UNITED FIRE GROUP, INC.

ANNUAL REPORT 2021

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 1,000 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, using our more than 75 years of experience to successfully guide us through market cycles and industry challenges. We hold a financial strength rating of “A” (Excellent) from AM Best Company, which was affirmed in December 2021.

AM BEST A Excellent

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 18, 2022. The meeting is being held virtually online via live audio webcast, from the company's headquarters at 118 2nd Ave SE, Cedar Rapids, IA 52401. You will be able to attend virtually, submit questions and vote online by logging on to www.meetnow.global/M4LJAGL. Our Annual Report on Form 10-K for 2021 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
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

Letter to Shareholders

In last year’s letter, after a disappointing 2020, I wrote that we aspired to deliver greatly improved results in the year ahead at UFG, confident that we were on the right path forward for our future. Today, I’m extremely pleased to share that we did just that in 2021, producing net income of $3.16 per diluted share, a combined ratio of 100.3% and return on equity of 9.5% — our highest in six years.

As a company, we transitioned from one of the worst years in our history in 2020 to a solidly good year in 2021. With a fourth quarter combined ratio of 83.1%, our lowest in over 14 years, and a year-over-year increase in statutory surplus of 12.3% to $754 million, we were able to finish the year on a particularly high note.

Other 2021 financial highlights included continued core loss ratio improvement, which dropped 24.5 percentage points in the fourth quarter and 8.0 percentage points for the full year, as compared to the same periods of 2020. The line of business with the most significant loss ratio improvement was commercial auto, with year-over-year improvements of 68.1 percentage points in the fourth quarter and 25.1 percentage points in the full year of 2021.

Commercial auto

The commercial auto line of business that has performed poorly in recent years improved significantly in 2021, thanks to the ongoing efforts of our people. Over the past two years, our underwriting and claims teams have worked together to return this line of business to profitability through non-renewal of underperforming accounts, initiating aggressive rate increases, utilizing specialized claims adjusting, establishing reserves accurately and efficiently, and reducing legal costs by staying out of court.

In 2021, these efforts paid off, resulting in a decrease in the frequency and severity of commercial auto losses, a reduction in commercial auto exposure units and favorable prior-accident-year reserve development. At the end of 2021, commercial auto accounted for 24% of our portfolio composition, compared to 28% at the end of 2020.

We are working toward an optimal portfolio mix in the 20% range for commercial auto. As a writer of package policies for business owners, commercial auto is an important coverage that our customers need, but we intend to be very selective when putting commercial auto on our books, avoiding classes of business that are heavy in auto.

2021: A YEAR OF PROGRESS

All in all, we made great, measurable progress in 2021. This is thanks to our resilient people — who never skipped a beat amid the pandemic — and their successful execution of our "One UFG: Boldly Forward" strategic plan, designed to position us for superior operational and financial performance. We understood that a plan of this scale would take time to implement, and we're proud of our progress to date and are confident of our path forward.

Since its implementation, the strategic plan has touched nearly every aspect of our business. We've made considerable headway in implementing more consistent underwriting practices; better diversifying our book of business; reducing our commercial auto portfolio; growing our historically profitable business segments; shortening the claims cycle time; and leveraging analytics for improved pricing, risk selection and claims handling.

I'll take this opportunity to provide a more in-depth overview of the strides we've made toward our three strategic pillars of long-term profitability, diversified growth and continuous innovation.

Long-term profitability

A key factor to long-term profitability is reducing our underwriting volatility at UFG, which we aim to achieve by limiting our exposure to the level of catastrophe losses we've experienced in recent quarters. Though catastrophe losses were down in the fourth quarter, they added 10.2 percentage points to the combined ratio for the full year of 2021, compared to our 10-year historical average of 7.3 percentage points.

Efforts to limit our exposure to catastrophe losses began with our announced exit from the personal lines market in May 2020. Today, our personal lines exit is materially complete, accomplished through a renewal rights agreement, which provided our independent insurance agents the opportunity to transfer their personal lines policies to Nationwide Mutual Insurance Company. This has proven to be a good decision for UFG, reducing our personal lines exposure to catastrophe losses and allowing us to focus on our core commercial lines business for the future.

In addition to the personal lines exit, we've taken steps to strategically diversify our book of business with less catastrophe-exposed business. This includes growing our surety, excess and surplus, inland marine and assumed reinsurance business, which have been historically profitable segments for UFG.

More recently, we restructured our 2022 catastrophe reinsurance program to provide better protection from both an occurrence and an aggregate loss perspective. Through our new aggregate program, we now have named storm protection for aggregate losses, in addition to other perils. In prior years, named storms were excluded from our aggregate catastrophe protection.

Within the new structure, our retention for each catastrophe occurrence is reduced. The mechanics of the structure provides the potential for additional reduction in catastrophe retention for occurrences subsequent to an initial loss to the program.

Diversified growth

In the growth pillar of our strategic plan, we believe we are now managing our portfolio to tightly fit our risk appetite across all underwriting branches of UFG, with leading data and analytic tools to assist our underwriters in making effective coverage and pricing decisions.

For the full-year 2021, net premiums earned decreased 8.7% to $962.8 million. This was anticipated as we took steps to rightsize our book of business and reduce our commercial auto exposure. Our exit from the personal lines market also contributed to the decrease in net premiums earned, accounting for roughly half of the reduction.

Overall, the average renewal pricing increase was 6.4% in 2021. Excluding the workers' compensation line of business, the overall average renewal pricing increase was 7.7%. This increase in pricing was driven by our commercial auto and commercial property lines of business. For the full year of 2021, the commercial auto average renewal rate increase was 9.5% and the commercial property average renewal rate increase was 8.7%.

