UNITED FIRE GROUP INC
Form 10-Q
August 03, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-34257

UNITED FIRE GROUP, INC.
(Exact name of registrant as specified in its charter)

Iowa	45-2302834
(State of Incorporation)	(IRS Employer Identification No.)

118 Second Avenue, S.E., Cedar Rapids, Iowa 52401
(Address of principal executive offices) (Zip Code)

Registrant’s telephone number, including area code: (319) 399-5700

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES R NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES R NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer R   Accelerated filer o   Non-accelerated filer o   Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO R
As of August 1, 2016, 25,396,185 shares of common stock were outstanding.

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United Fire Group, Inc.
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June 30, 2016

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FORWARD-LOOKING INFORMATION

This report 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 (the "Securities Act") and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), 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 United Fire Group, Inc. ("UFG," the "Registrant," the "Company," "we," "us," or "our"), 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)," "target(s)," "forecast(s)," "project(s)," "predict(s)," "should," "could," "may," "will continue," "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. See Part I, Item 1A "Risk Factors" in our 2015 Annual Report on Form 10-K and Part II, Item 1A "Risk Factors" of this report for more information concerning factors that could cause actual results to differ materially from those in the forward-looking statements.

Risks and uncertainties that may affect the actual financial condition and results of the Company include, but are not limited, to the following:

- The frequency and severity of claims, including those related to catastrophe losses and the impact those claims have on our loss reserve adequacy; the occurrence of catastrophic events, including international events, significant severe weather conditions, climate change, acts of terrorism, acts of war and pandemics;
- The adequacy of our reserves for property and casualty insurance losses and loss settlement expenses and our life insurance reserve for future policy benefits;
- Geographic concentration risk in both property and casualty insurance and life insurance segments;
- The potential disruption of our operations and reputation due to unauthorized data access, cyber-attacks or cyber-terrorism and other security breaches;
- Developments in general economic conditions, domestic and global financial markets, interest rates and other-than-temporary impairment losses that could affect the performance of our investment portfolio;
- Our ability to effectively underwrite and adequately price insured risks;
- Changes in industry trends, an increase in competition and significant industry developments;
- Litigation or regulatory actions that could require us to pay significant damages, fines or penalties or change the way we do business;
- Lowering of one or more of the financial strength ratings of our operating subsidiaries or our issuer credit ratings and the adverse impact such action may have on our premium writings, policy retention, profitability and liquidity;
- Governmental actions, policies and regulations, including, but not limited to, domestic health care reform, financial services regulatory reform, corporate governance, new laws or regulations or court decisions interpreting existing laws and regulations or policy provisions; laws, regulations and stock exchange requirements relating to corporate governance and the cost of compliance;
- Our relationship with and the financial strength of our reinsurers; and
- Competitive, legal, regulatory or tax changes that affect the distribution cost or demand for our products through our independent agent/agency distribution network.

These are representative of the risks, uncertainties, and assumptions that could cause actual outcomes and results to differ materially from what is expressed in 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 report or as of the date they are made. Except as required under the federal securities laws and the rules and regulations of the Securities and Exchange Commission ("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.

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

United Fire Group, Inc.
Consolidated Balance Sheets

(In Thousands, Except Share Data)	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Investments		
Fixed maturities		
Held-to-maturity, at amortized cost (fair value $660 in 2016 and $675 in 2015)	$658	$ 672
Available-for-sale, at fair value (amortized cost $2,812,091 in 2016 and $2,793,069 in 2015)	2,942,364	2,824,961
Trading securities, at fair value (amortized cost $11,040 in 2016 and $11,475 in 2015)	12,558	12,622
Equity securities		
Available-for-sale, at fair value (cost $68,747 in 2016 and $68,514 in 2015)	249,180	236,247
Trading securities, at fair value (cost $4,764 in 2016 and $4,443 in 2015)	5,004	4,353
Mortgage loans	3,836	3,961
Policy loans	5,282	5,618
Other long-term investments	52,349	54,151
Short-term investments	175	175
	3,271,406	3,142,760
Cash and cash equivalents	119,700	106,449
Accrued investment income	24,901	25,136
Premiums receivable (net of allowance for doubtful accounts of $1,210 in 2016 and $867 in 2015)	339,851	276,517
Deferred policy acquisition costs	159,050	168,264
Property and equipment (primarily land and buildings, at cost, less accumulated depreciation of $48,582 in 2016 and $46,590 in 2015)	53,236	53,241
Reinsurance receivables and recoverables	80,940	73,527
Prepaid reinsurance premiums	4,153	3,790
Income taxes receivable	12,341	—
Goodwill and intangible assets	25,124	25,509
Other assets	15,136	15,183
TOTAL ASSETS	$4,105,838	$ 3,890,376
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Future policy benefits and losses, claims and loss settlement expenses		
Property and casualty insurance	$1,054,548	$ 1,003,895
Life insurance	1,364,307	1,372,358
Unearned premiums	475,908	415,057
Accrued expenses and other liabilities	204,939	200,599
Income taxes payable	—	4,917
Deferred income taxes	45,105	14,653
TOTAL LIABILITIES	$3,144,807	$ 3,011,479
Stockholders' Equity		
	$25	$ 25

Common stock, $0.001 par value; authorized 75,000,000 shares; 25,390,685 and 25,151,428 shares issued and outstanding in 2016 and 2015, respectively		
Additional paid-in capital	215,075	207,426
Retained earnings	604,652	591,009
Accumulated other comprehensive income, net of tax	141,279	80,437
TOTAL STOCKHOLDERS' EQUITY	$961,031	$ 878,897
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$4,105,838	$ 3,890,376

The Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

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United Fire Group, Inc.
Consolidated Statements of Income and Comprehensive Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In Thousands, Except Share Data)	2016	2015	2016	2015
Revenues				
Net premiums earned	$253,487	$229,225	$494,785	$442,396
Investment income, net of investment expenses	24,507	25,792	46,731	50,155
Net realized investment gains (includes reclassifications for net unrealized investment gains on available-for-sale securities of $700 and $2,346 in 2016 and $995 and $2,890 in 2015; previously included in accumulated other comprehensive income)	1,596	769	3,651	1,656
Other income	183	132	291	195
Total revenues	$279,773	$255,918	$545,458	$494,402
Benefits, Losses and Expenses				
Losses and loss settlement expenses	$180,412	$150,362	$322,540	$276,771
Increase in liability for future policy benefits	16,002	12,096	28,554	19,719
Amortization of deferred policy acquisition costs	52,585	44,357	102,816	86,829
Other underwriting expenses (includes reclassifications for employee benefit costs of $1,371 and $2,742 in 2016 and $1,867 and $3,734 in 2015; previously included in accumulated other comprehensive income)	24,772	23,546	51,525	47,080
Interest on policyholders' accounts	5,138	6,024	10,385	12,639
Total benefits, losses and expenses	$278,909	$236,385	$515,820	$443,038
Income before income taxes	$864	$19,533	$29,638	$51,364
Federal income tax expense (benefit) (includes reclassifications of ($234) and ($138) in 2016 and ($305) and ($295) in 2015; previously included in accumulated other comprehensive income)	(2,250)	4,515	4,097	12,667
Net income	$3,114	$15,018	$25,541	$38,697
Other comprehensive income (loss)				
Change in net unrealized appreciation on investments	$49,332	$(36,237)	$93,208	$(23,123)
Change in liability for underfunded employee benefit plans	—	—	—	—
Other comprehensive income (loss), before tax and reclassification adjustments	$49,332	$(36,237)	$93,208	$(23,123)
Income tax effect	(17,267)	12,682	(32,624)	8,092
Other comprehensive income (loss), after tax, before reclassification adjustments	$32,065	$(23,555)	$60,584	$(15,031)
Reclassification adjustment for net realized investment gains included in income	$(700)	$(995)	$(2,346)	$(2,890)
Reclassification adjustment for employee benefit costs included in expense	1,371	1,867	2,742	3,734
Total reclassification adjustments, before tax	$671	$872	$396	$844
Income tax effect	(234)	(305)	(138)	(295)
Total reclassification adjustments, after tax	$437	$567	$258	$549
Comprehensive income (loss)	$35,616	$(7,970)	$86,383	$24,215
Weighted average common shares outstanding	25,366,283	25,023,753	25,288,086	25,007,204
Basic earnings per common share	$0.12	$0.60	$1.01	$1.55
Diluted earnings per common share	0.12	0.59	1.00	1.54

The Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

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United Fire Group, Inc.
Consolidated Statement of Stockholders’ Equity (Unaudited)

(In Thousands, Except Share Data)	Six Months Ended June 30, 2016
Common stock	
Balance, beginning of year	$25
Shares issued for stock-based awards (246,643 shares)	—
Balance, end of period	$25
Additional paid-in capital	
Balance, beginning of year	$207,426
Compensation expense and related tax benefit for stock-based award grants	1,511
Shares issued for stock-based awards	6,138
Balance, end of period	$215,075
Retained earnings	
Balance, beginning of year	$591,009
Net income	25,541
Dividends on common stock ($0.47 per share)	(11,898)
Balance, end of period	$604,652
Accumulated other comprehensive income, net of tax	
Balance, beginning of year	$80,437
Change in net unrealized investment appreciation(1)	59,059
Change in liability for underfunded employee benefit plans(2)	1,783
Balance, end of period	$141,279
Summary of changes	
Balance, beginning of year	$878,897
Net income	25,541
All other changes in stockholders’ equity accounts	56,593
Balance, end of period	$961,031

(1) The change in net unrealized appreciation is net of reclassification adjustments and income taxes.
(2) The change in liability for underfunded employee benefit plans is net of reclassification adjustments and income taxes.

The Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

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United Fire Group, Inc.
Consolidated Statements of Cash Flows (Unaudited)

(In Thousands)	Six Months Ended June 30, 2016	2015
Cash Flows From Operating Activities		
Net income	$25,541	$38,697
Adjustments to reconcile net income to net cash provided by operating activities		
Net accretion of bond premium	7,076	7,126
Depreciation and amortization	3,179	3,234
Stock-based compensation expense	1,865	1,200
Net realized investment gains	(3,651)	(1,656)
Net cash flows from trading investments	256	652
Deferred income tax benefit	(1,761)	(2,742)
Changes in:		
Accrued investment income	235	799
Premiums receivable	(63,334)	(53,776)
Deferred policy acquisition costs	(11,007)	(14,557)
Reinsurance receivables	(7,413)	12,918
Prepaid reinsurance premiums	(363)	(342)
Income taxes receivable	(12,341)	(6,042)
Other assets	47	196
Future policy benefits and losses, claims and loss settlement expenses	78,807	43,735
Unearned premiums	60,851	53,048
Accrued expenses and other liabilities	7,083	15,679
Income taxes payable	(4,917)	(5,012)
Deferred income taxes	(550)	(434)
Other, net	1,474	(1,467)
Total adjustments	$55,536	$52,559
Net cash provided by operating activities	$81,077	$91,256
Cash Flows From Investing Activities		
Proceeds from sale of available-for-sale investments	$3,042	$8,228
Proceeds from call and maturity of held-to-maturity investments	14	41
Proceeds from call and maturity of available-for-sale investments	311,478	374,173
Proceeds from short-term and other investments	1,412	3,833
Purchase of available-for-sale investments	(338,213)	(384,065)
Purchase of short-term and other investments	(415)	(3,583)
Net purchases and sales of property and equipment	(2,825)	(3,711)
Net cash used in investing activities	$(25,507)	$(5,084)
Cash Flows From Financing Activities		
Policyholders’ account balances		
Deposits to investment and universal life contracts	$45,467	$57,340
Withdrawals from investment and universal life contracts	(81,672)	(129,814)
Payment of cash dividends	(11,898)	(10,503)
Repurchase of common stock	—	(1,443)
Issuance of common stock	6,138	1,375
Tax impact from issuance of common stock	(354)	(319)
Net cash used in financing activities	$(42,319)	$(83,364)
Net Change in Cash and Cash Equivalents	$13,251	$2,808

Cash and Cash Equivalents at Beginning of Period	106,449	90,574
Cash and Cash Equivalents at End of Period	$119,700	$93,382

The Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

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UNITED FIRE GROUP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share amounts or as otherwise noted)

NOTE 1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Business

United Fire Group, Inc. ("UFG," the "Registrant," the "Company," "we," "us," or "our") and its consolidated subsidiaries and affiliates are engaged in the business of writing property and casualty insurance and life insurance and selling annuities through a network of independent agencies. We report our operations in two business segments: property and casualty insurance and life insurance. Our insurance company subsidiaries are licensed as a property and casualty insurer in 46 states and the District of Columbia, and as a life insurer in 37 states.

