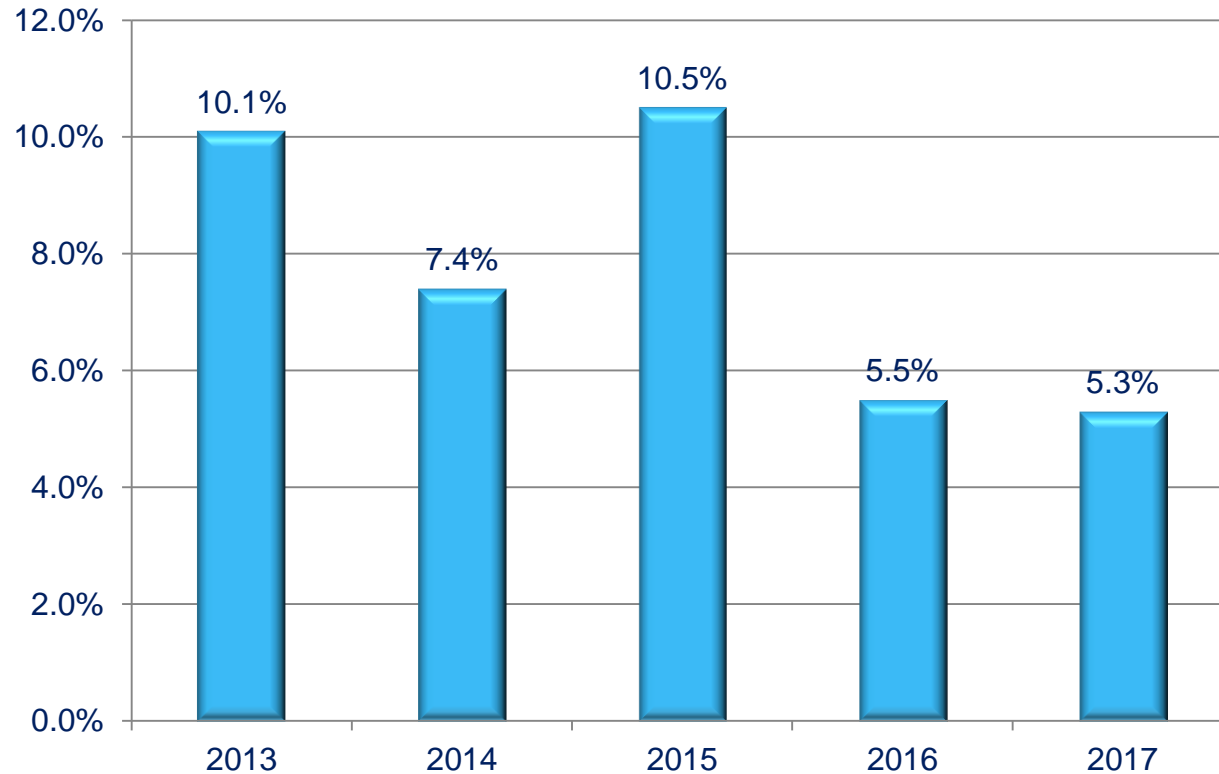
## P & C Segment Geographic Footprint



*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.*

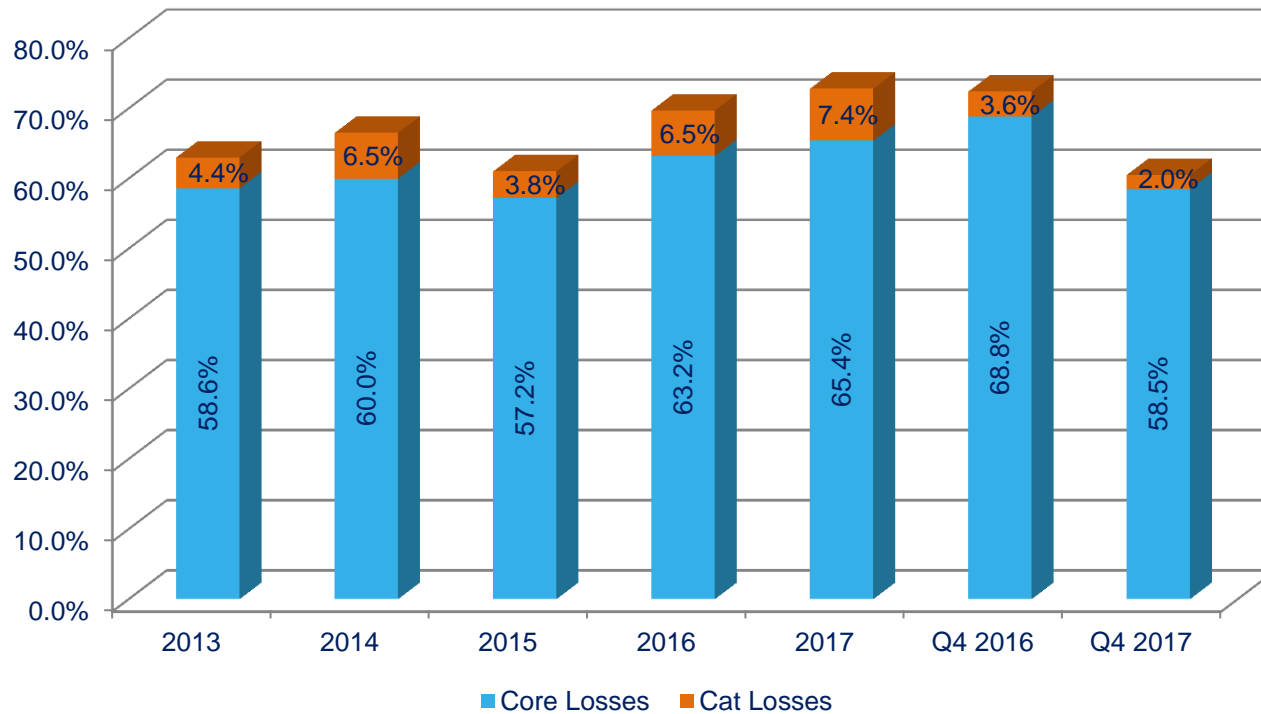
## Consolidated GAAP ROE



## 4Q 2017 P & C Gross Premium Growth & Retention

- P&C Gross written premium growth
  - › Commercial lines 6.3%
  - › Personal lines 0.7%
  - › Group (all lines) 5.9%
  
