United Fire Group

Q3 2026 Conference Call

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CORPORATE PARTICIPANTS

Kevin Leidwinger – *Chief Executive Officer*

Eric Martin – *Chief Financial Officer*

Julie Stephenson – *Executive Vice President, Underwriting*

PRESENTATION

Operator
Good day, and welcome to the United Fire Group Insurance 2026 Third Quarter Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero.

After today's remarks, there will be an opportunity to ask questions. To ask a question, you may press star then one on your touchstone phone. To withdraw your question, please press star then two. Please note this event is being recorded.

I would now like to turn the conference over to Timothy Borst, VP of Investor Relations. Please go ahead.

Timothy Borst
Good morning and thank you for joining this call. Yesterday afternoon, we issued a press release on our results. To find a copy of this document, please visit our website at ufginsurance.com. Press releases and slides are located under the Investors tab.

Joining me today on the call are UFG President and Chief Executive Officer, Kevin Leidwinger; Executive Vice President and Chief Operating Officer, Julie Stephenson; and Executive Vice President and Chief Financial Officer, Eric Martin.

Before I turn the call over to Kevin, a couple of reminders. First, please note that our presentation today may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations, estimates, forecasts, and projections about the company, the industry in which we operate, and beliefs and assumptions made by management.

The company cautions investors that any forward-looking statement includes risks and uncertainties and is not a guarantee of future performance. Any forward-looking statement made by us in this presentation is based only on information currently available to us and speaks only as of the date on which it is made. These forward-looking statements are based on management's current expectations, and the company assumes no obligation to update any forward-looking statements. The actual results may differ materially due to a variety of factors, which are described in our press release and SEC filings discussed specifically in our most recent Annual Report on Form 10-K.

Also, please note that in our discussion today, we may use some non-GAAP financial measures. Reconciliations of these measures to the most comparable GAAP measures are also available in our press release and SEC filings.

At this time, I will turn the call over to Mr. Kevin Leidwinger, CEO of UFG Insurance.

Kevin Leidwinger
Good morning and thank you for joining us today.

UFG delivered another strong quarter producing a 94.6% combined ratio and extending the strong operating performance we have delivered throughout 2026. Our third quarter results contributed to record earnings through the first 9 months of the year and a 14% return on equity while reflecting continued execution across the organization.

Over the past several years, we have taken deliberate actions to strengthen UFG by deepening

underwriting expertise, expanding capabilities, strengthening agency relationships, and improving operational efficiency. Those efforts have created a more focused, disciplined, and resilient organization, strengthened the quality of our portfolio, and expanded opportunities available to us. Today, we have access to a broader set of profitable growth that simply was not available to us several years ago, which we believe allow us to continue growing the business while maintaining underwriting discipline.

As market conditions continue to evolve, pricing is moderating competition is increasing across much of the commercial insurance marketplace. In response, our focus remains on writing business that meets our profitability objectives, maintaining strong relationships, and deploying capital where we believe it can generate attractive risk adjusted returns.

Investment income also remains an important contributor to our performance. Our high quality investment portfolio continues to benefit from a favorable interest rate environment, providing additional earnings strength while maintaining the conservative risk profile that has long characterized UFG's approach to capital management.

As we look ahead, we remain confident in the strength of our business while also remaining realistic about the market environment. Regardless of where we are in the insurance cycle, our priorities remain consistent: disciplined underwriting, profitable growth, and prudent capital management. These principles have guided our progress and will continue to inform our decisions in the future.

With that, I will turn the call over to Julie.

Julie Stephenson
Thanks, Kevin.

We are pleased with the continued positive momentum in our results, as our underwriting team successfully navigate a persistently competitive marketplace. Net written premium increased 13% in the third quarter, driven by continued growth in our core commercial business which includes small business, middle market and construction. Our underwriters remain disciplined as they defend renewals, sharpen risk selection, and maintain strong relationships with our distribution partners to capitalize on new business opportunities afforded to us by our deep index expertise and expanded capabilities. These efforts continue to support healthy new business production, positive rate achievement, and steady retention. The average renewal rate change was 2% reflective of current market conditions. Property rates remained under the most pressure, and we saw some moderation in casualty rates including umbrella rates which remain in the upper single digits.