Basis of Presentation

The unaudited consolidated interim financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial reporting and with the instructions to Form 10-Q and Regulation S-X promulgated by the SEC. Certain financial information that is included in our Annual Report on Form 10-K, including certain financial statement footnote disclosures, are not required by the rules and regulations of the SEC for interim financial reporting and have been condensed or omitted.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The financial statement categories that are most dependent on management estimates and assumptions include: investments; deferred policy acquisition costs; reinsurance receivables and recoverables; future policy benefits and losses, claims and loss settlement expenses; and pension and postretirement benefit obligations.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Management of UFG believes the accompanying unaudited Consolidated Financial Statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. All significant intercompany transactions have been eliminated in consolidation. The results reported for the interim periods are not necessarily indicative of the results of operations that may be expected for the year. The unaudited Consolidated Financial Statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015. The review report of Ernst & Young LLP as of June 30, 2016 and for the three- and six-month periods ended June 30, 2016 and 2015 accompanies the unaudited Consolidated Financial Statements included in Part I, Item 1 "Financial Statements."

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, money market accounts, and non-negotiable certificates of deposit with original maturities of three months or less.

For the six-month periods ended June 30, 2016 and 2015, we made payments for income taxes totaling $24,017 and $27,216, respectively. We did not receive a tax refund during the six-month periods ended June 30, 2016 and 2015.

For the six-month periods ended June 30, 2016 and 2015, we made no interest payments (excluding interest credited to policyholders’ accounts).

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Deferred Policy Acquisition Costs ("DAC")

Certain costs associated with underwriting new business (primarily commissions, premium taxes and variable underwriting and policy issue expenses associated with successful acquisition efforts) are deferred. The following table is a summary of the components of DAC, including the related amortization recognized for the six-month period ended June 30, 2016.

	Property & Casualty Insurance	Life Insurance	Total
Recorded asset at beginning of period	$90,547	$77,717	$168,264
Underwriting costs deferred	110,927	2,895	113,822
Amortization of deferred policy acquisition costs	(98,976)	(3,840)	(102,816)
Ending unamortized deferred policy acquisition costs	$102,498	$76,772	$179,270
Impact of unrealized gains and losses on available-for-sale securities	—	(20,220)	(20,220)
Recorded asset at June 30, 2016	$102,498	$56,552	$159,050

Property and casualty insurance policy acquisition costs deferred are amortized as premium revenue is recognized. The method followed in computing DAC limits the amount of such deferred costs to their estimated realizable value. This takes into account the premium to be earned, losses and loss settlement expenses expected to be incurred and certain other costs expected to be incurred as the premium is earned.

For traditional life insurance policies, DAC is amortized to income over the premium-paying period in proportion to the ratio of the expected annual premium revenue to the expected total premium revenue. Expected premium revenue and gross profits are based on the same mortality and withdrawal assumptions used in determining future policy benefits. These assumptions are not revised after policy issuance unless the recorded DAC asset is deemed to be unrecoverable from future expected profits.

For non-traditional life insurance policies, DAC is amortized over the anticipated terms in proportion to the ratio of the expected annual gross profits to the total expected gross profits. Changes in the amount or timing of expected gross profits result in adjustments to the cumulative amortization of these costs. The effect on amortization of DAC for revisions to estimated gross profits is reported in earnings in the period the estimated gross profits are revised.

The effect on DAC that results from the assumed realization of unrealized gains (losses) on investments allocated to non-traditional life insurance business is recognized with an offset to net unrealized investment appreciation as of the balance sheet date. The impact of unrealized gains and losses on available-for-sale securities decreased the DAC asset by $22,223 and $2,003 at June 30, 2016 and December 31, 2015, respectively.

Income Taxes

Deferred tax assets and liabilities are established based on differences between the financial statement bases of assets and liabilities and the tax bases of those same assets and liabilities, using the currently enacted statutory tax rates. Deferred income tax expense is measured by the year-to-year change in the net deferred tax asset or liability, except for certain changes in deferred tax amounts that affect stockholders' equity and do not impact federal income tax expense.

We reported a federal income tax expense of $4,097 and $12,667 for the six-month periods ended June 30, 2016 and 2015, respectively. Our effective tax rate is different than the federal statutory rate of 35.0 percent due principally to the effect of tax-exempt municipal bond interest income and non-taxable dividend income.

The Company performs a quarterly review of its tax positions and makes a determination of whether it is more likely than not that the tax position will be sustained upon examination. If based on review, it appears not more likely than

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not that the positions will be sustained, the Company will calculate any unrecognized tax benefits and, if necessary, calculate and accrue any related interest and penalties. We did not recognize any liability for unrecognized tax benefits at June 30, 2016 or December 31, 2015. In addition, we have not accrued for interest and penalties related to unrecognized tax benefits. However, if interest and penalties would need to be accrued related to unrecognized tax benefits, such amounts would be recognized as a component of federal income tax expense.
We file a consolidated federal income tax return. We also file income tax returns in various state jurisdictions. We are no longer subject to federal or state income tax examination for years before 2009. The Internal Revenue Service is conducting a routine examination of our income tax return for the 2011 tax year.

Subsequent Events

In the preparation of the accompanying financial statements, the Company has evaluated all material subsequent events or transactions that occurred after the balance sheet date through the date on which the financial statements were issued for potential recognition or disclosure in the Company's financial statements. The Company concluded there are no material subsequent events or transactions that have occurred after the balance sheet date through the date on which the financial statements were issued.
Recently Issued Accounting Standards
Accounting Standards Adopted in 2016

Short-Duration Contracts

In May 2015, the Financial Accounting Standards Board ("FASB") issued guidance on disclosure requirements for short-duration contracts. The new guidance requires additional disclosures about the liability for unpaid loss and loss adjustment expenses and requires disclosure of any information about significant changes in methodologies and assumptions used to calculate the liability. The new guidance is effective for annual periods beginning after December 15, 2015 and interim periods beginning the following year. The Company will include the new annual disclosures beginning with the December 31, 2016 annual financial statements. The adoption of the new guidance will change disclosures regarding short- duration contracts, but management currently does not expect the adoption of the new guidance to have an impact on the Company's financial position or results of operations.

Other Internal Use Software

In April 2015, the FASB issued guidance which clarifies customers' accounting for fees paid for cloud computing arrangements. The new standard provides guidance to customers about whether a cloud computing arrangement includes a software license or whether the arrangement is considered a service contract. The new guidance is effective for annual and interim periods beginning after December 15, 2015. The Company adopted the new guidance as of January 1, 2016. The adoption of the new guidance had no impact on the Company's financial position or results of operations.

Debt Issuance Costs

In April 2015, the FASB issued new guidance on the presentation of debt issuance costs. The new guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. The new guidance is effective for annual and interim periods beginning after December 15, 2015. The Company adopted the new guidance as of January 1, 2016. The adoption of the new guidance had no impact on the Company's financial position or results of operations.

Consolidation

In February 2015, the FASB issued amendments to the consolidation guidance that a reporting entity follows to determine whether it should consolidate certain legal entities. Specifically, the new guidance modifies the evaluation

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of whether limited partnerships and similar legal entities are variable interest entities ("VIE"), eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that have VIE's, particularly those with fee arrangements and related party relationships. The new guidance is effective for annual and interim periods beginning after December 15, 2015. The Company adopted the guidance as of January 1, 2016. The adoption of the new guidance had no impact on the Company's financial position or results of operations.

Going Concern

In August 2014, the FASB issued new guidance on the disclosure of uncertainties about an entity's ability to continue as a going concern. The new guidance requires management to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern and, if so, to disclose the fact and what the entity's plans are to alleviate that doubt. The guidance is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. The Company adopted the guidance as of January 1, 2016. The adoption of the new guidance had no impact on the Company's financial position or results of operations.

Share-Based Payments

In June 2014, the FASB issued new guidance on the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The new guidance requires a performance target that affects vesting and that could be achieved after the service period, be treated as a performance condition. The guidance is effective for interim and annual periods beginning after December 15, 2015. The amendments can be applied prospectively or retrospectively and early adoption is permitted. The Company adopted the guidance as of January 1, 2016. The adoption of the new guidance had no impact on the Company's financial position or results of operations.

Pending Adoption of Accounting Standards

Financial Instruments - Credit Losses

In June 2016, the FASB issued new guidance on the measurement of credit losses for most financial instruments. The new guidance replaces the current incurred loss model for recognizing credit losses with an expected loss model for instruments measured at amortized cost and requires allowances to be recorded for available-for-sale debt securities rather than reduce the carrying amount. These allowances will be remeasured each reporting period. The new guidance is effective for annual periods beginning after December 15, 2020 and interim periods within those years. The Company will adopt the new guidance as of January 1, 2021 and is currently evaluating the impact on the Company's financial position and results of operations.

Share-Based Payments

In March 2016, the FASB issued new guidance on the accounting for share-based payments. The new guidance was issued to simplify the accounting of share-based payment, specifically in the areas of income taxes, classification on the balance sheets as liabilities or equity and classification in the cash flow statement. The new guidance is effective for annual periods beginning after December 15, 2016 and interim periods within those years. The Company will adopt the new guidance as of January 1, 2017 and is currently evaluating the impact on the Company's financial position and results of operations.

Leases

In February 2016, the FASB issued guidance on the accounting for leases. The new guidance requires lessees to place most leases on their balance sheets with expenses recognized on the income statement in a similar manner as previous methods. The new guidance is effective for annual periods beginning after December 15, 2018 and interim periods within those years. The Company will adopt the new guidance as of January 1, 2019 and is currently evaluating the impact on the Company's financial position and results of operations.

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Financial Instruments

In January 2016, the FASB issued guidance updating certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments in this update supersede the guidance to classify equity securities with readily determinable fair values into different categories (for example, trading or available-for-sale) and require equity securities to be measured at fair value with changes in the fair value recognized through net income. The new guidance also simplifies the impairment process for equity investments without readily determinable fair values. The new guidance is effective for annual periods beginning after December 15, 2017 and interim periods within those years. The Company will adopt the new guidance as of January 1, 2018 and is currently evaluating the impact on the Company's financial position and results of operations.

Income Taxes

In December 2015, the FASB issued guidance on the balance sheet classification of deferred taxes. The new guidance eliminates the requirement to split deferred tax liabilities and assets between current and non-current in a classified balance sheet. The new guidance allows deferred tax liabilities and assets to be included in non-current accounts. The Company will adopt the new guidance as of January 1, 2017, the adoption will have no impact on the Company's financial position and results of operations.

Revenue Recognition

In May 2014, the FASB issued comprehensive new guidance on revenue recognition which supersedes nearly all existing revenue recognition guidance under GAAP. The new guidance requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard creates a five-step model that requires companies to exercise judgment when considering the terms of the contract(s) and all relevant facts and circumstances. Insurance contracts are not within the scope of this new guidance. The new guidance is effective for annual and interim periods beginning after December 15, 2017. The Company will adopt the guidance as of January 1, 2018 and is currently evaluating the impact on the Company's financial position and results of operations and considering which portions of the guidance, if any, applies to the Company.