- Retention
  - › Premium retention 84.1%
  - › Policy retention 81.2%

## Core Loss Ratio vs. Catastrophe Losses



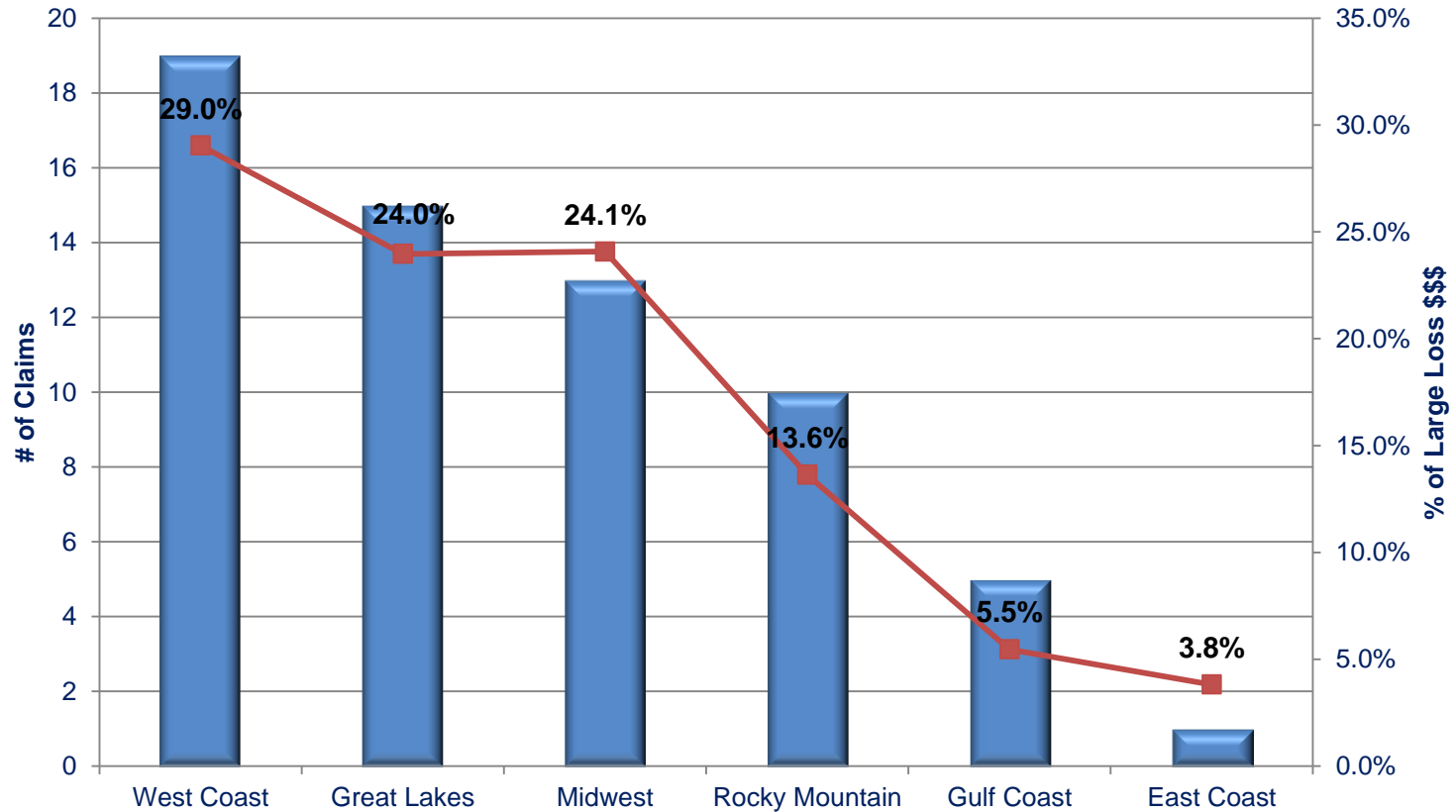
Cat losses in 4Q 2017 added 2.0 percentage points to the loss ratio.



## Adjusted Combined Ratio

<b>Adjusted Combined Ratio</b>	<b>4Q2017</b>	<b>4Q2016</b>	<b>2017</b>	<b>2016</b>
P&C Loss Ratio (as reported)	60.5%	72.4%	72.8%	69.7%
Impact of Catastrophes	<b>-2.0%</b>	<b>-3.6%</b>	<b>-7.4%</b>	<b>-6.5%</b>
Loss Ratio Ex-Catastrophes	58.5%	68.8%	65.4%	63.2%
Impact of Reserve Development	6.3%	1.7%	5.4%	3.3%
<b>Loss Ratio Ex - CAT and Ex-Development</b>	<b>64.8%</b>	<b>70.5%</b>	<b>70.8%</b>	<b>66.5%</b>
P&C Expense Ratio	33.3%	30.2%	31.2%	30.6%
<b><i>Adjusted Combined Ratio</i></b>	<b>98.1%</b>	<b>100.7%</b>	<b>102.0%</b>	<b>97.1%</b>

