# SECOND QUARTER 2024 RESULTS

AUGUST 7, 2024

# Safe harbor statement and non-GAAP measures

This presentation may contain forward-looking statements about our operations, anticipated performance and other similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor under the Securities Act of 1933 and the Securities Exchange Act of 1934 for forward-looking statements. The forward-looking statements are not historical facts and involve risks and uncertainties that could cause actual results to differ from those expected and/or projected. 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. Words such as "expect(s)," "anticipate(s)," "intend(s)," "plan(s)," "believe(s)," "continue(s)," "seek(s)," "estimate(s)," "goal(s)," "remain(s) optimistic," "target(s)," "forecast(s)," "project(s)," "predict(s)," "should," "could," "may," "will," "might," "hope," "can" and other words and terms of similar meaning or expression in connection with a discussion of future operations, financial performance or financial condition, are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed in such forward-looking statements. Some factors that could cause actual outcomes and results to differ materially from those expressed in the forward-looking statements is contained in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission ("SEC") on February 29, 2024. The risks identified in our Annual Report on Form 10-K and in our other SEC filings are representative of the risks, uncertainties, and assumptions that could cause actual outcomes and results to differ materially from what is expressed in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release or as of the date they are made. Except as required under the federal securities laws and the rules and regulations of the SEC, we do not have any intention and disclaim any duty or obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

**Non-GAAP Financial Measures**

This presentation also includes certain non-GAAP financial measures within the meaning of Regulation G, including “adjusted operating income (loss) ),” which are used where management believes them to be helpful in understanding the Company’s results of operations or financial position. Refer to information about the non-GAAP measures contained in this presentation. Additional information as required by Regulation G are available in our Annual Report on Form 10-K and our Form 8-K furnished as of the date of this presentation with the SEC, which are available at http://ir.ufginsurance.com under “Financial Documents”. Investors are cautioned not to place undue reliance on these non-GAAP measures in assessing our overall financial performance.



ufg INSURANCE

# Financial highlights

## Consolidated financial results

| | Second Quarter | | | Year to Date | | |
|---|---|---|---|---|---|---|
| (In Millions, Except Per Share Data) | 2024 | 2023 | Change | 2024 | 2023 | Change |
| Net premiums written | $326 | $299 | 9% | $647 | $572 | 13% |
| Net premiums earned | $288 | $255 | 13% | $568 | $511 | 11% |
| GAAP Ratios: | | | | | | |
| Net loss ratio | 70.1% | 98.4% | (28.3) pts | 67.0% | 83.3% | (16.3) pts |
| Underwriting expense ratio | 35.5% | 34.6% | 0.9 pts | 35.2% | 34.9% | 0.3 pts |
| Combined ratio | 105.6% | 133.0% | (27.4) pts | 102.2% | 118.2% | (16.0) pts |
| Loss Ratios: | | | | | | |
| Net loss ratio | 70.1% | 98.4% | (28.3) pts | 67.0% | 83.3% | (16.3) pts |
| Catastrophe loss ratio [1] | 11.2% | 13.0% | (1.8) pts | 7.9% | 8.8% | (0.9) pts |
| Reserve development (excl. catastrophe) [1] | 0.0% | 20.8% | (20.8) pts | 0.0% | 10.4% | (10.4) pts |
| Underlying loss ratio [1] | 58.9% | 64.6% | (5.7) pts | 59.1% | 64.1% | (5.0) pts |
| Underlying combined ratio [2] | 94.4% | 99.2% | (4.8) pts | 94.3% | 99.0% | (4.7) pts |
| Net investment income | $18 | $11 | | $34 | $24 | |
| Net investment gains (losses) | ($1) | $1 | | ($2) | ($1) | |
| Other income (loss) | ($5) | ($1) | | ($7) | ($3) | |
| Net income (loss) | ($3) | ($56) | | $11 | ($56) | |
| Adjusted operating income (loss) [3] | ($2) | ($57) | | $13 | ($55) | |
| Net income (loss) per diluted share | ($0.11) | ($2.23) | | $0.42 | ($2.21) | |
| Adjusted operating income (loss) per diluted share [3] | ($0.07) | ($2.27) | | $0.49 | ($2.19) | |
| Return on equity [4] | | | | 2.9% | (15.7%) | |
| Book Value per Share | | | | $28.68 | | |

