

2018

YEAR IN REVIEW

2020 Vision Update

UFG continues to set our sights on our 2020 Vision, progressing toward our goals related to profit, service, growth and people. As we approach 2020, our management team and board of directors are already looking beyond to ensure that UFG remains the strong and stable company it is today.

PROFIT

Maximize our return on equity (ROE)

■ We strive to produce ROEs in the top quartile of our peers, which we did not achieve in 2018, producing an ROE of 3.0 percent for the year. This was due primarily to a decrease in the fair value of equity securities and elevated commercial auto and auto liability claim losses, offset by an increase in net premiums earned and the recognition of the gain on sale of United Life Insurance Company in the first-quarter 2018.

■ The insurance market remained competitive in 2018, with continued soft market conditions on renewal and new business. Renewal pricing increases averaged in the mid-single digits for both commercial lines and personal lines business. On commercial auto business, filed rate increases averaged in the low-double digits. In 2019, we will continue to seek double-digit rate increases on our commercial auto business, as rate increases have not been aggressive enough given the increasing severity of losses.

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EXPANSION OF CORPORATE HEADQUARTERS UPDATE

annual meeting

United Fire Group, Inc.'s (UFG) annual meeting of shareholders will be held at 10 a.m. CT on Wednesday, May 15, 2019, at Eastbank Venue located at 97 Third Ave SE in Cedar Rapids, Iowa. The usual notices and proxy materials will be mailed to shareholders in advance of the meeting.

Our 2018 Form 10-K is filed with the Securities and Exchange Commission and is available to shareholders upon written or oral request to:

Investor Relations
United Fire Group, Inc.
118 Second Avenue SE
Cedar Rapids, Iowa 52401
Telephone: 319-399-5700

or

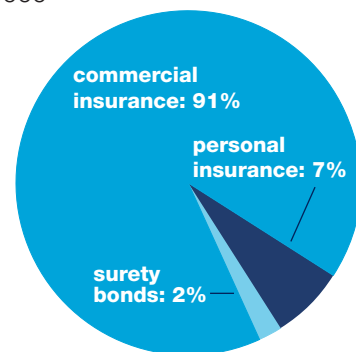
Registrar and Transfer Agent
Computershare
P.O. Box 505000
Louisville, KY 40233-5000

about ufg

Founded in 1946, UFG is a successful publicly traded and multibillion-dollar-asset insurance company. We offer commercial and personal insurance for businesses, homes and vehicles, as well as surety bonds.

UFG partners with a select group of approximately 1,100 independent insurance agents across the country. With nearly 1,200 employees at our corporate headquarters in Cedar Rapids, Iowa, and five regional offices in Arizona, California, Colorado, New Jersey and Texas, we deliver insurance protection and services to policyholders throughout the U.S.

At UFG, we are committed to achieving long-term financial strength and stability, having used our more than 70 years of experience to successfully guide us through market cycles and industry challenges. We hold a financial strength rating of "A" (Excellent) from A.M. Best Company, which was affirmed in November 2018.



OUR PRODUCT MIX

Finishing touches are being made on the 10-story American Building, which employees are scheduled to begin occupying in May 2019.



letter to shareholders

It was a challenging year for UFG, but we managed to close 2018 with a \$27.7 million profit despite reporting a loss of \$29.3 million in the fourth quarter. This profit came almost solely from the sale of our subsidiary, United Life Insurance Company, which closed on March 30, 2018.

To recap our 2018 financial results, we produced net income of \$1.08 per share, a combined ratio of 104 percent and return on equity (ROE) of 3.0 percent. Our book value at year end was \$35.40 per share and our stock price closed on December 31 at \$55.45 per share.

Throughout the year, we made steady progress toward improving our profitability, specifically in the commercial auto line of business. By focusing our efforts on improving rate adequacy, tightening underwriting and implementing risk control measures on commercial auto policies, we had effectively reduced both our number of insured units and frequency of losses.

However, in the fourth quarter, we experienced an increase in severity of losses in both our commercial auto and general liability lines of business from auto-related claims, due to several factors, including a trend toward higher jury awards. This has been a disappointing setback to our progress.

Also contributing to our fourth-quarter loss was a decrease in the value of our investments in equity securities caused by market volatility, as well as an increase in catastrophe losses. The increase in catastrophe losses was due mainly to \$9.2 million of losses from the devastating wildfires in California in 2018. These were commercial losses only, as UFG does not write personal insurance in California.

Although we experienced an increase in catastrophe losses in the fourth-quarter 2018, it's worth noting that catastrophe losses were below our 10-year historical average for the full-year 2018. We attribute this to our prudent management of geographic exposures.