## Commercial Auto Large Losses\* in 2017 By Region



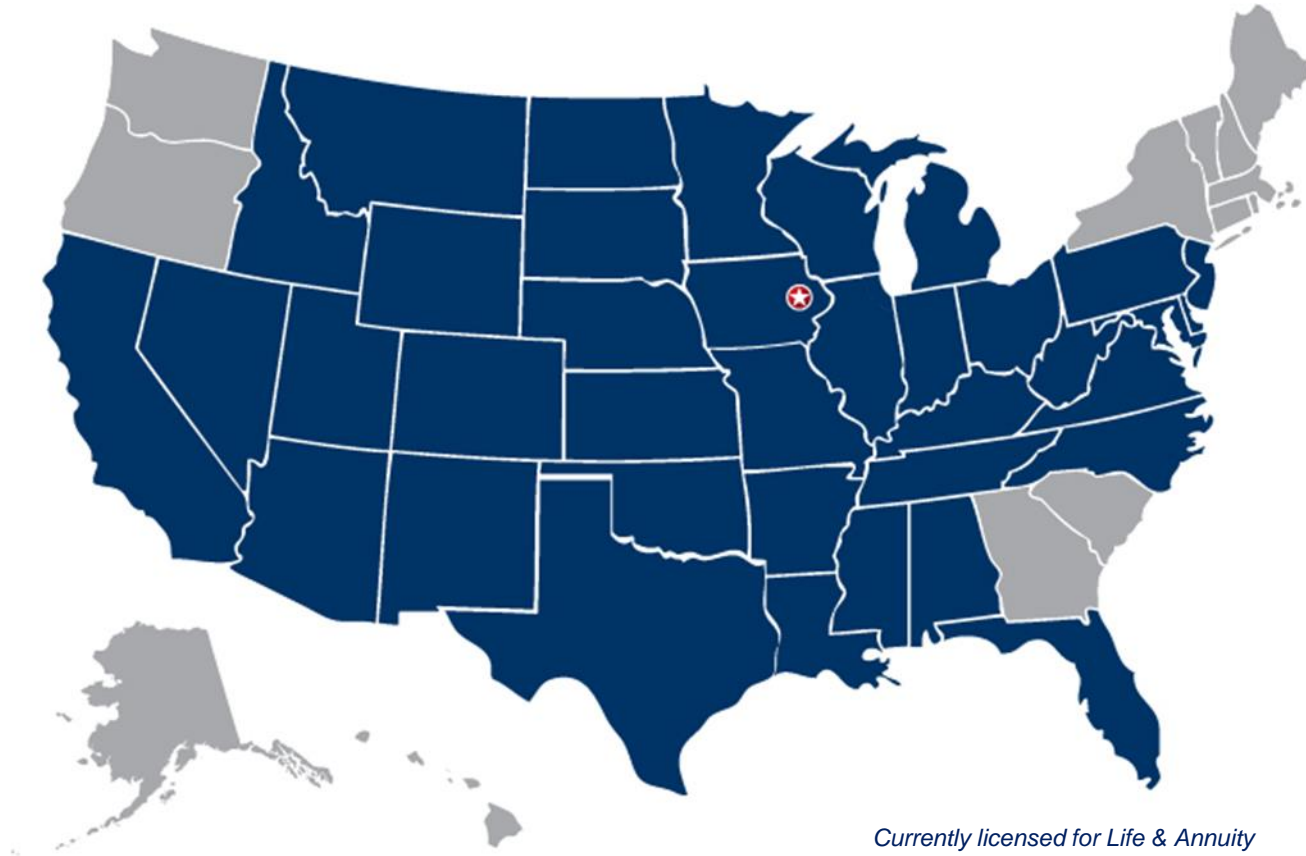
\*Large losses are defined as losses greater than \$500 thousand before reinsurance recoveries

## Life Business\*

- Strong capitalization according to A.M. Best
- Lapse ratio of 4.7
- Net premiums earned decreased by 37.0% in Q4 2017 compared to Q4 2016 mainly due to a decline in sales of single premium whole life policies.
- Net income in Q4 2017 was \$734 thousand compared to a net loss of \$40 thousand in Q4 2016 and net income of \$6.2 million for the full year 2017 compared to \$0.8 million for the same period in 2016.