While rate achievement has continued to moderate, we remain comfortable with our pace of growth in the current environment. UFG's disciplined underwriting approach and coordination across pricing and reselection benefit both new business and renewal portfolios. We continually trim around the edges of our renewal portfolio through the lens of current underwriting guidelines. New business written under our more stringent underwriting framework since 2024 makes up more than half of the portfolio and continues to meet or exceed our expectations.

Alternative distribution, which includes treaty programs and funds at Lloyd's, contributed nearly $100 million of net written premium in the third quarter. The strong January 1 treaty and funds at Lloyd's renewal cycle continues to fuel growth in the third quarter and demonstrates the value of our diversified distribution platform. Given our broad opportunities and disciplined pricing and exposure management, we believe this business remains well positioned to support prudent growth through varying market cycles.

In specialty excess and surplus lines, market conditions continue to evolve rapidly, with increasing competitive pressure across both property and casualty lines. While we are being exceptionally selective in this market, we saw year over year growth in new business, and retained those accounts still meeting our risk selection and pricing expectations. Due to timing of ceded reinsurance premiums that caused some noise in our 2025 results, net written premium is down slightly for the quarter.

Treaty premiums, which can vary from quarter to quarter, were down slightly in the third quarter compared to prior year but remained favorable through the first 9 months. We remain confident in the quality of the portfolio and the long-term growth prospects of the business as our team adapts to changing conditions.

Turning to profitability, the underlying loss ratio has been fairly steady in the first three quarters of 2026. The third quarter underlying loss ratio of 57.3% increased slightly on a year over year basis due to lower favorable impacts compared to the exceptional third quarter of 2025. This rate achievement has moderated over the last few quarters. We are experiencing less benefit from rate than we did in 2025. However, we have positioned our portfolio for this type of environment over the past three years and continue to benefit from favorable frequency trends and a portfolio less susceptible to large losses. Year-over-year improvement may be more modest as our portfolio has matured, and is now fully reflective of the specialized and disciplined underwriting we have employed over the last several years.

Further, as we have continually done with our reserves and current accident year, we maintain a conservative position within the actuarial range of estimates. Prior year reserve development was neutral overall in the third quarter. We experienced continued favorable emergence in commercial auto and property, Consistent with our approach in recent years, we redeployed the benefit of favorable emergence to maintain a conservative position in areas subject to greater uncertainty.

The third quarter catastrophe loss ratio of 2.4% was well below both 5- and 10-year historical averages but higher than the exceptionally low 1.3% experienced a year ago. While third quarter event frequency was nearly twice as high as in 2025, more modest severity in 2026 limited the impact on the loss ratio. The ongoing impact of actions taken in recent years to improve our catastrophe risk profile remains evident in our results, with our year to date catastrophe loss ratio of 2.9% trending below our full year estimate of 5%.

With that, I will turn the call over to Eric Martin to discuss the remainder of our financial results.

Eric Martin
Thank you, Julie.

Starting with investments, our high-quality portfolio continued to deliver a sustainable increase in net investment income. Earnings from our fixed maturity portfolio grew 25% in the third quarter. Our bond portfolio continues to grow in size as the virtuous cycle of increased investment and underwriting cash flow support profitable growth and increase shareholder returns. I am exceptionally pleased with the execution of our investment strategy in the third quarter. Our team leveraged the highest market interest rates seen in decades to extend duration a small amount while remaining focused on adding high-quality credits at an average rating of AA- in the quarter.

The overall new purchase yield of 5.6% in the quarter was approximately 100 basis points above the portfolio average providing strong support for future investment income. Portfolio duration remains at a very prudent level at right around 4.5 years within a high-quality portfolio that has an average credit rating of AA-.

The increase in market interest rates in the third quarter was the sole driver of the increase in our

unrealized loss position to $145 million Our fixed income portfolio remains clean with no impairments, and the change in our unrealized loss position does not impact income nor investment strategy.

Outside of fixed income, our portfolio of approximately $100 million of limited partnership investments contributed positive income of $1.3 million this quarter. As you know, these results can vary from quarter to quarter and income is favorable to 2025 on a year-to-date basis.

