

United Fire Group, Inc.  
2025 Fourth Quarter Conference Call  
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**CORPORATE PARTICIPANTS**

**Tim Borst** – *Vice President of Investor Relations*

**Kevin Leidwinger** – *President and Chief Executive Officer*

**Julie Stephenson** – *Executive Vice President and Chief Operating Officer*

**Eric Martin** – *Executive Vice President and Chief Financial Officer*

## PRESENTATION

### Operator

Good morning. My name is Nick, and I'll be your conference operator for today. At this time, I would like to welcome everyone to the UFG Insurance Fourth Quarter 2025 Financial Results Conference Call. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on a touchtone phone. To withdraw your question please press star then two. Please note, this event is being recorded.

Thank you. I will now turn the call over to UFG Vice President of Investor Relations, Tim Borst. Please go ahead.

### Tim 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](http://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 are 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

Thank you, Tim. Good morning, everyone, and thank you for joining us today. I'll cover a few highlights this morning, then Julie Stephenson will discuss our underwriting results, and Eric Martin will discuss our financial results in more detail.

Over the past three years UFG has undergone significant transformation, as we've deepened our underwriting expertise, evolved our capabilities to attract a more expansive customer base, enhanced our actuarial insights and improved alignment with our distribution partners. I'm proud to see the cumulative effect of our work reflected not only in our strong fourth quarter and full year 2025 results, but

also in the company's significantly improved financial performance since 2022.

In 2025, we grew our business to record size, while delivering the best annual underwriting profit investment income and return on equity in a decade or longer. Underwriting profit grew from \$9 million in 2024 to \$67 million in 2025. Net investment income grew by nearly 20%, while our full year operating earnings per share improved by 80% and book value per share grew by more than \$6.

Full year net written premium grew by 9%, to more than \$1.3 billion, from record new business production, strong retention in our core commercial business and continued renewal premium increases, as our underwriters remain diligent in an evolving market. The annual combined ratio improved to 94.8%, with ongoing improvement in the underlying loss ratio, catastrophe loss ratio and expense ratio.

Consistent execution of our reserving philosophy across the year has afforded us the opportunity to deliver stability in financial results, while advancing to a more conservative position in our range of actuarial estimates that reinforces the portfolio and strengthens our balance sheet. Improved underwriting profit and sustainable growth in net investment income contributed to an annual return on equity of 13.7%, the best in nearly two decades.

At the same time, our strategic investments in technology are improving operational efficiency and expanding our underwriting capabilities, allowing our people to focus on delivering the strong personal relationships and responsive services our partners and policyholders value. A few examples include our new policy administration system, underwriter workbench and artificial intelligence-based tools augmenting processes to better serve our customers today. We believe these investments will generate significant operational efficiencies as our capabilities mature.

With 2025 record year behind us, and our focus squarely on 2026, our 80<sup>th</sup> year in business, I could not be more pleased with the progress we've made since our transformation began in late 2022. I'd like to take a moment to highlight some key financial measures to illustrate how far the company has progressed over the last three years.

Between 2022 and 2025, net written premium has grown from \$984 million to \$1.3 billion, an 11% compounded annual growth rate, as our distribution partners have embraced UFG's transformation. Our combined ratio has improved from 101.4% to 94.8%, rebounding from an underwriting loss to an underwriting profit of \$67 million. Our annual investment income has more than doubled, from \$45 million to \$98 million. Operating earnings per share has increased more than fourfold, from \$1.09 to \$4.60. Return on equity has climbed from 2% to 13.7%. And book value per share has increased over 25%, from \$29.36 to \$36.88. In addition, we've greatly enhanced the company's reserve position since 2022 as part of our ongoing commitment to maintaining strong and stable reserves.

We're excited about the company's improved financial performance and momentum we established with our distribution partners. As we focus on the strategic execution of our business plan in 2026, we believe UFG is well positioned to deliver continued profitable growth as a disciplined, solution-oriented underwriting company capable of more broadly serving our distribution partners than ever before.