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NOTE 2. SUMMARY OF INVESTMENTS

Fair Value of Investments

A reconciliation of the amortized cost (cost for equity securities) to fair value of investments in held-to-maturity and available-for-sale fixed maturity and equity securities as of June 30, 2016 and December 31, 2015, is as follows:

June 30, 2016

Type of Investment	Cost or Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value
HELD-TO-MATURITY				
Fixed maturities:				
Bonds				
Corporate bonds				
Technology, media and telecommunications	$450	$ 1	$ —	$451
Financial services	150	—	—	150
Mortgage-backed securities	58	1	—	59
Total Held-to-Maturity Fixed Maturities	$658	$ 2	$ —	$660
AVAILABLE-FOR-SALE				
Fixed maturities:				
Bonds				
U.S. Treasury	$22,831	$ 386	$ —	$23,217
U.S. government agency	102,445	3,899	—	106,344
States, municipalities and political subdivisions				
General obligations:				
Midwest	145,607	6,500	—	152,107
Northeast	61,256	3,386	—	64,642
South	133,105	5,652	—	138,757
West	114,463	5,871	—	120,334
Special revenue:				
Midwest	163,531	8,733	—	172,264
Northeast	46,855	2,442	—	49,297
South	193,752	10,043	14	203,781
West	93,041	5,090	—	98,131
Foreign bonds	79,744	3,428	1,012	82,160
Public utilities	218,538	11,156	281	229,413
Corporate bonds				
Energy	110,618	3,361	754	113,225
Industrials	240,772	12,143	1,821	251,094
Consumer goods and services	180,924	9,191	1	190,114
Health care	84,390	4,975	—	89,365
Technology, media and telecommunications	139,573	6,186	438	145,321
Financial services	269,290	12,751	60	281,981
Mortgage-backed securities	19,609	484	21	20,072
Collateralized mortgage obligations				

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Government national mortgage association	132,500	5,667	173	137,994
Federal home loan mortgage corporation	144,224	7,012	49	151,187
Federal national mortgage association	110,380	6,457	85	116,752
Asset-backed securities	4,643	266	97	4,812
Total Available-for-Sale Fixed Maturities	$2,812,091	$135,079	$4,806	$2,942,364
Equity securities:				
Common stocks				
Public utilities	$7,231	$16,213	$161	$23,283
Energy	6,514	7,914	46	14,382
Industrials	13,252	33,200	207	46,245
Consumer goods and services	10,324	15,210	45	25,489
Health care	7,763	20,205	—	27,968
Technology, media and telecommunications	5,931	9,049	55	14,925
Financial services	17,289	79,203	73	96,419
Nonredeemable preferred stocks	443	26	—	469
Total Available-for-Sale Equity Securities	$68,747	$181,020	$587	$249,180
Total Available-for-Sale Securities	$2,880,838	$316,099	$5,393	$3,191,544

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December 31, 2015

Type of Investment	Cost or Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value
HELD-TO-MATURITY				
Fixed maturities:				
Bonds				
Corporate bonds				
Technology, media and telecommunications	$450	$ 1	$ —	$451
Financial services	150	—	—	150
Mortgage-backed securities	72	2	—	74
Total Held-to-Maturity Fixed Maturities	$672	$ 3	$ —	$675
AVAILABLE-FOR-SALE				
Fixed maturities:				
Bonds				
U.S. Treasury	$21,587	$ 100	$ 38	$21,649
U.S. government agency	232,808	2,622	2,400	233,030
States, municipalities and political subdivisions				
General obligations:				
Midwest	160,484	4,990	18	165,456
Northeast	56,449	1,996	—	58,445
South	125,565	3,358	134	128,789
West	103,721	3,160	67	106,814
Special revenue:				
Midwest	152,780	4,956	30	157,706
Northeast	23,892	919	212	24,599
South	144,183	4,281	27	148,437
West	78,935	3,150	44	82,041
Foreign bonds	82,580	2,405	2,457	82,528
Public utilities	213,233	3,701	1,251	215,683
Corporate bonds				
Energy	116,800	1,032	4,713	113,119
Industrials	227,589	3,329	6,663	224,255
Consumer goods and services	172,529	2,844	776	174,597
Health care	92,132	2,168	791	93,509
Technology, media and telecommunications	142,431	1,972	2,003	142,400
Financial services	259,382	5,246	1,143	263,485
Mortgage-backed securities	16,413	376	51	16,738
Collateralized mortgage obligations				
Government national mortgage association	120,220	1,391	1,985	119,626
Federal home loan mortgage corporation	137,874	2,377	1,342	138,909
Federal national mortgage association	106,021	2,400	941	107,480
Asset-backed securities	5,461	221	16	5,666

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Total Available-for-Sale Fixed Maturities	$2,793,069	$58,994	$27,102	$2,824,961
Equity securities:				
Common stocks				
Public utilities	$7,231	$12,022	$193	$19,060
Energy	6,103	5,374	266	11,211
Industrials	13,251	31,872	313	44,810
Consumer goods and services	10,301	13,017	3	23,315
Health care	7,763	20,454	—	28,217
Technology, media and telecommunications	5,931	7,538	105	13,364
Financial services	17,392	78,411	109	95,694
Nonredeemable preferred stocks	542	34	—	576
Total Available-for-Sale Equity Securities	$68,514	$168,722	$989	$236,247
Total Available-for-Sale Securities	$2,861,583	$227,716	$28,091	$3,061,208

Maturities

The amortized cost and fair value of held-to-maturity, available-for-sale and trading fixed maturity securities at June 30, 2016, by contractual maturity, are shown in the following table. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Asset-backed securities, mortgage-backed securities and collateralized mortgage obligations may be subject to prepayment risk and are therefore not categorized by contractual maturity.

	Held-To-Maturity		Available-For-Sale		Trading	
June 30, 2016	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ —	$ —	$94,578	$95,444	$1,186	$1,341
Due after one year through five years	600	601	839,695	870,386	7,158	8,174
Due after five years through 10 years	—	—	910,131	958,551	850	1,065
Due after 10 years	—	—	556,331	587,166	1,846	1,978
Asset-backed securities	—	—	4,643	4,812	—	—
Mortgage-backed securities	58	59	19,609	20,072	—	—
Collateralized mortgage obligations	—	—	387,104	405,933	—	—
	$ 658	$ 660	$2,812,091	$2,942,364	$11,040	$12,558

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Net Realized Investment Gains and Losses

Net realized gains on disposition of investments are computed using the specific identification method and are included in the computation of net income. A summary of the components of net realized investment gains (losses) is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net realized investment gains (losses)				
Fixed maturities:				
Available-for-sale	$846	$965	$1,362	$1,956
Trading securities				
Change in fair value	98	(261)	371	(462)
Sales	461	183	461	699
Equity securities:				
Available-for-sale	—	30	984	934
Trading securities				
Change in fair value	237	(148)	330	(204)
Sales	(26)	—	(26)	46
Other long-term investments	—	—	—	(1,313)
Short-term investments	(43)	—	—	—
Cash equivalents	23	—	169	—
Total net realized investment gains	$1,596	$769	$3,651	$1,656

The proceeds and gross realized gains (losses) on the sale of available-for-sale securities are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Proceeds from sales	$1,074	$3,211	$3,042	$8,228
Gross realized gains	54	57	975	1,030

There were no sales of held-to-maturity securities during the three- and six-month periods ended June 30, 2016 and 2015.

Our investment portfolio includes trading securities with embedded derivatives. These securities are primarily convertible securities which are recorded at fair value. Income or loss, including the change in the fair value of these trading securities, is recognized currently in earnings as a component of net realized investment gains. Our portfolio of trading securities had a fair value of $17,562 and $16,975 at June 30, 2016 and December 31, 2015, respectively.

Funding Commitment

Pursuant to an agreement with one of our limited liability partnership investments, we are contractually committed through December 31, 2023 to make capital contributions upon request of the partnership. Our remaining potential contractual obligation was $9,917 at June 30, 2016.

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Unrealized Appreciation

A summary of the changes in net unrealized investment appreciation during the reporting period is as follows:

	Six Months Ended June 30,	
	2016	2015
Change in net unrealized investment appreciation		
Available-for-sale fixed maturities	$98,381	$(29,009)
Available-for-sale equity securities	12,700	(1,802)
Deferred policy acquisition costs	(20,220)	4,797
Income tax effect	(31,802)	9,105
Total change in net unrealized investment appreciation, net of tax	$59,059	$(16,909)

We continually monitor the difference between our cost basis and the estimated fair value of our investments. Our accounting policy for impairment recognition requires other-than-temporary impairment ("OTTI") charges to be recorded when we determine that it is more likely than not that we will be unable to collect all amounts due according to the contractual terms of the fixed maturity security or that the anticipated recovery in fair value of the equity security will not occur in a reasonable amount of time. Impairment charges on investments are recorded based on the fair value of the investments at the measurement date or based on the value calculated using a discounted cash flow model. Credit-related impairments on fixed maturity securities that we do not plan to sell, and for which we are not more likely than not to be required to sell, are recognized in net income. Any non-credit related impairment is recognized as a component of other comprehensive income. Factors considered in evaluating whether a decline in value is other-than-temporary include: the length of time and the extent to which fair value has been less than cost; the financial condition and near-term prospects of the issuer; our intention to hold the investment; and the likelihood that we will be required to sell the investment.

The tables on the following pages summarize our fixed maturity and equity securities that were in an unrealized loss position at June 30, 2016 and December 31, 2015. The securities are presented by the length of time they have been continuously in an unrealized loss position. It is possible that we could recognize OTTI charges in future periods on securities held at June 30, 2016, if future events or information cause us to determine that a decline in fair value is other-than-temporary.

We have evaluated the near-term prospects of the issuers of our fixed maturity securities in relation to the severity and duration of the unrealized loss, and unless otherwise noted, these losses did not warrant the recognition of an OTTI charge at June 30, 2016 or at June 30, 2015. We have no intent to sell, and it is more likely than not that we will not be required to sell, these securities until the fair value recovers to at least equal to our cost basis or the securities mature.

We have evaluated the near-term prospects of the issuers of our equity securities in relation to the severity and duration of the unrealized loss, and unless otherwise noted, these losses do not warrant the recognition of an OTTI charge at June 30, 2016. Our largest unrealized loss greater than 12 months on an individual equity security at June 30, 2016 was $181. We have no intention to sell any of these securities prior to a recovery in value, but will continue to monitor the fair value reported for these securities as part of our overall process to evaluate investments for OTTI recognition.

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June 30, 2016	Less than 12 months			12 months or longer			Total	
Type of Investment	Number of Issues	Fair Value	Gross Unrealized Depreciation	Number of Issues	Fair Value	Gross Unrealized Depreciation	Fair Value	Gross Unrealized Depreciation
AVAILABLE-FOR-SALE								
Fixed maturities:								
Bonds								
States, municipalities and political subdivisions								
Special revenue								
South	2	$5,524	14	—	$—	—	$5,524	14
Foreign bonds	—	—	—	5	9,834	1,012	9,834	1,012
Public utilities	1	852	6	6	6,540	275	7,392	281
Corporate bonds								
Energy	7	13,989	145	6	12,315	609	26,304	754
Industrials	2	4,869	246	5	8,642	1,575	13,511	1,821
Consumer goods and services	—	—	—	4	2,480	1	2,480	1
Technology, media and telecommunications	2	4,837	15	3	10,158	423	14,995	438
Financial services	1	4,961	36	1	3,066	24	8,027	60
Mortgage-backed securities	2	5,279	10	5	1,267	11	6,546	21
Collateralized mortgage obligations								
Government national mortgage association	2	5,142	28	8	14,372	145	19,514	173
Federal home loan mortgage corporation	2	6,249	3	3	6,398	46	12,647	49
Federal national mortgage association	3	3,287	9	4	4,967	76	8,254	85
Asset-backed securities	1	2,696	97	—	—	—	2,696	97
Total Available-for-Sale Fixed Maturities	25	$57,685	$ 609	50	$80,039	$ 4,197	$137,724	$ 4,806
Equity securities:								
Common stocks								
Public utilities	—	$—	$ —	3	$146	$ 161	$146	$ 161
Energy	1	165	26	1	166	20	331	46
Industrials	—	—	—	6	256	207	256	207
Consumer goods and services	4	306	40	2	12	5	318	45
Technology, media and telecommunications	—	—	—	11	500	55	500	55
Financial services	3	363	19	2	160	54	523	73
Total Available-for-Sale Equity Securities	8	$834	$ 85	25	$1,240	$ 502	$2,074	$ 587
Total Available-for-Sale Securities	33	$58,519	$ 694	75	$81,279	$ 4,699	$139,798	$ 5,393

