United Fire Group

Q2 2026 Conference Call

August 4, 2026 at 10:00 a.m. Eastern

CORPORATE PARTICIPANTS

Tim Borst – *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 day, and welcome to the United Fire Group Insurance 2026 Second 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 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.

I would now like to turn the conference over to 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. 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.

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. Thank you for joining UFG's second quarter 2026 earnings call.

I'm pleased to report another quarter of exceptional performance for UFG. Our team delivered outstanding results across the organization, achieving our best second quarter combined ratio in more than 15 years, record net income, record net written premium, and our highest level of investment income in over a decade. These results reflect the success of the strategic actions we've taken to transform the company. By deepening our underwriting expertise, evolving our capabilities, strengthening alignment with our distribution partners, and improving investment performance, we continue to create meaningful value for our stakeholders. These efforts are driving sustained improvements in UFG's financial and operational performance while positioning the company for long-term success.

While we achieved several notable performance milestones in the quarter, I'm particularly encouraged by the strength of our underwriting results. Our combined ratio was the best for a second quarter in more than 15 years, reflecting disciplined risk selection, appropriate pricing relative to exposure, and the continued successful execution of our catastrophe management strategy. These results demonstrate the effectiveness of our underwriting approach and our commitment to delivering consistent profitability.

Investment income was also a significant contributor to our performance, reaching its highest quarterly level in more than ten years. The strength of our portfolio, combined with favorable market conditions, continued to support earnings growth. Together, strong underwriting execution and improved investment returns produced another quarter of excellent financial results.

Beyond our second quarter achievements, we delivered a 13.2% return on equity for the first six months of 2026, representing our best year-to-date financial performance in 20 years. This milestone highlights the progress we've made in building a more profitable, resilient, and higher-performing organization. As we look forward to the second half of the year, we remain confident in our ability to navigate evolving market conditions. Our deep underwriting expertise, strong agency relationships, and disciplined operating approach position us well to continue delivering profitable growth and creating long-term value.

Before I turn the call over to Julie, I want to thank our employees, agency partners, and policyholders for their continued trust, commitment, and support. Their dedication is fundamental to our success, and I'm proud of all we've accomplished together.

With that, I'll turn the call over to Julie to review the quarter in greater detail. Thank you.

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. Our underwriters remain disciplined as they defend renewals, refine risk selection, and maintain strong relationships with their distribution partners to capitalize on the opportunities afforded to us by our deepened expertise and evolving capabilities. These efforts continue to support healthy new business production, positive rate achievement, and steady retention.

Net written premium increased 9% in the second quarter, driven by sustained selective growth in our core commercial business, which includes small business, middle market, and construction. The average renewal rate change was 2.9%, reflecting ongoing competitive market conditions. Property rates remained under pressure during the quarter, and we are seeing modest pressure in general liability. Auto rate performance was consistent with the first quarter, while umbrella continued to deliver strong double-digit rate increases.

Although rate achievement has moderated over the past several quarters, we believe we are well-positioned for the current environment. The portfolio actions and underwriting discipline we have implemented over the last several years, combined with established pricing and risk selection rigor, enable us to selectively pursue opportunities that support continued profitable growth and attractive returns. By example, policies written from 2024 through Q2 of 2026 make up over 50% of the portfolio, and our new business is performing very well, meeting or exceeding our expectations. At the same time, the renewal portfolio has been thoroughly pruned through the lens of our current underwriting guidelines, so we have a high degree of confidence in the portfolio on the whole.

In specialty excess and surplus lines, market conditions continue to evolve rapidly, with heightened competition across both property and casualty lines. Net written premium declined compared to the prior year, as increased competition for larger accounts had a greater impact on our relatively small portfolio. However, quarter-over-quarter production activity remains stable and disciplined. We continue to focus on moderate hazard opportunities and on retaining well-performing, adequately priced accounts to support a balanced and resilient portfolio.