With confidence in our future financial performance and an enduring commitment to creating long-term value for our shareholders, I'm pleased to share that the Board of Directors has declared a 25% increase in our quarterly cash dividend from \$0.16 per share to \$.20 per share.

And with that, I'll hand the call to Julie Stephenson to discuss our underwriting results in more detail.

**Julie Stephenson**

Thanks, Kevin. The company's transformation over the past three years, and the collective hard work and engagement of our employees, have been nothing short of astounding. We're very pleased with our financial results, and the improved underwriting practices we employ today will serve to support these positive outcomes and future results.

From a growth perspective, the headline net written premium growth numbers Kevin quoted have played out in a strategically differentiated manner across our business units that span much of the commercial market. Growth remains strongest in our core commercial business, which includes small business, middle market and construction. We continue to benefit from the greater number of opportunities our distribution partners are providing as they embrace our expanded capabilities and deeper expertise and are more aware of our desired risk profile.

We capitalized on these opportunities in 2025, delivering record new business of \$247 million, nearly twice the amount of new business generated since the beginning of our transformation efforts. Rate increases moderated to 4.8% for the quarter, reflecting a more competitive environment. This is mostly observed in property, with casualty lines experiencing a more modest impact, with the exception of umbrella, which returned to double digit increases on the heels of recent rate actions in that line. While the market has become more competitive, we believe current pricing continues to be attractive, and our efforts to rebuild this portfolio have positioned us well heading into this market.

In addition to benefiting from a strong rate environment over the last several years, we have been building increased rigor in our underwriting practices, with an insistence on excellent risk selection, adequate price for exposure and contractual integrity. We've instilled these practices as fundamental principles in our underwriting processes that will serve to provide sustainable results through any changing market dynamics.

Specialty E&S net written premium grew at a double digit pace in both the fourth quarter and full year. Although competitive pressure is emerging in the E&S market, our casualty pricing remains robust, while property rates moderate further. We continue to actively pursue moderate hazard opportunities in both property and casualty to balance the volatility of the portfolio over time.

Our surety business also delivered double digit net written premium growth for the quarter and full year. Our rebuilt surety organization is generating strong momentum, while demonstrating the underwriting discipline necessary for ongoing success.

Alternative distribution continues to provide UFG with profitable business through three primary channels: treaty, programs and funds at Lloyds. Premium volume grew across all three channels in the fourth quarter compared to prior year. For the full year, Lloyds and programs grew net written premiums in the mid-single digits, while treaty reinsurance was down slightly year over year, as we chose to non-renew a small number of treaties that no longer met our profitability objectives.

Moving to profitability. Our loss ratios are fully reflecting the quality and composition of the portfolio developed over the last three years. The underlying loss ratio improved to 55.4% in the fourth quarter and improved 1.6 points to 56.3% for the full year. The book of business continues to benefit from earned rate achievement, stabilized severity trends and favorable frequency across our portfolio that remain better than our forecast. The business written over the last three years under our improved practices, and more specifically defined appetite, now accounts for 43% of the portfolio. And new business written in 2025 is outperforming the renewal portfolio on the whole, as the synergy between our new underwriting habits and enhanced analytical capabilities are maturing.

Overall, prior year reserve development was consistent with prior quarter observations, yielding an overall neutral result in the fourth quarter. We are committed to maintaining a conservative posture with our reserves in order to better protect our balance sheet.

The fourth quarter catastrophe loss ratio was 1.2%, and the full year catastrophe loss ratio of 3.2% outperformed our expectations for the year. Considering the first quarter wildfires accounted for one point of our full year loss ratio, these results are truly exceptional. While our results benefited from favorable industry wide conditions, we saw significant impact from our ongoing underwriting and portfolio management efforts, including recent improvement in deductible profiles across the property portfolio. These actions, along with our exposure management improvement in prior years, are expected to generate sustainable benefits to our property catastrophe risk profile and results going forward. This is reflected in our modeled annual expected catastrophe loss ratio of below 5% in 2026.