- Net written premium growth continued with Q2 +9% to prior year
- GAAP combined ratio of 105.6%, improved 27.4 points compared to the second quarter of 2023
- Underlying combined ratio of 94.4% improved 4.8 points from prior year
- Q2 catastrophe loss ratio below prior year, five-year and 10-year historical averages
- Prior period reserve development neutral overall compared to significant strengthening in Q2 2023
- Net investment income continues to benefit from higher interest rate environment and portfolio repositioning actions that generated small amount of realized losses
- Net loss of $2.7 million includes $3.2 million pre-tax contingent liability charge related to rating errors
- Book value per common share decreased to $28.68 from $29.04 at year-end 2023

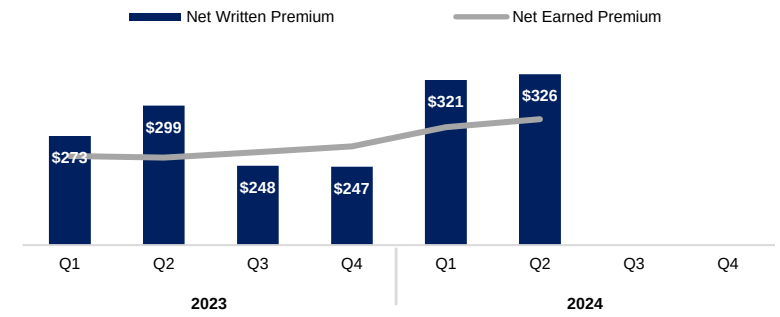


(1) Underlying loss ratio is a non-GAAP financial measure that is defined as the net loss ratio less impacts of catastrophes and non-catastrophe prior period reserve development.
(2) Underlying combined ratio is a non-GAAP financial measure that is defined as the GAAP combined ratio less impacts of catastrophes and non-catastrophe prior period reserve development.
(3) Adjusted operating income (loss) is a non-GAAP financial measure of net income excluding net investment gains and losses, after applicable taxes.
(4) Return on equity is calculated by dividing annualized net income by average stockholders' equity, which is calculated using a simple average of the beginning and ending balances for the period.

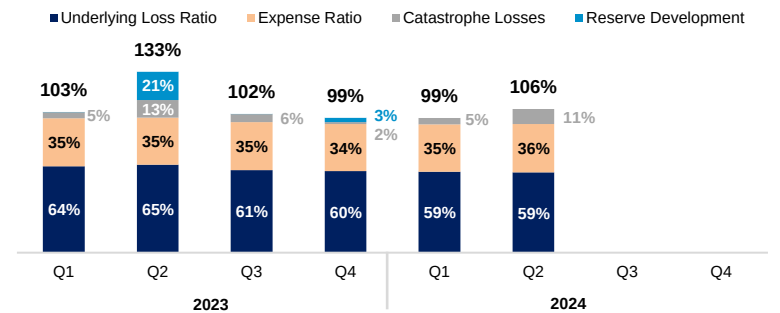
ufg INSURANCE

# P&C trends

## Premium trend ($M)




## Combined ratio trend



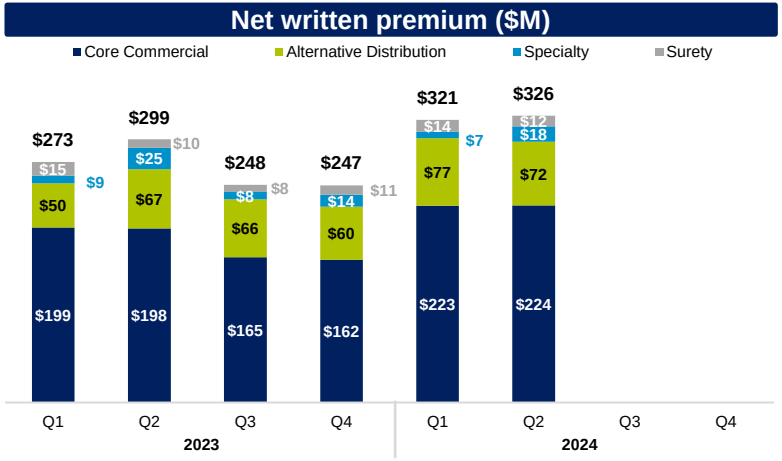

- Second quarter net written premium growth supported by Core Commercial and Alternative Distribution
- Total combined ratio improved vs. prior year with stable reserving and decreased catastrophe and underlying combined ratios
- Underlying combined ratio continues to improve as underwriting and expense management strategies increasingly benefit financial results
- Total cost base declining compared to prior year; strategic investments increasing near-term underwriting expense ratio with larger benefits to loss adjusting expense ratio
- Underlying loss ratio trending down reflecting continued frequency improvement from underwriting actions and higher earned rate achievement along with improved large loss experience in property and surety lines
- Q2 catastrophe loss ratio below prior year, five-year, and 10-year averages
- Prior period reserve development neutral overall, with favorable development in property and commercial auto offset with precautionary increases in liability lines to guard against future inflation uncertainty

