



UNITED FIRE GROUP, INC.
Annual Report
2020

About UFG Insurance

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

UFG partners with a select group of approximately 1,000 independent insurance agencies across the country. With more than 1,100 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 75 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 December 2020.



Annual Meeting of Shareholders

United Fire Group, Inc.'s (UFG) annual meeting of shareholders will be held at 10 a.m. CT on Wednesday, May 19, 2021, at 118 2nd Ave SE, Cedar Rapids, IA 52401 and virtually via live audio webcast. You will be able to attend, submit questions and vote online by logging on to www.meetingcenter.io/229967297 at the annual meeting date and time using a 15-digit Control Number provided with the Notice Regarding the Availability of Proxy Materials or on the proxy card. The password for the meeting is UFG2021. Our Annual Report on Form 10-K for 2020 is filed with the Securities and Exchange Commission and is available (without exhibits) to shareholders, free of charge, upon written or oral request to:

Investor Relations		Registrar and Transfer Agent
United Fire Group, Inc.		Computershare
118 Second Avenue SE	or	P.O. Box 505000
Cedar Rapids, Iowa 52401		Louisville, KY 40233-5000
Telephone: 319-399-5700		

Letter to Shareholders

As I reflect on the past year and its many challenges, I continue to be humbled by the resiliency and adaptability of our people at UFG. Though our financial results fell far short of our expectations in 2020, our people went above and beyond for our customers and our company despite the pandemic — far exceeding our every expectation.

For the majority of our 1,100+ workforce, March 18, 2020, was their last day in the office before transitioning to working from home. Thanks to our incredible people, including the 100 office-critical staff members who have continued to report to the office, UFG has been able to successfully maintain business as usual throughout this pandemic.

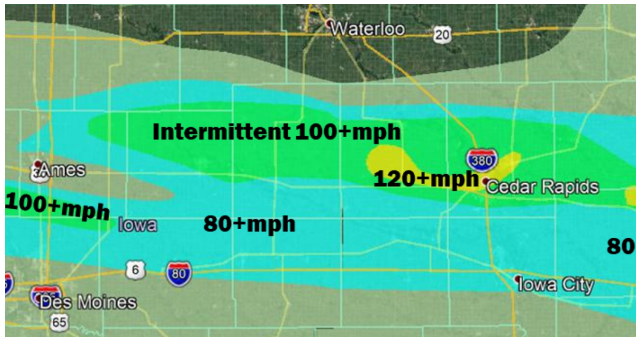
However, because we understood that it wasn't business as usual for many of our agents and policyholders, we made it our priority to ease the burden of COVID-19. This included offering profit-

sharing advances to agents, payment flexibility to policyholders and no-touch claims service after losses—fulfilling our promise of simple solutions for these very complex times.

This was true even when catastrophe struck twice in Cedar Rapids, Iowa, the location of our corporate headquarters and one of our largest geographically exposed areas. Our first major loss of the year was an April hailstorm in Cedar Rapids. It was followed by our second major loss of the year: a rare and powerful derecho in August that devastated our headquarter city.

This massive thunderstorm covered over 53,000 square miles and a distance of nearly 800 miles throughout the Midwest, flattening crops, uprooting trees, destroying homes and downing power lines—leaving thousands without power. The derecho made

a direct hit on Cedar Rapids, with nearly every structure in the 75 square mile city limits sustaining at least some damage.



NOAA August 10, 2020, preliminary map of the estimated winds across central to eastern Iowa.

At its full strength in Eastern Iowa, the derecho was equivalent to an EF3 tornado or a Category 4 hurricane, with estimated peak wind gusts of up to 145 mph. According to the National Oceanic and Atmospheric Administration (NOAA), the Midwest derecho was the most costly thunderstorm in recorded U.S. history.

Many of our Cedar Rapids employees were personally impacted by the storm and without power, phone and internet service for over a week. Yet, our people worked tirelessly to deliver on our commitments to our customers after the derecho, with UFG employees from across the country pitching in to handle the nearly 2,800 claims from this single event.