Regarding the renewal of our 1/1 reinsurance treaties, we were very pleased with the outcome. It was a highly successful renewal, resulting in lower ceded margins, expanded coverage and improved terms and conditions. We experienced exposure adjusted rate decreases in all of our major programs this year, including double digit decreases across our natural catastrophe treaties. Coverage was expanded in many areas to keep pace with our growing portfolio, and broadly, our program generated increased interest in the marketplace.

While we benefited from the overall market dynamics, our improved experience helped drive additional savings across our program. We received a 10% exposure adjusted rate decrease in the core, multi-line treaty, our largest program. This renewal included a modest increase in our retention, as our increased confidence in our portfolio and stronger capital position allowed us to improve the economics of this program. We also received a 10% exposure adjusted rate decrease, along with expanded coverage for our surety program, reflecting our improved results and execution in this line.

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

### **Eric Martin**

Thank you, Julie. We continued to deliver sustainable improvement in net investment income in the fourth quarter, with our high quality fixed income portfolio generating 17% more income than in the prior year. Improved profitability has allowed us to grow the size of our fixed maturity portfolio by approximately 10% in the fourth quarter, as a virtuous cycle of improved underwriting profitability benefits all aspects of enterprise value creation.

The elevated interest rate environment continues to provide opportunities to sustainably grow fixed maturity income and overall earnings, with new purchase yields steady at approximately 5% and exceeding the overall portfolio average. Outside of fixed income, our portfolio of approximately \$100 million of limited partnership investments generated a strong return of \$2.4 million in the quarter, an annualized return of approximately 10%.

Turning to the expense ratio. The fourth quarter result of 35.7% improved 1.4 points from prior year, reflecting the benefits of ongoing growth and disciplined management actions. While there will be occasional noise in the expense ratio, we expect our ongoing actions to result in a gradual reduction of the expense ratio over time.

Fourth quarter net income was \$1.45 per diluted share, with non-GAAP adjusted operating income of \$1.50 per diluted share. This quarter's earnings improved book value per common share to \$36.88. Adjusted book value per share, which excludes the impact of unrealized investment losses, grew to \$37.87 at year-end.

From a capital management perspective, during the fourth quarter we declared, and paid, a \$0.16 per share cash dividend to shareholders of record as of December 5, 2025. Our capital management priorities are to fund profitable growth in the business and then return excess capital to shareholders. Our capital position continues to strengthen, and as a result our financial flexibility continues to improve. With conviction in the sustainability of UFG's improved profitability, our Board of Directors has authorized a 25% increase in our shareholder dividend to \$0.20 per share to be paid on March 10<sup>th</sup> to shareholders of record as of February 24<sup>th</sup>.

As it relates to share repurchases, our current Board authorization of 1 million shares provides ample flexibility to optimize how we deploy capital to shareholders. With UFG's return on equity exceeding 13% in 2025 and our stock price trading near adjusted book value, we are well positioned to deliver compelling growth in shareholder value over time.

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

## **QUESTIONS AND ANSWERS**

### **Operator**

Thank you. 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'd like to withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

And the first question today will come from Matthew Erdner with Jones Trading. Please go ahead.

### **Matthew Erdner**

Hey, good morning, guys. Thanks for taking the question and congratulations on a great end to the year. You know, you guys touched a little bit about the rate increases, how it's more competitive, mostly in the property segment there. But as that seems to be leveling off in the near term, can you talk about current pricing, the expectations there going forward and the effect that that may have on achieving the mid-teens ROEs that you guys are targeting?

### **Julie Stephenson**

Hey, Matthew, it's Julie. I'll start. Certainly, we've seen the market demonstrating more competitive behavior, but we believe it's still reasonably rational. We're still achieving positive rates in the market, and we're approaching it, I think, confidently. So we're sticking to the underwriting discipline that we've instilled over the last few years, at least the last few transformative years, and we think that through disciplined risk selection and just making sure we're getting the right price for the exposures that we're underwriting, that we'll be able to navigate whatever the market throws at us in the near term. I think more importantly, we believe there's still business to be written at attractive margins, and we'll pursue that diligently.