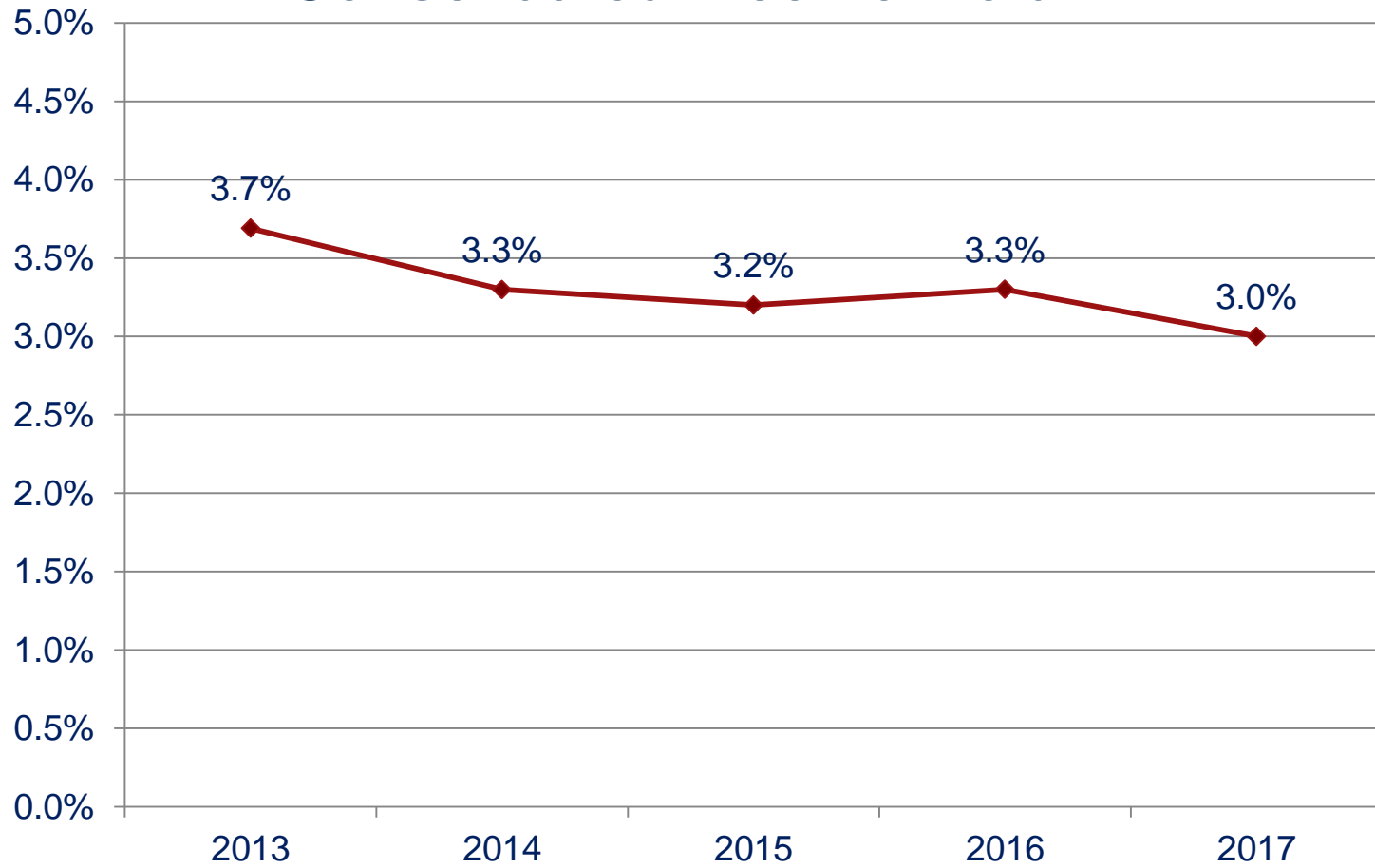
\*On September 18, 2017, the Company signed a definitive agreement to sell its subsidiary United Life Insurance Company to Kuvare US Holdings. As a result, our life insurance business is presented as discontinued operations. The sale is expected to close in the first half of 2018, subject to customary conditions, including insurance department regulatory approval.