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December 31, 2015	Less than 12 months			12 months or longer			Total	
Type of Investment	Number of Issues	Fair Value	Gross Unrealized Depreciation	Number of Issues	Fair Value	Gross Unrealized Depreciation	Fair Value	Gross Unrealized Depreciation
AVAILABLE-FOR-SALE								
Fixed maturities:								
Bonds								
U.S. Treasury	6	$6,408	$ 26	2	$1,634	$ 12	$8,042	$ 38
U.S. government agency	38	104,621	1,771	6	18,821	629	123,442	2,400
States, municipalities and political subdivisions								
General obligations								
Midwest	4	2,417	12	1	528	6	2,945	18
South	3	4,805	55	8	3,743	79	8,548	134
West	4	8,927	23	2	2,274	44	11,201	67
Special revenue								
Midwest	—	—	—	1	2,494	30	2,494	30
Northeast	1	4,755	212	—	—	—	4,755	212
South	4	7,445	26	2	1,851	1	9,296	27
West	4	6,851	44	—	—	—	6,851	44
Foreign bonds	9	16,991	1,289	2	4,036	1,168	21,027	2,457
Public utilities	35	72,680	880	5	2,840	371	75,520	1,251
Corporate bonds								
Energy	29	61,496	3,286	4	7,991	1,427	69,487	4,713
Industrials	38	78,588	3,631	3	6,649	3,032	85,237	6,663
Consumer goods and services	24	64,661	770	4	2,491	6	67,152	776
Health care	18	43,992	652	2	3,737	139	47,729	791
Technology, media and telecommunications	22	59,503	1,478	2	8,940	525	68,443	2,003
Financial services	49	92,814	1,143	—	—	—	92,814	1,143
Mortgage-backed securities	9	7,423	43	4	183	8	7,606	51
Collateralized mortgage obligations								
Government national mortgage association	17	29,769	437	14	40,027	1,548	69,796	1,985
Federal home loan mortgage corporation	20	35,343	644	6	19,887	698	55,230	1,342
Federal national mortgage association	15	32,800	524	11	11,962	417	44,762	941
Asset-backed securities	1	985	16	—	—	—	985	16
Total Available-for-Sale Fixed Maturities	350	$743,274	$ 16,962	79	$140,088	$ 10,140	$883,362	$ 27,102
Equity securities:								
Common stocks								
Public utilities	—	$—	$ —	3	$115	$ 193	$115	$ 193
Energy	10	2,868	266	—	—	—	2,868	266
Industrials	3	177	44	5	193	269	370	313
Consumer goods and services	—	—	—	2	14	3	14	3
Technology, media and telecommunications	9	438	91	2	12	14	450	105
Financial services	6	326	51	1	136	58	462	109

Total Available-for-Sale Equity Securities	28	$3,809	$ 452	13	$470	$ 537	$4,279	$ 989
Total Available-for-Sale Securities	378	$747,083	$ 17,414	92	$140,558	$ 10,677	$887,641	$ 28,091

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NOTE 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Current accounting guidance on fair value measurements includes the application of a fair value hierarchy that requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Our financial instruments that are recorded at fair value are categorized into a three-level hierarchy, which is based upon the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (i.e., Level 1) and the lowest priority to unobservable inputs (i.e., Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the financial instrument. Financial instruments recorded at fair value are categorized in the fair value hierarchy as follows:

- Level 1: Valuations are based on unadjusted quoted prices in active markets for identical financial instruments that we have the ability to access.
- Level 2: Valuations are based on quoted prices for similar financial instruments, other than quoted prices included in Level 1, in markets that are not active or on inputs that are observable either directly or indirectly for the full term of the financial instrument.
- Level 3: Valuations are based on pricing or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement of the financial instrument. Such inputs may reflect management's own assumptions about the assumptions a market participant would use in pricing the financial instrument.

We review our fair value hierarchy categorizations on a quarterly basis at which time the classification of certain financial instruments may change if the input observations have changed. Transfers between levels, if any, are recorded as of the beginning of the reporting period.

To determine the fair value of the majority of our investments, we utilize prices obtained from independent, nationally recognized pricing services. We obtain one price for each security. When the pricing services cannot provide a determination of fair value for a specific security, we obtain non-binding price quotes from broker-dealers with whom we have had several years experience and who have demonstrated knowledge of the subject security. We request and utilize one broker quote per security.

In order to determine the proper classification in the fair value hierarchy for each security where the price is obtained from an independent pricing service, we obtain and evaluate the vendors' pricing procedures and inputs used to price the security, which include unadjusted quoted market prices for identical securities, such as a New York Stock Exchange closing price, and quoted prices for identical securities in markets that are not active. For fixed maturity securities, an evaluation of interest rates and yield curves observable at commonly quoted intervals, volatility, prepayment speeds, credit risks and default rates may also be performed. We have determined that these processes and inputs result in fair values and classifications consistent with the applicable accounting guidance on fair value measurements.

We estimate the fair value of our financial instruments based on relevant market information or by discounting estimated future cash flows at estimated current market discount rates appropriate to the specific asset or liability. When possible, we use quoted market prices to determine the fair value of fixed maturities, equity securities, trading securities and short-term investments. When quoted market prices do not exist, we base estimates of fair value on market information obtained from independent pricing services and brokers or on valuation techniques that are both unobservable and significant to the overall fair value measurement of the financial instrument. Such inputs may reflect management's own assumptions about the assumptions a market participant would use in pricing the financial instrument. Our valuation techniques are discussed in more detail throughout this section.

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The fair value of our mortgage loans is determined by modeling performed by us based on the stated principal and coupon payments provided for in the loan agreements. These cash flows are then discounted using an appropriate risk-adjusted discount rate to determine the security's fair value, which is a Level 3 fair value measurement.
The fair value of our policy loans is equivalent to carrying value, which is a reasonable estimate of fair value and is classified as Level 2. We do not make policy loans for amounts in excess of the cash surrender value of the related policy. In all instances, the policy loans are fully collateralized by the related liability for future policy benefits for traditional insurance policies or by the policyholders' account balance for non-traditional policies.
Our other long-term investments consist primarily of our interests in limited liability partnerships that are recorded on the equity method of accounting. The fair value of the partnerships is obtained from the fund managers, which is based on the fair value of the underlying investments held in the partnerships. In management's opinion, these values represent a reasonable estimate of fair value. We have not adjusted the net asset value provided by the fund managers.
For cash and cash equivalents and accrued investment income, carrying value is a reasonable estimate of fair value due to the short-term nature of these financial instruments.

Policy reserves are developed and recorded for deferred annuities, which is an interest-sensitive product, and income annuities. The fair value of the reserve liability for these annuity products is based upon an estimate of the discounted pretax cash flows that are forecast for the underlying business, which is a Level 3 fair value measurement. We base the discount rate on the current U.S. Treasury spot yield curve, which is then risk-adjusted for nonperformance risk and, for interest-sensitive business, market risk factors. The risk-adjusted discount rate is developed using interest rates that are available in the market and representative of the risks applicable to the underlying business.

A summary of the carrying value and estimated fair value of our financial instruments at June 30, 2016 and December 31, 2015 is as follows:

	June 30, 2016		December 31, 2015	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Assets				
Investments				
Fixed maturities:				
Held-to-maturity securities	$660	$658	$675	$672
Available-for-sale securities	2,942,364	2,942,364	2,824,961	2,824,961
Trading securities	12,558	12,558	12,622	12,622
Equity securities:				
Available-for-sale securities	249,180	249,180	236,247	236,247
Trading securities	5,004	5,004	4,353	4,353
Mortgage loans	4,133	3,836	4,237	3,961
Policy loans	5,282	5,282	5,618	5,618
Other long-term investments	52,349	52,349	54,151	54,151
Short-term investments	175	175	175	175
Cash and cash equivalents	119,700	119,700	106,449	106,449
Corporate-owned life insurance	2,208	2,208	1,716	1,716
Liabilities				
Policy reserves				
Annuity (accumulations) (1)	$725,769	$708,599	$707,190	$744,931
Annuity (benefit payments)	142,031	95,798	131,899	95,467

(1) Annuity accumulations represent deferred annuity contracts that are currently earning interest.

The following tables present the categorization for our financial instruments measured at fair value on a recurring basis in our Consolidated Balance Sheets at June 30, 2016 and December 31, 2015:

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June 30, 2016		Fair Value Measurements		
Description	Total	Level 1	Level 2	Level 3
AVAILABLE-FOR-SALE				
Fixed maturities:				
Bonds				
U.S. Treasury	$23,217	$—	$23,217	$—
U.S. government agency	106,344	—	106,344	—
States, municipalities and political subdivisions				
General obligations				
Midwest	152,107	—	152,107	—
Northeast	64,642	—	64,642	—
South	138,757	—	138,757	—
West	120,334	—	120,334	—
Special revenue				
Midwest	172,264	—	172,010	254
Northeast	49,297	—	49,297	—
South	203,781	—	203,781	—
West	98,131	—	98,131	—
Foreign bonds	82,160	—	82,160	—
Public utilities	229,413	—	229,413	—
Corporate bonds				
Energy	113,225	—	113,225	—
Industrials	251,094	—	251,094	—
Consumer goods and services	190,114	—	188,927	1,187
Health care	89,365	—	89,365	—
Technology, media and telecommunications	145,321	—	145,321	—
Financial services	281,981	—	272,668	9,313
Mortgage-backed securities	20,072	—	20,072	—
Collateralized mortgage obligations				
Government national mortgage association	137,994	—	137,994	—
Federal home loan mortgage corporation	151,187	—	151,187	—
Federal national mortgage association	116,752	—	116,752	—
Asset-backed securities	4,812	—	4,005	807
Total Available-for-Sale Fixed Maturities	$2,942,364	$—	$2,930,803	$11,561
Equity securities:				
Common stocks				
Public utilities	$23,283	$23,283	$—	$—
Energy	14,382	14,382	—	—
Industrials	46,245	46,205	40	—
Consumer goods and services	25,489	25,489	—	—
Health care	27,968	27,968	—	—

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Technology, media and telecommunications	14,925	14,925	—	—
Financial services	96,419	92,427	—	3,992
Nonredeemable preferred stocks	469	469	—	—
Total Available-for-Sale Equity Securities	$249,180	$245,148	$40	$3,992
Total Available-for-Sale Securities	$3,191,544	$245,148	$2,930,843	$15,553
TRADING				
Fixed maturities:				
Corporate bonds				
Industrials	$3,813	$—	$3,813	$—
Consumer goods and services	391	—	391	—
Health care	2,660	—	2,660	—
Technology, media and telecommunications	491	—	491	—
Financial services	4,069	—	4,069	—
Asset-backed securities	—	—	—	—
Redeemable preferred stocks	1,134	1,134	—	—
Equity securities:				
Public utilities	701	701	—	—
Energy	278	278	—	—
Industrials	820	820	—	—
Consumer goods and services	817	817	—	—
Health care	334	334	—	—
Financial services	236	236	—	—
Nonredeemable preferred stocks	1,818	1,818	—	—
Total Trading Securities	$17,562	$6,138	$11,424	$—
Short-Term Investments	$175	$175	$—	$—
Money Market Accounts	$66,945	$66,945	$—	$—
Corporate-Owned Life Insurance	$2,208	$—	$2,208	$—
Total Assets Measured at Fair Value	$3,278,434	$318,406	$2,944,475	$15,553

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December 31, 2015		Fair Value Measurements		
Description	Total	Level 1	Level 2	Level 3
AVAILABLE-FOR-SALE				
Fixed maturities:				
Bonds				
U.S. Treasury	$21,649	$—	$21,649	$—
U.S. government agency	233,030	—	233,030	—
States, municipalities and political subdivisions				
General obligations				
Midwest	165,456	—	165,456	—
Northeast	58,445	—	58,445	—
South	128,789	—	128,789	—
West	106,814	—	106,814	—
Special revenue				
Midwest	157,706	—	157,363	343
Northeast	24,599	—	24,599	—
South	148,437	—	148,437	—
West	82,041	—	82,041	—
Foreign bonds	82,528	—	82,528	—
Public utilities	215,683	—	215,683	—
Corporate bonds				
Energy	113,119	—	113,119	—
Industrials	224,255	—	224,255	—
Consumer goods and services	174,597	—	173,364	1,233
Health care	93,509	—	93,509	—
Technology, media and telecommunications	142,400	—	142,400	—
Financial services	263,485	—	253,823	9,662
Mortgage-backed securities	16,738	—	16,738	—
Collateralized mortgage obligations				
Government national mortgage association	119,626	—	119,626	—
Federal home loan mortgage corporation	138,909	—	138,909	—
Federal national mortgage association	107,480	—	107,480	—
Asset-backed securities	5,666	—	4,630	1,036
Total Available-for-Sale Fixed Maturities	$2,824,961	$—	$2,812,687	$12,274
Equity securities:				
Common stocks				
Public utilities	$19,060	$19,060	$—	$—
Energy	11,211	11,211	—	—
Industrials	44,810	44,810	—	—
Consumer goods and services	23,315	23,315	—	—
Health care	28,217	28,217	—	—
Technology, media and telecommunications	13,364	13,364	—	—
Financial services	95,694	91,588	128	3,978

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Nonredeemable preferred stocks	576	576	—	—
Total Available-for-Sale Equity Securities	$236,247	$232,141	$128	$3,978
Total Available-for-Sale Securities	$3,061,208	$232,141	$2,812,815	$16,252
TRADING				
Fixed maturities:				
Bonds				
Corporate bonds				
Industrials	$3,558	$—	$3,558	$—
Consumer goods and services	118	—	118	—
Health care	2,032	—	2,032	—
Technology, media and telecommunications	335	—	335	—
Financial services	4,094	—	4,094	—
Redeemable preferred stocks	2,485	2,485	—	—
Equity securities:				
Energy	267	267	—	—
Industrials	986	986	—	—
Consumer goods and services	942	942	—	—
Health care	304	304	—	—
Financial services	229	229	—	—
Nonredeemable preferred stocks	1,625	1,625	—	—
Total Trading Securities	$16,975	$6,838	$10,137	$—
Short-Term Investments	$175	$175	$—	$—
Money Market Accounts	$20,805	$20,805	$—	$—
Corporate-Owned Life Insurance	$1,716	$—	$1,716	$—
Total Assets Measured at Fair Value	$3,100,879	$259,959	$2,824,668	$16,252

The fair value of securities that are categorized as Level 1 is based on quoted market prices that are readily and regularly available.

