United Fire Group

Q1 2026 Conference Call

May 6, 2026, at 10:00 a.m. Eastern

CORPORATE PARTICIPANTS

Kevin Leidwinger – *Chief Executive Officer*

Eric Martin – *Chief Financial Officer*

Julie Stephenson – *Executive Vice President, Underwriting*

Tim Borst – *Vice President of Investor Relations*

PRESENTATION

Operator
Good morning and welcome to the United Fire Group Insurance 2026 First quarter Conference call. All participants will be in 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'd now like to turn the conference over to Tim Borst, Vice President of Investor Relations. 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@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 James Leidwinger, CEO of United Fire Group, Inc.

Kevin Leidwinger
Thank you, Tim. Good morning, everyone, and thank you for joining us today.

UFG is off to a terrific start in 2026. We delivered another quarter of excellent results, reflecting our continued positive momentum from the transformative actions we have taken over the past few years to position the company for long-term success. In the first quarter, we achieved record net written premium, a nearly four-point improvement in the combined ratio, and a 15% increase in net investment income. These achievements contributed to a return on equity of approximately 13% and the highest first quarter earnings per share in seven years.

In addition to our strong financial performance, I am also very pleased with our focus on growing the business in a disciplined manner, particularly in the face of a changing market. The coordinated strategic actions we have taken to deepen underwriting and actuarial expertise, expand capabilities, strengthen distribution relationships, and invest in the organization's productivity are affording us access to a greater number of business opportunities than previously available to UFG. This has allowed us to remain disciplined, highly selective underwriters focused on profitably growing our business as we more broadly serve our distribution partners. As we continue to thoughtfully, responsibly, and profitably grow our business through expanded opportunity, I am confident the underwriting discipline we have instilled in the organization over the past three years will serve us well in the evolving market.

I will now hand the call over to Julie Anne Stephenson to discuss our underwriting results in more detail. Julie.

Julie Stephenson
Thanks, Kevin.

We are pleased with the continued positive momentum in the business, particularly in the face of competitive headwinds emerging in the marketplace. Net written premium increased 12% in the first quarter, driven by disciplined growth as well as lower ceded reinsurance premium. Net written premium growth was 9%, absent the impact of some unique ceded premium transactions outlined last year in our first quarter call.

Growth continues to be fueled by our core commercial business, which includes small business, middle market, and construction. Core commercial grew net written premium 11% in the first quarter with all three business units contributing. We have been able to leverage our deep distribution relationships and expanded capabilities to maintain a healthy but moderating retention, secure positive rate outcomes, and continue to grow new business by 14% while maintaining our unrelenting commitment to the underwriting rigor we have established over the last 3 years.

Our expanded capabilities have contributed to growth by allowing us to attract more complex risks within the lower to mid-range of the middle market spectrum. Our average account size is growing in a sector of the market that has so far experienced a more modest deceleration in pricing than national accounts, as evidenced by our 4.3% rate achieved for the quarter. Current pricing continues to offer attractive returns.

Specialty E&S net written premium growth in the first quarter was largely impacted by ceded premium adjustments in 2025. While submission activity is strong, competition is intensifying in the E&S market. Double-digit rate increases achieved a year ago are now mid-single digits as capacity is prevalent from both new entrants and the return of some accounts to the admitted market. Renewal defense for adequately priced and well-performing accounts remains a priority. New business efforts are focused on moderate hazard opportunities in both property and casualty to balance the volatility of the portfolio over time.

Surety premiums were stable compared to prior year as we remained staunchly focused on quality. With favorable growth momentum and strong submission activity, we continue to have high confidence in the underwriting discipline and growth prospects for this business.

Alternative distribution, which provides UFG with profitable business through three primary channels—treaty, programs, and Funds at Lloyd's—grew net written premium 13% over prior year. We had a successful and disciplined January 1 standard treaty cycle, while pressure on market pricing has increased. We benefited from favorable premium development in existing relationships while selectively adding attractively priced accounts that offered opportunities beyond the lines feeling the brunt of the softening market.

We also expanded our Funds at Lloyd's portfolio with $20 million of additional stamp capacity supporting four new syndicates for 2026 that will provide additional premium throughout the year. The Lloyd's market enjoys an A+ rating from AM Best as a result of the improvement in operating returns. Rates are holding at recent highs, and this investment vehicle offers significant diversifying opportunities. With the breadth of distribution and product opportunities available to us, combined with our tightly managed exposure in this space, we believe our alternative distribution business will continue to afford the flexibility to prudently grow this highly curated portfolio through varying market cycles.

Moving to profitability, our loss ratio continues to reflect the quality of our improved portfolio with an underlying loss ratio of 57% in the first quarter. The Commercial Lines business continues to benefit from strong earned rate achievement, and the benefits of our refined underwriting appetite and portfolio actions. The improvement in commercial results was offset by an increased loss ratio in the assumed reinsurance business driven by rate reductions more prevalent in this market.

Despite this impact, our reinsurance business continues to meet our profit expectations. We have also incorporated some additional conservatism into our estimates, recognizing the uncertainty and the changing market dynamics, yielding a small increase in the underlying loss ratio over prior year.