For the year ahead, we are focused on positioning UFG for strong and sustainable profitability—in both the short term and the long term. To accomplish this, we will be implementing several initiatives in 2019 intended to put us squarely on the path to improved profitability.

PATH TO IMPROVED PROFITABILITY

Commercial auto business

To return our commercial auto line of business to underwriting profitability, we plan to continue to emphasize strict underwriting and risk control, expanding enforcement of our commercial policyholders' vehicle-use policies that prohibit employees from using cell phones while driving for work.

With loss trends still outpacing rate increases, we also plan to take stronger action on pricing. We acknowledge that our pricing has not been aggressive enough to reverse the trends in commercial auto. Therefore, we will be seeking targeted double-digit rate increases on commercial auto business in 2019, particularly in our West Coast region states of Arizona, California, Nevada and Oregon, as well as Florida and Texas. Throughout all regions, we expect to manage poor-performing accounts with double-digit rate increases and nonrenewals.

As part of our headquarters expansion project in downtown Cedar Rapids, Iowa, we have completely renovated and transformed the historic 10-story American Building, adding approximately 110,000 square feet of office space for future growth. Of our more than 575 employees in Cedar Rapids, approximately 250 will be occupying the new building, starting in May 2019.

The American Building is designed to be a stately mix of old and new, symbolic of our past and future in Cedar Rapids. After all, UFG first opened for business on First Avenue back in 1946, occupying space in a two-story house on the outskirts of downtown Cedar Rapids. Seventy-three years later, we're back on First Avenue, only a few blocks from where we started.



Randy A. Ramlo
President and CEO

SERVICE

Provide exceptional service

- In 2018, we launched a new and improved **ufgpolicyholder.com**. This new site offers a simple way for policyholders to view policies, print auto ID cards, report claims, pay bills, enroll in automatic payments and sign up for paperless billing and email alerts.
- UFG was one of 24 companies to earn the prestigious Five-Star Carrier rating from *Insurance Business America* in 2018. We were recognized for our excellence in the following categories: reputation and financial stability, claims processing and commitment to the broker channel. This is the third time UFG has received the Five-Star Carrier rating.

GROWTH

Increase our written premiums

- We produced property and casualty net premiums earned of \$1,037.5 million at year-end 2018, an increase of 4.0 percent from year-end 2017. This is a result of continued organic growth from new business writings and geographic expansion, as well as rate increases.

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Our enterprise analytics team recently developed a new commercial auto analytics model to assist with risk acceptability and pricing adequacy, allowing us to incorporate technical pricing at a granular level directly into our underwriting process. We anticipate that this model will enable us to target rate changes more intelligently going forward.

Additionally, we plan to continue to promote our successful *Worth It* program, which is aimed at preventing auto losses and saving lives by ending distracted driving. Since its introduction in 2017, the *Worth It* program has generated nearly 3,000 signed pledges to not drive distracted, 39,000 visits to **ufgworthit.com** and 200 presentations nationwide.

With the *Worth It* program, we've been able to turn a negative into a positive, giving us the opportunity to make lasting change in the lives of our customers and communities, as well as in our loss ratios.

Underperforming business region

Another area we are addressing for improved profitability is our West Coast region, which was a significant contributor to our adverse results in 2018. To get our West Coast region back on track, we are taking decisive action immediately. This includes initiating a review process for certain classes of business to ensure they align with our risk appetite; expanding and diversifying our product mix; bolstering our marketing plan; and strengthening our agency partnerships.

As the year unfolds, we intend to review and refine these profit-driven initiatives for our commercial auto business and West Coast region to ensure optimum results. Though it may take time before these initiatives are reflected in our bottom line, we hope to begin seeing signs of improvement sooner than later.

NEW LEADERS FOR NEW INITIATIVES

To accelerate our profitability initiatives, we recently appointed two individuals to new leadership roles at UFG.

Vice President and Rocky Mountain Regional Manager **Jeremy Bahl** has assumed responsibility for leading our West Coast regional office. Jeremy has done an excellent job of advancing culture, productivity and profitability in our Rocky Mountain region, and I expect him to have the same results in our West Coast region.

Vice President and Midwest Manager **Corey Ruehle** has been appointed our new chief claims officer. As the longtime manager of one of our most profitable regions, Corey is committed to creating a cohesive tie between claims and underwriting. His planned initiatives are aimed at improving customer satisfaction, shortening claim cycle time and streamlining the claims litigation process.