We use a market-based approach for valuing all of our Level 2 securities except for our mortgage-backed securities, collateralized mortgage obligations and asset-backed securities, and submit them primarily to a third-party valuation service provider. Any of these securities not valued by this service provider are submitted to another third-party valuation service provider. Both service providers use a market approach to find pricing of similar financial instruments. The market inputs our service providers normally seek to value our securities include the following, listed in approximate order of priority: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. The method and inputs for these securities classified as Level 2 are the same regardless of industry category, credit quality, duration, geographical concentration or economic characteristics. For our mortgage-backed securities, collateralized mortgage obligations and asset-backed securities, our service providers use additional market inputs to value these securities, including the following: new issue data, periodic payment information, monthly payment information, collateral performance and real estate analysis from third parties. Our service providers prioritize inputs based on market conditions, and not all inputs listed are available for use in the valuation process for each security on any given day.

At least annually, we review the methodologies and assumptions used by our valuation service providers and verify that they are reasonable and representative of the fair value of the underlying securities held in the investment portfolio. We validate the prices obtained from independent pricing services and brokers prior to their use for

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reporting purposes by evaluating their reasonableness on a monthly basis. Our validation process includes a review for unusual fluctuations. In our opinion, the pricing obtained at June 30, 2016 and December 31, 2015 was reasonable. Unusual fluctuations outside of our expectations are independently corroborated with additional third-party sources that use similar valuation techniques as discussed above. In addition, we also randomly select securities and independently corroborate the valuations obtained from our third-party valuation service providers.

For the three- and six-month periods ended June 30, 2016, the change in our available-for-sale securities categorized as Level 1 and Level 2 is the result of investment purchases that were made using funds held in our money market accounts, disposals and the change in unrealized gains on both fixed maturities and equity securities. During the three- and six-month periods ended June 30, 2016, there were no securities transferred between Level 1 and Level 2.

Securities categorized as Level 3 include holdings in certain private placement fixed maturity and equity securities for which an active market does not currently exist. The fair value of our Level 3 private placement securities is determined by management relying on pricing received from our independent pricing services and brokers consistent with the process to estimate fair value for Level 2 securities. However, securities are categorized as Level 3 if these quotes cannot be corroborated by other market observable data due to the unobservable nature of the brokers' valuation processes. If pricing cannot be obtained from these sources, which occurs on a limited basis, management will perform a discounted cash flow analysis, using an appropriate risk-adjusted discount rate, on the underlying security to estimate fair value. During the three- and six-month periods ended June 30, 2016, there were no securities transferred in or out of Level 3.

The following table provides a summary of the changes in fair value of our Level 3 securities for the three-month period ended June 30, 2016:

	States, municipalities and political subdivisions	Corporate bonds	Asset-backed securities	Equities	Total
Balance at March 31, 2016	$ 344	$10,716	$ 925	$3,992	$15,977
Net unrealized gains (losses)(1)	(10)	25	34	—	49
Disposals	(80)	(241)	(152)	—	(473)
Balance at June 30, 2016	$ 254	$10,500	$ 807	$3,992	$15,553

(1) Unrealized gains (losses) are recorded as a component of comprehensive income.

The following table provides a summary of the changes in fair value of our Level 3 securities for the six-month period ended June 30, 2016:

	States, municipalities and political subdivisions	Corporate bonds	Asset-backed securities	Equities	Total
Balance at January 1, 2016	$ 343	$10,895	$ 1,036	$3,978	$16,252
Net unrealized gains (losses)(1)	(9)	162	69	—	222
Purchases	—	—	—	132	132
Disposals	(80)	(557)	(298)	(118)	(1,053)
Balance at June 30, 2016	$ 254	$10,500	$ 807	$3,992	$15,553

(1) Unrealized gains (losses) are recorded as a component of comprehensive income.

The fixed maturities reported as disposals relate to the receipt of principal on calls or sinking fund bonds, in accordance with the indentures.

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Corporate-Owned Life Insurance

The Company formed a rabbi trust in 2014 to fund obligations under the United Fire & Casualty Company Non-qualified Deferred Compensation Plan and United Fire Group Supplemental Executive Retirement and Deferral Plan (collectively the "Executive Retirement Plans"). Within the rabbi trust, corporate-owned life insurance ("COLI") policies are utilized as an investment vehicle and source of funding for the Company's Executive Retirement Plans. The COLI policies invest in mutual funds, which are priced daily by independent sources. As of June 30, 2016, the cash surrender value of the COLI policies was $2,208, which is equal to the fair value measured using Level 2 inputs, based on the underlying assets of the COLI policies, and is included in other assets in the Consolidated Balance Sheets.

NOTE 4. EMPLOYEE BENEFITS

Net Periodic Benefit Cost

The components of the net periodic benefit cost for our pension and postretirement benefit plans are as follows:

	Pension Plan		Postretirement Benefit Plan	
Three Months Ended June 30,	2016	2015	2016	2015
Net periodic benefit cost				
Service cost	$1,623	$1,669	$932	$1,305
Interest cost	1,663	1,500	754	713
Expected return on plan assets	(1,988)	(1,950)	—	—
Amortization of net loss	992	1,136	379	731
Net periodic benefit cost	$2,290	$2,355	$2,065	$2,749

	Pension Plan		Postretirement Benefit Plan	
Six Months Ended June 30,	2016	2015	2016	2015
Net periodic benefit cost				
Service cost	$3,246	$3,338	$1,864	$2,610
Interest cost	3,326	3,000	1,508	1,426
Expected return on plan assets	(3,976)	(3,900)	—	—
Amortization of net loss	1,984	2,272	758	1,462
Net periodic benefit cost	$4,580	$4,710	$4,130	$5,498

Employer Contributions

We previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015 that we expected to contribute $6,384 to the pension plan in 2016. For the six-month period ended June 30, 2016, we contributed $3,191 to the pension plan. We anticipate that the total contribution in 2016 will not vary significantly from our expected contribution.

NOTE 5. STOCK-BASED COMPENSATION

Non-qualified Employee Stock Award Plan

The United Fire Group, Inc. 2008 Stock Plan (the "2008 Stock Plan") authorized the issuance of restricted and unrestricted stock awards, restricted stock units, stock appreciation rights, incentive stock options, and non-qualified stock options for up to 1,900,000 shares of UFG common stock to employees. In May 2014, the Registrant's shareholders approved an additional 1,500,000 shares of UFG common stock issuable at any time and from time to time pursuant to the 2008 Stock Plan, among other amendments, and renamed such plan as the United Fire Group,

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Inc. Stock Plan (as amended, the "Stock Plan"). At June 30, 2016, there were 1,245,650 authorized shares remaining available for future issuance. The Stock Plan is administered by the Board of Directors, which determines those employees who will receive awards, when awards will be granted, and the terms and conditions of the awards. The Board of Directors may also take any action it deems necessary and appropriate for the administration of the Stock Plan. Pursuant to the Stock Plan, the Board of Directors may, at its sole discretion, grant awards to our employees who are in positions of substantial responsibility with UFG.

Options granted pursuant to the Stock Plan are granted to buy shares of UFG's common stock at the market value of the stock on the date of grant. All outstanding option awards vest and are exercisable in installments of 20.0 percent of the number of shares covered by the option award each year from the grant date, unless the Board of Directors authorizes the acceleration of vesting. To the extent not exercised, vested option awards accumulate and are exercisable by the awardee, in whole or in part, in any subsequent year included in the option period, but not later than 10 years from the grant date. Restricted and unrestricted stock awards granted pursuant to the Stock Plan are granted at the market value of our common stock on the date of the grant. Restricted stock units fully vest after 3 years or 5 years from the date of issuance, unless accelerated upon the approval of the Board of Directors, at which time UFG common stock will be issued to the awardee.

The activity in the Stock Plan is displayed in the following table:

Authorized Shares Available for Future Award Grants	Six Months Ended June 30, 2016	From Inception to June 30, 2016
Beginning balance	1,394,578	1,900,000
Additional shares authorized	—	1,500,000
Number of awards granted	(249,528)	(2,612,456)
Number of awards forfeited or expired	100,600	458,106
Ending balance	1,245,650	1,245,650
Number of option awards exercised	183,840	834,359
Number of unrestricted stock awards granted	870	7,215
Number of restricted stock awards vested	18,394	36,970

Non-qualified Non-employee Director Stock Option and Restricted Stock Plan

The United Fire Group, Inc. 2005 Non-Qualified Non-Employee Director Stock Option and Restricted Stock Plan (the "Director Plan") authorizes the issuance of restricted stock awards and non-qualified stock options to purchase shares of UFG's common stock to non-employee directors. At June 30, 2016, we had 74,771 authorized shares available for future issuance.

The Board of Directors has the authority to determine which non-employee directors receive awards, when options and restricted stock shall be granted, the option price, the option expiration date, the date of grant, the vesting schedule of options or whether the options shall be immediately vested, the terms and conditions of options and restricted stock (other than those terms and conditions set forth in the plan) and the number of shares of common stock to be issued pursuant to an option agreement or restricted stock agreement (subject to limits set forth in the plan). The Board of Directors may also take any action it deems necessary and appropriate for the administration of the Director Plan.

The activity in the Director Plan is displayed in the following table:

Authorized Shares Available for Future Award Grants	Six Months Ended June 30, 2016	From Inception to June 30, 2016
Beginning balance	69,938	300,000

Number of awards granted	(13,167)	(249,232)
Number of awards forfeited or expired	18,000	24,003
Ending balance	74,771	74,771
Number of option awards exercised	22,986	37,793
Number of restricted stock awards vested	11,385	31,556

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Stock-Based Compensation Expense

For the three-month periods ended June 30, 2016 and 2015, we recognized stock-based compensation expense of $889 and $648, respectively. For the six-month periods ended June 30, 2016 and 2015, we recognized stock-based compensation expense of $1,865 and $1,200, respectively. Stock-based compensation expense is recognized over the vesting period of the stock options.

As of June 30, 2016, we had $8,865 in stock-based compensation expense that has yet to be recognized through our results of operations. We expect this compensation to be recognized over the remainder of 2016 and subsequent years according to the following table, except with respect to awards that are accelerated by the Board of Directors, in which case we will recognize any remaining compensation expense in the period in which the awards are accelerated.

2016	$1,731
2017	2,964
2018	2,264
2019	1,194
2020	640
2021	72
Total	$8,865

NOTE 6. SEGMENT INFORMATION

We have two reportable business segments in our operations: property and casualty insurance and life insurance. The property and casualty insurance segment has seven domestic locations from which it conducts its business. The life insurance segment operates from our home office in Cedar Rapids, Iowa. Because all of our insurance is sold domestically, we have no revenues from foreign operations.

We evaluate the two segments on the basis of both statutory accounting principles prescribed or permitted by our states of domicile and GAAP. We analyze results based on profitability (i.e., loss ratios), expenses, and return on equity. The basis we use to determine and analyze segments and to measure segment profit or loss have not changed from that reported in our Annual Report on Form 10-K for the year ended December 31, 2015.

We have reconciled the amounts in the following table for the three-month periods ended June 30, 2016 and 2015 to the amounts reported in our unaudited Consolidated Financial Statements, adjusting for intersegment eliminations.

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	Property and Casualty Insurance	Life Insurance	Total
As of and for the Three Months Ended June 30, 2016			
Net premiums earned	$232,282	$21,205	$253,487
Investment income, net of investment expenses	11,655	12,889	24,544
Net realized investment gains	966	630	1,596
Other income	—	183	183
Total reportable segment	$244,903	$34,907	$279,810
Intersegment eliminations	(37)	—	(37)
Total revenues	$244,866	$34,907	$279,773
Net income	$3,434	$(320)	$3,114
Assets	$2,459,526	$1,646,312	$4,105,838
Invested assets	$1,723,641	$1,547,765	$3,271,406
As of and for the Three Months Ended June 30, 2015			
Net premiums earned	$209,266	$20,154	$229,420
Investment income, net of investment expenses	12,139	13,673	25,812
Net realized investment gains (losses)	(177)	946	769
Other income	—	132	132
Total reportable segment	$221,228	$34,905	$256,133
Intersegment eliminations	(20)	(195)	(215)
Total revenues	$221,208	$34,710	$255,918
Net income	$13,297	$1,721	$15,018
Assets	$2,216,690	$1,674,793	$3,891,483
Invested assets	$1,581,176	$1,555,690	$3,136,866

We have reconciled the amounts in the following table for the six-month periods ended June 30, 2016 and 2015 to the amounts reported in our unaudited Consolidated Financial Statements, adjusting for intersegment eliminations.