Strategic initiatives currently underway include promoting a clearly defined risk appetite to our existing agency partners, appointing new agents that align with our business mix, and scaling profitability in targeted states, product lines and business segments through mutually beneficial agency partnerships.

In 2022, we plan to pursue profitable growth opportunities that diversify UFG's portfolio, reduce volatility in our underwriting results and expand our profit margin. All backed by our strong underwriting, disciplined pricing and exceptional service — everything we are known for at UFG.

We also plan to continue to expand our surety bonds and excess and surplus lines of business in 2022. Since announcing our intent to grow our assumed reinsurance business in late 2020, we have broadened our market scope, entering into several new reinsurance agreements with trusted partners to further diversify our portfolio.

Continuous innovation

At UFG, we are committed to cultivating a culture of continuous innovation across our teams and adopting agile practices to deliver increased efficiency, expanded digital capabilities, improved customer experiences and shorter time to market. From investing in new technology to make doing business with us as simple as possible to deploying analytics throughout our enterprise for more data-informed decision-making, we're working to empower our people to turn their ideas into innovative solutions and opportunities.

In 2021, we successfully launched our new small business online quoting platform in seven states, with plans to roll it out in five additional states in 2022. Our new platform offers an enhanced and streamlined online quoting experience for multiple lines of business, built based on direct feedback from our agent partners.

With our new platform and accompanying businessowners policy (BOP) 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. Once it is fully launched, we believe this new platform will propel our growth in the small commercial market.

2022: A YEAR OF REFINEMENT

While we are very pleased with the year's progress, we view it as the beginning of more progress to come as part of our ongoing transformation at UFG. 2021 has provided us with strong validation that the path we're on is the right one, with numerous initiatives in place to keep our company moving boldly forward.

In the year ahead, we aim to stay the course, continuing to refine our strategy and sharpen our focus. Our overarching objectives remain to consistently deliver industry leading financial results, and fulfill our vision, mission and values for the benefit of all UFG stakeholders, including our shareholders, employees, agents and policyholders.

Heading into 2022, our balance sheet remains strong as of December 31, 2021, with $3.0 billion in total assets, $879 million of total stockholders' equity, $754 million in statutory surplus and a conservative investment portfolio. I'm also pleased to share that AM Best affirmed our "A" (Excellent) financial strength rating for the 28th year in a row in December 2021, a reflection of the strength of our balance sheet.

In 2021, we paid total quarterly dividends of $0.60 per share, returning $15 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 2021 marking our 215th consecutive quarter.

Longtime board member retiring

After 24 years on the UFG board of directors, our longtime director Mary K. Quass will be retiring on May 18, 2022. I thank Mary for her committed service, valuable insights and unwavering integrity. I had the privilege to work closely with Mary for over a decade in her role as chair of our compensation committee and always valued her strong business sense and sound judgment.

In light of Mary's retirement, our board of directors is taking steps to enhance its expertise, recently announcing the appointment of two new independent members: Mark Green and Matthew Foran. Currently Mark Green is an operating partner at Vistria Group, a private equity firm in Chicago, IL. Green has an extensive background in the insurance sector. Prior to joining Vistria Group in 2021, he served as executive vice president of business development and reinsurance, and executive vice president and president of life and health at Kemper Corporation. Green gained valuable experience in various roles at Allstate Corporation, including as vice president and senior vice president at Allstate Financial, president of Ivantage, president of Allstate Dealer Services, and president of Encompass Insurance Company. Prior to joining Allstate, Green worked for various other companies in the insurance industry.

Matthew Foran is co-founder and president of Stoic Lane, Inc., a private holding company in Chicago, IL. His strengths include his extensive experience in the insurance technology sector. Prior to co-founding Stoic Lane, Inc., he led the alternative distribution division of The Hartford Insurance Group. Foran's background includes serving as leader of IVANS Marketplace at Applied Systems; CEO at EvoSure, LLC, an insurance technology company; director of strategy and operational planning and execution at Zurich North America; and in a business development role at Marsh USA, Inc.

My upcoming retirement as CEO

This past February, I announced my plans to retire after nearly 40 years at UFG, making this my last shareholder letter to you. Though I have plenty of help drafting this letter each year, summing up an entire year is difficult, and I always worry that I left something or someone out.

My career that began as a desk underwriter at UFG back in 1984 will officially come to a close on October 31, 2022. Though my departure is bittersweet, after 15 years as CEO, the time is right for me to retire and give a new leader the opportunity to lead our business — and our people — forward.

It has been a true honor to serve as CEO and I am proud of the growth and success of UFG during my tenure. Over these past 15 years, we've overcome challenges, experienced successes, celebrated milestones and even survived both a flood and a derecho at our corporate headquarters — a testament to our outstanding staff members, management team and board of directors.

In the months ahead, I am looking forward to winding down what has been an incredibly rewarding career with the most incredible and talented people in this industry. All of our success at UFG is due to our people, who live our vision of striving to always deliver on our promises, each and every day.

As CEO, it has been my promise to lead UFG with the kind of forethought that will continue to move the needle of success in a positive direction for our shareholders, employees, agents, policyholders, and communities. As a company, I'm proud to say we moved the needle of success in 2021 — and we intend to keep moving it in a positive direction for our future.

In closing, I personally thank you, our valued shareholder, for the trust and confidence you have placed in us over the years. Together, as shareholders, we can look forward to reading next year's letter, to be penned by UFG's new CEO, who will serve as the sixth leader in our company's more than 75-year history.

Here's to a successful future for UFG in 2022 and well beyond.

Randy Ramlo, President & CEO

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 release 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 the 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, 2021, filed with the Securities and Exchange Commission ("SEC") on February 25, 2022. The risks identified in our Annual Report on Form 10-K and in our other SEC filings 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.