Our third major loss of the year was Hurricane Laura in August, which impacted Louisiana and Texas—another heavy exposure area for UFG. Though Hurricane Laura was the industry’s largest insured loss event of 2020, the derecho turned out to be our largest loss of the year and the second largest in our 75-year history, next only to Hurricane Katrina in 2005.

You may recall that in May 2020 we announced our plans to exit the personal lines market through a renewal rights agreement. This was a good decision for UFG, allowing us to focus on our core commercial lines business and greatly reduce our exposure to the types of catastrophic events we dealt with in 2020. However, the timing of our decision was not very good, as the derecho hit less than a month before the first policies rolled off our book.

Even so, every major storm we deal with is a profound reminder of the important purpose we serve as an insurance company, helping people rebuild and recover after losses. Overcoming disasters is the business we’re in at UFG and it has

made us well prepared and ready to respond to whatever comes our way, whether it’s a power outage or a pandemic.

As the pandemic continues on, we expect the impact on claims currently under our coverages to be manageable for UFG. Nearly all of the policies we have issued contain contract language that specifically excludes business interruption coverage losses attributable to viruses such as the COVID-19 pandemic. However, we cannot determine how any changes in legislation, regulations and interpretations by the courts could impact us in the future.

From the outside looking in, 2020 was a very disappointing year at UFG, with an unprecedented level of catastrophe losses overriding much of the progress we’d made toward improving our profitability. But from the inside looking out, it was a tremendously rewarding year, with our people uniting together to transform our company for the future—all in a socially distanced world.

2020: A YEAR OF DRIVING PROGRESS

Throughout 2020, we laid the groundwork for our strategic plan for success and put it into action. Our plan focuses on long-term profitability, diversified growth and continuous innovation, positioning UFG for superior operational and financial performance.

The strategic plan touches every aspect of our business—with initiatives aimed at implementing more consistent underwriting practices; better diversifying our book of business; growing our historically profitable business segments; shortening the claims cycle time; and leveraging analytics for improved pricing, risk selection and claims handling.

To accomplish our strategic plan with greater efficiency, we took several steps to enhance our organizational structure in 2020, including:

- Restructuring our underwriting branches for a more centralized approach to our overall book of business, with a relentless focus on underwriting discipline across all branches.
- Creation of the enterprise transformation office to help employees align their roles with our strategic plan, incorporating robust change management into every initiative.
- Establishment of the vendor management office to better track and manage our vendor contracts for expense savings.

- Merger of our project management and information technology teams for increased efficiency and collaboration.

I applaud our employees for their dedication to successfully implementing our strategic plan, as well as for fully embracing the change that comes with it. It's all part of our ongoing transformation at UFG, and I'll take this opportunity to update you on our transformation over the past year.

Long-term profitability

To reduce the size of our commercial auto portfolio, we continued to focus on non-renewing underperforming accounts and reducing the number of exposure units. By year-end 2020, we successfully reduced commercial auto to 28.7% of our portfolio mix, compared to 31.2% at year-end 2019. In regard to new business, commercial auto accounted for 24% of new premiums in 2020 versus 32% in 2019. Further reductions of our commercial auto portfolio are planned for 2021.

Part of the strategy to balance our book of business is also to improve our risk selection and pricing. As part of the previously mentioned restructuring of our underwriting branches, we instilled a relentless focus on underwriting discipline across our geographic regions. In 2021, we intend to be very targeted on what and where we write, especially in the states with the highest trends of social inflation, including Texas, California and Florida.

From a claim's perspective, we're focused on shortening the claim cycle time, reducing legal expenses and lessening the impact of litigation for improved profitability. Additionally, we recognize that increased specialization by our claims adjusters will allow us to deploy enhanced expertise on our most complex and severe claims.

In the fourth quarter of 2020, we also deployed an analytics model for claims severity. This model assists our adjusters by identifying early and regular indicators of the severity of a loss. We expect to release a case reserving model for commercial auto by the third quarter of 2021 in continued support of our reserving accuracy. Additionally, we are pursuing opportunities for early and equitable settlements to reduce the tenure of our open claims.