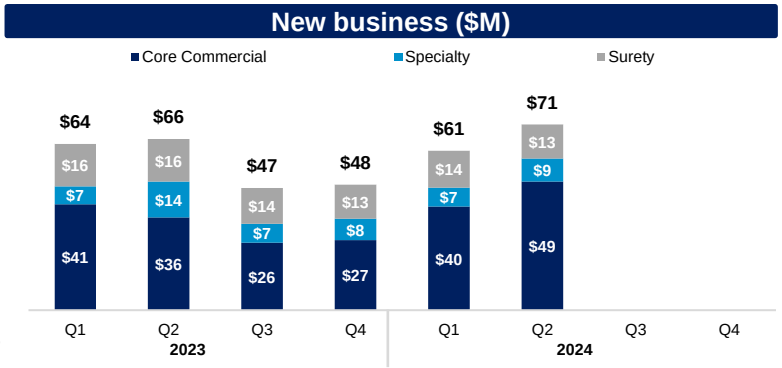


(1) Underlying loss ratio is a non-GAAP financial measure that is defined as the net loss ratio less impacts of catastrophes and non-catastrophe prior period reserve development.
(2) Underlying combined ratio is a non-GAAP financial measure that is defined as the GAAP combined ratio less impacts of catastrophes and non-catastrophe prior period reserve development.

ufg INSURANCE

# P&C portfolio production



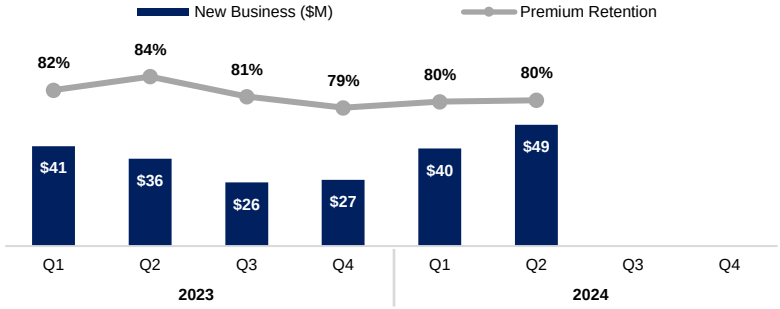

- Core Commercial net written premium growth supported by average renewal premium increases of 12.3% with retention and new business levels reflecting ongoing focus on profitability
- Alternative Distribution delivering diversifying growth while targeting 25% of total portfolio
- Specialty and Surety businesses performing as expected with ongoing focus on consistent profitability

New business defined as direct premium written for full policy new to UFG or new coverage line added to existing policy, not applicable to Alternative Distribution

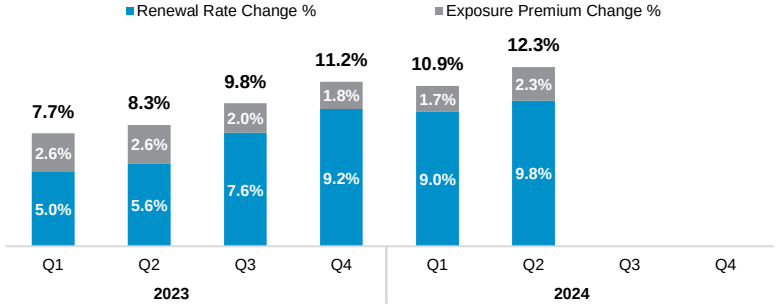
Core commercial: Admitted commercial lines business sold through approximately 1,000 independent agents
Specialty: Excess & Surplus lines distributed through wholesale market
Surety: Contract and commercial surety bonds
Alternative Distribution: Includes assumed reinsurance, delegated underwriting authority, Funds at Lloyd's