### **Matthew Erdner**

Got it. That's helpful there. Yes, that makes sense. And then, I guess going to the underwriting expense ratio, you mentioned the gradual reduction over time and then saving with technology, operational efficiencies. What's the long-term target there? And then, what should we be thinking about how you guys are looking at that?

### **Eric Martin**

Matt, this is Eric. Thank you for that question. You know, when we look at our expense ratio, I'd say over the past three or four quarters I've been targeting a run rate of about 35%. Q2 and Q3 were just a little

bit below that. Q4 is a little bit above it. But as we look forward here for the next couple of quarters, 35% is a good target run rate. But over time that will come down. As we see growth at a 10% clip going forward, we would think the expense ratio would tend to come down over the next several years. And we're going to take all the right actions for the company, investing in our future and that sort of thing. But that will continue to clip down, call it roughly a half a point a year, we think going forward here, at that 10% growth.

**Matthew Erdner**

Awesome. That's very helpful. Thank you, guys.

**Operator**

The next question will come from Paul Newsome with Piper Sandler. Please go ahead.

**Paul Newsome**

Maybe a few more thoughts on the ceded insurance business. Is it fair to assume that, just given what's going on with the market, we should expect at least some margin compression in the book overall?

**Julie Stephenson**

We took a hard look at every single treaty we write, with this 1/1 renewal that we just experienced, and we certainly are seeing the dynamics that we actually benefited from in our ceded program play through in our alternative distribution book as well. We did see increased competition. It certainly affected rates and terms and line sizes. But we think we'll continue to succeed in this environment. Our playbook emphasizes disciplined underwriting, relationship quality, an aligned risk appetite. We're looking to long term commitments, and we continue to price every treaty, treaty over treaty, and we insist on certain profit expectations. And we don't expect those to change. And if that means that we're putting less treaties on the books going forward, then so be it, we're prepared. But we still believe that there's attractive business to be had. We had a nice 1/1 season and we found new business. So, we feel as good about it as we can at the moment.

**Paul Newsome**

Could you, not so much on a quarterly basis, but maybe on an annual basis, dive a little deeper into the other liability line? The other parts of your business are showing really wonderful profitability, but that seems to be the one area where you have less profitability. I'm just curious what the dynamics of that are that are causing the differentiation.

**Julie Stephenson**

You know, we've certainly seen some pressure on profitability, mostly in the umbrella line. We've seen a few large umbrella losses. And so we've taken a very conservative approach. You may have noticed that we have made new rate filings, raised our minimum premiums on umbrella. So, we're confident that we'll be pricing the business appropriately moving forward. And as you would have observed, we've been strengthening our reserves. Ever since Q2 of 2022 we have strengthened those other liability reserves, practically quarter over quarter. So we believe that we're protecting the profitability on a go forward basis by right pricing and appropriate capacity deployment, and we feel like the reserve position puts us in a good spot.

**Paul Newsome**

Is this the nuclear verdict problem that we've seen in many places that's affecting that umbrella, or is there something else in your book that's different?

**Julie Stephenson**

You know, I don't think so. I mean, given the book of business that we have and the amount of capacity that we deploy risk over risk, we haven't seen big nuclear verdicts. But we're certainly subject to the other

impacts of social inflation in general. So yes, we're guarding against it through how we price the portfolio and how we pull the reserves together.

**Paul Newsome**

Great. Congratulations on the year. It was definitely a wonderful turnaround.

**CONCLUSION**

**Operator**

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

**Kevin Leidwinger**

We had a great fourth quarter and a record setting year in 2025, and we believe we are exceptionally well positioned to continue to profitably grow in 2026. So thank you for joining us today, and we look forward to talking with you next quarter.

**Operator**

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