Surety delivered strong growth in the quarter, benefiting from several large project opportunities following a relatively flat first quarter. We remain confident in both the quality of the portfolio and the long-term growth prospects of the business.

Alternative distribution, which includes treaty, programs, and funds at Lloyd's, increased net written premium by 13% over the prior year. This growth reflects the strong January 1 treaty and FAO renewal cycle and demonstrates the value of our diversified distribution platform. Given our broad opportunities and disciplined exposure management, we believe this business remains well-positioned to support prudent growth through varying market cycles.

Turning to profitability, our underlying loss ratio was 57.2% in the second quarter, a slight improvement from the prior year and consistent with first quarter results. Performance improved across our core lines of business, partially offset by impacts from assumed reinsurance. The assumed reinsurance market remains highly competitive, but our diversified portfolio continues to provide opportunities for profitable growth. Within our core business, we continue to benefit from strong earned rate achievement and a stable loss trend environment. Overall, our portfolio remains positioned to deliver consistent long-term profitability while maintaining a conservative risk profile.

Prior year reserve development was neutral overall in the second quarter. Our actuarial review included a comprehensive analysis of all business segments, along with our annual assessment of adjusting and other reserves, and produced generally favorable indications. In recent quarters, we have seen some stability in emergence associated with our longer tail liability lines. This is a positive sign, but we continue to view these lines with caution and maintain a strong reserve position we've built over the past few years. We also experienced favorable emergence in automobile, property, and workers' compensation. 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 second quarter catastrophe loss ratio is 2.7%, 2.8 points below prior year, and well below both five and 10-year historical averages. Results benefited from favorable development on prior period events. Excluding this benefit, our current accident year catastrophe loss ratio would have produced a result of approximately 6%, still comfortably below historical averages and in line with our expectations, reflecting the ongoing impact of actions taken in recent years to improve our catastrophe risk profile. Our half year catastrophe result of 3.2% is trending favorably to 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, which grew 33% in the second quarter to $29 million. I continue to be very pleased with the performance of our investments. This quarter represents the highest investment income since the sale of our life insurance operations in 2016.

Fixed maturity income of $26.3 million increased 24% from prior year while maintaining duration and an average AA credit quality rating. Over the past year, the size of our fixed maturity portfolio has grown approximately 16%, as improved underwriting profitability fuels growth in investment income. The elevated interest rate environment provides opportunities to sustainably increase portfolio returns as new money yields of 5.1% continued to exceed the overall portfolio average by approximately 50 basis points.

Outside of fixed income, our portfolio of approximately $100 million of limited partnership investments contributed to these favorable results, generating a return of $2.3 million in the quarter. Looking back over the past eight quarters, this portfolio has produced an annualized yield of 8.7%.

Turning to the expense ratio, second quarter result of 35.4% increased approximately half a point from prior year. We experienced a small one-time increase this quarter from actions to buy out a lease on a building in Houston that will reduce lease costs on a go-forward basis. This contributed about half of the increase from our recent run rate of 35%. We expect our ongoing actions to result in a continued gradual reduction of the expense ratio over time.

Based on our current growth plan and the continued transformation of the company, we expect future expense ratio improvements of a half a point to a full point per year. This includes continued investment in technology modernization beyond the policy administration system aimed at continued efficiency gains.

Second quarter net income was $1.29 per diluted share, with non-GAAP adjusted operating income of $1.30 per diluted share. This quarter's earnings improved book value per common share to $38.02. The increase in interest rates in the second quarter caused our unrealized loss position to increase by approximately $4 million from the first quarter, negatively impacting book value per share by $0.15. Adjusted book value per share, which excludes the impact of unrealized investment losses, increased to $39.72.

From a capital management perspective, during the second quarter, we declared and paid a $0.20 per share cash dividend to shareholders of record as of June 5th, 2026.

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

QUESTION AND ANSWER

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.

Our first question comes from Jason Weaver with Jones Trading. Please go ahead.