Turning to the expense ratio, the third quarter result of 34.9% continued the gradual, although occasionally bumpy downward trend by balancing thoughtful investments in the business with the benefit of ongoing efficiencies and business growth. More importantly, on a year-to-date basis, the 2026 expense ratio is seven-tenths of a point lower than 2025 primarily driven by the increase in premium volume relative to staffing costs as efficiency and productivity improve across the enterprise.

Third quarter net income and non-GAAP adjusted operating income were $1.34 per diluted share. Adjusted book value per share, which excludes the impact of unrealized investment losses, increased to $40.94 while reported book value per common share was $36.51 as a result of higher interest rates that widened the unrealized loss position.

From a capital management perspective, during the third quarter, we declared and paid a $0.20 per share cash dividend to shareholders of record as of September 4, 2026.

This concludes our prepared remarks. I will now have the operator open the line for questions.

QUESTION AND ANSWERS

Operator
We will now begin the question-and-answer session. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

The first question today comes from Paul Newsome with Piper Sandler. Please go ahead.

Paul Newsome
Good morning. Thanks for the call. Maybe a little bit more color on the competitive environment and your thoughts on the outlook for premium growth given the current environment plus the renewal rate situation. I guess as a maybe addendum to that question, do you need to get a certain level of premium growth to pull the expense ratio down further because it looked like the expense ratio is pretty flat in the quarter and obviously it still remains high relative to some of your peers.

Julie Stephenson
Hi, Paul. It is Julie. I will address the first part of question.

We are certainly not immune to the forces impacting the market, but we feel good about the tools we have in place to manage it. I think for us, the market, at least for our core businesses, is still rational in our view, so we think our approach that we have worked so hard on over the past few years is paying off for us. As we have mentioned, our distribution partners are really appreciating our enhanced capabilities and our expertise, and they are just giving us access to more deals that we have not seen before. So that allows us to be really discerning in our risk selection. Then you compound that with the pricing rigor and the account management rigor that we put in place over time to protect profitability, we feel good about our growth prospects and as long as the market remains rational.

Eric, do you want to take that?

Eric Martin
Thanks, Paul. On the expense ratio side, we are making good progress, although every quarter, as we mentioned, it can be a little bit bumpy. But as you look on a year to date basis relative to last year, we are down seven-tenths of a point.

As we grow at around 10% rate, we think that we can see the expense ratio coming down half a point or so. Some of that is due to premium leverage, but there is also actions we can take on expenses to continue to manage that as we go through various cycles here.

Paul Newsome
Appreciate the help. Thanks.

Operator
The next question comes from Matthew Erdner with Jones Trading. Please go ahead.

Matthew Erdner
I would like to touch on the underlying loss ratio a little bit. You mentioned a little lower favorable impacts. Could you just kind of quantify that there and what your expectations are going forward?

Julie Stephenson
I'll start by just talking about how pleased we are with the quarter's underlying loss ratio. As we said, it is consistent with the first two quarters of 2026. It gives us a position of strength to navigate the market. And the details beneath it are our large loss activity was well within our expectations, we still had positive rate earning through. Our frequency trends remained favorable, and our severity trends, while elevated, remained stable. So, on the surface, there may appear to be that modest deterioration from Q3 to Q3, but the third quarter of '25 was exceptional for us across those categories. So I think the way we look at it is that we had a really great quarter in 2025 and a really great quarter now in Q3 of '26.

Matthew Erdner
Yes, that is great. Thanks for the clarification there. And then can we just talk a little bit about mix shift and how you guys are looking across the different lines, where you are seeing the most traction, so to speak?

Julie Stephenson
We aspire to be a total account solution provider, so in our core businesses we are interested in writing a balanced portfolio across the five core lines, and that line of business mix is dependent on the industry that we are underwriting for. So, we certainly pay attention to mix, but we aspire to provide all five lines for the customers that we write.

Matthew Erdner
Got it. Thank you. Appreciate it.

CONCLUSION

Operator
This concludes our question-and-answer session. I would like to turn the conference back over to Kevin Leidwinger for any closing remarks.

Kevin Leidwinger
We are pleased with our third quarter results and our performance through the first 9 months of 2026, but even more confident in the strength of our business. As market conditions continue to evolve, we remain focused on the same priorities that have guided our progress to date: disciplined underwriting, profitable growth and prudent capital management.

We appreciate your interest in UFG and look forward to speaking with you again next quarter. Thank you.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.