Corey succeeds our current Vice President and Chief Claims Officer **Dave Conner**, who is expected to retire on April 1, 2019. Dave has had a successful 20-year career at UFG, leading our claims department during the difficult aftermath of Hurricane Katrina in 2005, which remains our largest loss to date. We thank him for his years of dedicated service and wish him a "catastrophe-free" retirement.

Under the leadership of Jeremy and Corey, we believe there is tremendous potential for these operating segments to contribute to our profitability. Both individuals offer a mix of established experience and fresh perspective, with exciting visions for their respective areas. We look forward to seeing their visions come to fruition.

2018

PRODUCT AND TECHNOLOGY INNOVATIONS

ProSeries small business insurance

In 2018, UFG introduced our ProSeries trio of insurance products for small business owners, including ArtisanPro® for skilled contractors, GaragePro® for auto shops and PremierPro® for stores and offices. While we have long sold and serviced insurance to small businesses, last year's launch of ArtisanPro completed our goal of developing “out of the box” coverages for specific industries.

To support our agents in writing small business policies, we have dedicated small business unit teams in each of our six regions. This allows us to respond to agents' submissions in an expedient manner while using our underwriting expertise and regional decision-making to present the best coverage options to our customers.

Additionally, for improved ease of use and straight-through processing, all ProSeries products are available to quote on our agent portal, offering broad coverage, optional endorsements and competitive pricing on a wide array of classes. We are also able to bridge data between our quoting system and most agency management systems for ArtisanPro and PremierPro, meaning less duplicate entry for our agents.

OASIS underwriting technology and analytics platform

UFG is in the midst of a major multi-year initiative to upgrade our underwriting technology and analytics platform. We've named the initiative OASIS (Optimizing Achievement with a Strategic Insurance System) to represent our journey to a simpler way of doing business. Thanks to our outstanding team of more than 75 employees, we are on schedule with plans to go live with our first products in limited states later this year.

Upgrading a legacy platform is an immense undertaking that comes with many unforeseen challenges. Though we still have a long ways to go, we expect the new platform to deliver improved system performance, greater access to data and increased straight-through processing.

The OASIS initiative is expected to add approximately one to two points to the expense ratio annually for the duration of the project.

POSITIONED FOR SUCCESS IN 2019

With the sale of United Life Insurance Company behind us, UFG will be able to focus entirely on our property and casualty operations. Despite our loss in the fourth quarter of 2018, we believe we remain in a strong financial position, both operationally and financially.

To overcome the challenges of 2018, we believe we have solid strategies in place to improve our profitability. We have proven and capable new leadership to propel our initiatives forward. We have ongoing innovations in our products and technology intended to ensure that UFG remains competitive and a leading carrier for our agents' preferred business.

Though we have our work cut out for us in 2019, we've never had a more talented and ambitious group of people at UFG, from our staff members to our management team to our board of directors. Whether on the front lines or behind the scenes, these people contribute to our success every day, continually advancing us toward our *2020 Vision*.

In the year ahead, we are more determined and motivated than ever to position ourselves for success and to realize the full potential of UFG—for the benefit of our shareholders, employees and customers.



2020 Vision Update

GROWTH *(continued)*

- In 2018, UFG expanded our agency plant with 50 new agency appointments and increased our average agency size to \$1 million.
- Our specialty division, which provides excess and surplus lines of commercial insurance through wholesale brokers, expanded into 14 new states in 2018.

PEOPLE

Be the best place to work

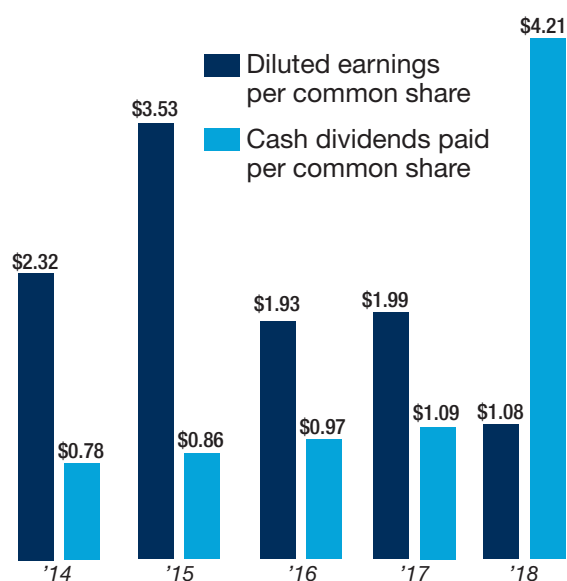
- UFG was recognized as a “Top Workplace in Iowa” by the *Des Moines Register* for the fifth time in 2018.
- We offer our employees paid time off to participate in community service activities during work hours. In 2018, employees used over 2,724 community service hours, volunteering at various organizations across our regions.
- UFG supports the professional development of our people. In 2018, employees received \$224,270 in college tuition reimbursement, passed 359 insurance courses and earned 102 new insurance designations.