	Property and Casualty Insurance	Life Insurance	Total
As of and for the Six Months Ended June 30, 2016			
Net premiums earned	$452,507	$42,278	$494,785
Investment income, net of investment expenses	21,064	25,741	46,805
Net realized investment gains	2,703	948	3,651
Other income	—	291	291
Total reportable segment	$476,274	$69,258	$545,532
Intersegment eliminations	(74)	—	(74)
Total revenues	$476,200	$69,258	$545,458
Net income	$25,454	$87	$25,541
Assets	$2,459,526	$1,646,312	$4,105,838
Invested assets	$1,723,641	$1,547,765	$3,271,406
As of and for the Six Months Ended June 30, 2015			
Net premiums earned	$409,403	$33,382	$442,785
Investment income, net of investment expenses	22,869	27,289	50,158

Net realized investment gains (losses)	(416)	2,072	1,656
Other income	—	195	195
Total reportable segment	$431,856	$62,938	$494,794
Intersegment eliminations	(3)	(389)	(392)
Total revenues	$431,853	$62,549	$494,402
Net income	$36,400	$2,297	$38,697
Assets	$2,216,690	$1,674,793	$3,891,483
Invested assets	$1,581,176	$1,555,690	$3,136,866

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NOTE 7. EARNINGS PER COMMON SHARE

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share gives effect to all dilutive common shares outstanding during the reporting period. The dilutive shares we consider in our diluted earnings per share calculation relate to our outstanding stock options, restricted stock awards and restricted stock unit awards.

We determine the dilutive effect of our outstanding stock options using the "treasury stock" method. Under this method, we assume the exercise of all of the outstanding stock options whose exercise price is less than the weighted-average market value of our common stock during the reporting period. This method also assumes that the proceeds from the hypothetical stock option exercises are used to repurchase shares of our common stock at the weighted-average market value of the stock during the reporting period. The net of the assumed stock options exercised and assumed common shares repurchased represents the number of dilutive common shares, which we add to the denominator of the earnings per share calculation.

The components of basic and diluted earnings per share were as follows for the three-month periods ended June 30, 2016 and 2015:

	Three Months Ended June 30,			
(In Thousands Except Share Data)	2016		2015	
	Basic	Diluted	Basic	Diluted
Net income	$3,114	$ 3,114	$15,018	$ 15,018
Weighted-average common shares outstanding	25,366,283	25,366,283	25,023,753	25,023,753
Add dilutive effect of restricted stock unit awards	—	155,270	—	125,135
Add dilutive effect of stock options	—	273,923	—	138,742
Weighted-average common shares	25,366,283	25,795,476	25,023,753	25,287,630
Earnings per common share	$0.12	$ 0.12	$0.60	$ 0.59
Awards excluded from diluted earnings per share calculation(1)	—	—	—	431,599

(1) Outstanding awards that are not "in-the-money" are excluded from the diluted earnings per share calculation because the effect of including them would have been anti-dilutive.

The components of basic and diluted earnings per share were as follows for the six-month periods ended June 30, 2016 and 2015:

	Six Months Ended June 30,			
(In Thousands Except Share Data)	2016		2015	
	Basic	Diluted	Basic	Diluted
Net income	$25,541	$ 25,541	$38,697	$ 38,697
Weighted-average common shares outstanding	25,288,086	25,288,086	25,007,204	25,007,204
Add dilutive effect of restricted stock unit awards	—	155,270	—	125,135
Add dilutive effect of stock options	—	186,221	—	—
Weighted-average common shares	25,288,086	25,629,577	25,007,204	25,132,339
Earnings per common share	$1.01	$ 1.00	$1.55	$ 1.54
Awards excluded from diluted earnings per share calculation(1)	—	—	—	443,596

(1) Outstanding awards that are not "in-the-money" are excluded from the diluted earnings per share calculation because the effect of including them would have been anti-dilutive.

NOTE 8. CREDIT FACILITY

On February 2, 2016, the Company, as borrower, entered into a Credit Agreement (the "New Credit Agreement") by and among the Company, with the lenders from time to time party thereto and KeyBank National Association ("Key Bank"), as administrative agent, swingline lender and letter of credit issuer. The New Credit Agreement provides for

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a $50,000 four-year unsecured revolving credit facility that includes a $20,000 letter of credit subfacility and a swingline subfacility in the amount up to $5,000. The New Credit Agreement allows the Company to increase the aggregate amount of the commitments thereunder by up to $100,000, provided that no event of default has occurred and is continuing and certain other conditions are satisfied.

The New Credit Agreement is available for the Company's general corporate purposes, including liquidity, acquisitions and working capital. All unpaid principal and accrued interest under the New Credit Agreement is due and payable in full at maturity on February 2, 2020. Based on the type of loan, advances under the New Credit Agreement would bear interest on either the London interbank offered rate ("LIBOR") or a base rate plus, in each case, a calculated margin amount.

The unused commitments under the New Credit Agreement will be subject to a commitment fee that will be calculated at a per annum rate. The applicable margins for borrowings under the New Credit Agreement and the commitment fee thereunder will be determined by reference to a pricing grid based on the Company’s issuer credit rating by A.M. Best Company, Inc.

The New Credit Agreement contains customary representations, conditions to borrowing, covenants and events of default, including certain covenants that limit or restrict, subject to certain exceptions, the ability of the Company and its subsidiaries to sell or transfer assets, enter into a merger or consolidate with another company, create liens, impose restrictions on subsidiary dividends, enter into sale-leaseback transactions, make investments or acquisitions, enter into certain reinsurance agreements, pay dividends during any period of default, enter into transactions with affiliates, change the nature of its business, or incur indebtedness. The New Credit Agreement also includes financial covenants that require the Company to (i) maintain a minimum consolidated net worth, (ii) maintain a minimum consolidated statutory surplus and (iii) not exceed a 0.35 to 1.0 debt to total capitalization ratio.

Prior to December 22, 2015, the Company had a credit agreement (the "Previous Credit Agreement") with a syndicate of financial institutions as lenders. KeyBank National Association was the administrative agent, lead arranger, sole book runner, swingline lender, and letter of credit issuer, and Bankers Trust Company was the syndication agent. The Previous Credit Agreement provided for a $100,000 unsecured revolving credit facility that included a $20,000 letter of credit subfacility and a swingline subfacility of up to $5,000. The Previous Credit Agreement terminated by expiration on its stated termination date of December 22, 2015.

There was no outstanding balance on either the New Credit Agreement or Previous Credit Agreement at June 30, 2016 and 2015. For the six-month periods ended June 30, 2016 and 2015, we did not incur any interest expense related to either credit facility. We were in compliance with all covenants of the New Credit Agreement at June 30, 2016.

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NOTE 9. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table shows the changes in the components of our accumulated other comprehensive income (loss), net of tax, for the three-month period ended June 30, 2016:

	Net unrealized appreciation on investments	Liability for underfunded employee benefit costs(1)	Total
Balance as of March 31, 2016	$ 155,818	$ (47,041)	$ 108,777
Change in accumulated other comprehensive income before reclassifications	32,065	—	32,065
Reclassification adjustments from accumulated other comprehensive income (loss)	(455)	892	437
Balance as of June 30, 2016	$ 187,428	$ (46,149)	$ 141,279

(1) Estimates and Assumptions: The preparation of financial statements in conformity with GAAP requires us to make various estimates and assumptions that affect the reporting of net periodic benefit cost, plan assets and plan obligations for each plan at the date of the financial statements. Actual results could differ from these estimates. One significant estimate relates to the calculation of the benefit obligation for each plan. We annually establish the discount rate, which is an estimate of the interest rate at which these benefits could be effectively settled, that is used to determine the present value of the respective plan's benefit obligations as of December 31.

The following table shows the changes in the components of our accumulated other comprehensive income (loss), net of tax, for the six-month period ended June 30, 2016:

	Net unrealized appreciation on investments	Liability for underfunded employee benefit costs(1)	Total
Balance as of January 1, 2016	$ 128,369	$ (47,932)	$ 80,437
Change in accumulated other comprehensive income before reclassifications	60,584	—	60,584
Reclassification adjustments from accumulated other comprehensive income (loss)	(1,525)	1,783	258
Balance as of June 30, 2016	$ 187,428	$ (46,149)	$ 141,279

(1) Estimates and Assumptions: The preparation of financial statements in conformity with GAAP requires us to make various estimates and assumptions that affect the reporting of net periodic benefit cost, plan assets and plan obligations for each plan at the date of the financial statements. Actual results could differ from these estimates. One significant estimate relates to the calculation of the benefit obligation for each plan. We annually establish the discount rate, which is an estimate of the interest rate at which these benefits could be effectively settled, that is used to determine the present value of the respective plan's benefit obligations as of December 31.

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Review Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
United Fire Group, Inc.

We have reviewed the consolidated balance sheet of United Fire Group, Inc. (the "Company") as of June 30, 2016, and the related consolidated statements of income and comprehensive income for the three- and six-month periods ended June 30, 2016 and 2015, the consolidated statements of cash flows for the six-month periods ended June 30, 2016 and 2015, and the consolidated statement of stockholders' equity for the six-month period ended June 30, 2016. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of United Fire Group, Inc. as of December 31, 2015, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for the year then ended (not presented herein) and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated February 26, 2016. In our opinion, the accompanying consolidated balance sheet of United Fire Group, Inc. as of December 31, 2015 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/
Ernst
&
Young
LLP
Ernst
&
Young
LLP

Des Moines, Iowa
August 3, 2016

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with Part I, Item 1 "Financial Statements."

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are defined as those that are representative of significant judgments and uncertainties and that potentially may result in materially different results under different assumptions and conditions. We base our discussion and analysis of our results of operations and financial condition on the amounts reported in our Consolidated Financial Statements, which we have prepared in accordance with GAAP. As we prepare these Consolidated Financial Statements, we must make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the reporting period. We evaluate our estimates on an ongoing basis. We base our estimates on historical experience and on other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from those estimates. Our critical accounting policies are more fully described in our Management's Discussion and Analysis of Financial Condition and Results of Operations presented in our Annual Report on Form 10-K for the year ended December 31, 2015. There have been no changes in our critical accounting policies from December 31, 2015.

INTRODUCTION

The purpose of this Management's Discussion and Analysis is to provide an understanding of our results of operations and consolidated financial position. Our Management's Discussion and Analysis should be read in conjunction with our consolidated financial statements and related notes, including those in our Annual Report on Form 10-K for the year ended December 31, 2015. Our consolidated financial statements are prepared on the basis of GAAP. We also prepare financial statements for each of our insurance company subsidiaries based on statutory accounting principles and file them with insurance regulatory authorities in the states where they do business.
When we provide information on a statutory basis, we label it as such, otherwise, all other data is presented in accordance with GAAP.

OUR BUSINESS

Founded in 1946 as United Fire & Casualty Company, United Fire Group, Inc. ("UFG," the "Registrant," the "Company," "we," "us," or "our") and its consolidated insurance subsidiaries provide insurance protection for individuals and businesses through several regional offices. Our property and casualty insurance company subsidiaries are licensed in 46 states plus the District of Columbia and are represented by approximately 1,200 independent agencies. Our life insurance subsidiary is licensed in 37 states and is represented by approximately 1,300 independent agencies.

Segments

We operate two business segments, each with a wide range of products:

- property and casualty insurance, which includes commercial lines insurance, personal lines insurance, surety bonds and assumed reinsurance; and

- life insurance, which includes deferred and immediate annuities, universal life products and traditional life (primarily single premium whole life) insurance products.

We manage these business segments separately, as they generally do not share the same customer base, and each has different products, pricing, and expense structures.

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For the six-month period ended June 30, 2016, property and casualty insurance business accounted for approximately 91.5 percent of our net premiums earned, of which 92.3 percent was generated from commercial lines. Life insurance business accounted for approximately 8.5 percent of our net premiums earned, of which 78.1 percent was generated from traditional life insurance products.