## Discontinued Operations Geographic Footprint



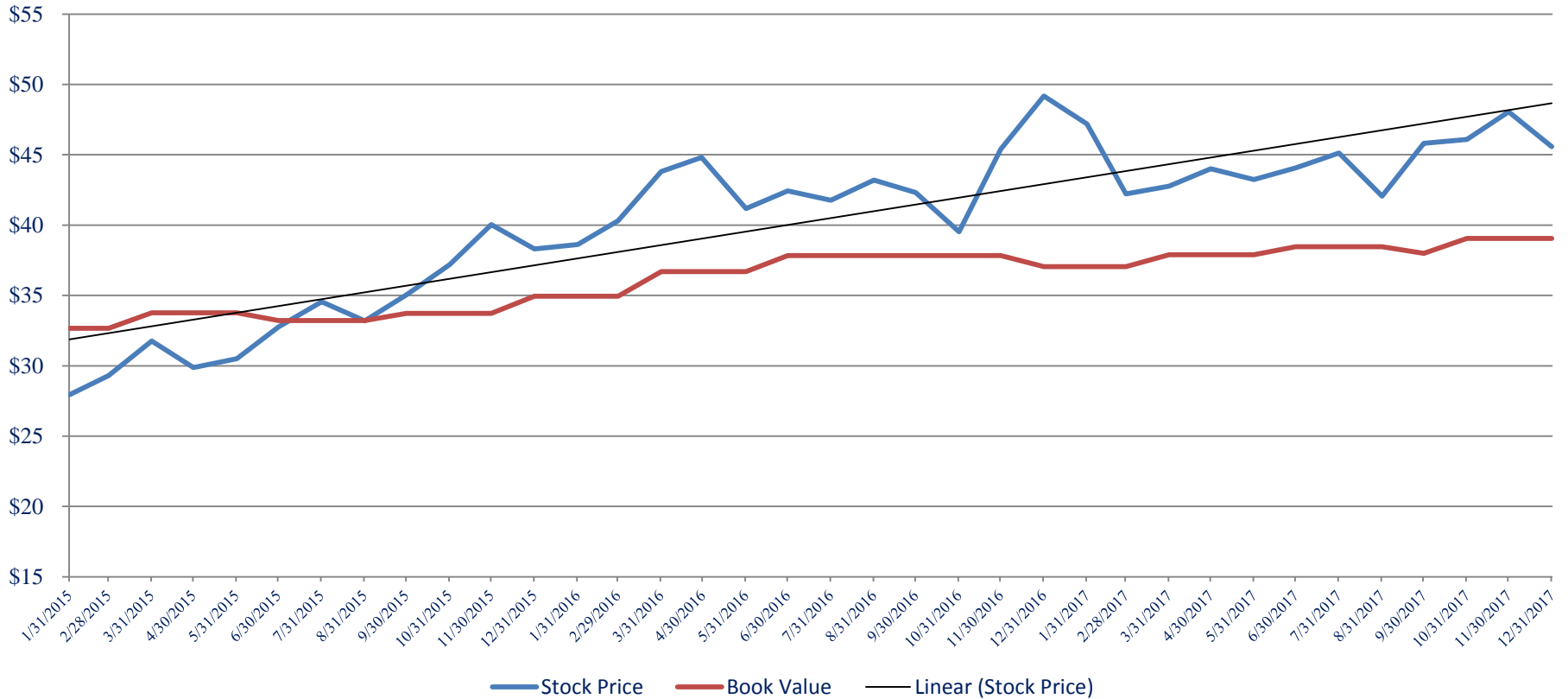
*Currently licensed for Life & Annuity business in 37 states throughout the country which are shaded dark blue. United Life Insurance Company operates out of our Corporate Headquarters in Cedar Rapids, IA.*

## Consolidated Income Yield



NOTE: Total Invested Assets excludes Cash & Cash Equivalents.

## UFCS Stock Price (1/31/2015 – 12/31/2017)



52 Week High: \$49.93 --- 52 Week Low: \$38.98



## 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.