Prior-year reserve development was neutral overall in the first quarter. Our actuarial review this quarter reflected an abbreviated analysis, and we made some modest offsetting adjustments across the portfolio. Of particular note, however, development in our liability portfolio was flat as our estimates began showing some stability for the quarter after continued emphasis to strengthen these reserves.

The first quarter catastrophe loss ratio of 3.7% was 1.3 points below prior year. Our first quarter result was below historical five- and ten-year averages and reflects our ongoing actions to improve our catastrophe risk profile in recent years.

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

Eric Martin
Thank you, Julie.

Our high-quality fixed income portfolio continued to deliver a sustainable increase in net investment income, which grew 15% in the first quarter to $27 million. Fixed maturity income of $24.9 million increased 18% from prior year while maintaining duration and an average AA credit quality rating. Over the past four quarters, the size of our fixed maturity portfolio has grown by nearly $300 million as the virtuous cycle of improved underwriting profitability benefits all aspects of enterprise value creation. The elevated interest rate environment continues to provide opportunities to sustainably increase fixed maturity portfolio return as new money yields remained steady at approximately 5% and exceeded the overall portfolio average.

Outside of fixed income, our portfolio of approximately $100 million of limited partnership investments generated a return of $1.3 million in the quarter that, while positive, was lower than in recent quarters.

Turning to the expense ratio, the first quarter result of 34.9% improved 3 points from prior year. While the prior-year expense ratio was elevated by costs associated with the final stages of development of a new policy administration system, the benefits of ongoing growth and disciplined management actions have contributed more than one point of improvement in the expense ratio over the past year. We expect our ongoing actions to result in a continued gradual reduction of the expense ratio over time.

First quarter net income was $1.15 per diluted share, with non-GAAP adjusted operating income of $1.16 per diluted share. This quarter's earnings improved book value per common share to $37.06. The increase in interest rates in the first quarter caused our unrealized loss position to increase from $34 million at year-end 2025 to $53 million at the end of the first quarter, negatively impacting book value per share by $0.57. Adjusted book value per share, which excludes the impact of unrealized investment losses, increased $0.74 to $38.61.

From a capital management perspective, during the first quarter, we declared and paid a $0.20 per share cash dividend to shareholders of record as of February 24, 2026. With UFG delivering double-digit return on equity and stock price trading near adjusted book value, we are attractively positioned to deliver compelling growth and shareholder value over time.

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

QUESTION AND ANSWER

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. To withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

Our first question comes from Ken Bianci from Piper Sandler. Please go ahead.

Ken Bianci
Good morning. This is Ken on for Paul Newsome. Congrats on the quarter.

You are starting to see some business growth and retention improvement in core commercial. Are you seeing any incremental competition in that business, and how are you balancing that growth versus margin discipline in that business?

Julie Stephenson
This is Julie. I will answer that for you. This moderation in rates and increased competition is not unexpected for the quarter, but we still feel very good about our growth trajectory. The underlying discipline that we have worked so hard to put in place over the past few years I think has positioned us really well going into this market. We believe there are still ample opportunities with positive margin available to us in this market, and we are very confident about the quality of the portfolio. So, retention may fluctuate a bit quarter to quarter as the market continues to soften, but we will continue to insist on adequate pricing account over account, and I think we are positioned very well to continue to grow.

Ken Bianci
And then on the expense ratio improvement, you broke down a little bit how much of that is structural versus more of a one-time improvement. How should we think about run rating those improvements from the new policy administration system on the expense ratio?

Eric Martin
Good morning, Ken. This is Eric. Thanks for joining us.

As we mentioned in our comments, when you look quarter over quarter, we are down about three points on the expense ratio. We had two points of that improvement were due to the completion of some costs from our policy administration system that we were finishing up in the early stages of last year, and then we have got one point due to growth. So, this quarter's number is a very clean number at 34.9; there is really nothing unusual in it. As we look forward here we would continue to see improvement in the expense ratio, with an assumption that as we grow at 10%, we would expect it to come down around 60 or 70 basis points year over year looking into the future here.

Ken Bianci
Awesome. That is all for me. Thanks.

Operator
The next question comes from Jason Weaver from Jones Trading. Please go ahead.

Jason Weaver
Good morning. Thanks for taking my question. We are all back now. I know you touched on this before—just one for me—but looking at the deceleration trend in renewal rate increases, would you ascribe that to mix-related reflective of the elevated competition that you have been speaking about, or possibly an intentional effort to bump share gains here?

Julie Stephenson
I think it is more based on competitive behavior. We are very pleased that the rates are still positive. It does vary significantly by line of business, and so we are trying to approach every single account and every single opportunity by finding the right rate for the exposures that we are underwriting. We feel very good about where we are positioned, and we will continue to navigate the competition in that way.

Jason Weaver
All right. Thank you for that color. Congrats on the quarter, guys.

CONCLUSION

Operator
There are no more questions in the queue. 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
Well, thank you for joining us today. We are off to a great start in 2026. Our deepened underwriting expertise and expanded capabilities are affording us access to a greater number of business opportunities than previously available to UFG. We are leaning into those opportunities as a disciplined, solution-oriented underwriting company focused on profitably growing our business as we more broadly serve our distribution partners. We remain confident in our ability to strategically execute our business plan while navigating the complexities of a changing market.

Thanks again for joining us, 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.