Pooling Arrangement

All of our property and casualty insurance subsidiaries are members of an intercompany reinsurance pooling arrangement. The Company's pooling arrangement permits the participating companies to rely on the capacity of the entire pool's capital and surplus, rather than being limited to policy exposures of a size commensurate with each participant’s own surplus level.

Geographic Concentration

For the six-month period ended June 30, 2016, approximately 47.8 percent of our property and casualty premiums were written in Texas, Iowa, California, Missouri and New Jersey; approximately 63.9 percent of our life insurance premiums were written in Iowa, Minnesota, Illinois, Wisconsin and Colorado.

Segment Revenue and Expense

We evaluate segment profit or loss based upon operating and investment results. Segment profit or loss described in the following sections of this Management's Discussion and Analysis is reported on a pre-tax basis. Additional segment information is presented in Part I, Item 1, Note 6 "Segment Information" to the unaudited Consolidated Financial Statements.

Our primary sources of revenue are premiums and investment income. Major categories of expenses include losses and loss settlement expenses, future policy benefits, underwriting and other operating expenses and interest on policyholders' accounts.

Profit Factors

Our profitability is influenced by many factors, including price, competition, economic conditions, investment returns, interest rates, catastrophic events and other natural disasters, man-made disasters, state regulations, court decisions, and changes in the law. To manage these risks and uncertainties, we seek to achieve consistent profitability through strong agency relationships, exceptional customer service, fair and prompt claims handling, disciplined underwriting, superior loss control services, prudent management of our investments, appropriate matching of assets and liabilities, effective use of ceded reinsurance and effective and efficient use of technology.

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CONSOLIDATED FINANCIAL HIGHLIGHTS

	Three Months Ended June 30,			Six Months Ended June 30,		
(In Thousands)	2016	2015	%	2016	2015	%
Revenues						
Net premiums earned	$253,487	$229,225	10.6 %	$494,785	$442,396	11.8 %
Investment income, net of investment expenses	24,507	25,792	(5.0)	46,731	50,155	(6.8)
Net realized investment gains	1,596	769	107.5	3,651	1,656	120.5
Other income	183	132	38.6	291	195	49.2
Total revenues	$279,773	$255,918	9.3 %	$545,458	$494,402	10.3 %
Benefits, Losses and Expenses						
Losses and loss settlement expenses	$180,412	$150,362	20.0 %	$322,540	$276,771	16.5 %
Increase in liability for future policy benefits	16,002	12,096	32.3	28,554	19,719	44.8
Amortization of deferred policy acquisition costs	52,585	44,357	18.5	102,816	86,829	18.4
Other underwriting expenses	24,772	23,546	5.2	51,525	47,080	9.4
Interest on policyholders' accounts	5,138	6,024	(14.7)	10,385	12,639	(17.8)
Total benefits, losses and expenses	$278,909	$236,385	18.0 %	$515,820	$443,038	16.4 %
Income before income taxes	$864	$19,533	(95.6)%	$29,638	$51,364	(42.3)%
Federal income tax expense (benefit)	(2,250)	4,515	(149.8)	4,097	12,667	(67.7)
Net income	$3,114	$15,018	(79.3)%	$25,541	$38,697	(34.0)%

The following is a summary of our financial performance for the three- and six-month periods ended June 30, 2016:

Consolidated Results of Operations

For the three-month period ended June 30, 2016, net income was $3.1 million compared to $15.0 million for the same period of 2015. The decrease in net income was driven by an increase in losses and loss settlement expenses from higher catastrophe losses and an increase in deferred acquisition cost amortization from continued organic growth, both partially offset by an increase in net premiums earned from organic growth and geographical expansion. Consolidated net premiums earned increased to $253.5 million compared to $229.2 million for the same period of 2015.

For the six-month period ended June 30, 2016, net income was $25.5 million compared to $38.7 million for the same period of 2015. The decrease in net income was driven by an increase in losses and loss settlement expenses from higher catastrophe losses and an increase in deferred acquisition cost amortization from continued organic growth, both partially offset by an increase in net premiums earned from organic growth and geographical expansion. Consolidated net premiums earned increased to $494.8 million compared to $442.4 million for the same period of 2015. This increase is a result of organic growth with a combination of new business writings and geographical expansion.

Losses and loss settlement expenses increased by $30.1 million during the three-month period ended June 30, 2016 compared to the same period of 2015. The net loss ratio increased by 6.1 percentage points during the three-month period ended June 30, 2016 compared to the same period of 2015. The increase in the net loss ratio is primarily due to higher catastrophe losses during the three-month period ended June 30, 2016. Pre-tax catastrophe losses were

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$35.5 million compared to $20.2 million in the same period of 2015, when catastrophe losses were lower than our 10-year historical average. In the second quarter of 2016, catastrophe losses added 15.3 percentage points to the combined ratio compared with our 10-year historical average of 10.3 percentage points added to the combined ratio. The increase in catastrophe losses in the second quarter 2016 was driven by hail and wind storms primarily in Texas and the Midwest, impacting our commercial property, commercial auto, personal homeowners and personal auto lines of business.

Losses and loss settlement expenses increased by $45.8 million during the six-month period ended June 30, 2016 compared to the same period of 2015. The net loss ratio increased by 3.6 percentage points during the six-month period ended June 30, 2016 compared to the same period of 2015 primarily due to an increase in catastrophe losses. Pre-tax catastrophe losses for the six-months year-to-date were $39.9 million compared to $20.4 million in the same period of 2015.

Investment income decreased by $1.3 million and $3.4 million during the three- and six-month periods ended June 30, 2016 compared to the same periods of 2015. The decrease was primarily due to the change in value of our investments in limited liability partnerships and declining interest rates as compared to the same periods in 2015.

Consolidated Financial Condition

At June 30, 2016, the book value per share of our common stock was $37.85. We did not repurchase any shares of our common stock during the six-month period ended June 30, 2016. Under our share repurchase program, which is scheduled to expire on August 31, 2016, we were authorized to repurchase an additional 1,528,886 shares of our common stock as of June 30, 2016.

Net unrealized investment gains totaled $187.4 million as of June 30, 2016, an increase of $59.1 million, net of tax, or 46.0 percent, since December 31, 2015. The increase in net unrealized investment gains is primarily the result of a decrease in interest rates, which positively impacted the valuation of our fixed maturity security portfolio during 2016 and to a lesser extent an increase in the fair value of our equity security portfolio.

Our stockholders' equity increased to $961.0 million at June 30, 2016, from $878.9 million at December 31, 2015. The increase was attributable to net income of $25.5 million and an increase in net unrealized investment gains of $59.1 million, net of tax, partially offset by stockholder dividends of $11.9 million.

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RESULTS OF OPERATIONS

Property and Casualty Insurance Segment Results

	Three Months Ended June 30,		Six Months Ended June 30,	
(In Thousands Except Ratios)	2016	2015	2016	2015
Net premiums written	$272,094	$242,740	$513,003	$462,118
Net premiums earned	$232,282	$209,266	$452,507	$409,403
Losses and loss settlement expenses	(173,128)	(143,053)	(306,265)	(262,391)
Amortization of deferred policy acquisition costs	(50,563)	(42,649)	(98,976)	(83,458)
Other underwriting expenses	(19,803)	(18,716)	(41,422)	(38,120)
Underwriting gain	$(11,212)	$4,848	$5,844	$25,434
Investment income, net of investment expenses	11,618	12,119	20,990	22,866
Net realized investment gains (losses)	966	(177)	2,703	(416)
Income before income taxes	$1,372	$16,790	$29,537	$47,884
GAAP Ratios:				
Net loss ratio (without catastrophes)	59.2 %	58.8 %	58.9 %	59.1 %
Catastrophes - effect on net loss ratio	15.3	9.6	8.8	5.0
Net loss ratio(1)	74.5 %	68.4 %	67.7 %	64.1 %
Expense ratio(2)	30.3	29.3	31.0	29.7
Combined ratio(3)	104.8 %	97.7 %	98.7 %	93.8 %

(1) The net loss ratio is calculated by dividing the sum of losses and loss settlement expenses by net premiums earned. We use the net loss ratio as a measure of the overall underwriting profitability of the insurance business we write and to assess the adequacy of our pricing. Our net loss ratio is meaningful in evaluating our financial results as reported in our unaudited Consolidated Financial Statements.
(2) The expense ratio is calculated by dividing nondeferred underwriting expenses and amortization of deferred policy acquisition costs by net premiums earned. The expense ratio measures a company's operational efficiency in producing, underwriting and administering its insurance business.
(3) The combined ratio is a commonly used financial measure of property and casualty underwriting performance. A combined ratio below 100.0 percent generally indicates a profitable book of business. The combined ratio is the sum of the net loss ratio and the underwriting expense ratio.

For the three- and six-month periods ended June 30, 2016, our property and casualty segment reported income before taxes of $1.4 million and $29.5 million, a decrease of $15.4 million and $18.3 million, respectively, compared to the same periods of 2015. The decrease in the three- and six-month periods ended June 30, 2016 was driven by an increase in losses and loss settlement expenses from higher catastrophe losses and an increase in deferred acquisition cost amortization from continued organic growth, both partially offset by an increase in net premiums earned from organic growth and geographical expansion.

Net premiums earned increased 11.0 percent to $232.3 million in the three-month period ended June 30, 2016, compared to $209.3 million in the same period of 2015. Net premiums earned increased 10.5 percent to $452.5 million in the six-month period ended June 30, 2016, compared to $409.4 million in the same period of 2015. These increases are a result of organic growth from a combination of new business writings and geographic expansion.

The combined ratio increased 7.1 percentage points to 104.8 percent, for the three-month period ended June 30, 2016, compared to 97.7 percent for the same period of 2015. The combined ratio increased 4.9 percentage points to 98.7, for the six-month period ended June 30, 2016, compared to 93.8 percent for the same period of 2015. The increase in the combined ratio in the three- and six-month periods ended June 30, 2016, as compared to the same period of 2015, was primarily attributable to an increase in the net loss ratio from higher catastrophe losses and an increase in the expense ratio from an increase in deferred acquisition cost amortization from continued organic growth.

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The net loss ratio, a component of the combined ratio, increased by 6.1 percentage points to 74.5 percent and 3.6 percentage points to 67.7 percent in the three- and six-month periods ended June 30, 2016, as compared to the same periods of 2015 due to higher catastrophe losses. Pre-tax catastrophe losses totaled $35.5 million and $39.9 million for the three- and six-month periods ended June 30, 2016, as compared to $20.2 million and $20.4 million in the same periods of 2015.

The expense ratio, a component of the combined ratio, was 30.3 percent and 31.0 percent for the three- and six-month periods ended June 30, 2016, an increase of 1.0 percentage points and 1.3 percentage points, respectively, as compared with the same periods of 2015. The change was primarily due to an increase in deferred acquisition cost amortization from continued organic growth, partially offset by a decrease in post-retirement benefit expenses.

For a detailed discussion of our consolidated investment results, refer to the "Investment Portfolio" section below.

Reserve Development

For many liability claims, significant periods of time, ranging up to several years, and for certain construction defect claims, more than a decade, may elapse between the occurrence of the loss, the reporting of the loss to us and the settlement or other disposition of the claim. As a result, loss experience in the more recent accident years for the long-tail liability coverages has limited statistical credibility in our reserving process because a relatively small proportion of losses in these accident years are reported claims and an even smaller proportion are paid losses. In addition, long-tail liability claims are more susceptible to litigation and can be significantly affected by changing contract interpretations and the legal environment. Consequently, the estimation of loss reserves for long-tail coverages is more complex and subject to a higher degree of variability. Reserves for these long-tail coverages represent a significant portion of our overall carried reserves.

When establishing reserves and monitoring reserve adequacy, we analyze historical data and consider the potential impact of various loss development factors and trends including historical loss experience, legislative enactments, judicial decisions, legal developments in imposition of damages, experience with alternative dispute resolution, results of our medical bill review process, the potential impact of salvage and subrogation and changes and trends in general economic conditions, including the effects of inflation. All of these factors influence our estimates of required reserves and for long-tail lines these factors can change over the course of the settlement of the claim. However, there is no precise method for evaluating the specific dollar impact of any individual factor on the development of reserves.

Our reserving philosophy is to reserve claims to their ultimate expected loss amount as soon as practicable after information about a claim becomes available. This approach tends to produce, on average, prudently conservative case reserves, which we expect to result in some level of favorable development over the course of settlement.