Jason Weaver
good morning. Thanks for taking my question. Just wanted the commercial auto loss ratio, how much of that is related to social inflation and enhanced judgment costs? Where do you think auto rate needs to hold to get back into your target there?

Julie Stephenson
Thanks so much for the question. I think the auto portfolio is a very important part of our ability to be a total account solution provider. We know that auto has to be an important part of the portfolio going forward, but our underwriting rigor has deepened over the last few years. We certainly are paying attention to pricing. We've seen some moderating pricing in the auto line but still positive for us. There's not a lot of social inflation in our auto risk profile. We're not in the heavy wheels business or the trucking business, mostly associated with our middle market construction and small business portfolios, which are the smaller to mid-size of middle and construction. Not a lot of impact from social inflation for us, and we

feel like we're still getting attractive rate.

Jason Weaver
Got it. Thanks for that. On the 13.2% ROE versus your long-term 15% target, what is the board's threshold on looking at a repurchase program here? How do you think about the relative merits of doing something like that versus the existing $0.20 dividend?

Eric Martin
Jason, thanks for joining us. Thanks for your questions. This is Eric here.

As we think about capital management, we're going to continue to do the things we've done here the past couple of years. We're going to focus first on making sure we've got the right amount of capital to grow. Second is, as you said, we've got a $0.20 per quarter dividend right now. We're going to make sure that's always important to us as the dividend, and we'll continue to make sure that's the case. We do have 2 million shares authorized for a buyback. We'll always consider that going forward, but it'll be the third in the line of priorities there.

Jason Weaver
Got it. That's helpful. I appreciate the color.

Operator
Our next question comes from Paul Newsome with Piper Sandler. Please go ahead.

Paul Newsome
Maybe an expansion on the commercial auto question. Where do you think, broadly speaking, you are with rate versus inflation? Do you think that underlying combined ratio has the ability to go lower?

Julie Stephenson
The underlying combined ratio on the whole or just for auto?

Paul Newsome
The whole, beyond the commercial autos. You've sort of answered the commercial auto piece. Just curious about the rest of business.

Julie Stephenson
I think we have a very high degree of confidence in the portfolio and our ability to navigate the market. I think both our new and renewal books, as we discussed, Paul, are performing well, and they're well within our expectations under our deepened underwriting rigor. I think, more importantly, we feel like that we've built the actuarial and the analytical rigor to monitor our pricing behavior and the performance of the portfolio across multiple dimensions so we can react more nimbly. All that said, I think we have a high degree of confidence that we can maintain the underlying loss ratio even with the challenges in the marketplace.

Paul Newsome
Makes sense. Turning to the competitive environment, do you think the current environment will allow you to continue to scale, or do you think we'll have to take a little bit of a pause before we see enough growth to scale? Obviously, working on the expense ratio too, what's your thought on top line growth and scalability in the near term?

Julie Stephenson
I think we can continue to grow. As we've discussed before, we're seeing accounts from our agency

plans that UFG has never seen before because they're recognizing the deepened expertise, they're recognizing the expanded capabilities, so it just gives us a much wider pool of opportunities to choose from. With that as a tailwind, we really think we can continue to grow even though the market is softening. So, as long as we are sticking to our guns relative to underwriting discipline and we're pricing the exposures that are coming to us, we think scale is still possible throughout this market cycle.

Paul Newsome
Appreciate the help. Thank you, folks.

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
Thank you for joining us today. We're very pleased with our second quarter and year-to-date results. The record financial performance we delivered reflects the success of our strategic transformation, the strength of our underwriting discipline, and the commitment of our employees and agency partners. These results continue to underscore the progress we've made in building a more profitable, resilient, and consistently performing organization.

Despite an increasingly competitive market, we remain confident in our ability to navigate changing conditions and continue generating profitable growth and attractive returns. As we move through the second half of 2026, we remain focused on disciplined execution and long-term value creation for all stakeholders.

Thank you for your continued support and interest in UFG, and we look forward to speaking with you again next quarter.

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