Diversified growth

As part of our long-term growth strategy at UFG, we expanded our surety bonds and excess and surplus lines of business in 2020, with both divisions exceeding their premium and profitability goals for the year. Also, in late 2020, we announced plans to grow our assumed reinsurance business. In addition

to maintaining the relationships we currently have as a decades-long provider of reinsurance capacity, we are seeking new opportunities to expand our footprint in the market. By accelerating our growth in these lines of business, we believe we can diversify our risk and reduce underwriting volatility.

Continuous innovation

In recent years, UFG has invested heavily in new technology to make doing business with us as simple as possible for our agents. I'm pleased to say that these investments are paying off as we prepare for the initial launch of a new small business quoting platform in select states in mid-2021. Our new platform offers an enhanced and streamlined online quoting experience for multiple lines of business, built based on feedback from our agent partners. With our new platform and accompanying BOP (businessowners policy) product line, we aim to increase our straight-through processing of small business policies and provide our agents with the low-touch/no-touch service they desire for this type of business.

2021: A YEAR OF DELIVERING RESULTS

In looking ahead to 2021, we aspire to deliver greatly improved results at UFG, confident that we're on the right path forward for our future. While we will undoubtedly face challenges and setbacks on the path to success, I believe our strategic plan will get us from where we are today to where we want to be tomorrow.

Heading into 2021, our balance sheet remains strong at UFG, with \$3.1 billion in total assets, \$825 million of total stockholders' equity and a conservative investment portfolio. At the end of 2020, we made the decision to strengthen our balance sheet by adding \$50 million of long-term debt with the addition of surplus notes in a privately negotiated deal with Federated Mutual. This strategic decision will support sustainable growth opportunities as part of our strategic plan.

Another positive is AM Best's recent affirmation of our "A" (Excellent) financial strength rating for the 27th year in a row, a reflection of UFG's long-term financial strength and stability. Our outlook was revised to negative in 2020, which we take full accountability for, as our recent performance does not meet our standards for sustainable operating profitability.

In 2020, we paid total quarterly dividends of \$1.14 per share, returning \$29 million to our shareholders

over the course of the year. UFG has a more than 50-year history of paying dividends to our shareholders, with the fourth quarter of 2020 marking our 211th consecutive quarter.

Longtime board chairman retiring

After 26 years on our board, our longtime Chairman Jack B. Evans will be retiring on May 19, 2021, having reached the maximum age established in our bylaws. It has been a privilege to have Jack serve on our board of directors these past 26 years, including 12 years as our chairman and 12 years as our vice chairman.



Jack Evans

On behalf of our entire leadership team at UFG, I thank Jack for his unwavering commitment to the success of our company—and personally speaking, for his friendship. He will be sorely missed on our board but his impact on UFG and those who have had the pleasure of working with him will be lasting.



A handwritten signature in black ink that reads "Randy A. Ramlo".

Randy Ramlo, President & CEO

The future of UFG remains in very good hands with our highly experienced board of directors and James Noyce serving as our new chairman and Kyle Skogman as our new vice chairman, effective following our annual shareholders meeting in May.

75th anniversary of UFG

UFG reached an important milestone on January 2, 2021: our 75th anniversary. Though much has changed over the past 75 years, we remain committed to our founding belief that the insurance business is a people business. It was our founder, Scott McIntyre Sr., who instilled in us the principle of doing business the right way and treating people the right way—a legacy that I'm proud to say is carried out daily by UFG employees across the country. After 75 years in business, we have much to be proud of at UFG but still much work to do.

As our valued shareholder, I thank you for your continued support after one of the toughest years in our 75-year history—we appreciate the trust and confidence you have placed in us. Despite the year's difficulties, I believe we are well poised to deliver on our strategic plan and will be doubling down our efforts in 2021.

Here's to the next 75 years of UFG!





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

118 Second Ave. SE, Cedar Rapids IA 52401, 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(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. 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 Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission (“SEC”) on February 26, 2021. The risks identified in our Annual Report on 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, including the ongoing impact of the novel coronavirus (COVID-19) pandemic. 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.