# Core commercial lines production detail

## New business & premium retention trend




## Renewal premium change




- Core Commercial retention and new business reflect continued focus on profitability
- Total Q2 renewal premium change accelerated to 12.3%
- Renewal premium change excluding workers' compensation was 13.5%
- Property renewal premium change remained strong at over 20%
- Liability pricing accelerated with Commercial Auto, GL lines of business up sequentially from Q1
- Overall loss trends remain elevated, but stable in the mid single digits with rate achievement outpacing trend

Note: Results exclude Surety, Specialty, Alternative Distribution

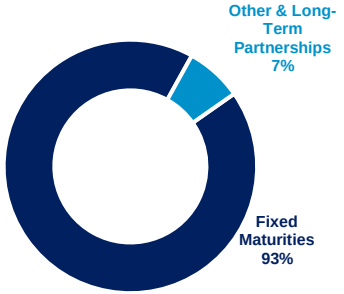


ufg INSURANCE

# Investment portfolio

## Investment portfolio composition & quality

**Portfolio Composition**




**Fixed Maturity Credit Rating**

| Rating | % of Portfolio |
|---|---|
| AAA | 43% |
| AA | 21% |
| A | 18% |
| BBB | 15% |
| **Investment Grade** | **97%** |
| Other / Not Rated | 3% |
| **Total Fixed Maturity** | **100%** |

*Note: Totals impacted by rounding*

## Unrealized gain / loss impact on stockholder's equity

| Fixed Maturity Asset Balance ($M) | Q2 2024 | Year End 2023 | YTD Change |
|---|---|---|---|
| Book Value | $1,896 | $1,771 | |
| Unrealized Gain (Loss) | ($99) | ($85) | ($15) |
| **Carried Assets on Balance Sheet** | **$1,796** | **$1,687** | |
| *Change in Equity (After-Tax)* | | | *($12)* |

*Note: Totals impacted by rounding*

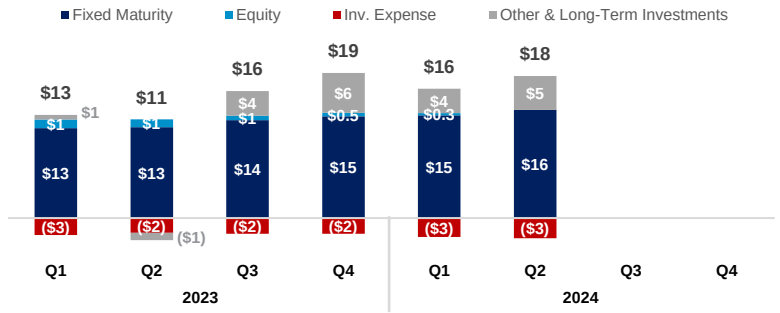
- Q2 invested assets of $1.9B, with 93% of invested assets in fixed income securities
- High-quality portfolio with average rating AA-
- Portfolio strategically positioned to reinvest at higher rates with duration approximately 4 years
- Unrealized loss increased slightly in Q2

# Investment income

## Results

| (In Millions) | Second Quarter 2024 | Second Quarter 2023 | Second Quarter Change | Year to Date 2024 | Year to Date 2023 | Year to Date Change |
|---|---|---|---|---|---|---|
| **Investment income:** | | | | | | |
| Interest on fixed maturities | $16 | $13 | 19% | $31 | $27 | 16% |
| Dividends on equity securities | $0 | $1 | (100%) | $0 | $2 | (86%) |
| Income on other long-term investments | $1 | ($4) | (118%) | $0 | ($5) | NM |
| Other | $4 | $2 | 72% | $8 | $4 | 88% |
| Total investment income | $21 | $14 | 53% | $40 | $29 | 38% |
| Less investment expenses | ($3) | ($2) | 23% | ($6) | ($5) | 15% |
| **Net investment income** | **$18** | **$11** | **59%** | **$34** | **$24** | **43%** |
| **Net investment gains (losses)** | **($1)** | **$1** | | **($2)** | **($1)** | |
| **Yield (pre-tax):** | | | | | | |
| Fixed Maturity [1] | 3.6% | 3.2% | | 3.4% | 3.3% | |

## Net investment income trend ($M)




- Q2 net investment income increased +59% vs. prior year as fixed maturity income continues to grow
- Q2 fixed maturity income increased 19% from prior year, supported by ongoing reinvestment and targeted repositioning actions that generated small amount of realized losses
- High volume of Q2 fixed maturity purchases improving current and future earnings as new money yield of 5.6% continues to outpace portfolio yield



(1) Fixed maturity yield excluding unrealized gains/losses and expenses

ufg INSURANCE