financial highlights

(Dollars in Thousands Except Per Share Data)

Years Ended December 31	2018	2017	2016	2015	2014
Net income	\$ 27,650	\$ 51,023	\$ 49,904	\$ 89,126	\$ 59,137
Basic earnings per common share	\$ 1.11	\$ 2.03	\$ 1.97	\$ 3.56	\$ 2.34
Diluted earnings per common share	\$ 1.08	\$ 1.99	\$ 1.93	\$ 3.53	\$ 2.32
Cash dividends paid per common share	\$ 4.21	\$ 1.09	\$ 0.97	\$ 0.86	\$ 0.78
Book value per share	\$ 35.40	\$ 39.06	\$ 37.04	\$ 34.94	\$ 32.67
Closing stock price	\$ 55.45	\$ 45.58	\$ 49.17	\$ 38.31	\$ 29.73
Combined ratio	104.0%	104.0%	100.3%	92.0%	97.8%

All current and prior periods in this table have been presented on a consolidated basis, including both continuing and discontinued operations. On September 19, 2017, we entered into a definitive agreement to sell our subsidiary, United Life Insurance Company, to Kuvare US Holdings, Inc., and on March 30, 2018, the sale closed. As a result, our life insurance business (previously a separate segment) has been considered “held for sale” and reported as discontinued operations.

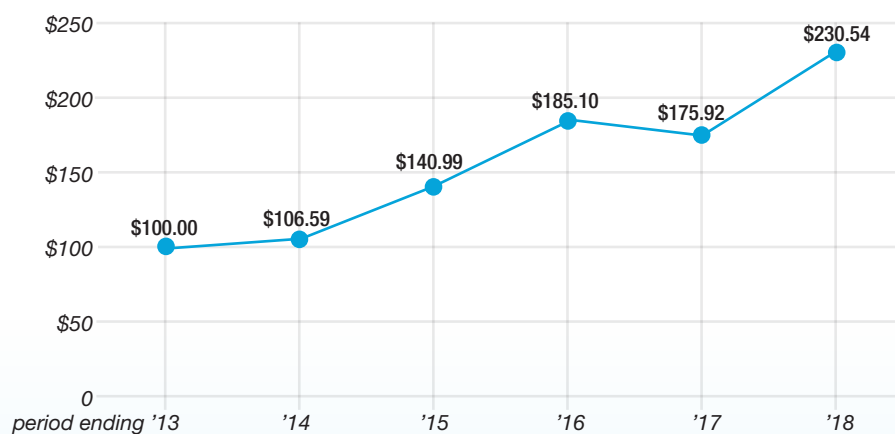


Delivering value to our shareholders

- \$250 million returned to shareholders in quarterly dividends, special dividends and share repurchases over the past five years.
- Average 11 percent yearly increase in quarterly dividend, from \$0.18 per share in 2013 to \$0.31 per share in 2018.
- 200th consecutive quarterly dividend paid to shareholders on March 22, 2018.
- 93 percent increase in UFCS stock price, climbing from \$28.66 on December 31, 2013, to \$55.45 on December 31, 2018.

EARNINGS AND DIVIDENDS PER COMMON SHARE

The value of “Indexed TSR” at each year-end shown is based on the then-current value of an assumed \$100 investment in UFCS common stock on December 31, 2013. It reflects changes in stock price and assumes that dividends paid to shareholders are reinvested in our common stock on the date paid.



TOTAL SHAREHOLDER RETURN

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UNITED FIRE GROUP, INC.

United Fire & Casualty Company

Addison Insurance Company

Financial Pacific Insurance Company

Franklin Insurance Company

Lafayette Insurance Company

Mercer Insurance Company

Mercer Insurance Company of New Jersey, Inc.

UFG Specialty Insurance Company

United Fire & Indemnity Company

United Fire Lloyds

United Real Estate Holdings, LLC

Corporate Headquarters:

118 Second Avenue SE

Cedar Rapids, Iowa 52401

Telephone: 319-399-5700

ufginsurance.com

Disclosure of Forward-Looking Statements

This document 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 our 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 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. Information concerning 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 Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission (“SEC”) on February 28, 2019. The risks identified in our Form 10-K 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 or obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.