2016 Development

The property and casualty insurance segment experienced $2.5 million and $26.4 million of favorable development in our net reserves for prior accident years for the three- and six-month periods ended June 30, 2016, respectively. For the three-month period ended June 30, 2016 the majority of favorable development was from commercial automobile with $3.3 million favorable development, commercial fire and allied lines with $2.5 million favorable development and workers compensation with $1.7 million favorable development, all partially offset with unfavorable development of $6.0 million in commercial liability; no other single line contributed a significant portion of the total development. For the six-month period ended June 30, 2016 the majority of favorable development was from commercial liability with $13.8 million favorable development, workers compensation with $7.2 million favorable development and commercial automobile with $6.2 million favorable development, all partially offset by commercial fire and allied lines with $4.4 million unfavorable development; no other single line contributed a significant portion of the total development. The favorable development is attributable to reductions in reserves for reported claims as well as reductions in required reserves for incurred but not reported claims combined with continued successful management of litigation expenses.

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2015 Development

The property and casualty insurance segment experienced $6.7 million and $23.4 million of favorable development in our net reserves for prior accident years for the three- and six-month periods ended June 30, 2015, respectively. Four lines in aggregate accounted for a majority of the favorable development. The largest single contributor was workers' compensation with $5.9 million and $11.6 million, respectively, of favorable development followed by long-tail liability with $1.6 million and $6.4 million, respectively, of favorable development, then commercial auto liability with $0.8 million and $3.8 million, respectively, of favorable development and auto physical damage with $1.5 million and $3.7 million, respectively, of favorable development in the three- and six-month periods ended June 30, 2015. All of these lines of business benefited from reductions in reserves for reported claims as well as reductions in required reserves for incurred but not reported claims primarily due to favorable results from subrogation recoveries and successful management of litigation expenses. These reserve decreases were more than sufficient to offset claim payments. These lines of business more than offset the $4.7 million and $5.9 million, respectively, of adverse development on the assumed property and liability reinsurance lines of business in the three- and six-month periods ended June 30, 2015. No other line of business contributed a significant portion of the total development.

Development amounts can vary significantly from quarter-to-quarter and year-to-year depending on a number of factors, including the number of claims settled and the settlement terms, and are subject to reallocation between accident years and lines of business. At June 30, 2016, our total reserves were within our actuarial estimates.

The following tables display our net premiums earned, net losses and loss settlement expenses and net loss ratio by line of business:

Three Months Ended June 30,	2016			2015		
(In Thousands) Unaudited	Net Premiums Earned	Net Losses and Loss Settlement Expenses Incurred	Net Loss Ratio	Net Premiums Earned	Net Losses and Loss Settlement Expenses Incurred	Net Loss Ratio
Commercial lines						
Other liability	$71,454	$35,303	49.4 %	$63,466	$36,122	56.9 %
Fire and allied lines	56,012	52,758	94.2	49,708	40,366	81.2
Automobile	52,544	44,848	85.4	45,447	37,928	83.5
Workers' compensation	25,660	19,690	76.7	23,263	10,423	44.8
Fidelity and surety	5,316	(423)	(8.0)	4,566	894	19.6
Miscellaneous	450	113	25.1	675	123	18.2
Total commercial lines	$211,436	$152,289	72.0 %	$187,125	$125,856	67.3 %
Personal lines						
Fire and allied lines	$11,090	$12,531	113.0 %	$10,996	$9,066	82.4 %
Automobile	6,216	6,335	101.9	5,967	4,658	78.1
Miscellaneous	270	412	152.6	253	(99)	(39.1)
Total personal lines	$17,576	$19,278	109.7 %	$17,216	$13,625	79.1 %
Reinsurance assumed	$3,270	$1,561	47.7 %	$4,925	$3,572	72.5 %
Total	$232,282	$173,128	74.5 %	$209,266	$143,053	68.4 %

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Six Months Ended June 30,	2016			2015		
(In Thousands, Except Ratios) Unaudited	Net Premiums Earned	Net Losses and Loss Settlement Expenses Incurred	Net Loss Ratio	Net Premiums Earned	Net Losses and Loss Settlement Expenses Incurred	Net Loss Ratio
Commercial lines						
Other liability	$140,788	$68,664	48.8 %	$123,973	$68,679	55.4%
Fire and allied lines	108,052	86,737	80.3	97,819	69,068	70.6
Automobile	101,995	87,067	85.4	89,126	71,262	80.0
Workers' compensation	50,243	31,334	62.4	46,503	21,810	46.9
Fidelity and surety	10,510	(476)	(4.5)	9,321	2,625	28.2
Miscellaneous	839	318	37.9	1,349	124	9.2
Total commercial lines	$412,427	$273,644	66.3 %	$368,091	$233,568	63.5%
Personal lines						
Fire and allied lines	$21,808	$18,836	86.4 %	$21,906	$15,069	68.8%
Automobile	12,300	10,544	85.7	11,798	7,855	66.6
Miscellaneous	531	595	112.1	499	112	22.4
Total personal lines	$34,639	$29,975	86.5 %	$34,203	$23,036	67.4%
Reinsurance assumed	$5,441	$2,646	48.6 %	$7,109	$5,787	81.4%
Total	$452,507	$306,265	67.7 %	$409,403	$262,391	64.1%

- Other liability - The net loss ratio improved 7.5 percentage points and 6.6 percentage points in the three- and six-month periods ended June 30, 2016, respectively, compared to the same periods of 2015. The change was primarily due to successful management of loss adjustment expenses which resulted in losses incurred during the first half of 2016, whereas loss adjustment expenses increased during the first half of 2015.

- Commercial fire and allied lines - The net loss ratio deteriorated 13.0 percentage points and 9.7 percentage points in the three- and six-month periods ended June 30, 2016, respectively, compared to the same periods of 2015. The change is primarily attributable to an increase in severity in weather related catastrophe claims in the second quarter of 2016 and lower favorable development.

- Commercial automobile - The net loss ratio deteriorated 1.9 percentage points and 5.4 percentage points in the three- and six-month periods ended June 30, 2016, respectively, compared to the same periods of 2015. The change was due to an increase in frequency and severity of claims in the fist half of 2016 as compared to the first half of 2015.

- Workers' compensation - The net loss ratio deteriorated 31.9 percentage points and 15.5 percentage points in the three- and six-month periods ended June 30, 2016, respectively, compared to the same periods of 2015. The change was primarily due to an increase in severity of claims and a $4.2 million decrease in favorable reserve development on prior year claims in the first half of 2016 as compared to the first half of 2015. The 2015 loss ratios for this line of business were below our expectations. Despite the increase in the three-month period ended June 30, 2016, the loss ratio continues to be within our expectations for this line of business.

- Fidelity and surety - The net loss ratio improved in the three- and six-month periods ended June 30, 2016, respectively, compared to the same periods of 2015. The change was primarily due to salvage and subrogation received in the second quarter of 2016.

- Personal fire and allied lines - The net loss ratio deteriorated 30.6 percentage points and 17.6 percentage points in the three- and six-month periods ended June 30, 2016, respectively, compared to the same periods

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of 2015. The change is primarily attributable to a significant increase in weather related catastrophe claims during the second quarter of 2016 when compared to the second quarter of 2015.

- Personal automobile - The net loss ratio deteriorated 23.8 percentage points and 19.1 percentage points in the three- and six-month periods ended June 30, 2016, respectively, compared to the same periods of 2015. The change is primarily attributable to an increase in claim frequency due to catastrophe losses during the second quarter of 2016 when compared to the second quarter of 2015.

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Life Insurance Segment Results

	Three Months Ended June 30,		Six Months Ended June 30,	
(In Thousands)	2016	2015	2016	2015
Revenues				
Net premiums earned	$21,205	$19,959	$42,278	$32,993
Investment income, net of investment expenses	12,889	13,673	25,741	27,289
Net realized investment gains	630	946	948	2,072
Other income	183	132	291	195
Total revenues	$34,907	$34,710	$69,258	$62,549
Benefits, Losses and Expenses				
Losses and loss settlement expenses	$7,284	$7,309	$16,275	$14,380
Increase in liability for future policy benefits	16,002	12,096	28,554	19,719
Amortization of deferred policy acquisition costs	2,022	1,708	3,840	3,371
Other underwriting expenses	4,969	4,830	10,103	8,960
Interest on policyholders' accounts	5,138	6,024	10,385	12,639
Total benefits, losses and expenses	$35,415	$31,967	$69,157	$59,069
Income (loss) before income taxes	$(508)	$2,743	$101	$3,480

Income before income taxes decreased $3.3 million, from income before income taxes of $2.7 million to a loss before income taxes of $0.5 million, in the three-month period ended June 30, 2016 as compared to the same period of 2015, respectively. The decrease in net income was due to a decrease in investment income and an increase in the increase in liability for future policy benefits, both partially offset by an increase in net premiums earned from higher sales of single premium whole life policies ("SPWL") and a decrease in interest on policyholders' accounts due to a decline in the amount of expense associated with the payment of interest to policyholders on annuity accounts.

Income before income taxes decreased $3.4 million in the six-month period ended June 30, 2016, as compared to the same period of 2015. The decrease in net income was due to a decrease in investment income, an increase in losses and loss settlement expenses and an increase in the increase in liability for future policy benefits, all partially offset by an increase in net premiums earned from higher sales of SPWL and a decrease in interest on policyholders' accounts due to a decline in the amount of expense associated with the payment of interest to policyholders on annuity accounts.

Net premiums earned increased 6.2 percent to $21.2 million for the three-month period ended June 30, 2016, compared to $20.0 million in the same period of 2015. Net premiums earned increased 28.1 percent to $42.3 million for the six-month period ended June 30, 2016, compared to $33.0 million in the same period of 2015. The increase in net premiums earned was primarily due to an increase in sales of SPWL policies.

Net investment income decreased 5.7 percent to $12.9 million for the three-month period ended June 30, 2016, compared to $13.7 million for the same period of 2015. Net investment income decreased 5.7 percent to $25.7 million for the six-month period ended June 30, 2016, compared to $27.3 million for the same period of 2015.The decrease was primarily due to lower invested assets from declining annuity account values and from the low interest rate environment.

The increase in liability for future policy benefits increased in the three- and six-month periods ended June 30, 2016, compared to the same periods of 2015, due to an increase in sales of SPWL policies.

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Deferred annuity deposits decreased 2.4 percent and 26.8 percent, respectively, for the three- and six-month periods ended June 30, 2016 compared to the same periods of 2015. We continue to execute our strategy to maintain profitability rather than market share in the low interest rate environment, as spreads increased 42 basis points as compared to the same period of 2015.

Net cash outflow related to our annuity business was $20.1 million and $39.7 million, respectively, in the three- and six-month periods ended June 30, 2016, compared to a net cash outflow of $44.2 million and $79.3 million in the same periods of 2015. We attribute this to our strategy to maintain profitability on annuity products as previously described.

For a detailed discussion of our consolidated investment results, refer to the "Investment Portfolio" section of this item.

Investment Portfolio

Our invested assets totaled $3.3 billion at June 30, 2016, compared to $3.1 billion at December 31, 2015, an increase of $128.6 million. At June 30, 2016, fixed maturity securities and equity securities made up 90.3 percent and 7.8 percent of the value of our investment portfolio, respectively. Because the primary purpose of our investment portfolio is to fund future claims payments, we use a conservative investment philosophy, investing in a diversified portfolio of high-quality, intermediate-term taxable corporate bonds, taxable U.S. government bonds and tax-exempt U.S. municipal bonds. Our overall investment strategy is to keep our cash on hand low in the current interest rate environment. If additional cash is needed, we can borrow funds available under our revolving credit facility.

Composition

We develop our investment strategies based on a number of factors, including estimated duration of reserve liabilities, short- and long-term liquidity needs, projected tax status, general economic conditions, expected rates of inflation, regulatory requirements, interest rates and credit quality of assets. We administer our investment portfolio based on investment guidelines approved by management and the investment committee of our Board of Directors that comply with applicable statutory regulations.

The composition of our investment portfolio at June 30, 2016 is presented at carrying value in the following table:

	Property & Casualty Insurance Segment			Life Insurance Segment			Total		
(In Thousands)		Percent of Total			Percent of Total			Percent of Total	
Fixed maturities (1)									
Held-to-maturity	$600	—	%	$58	—	%	$658	—	%
Available-for-sale	1,440,593	83.6		1,501,771	97.0		2,942,364	89.9	
Trading securities	12,558	0.7		—	—		12,558	0.4	
Equity securities									
Available-for-sale	227,431	13.2		21,749	1.4		249,180	7.6	
Trading securities	5,004	0.3		—	—		5,004	0.2	
Mortgage loans	—	—		3,836	0.3		3,836	0.1	
Policy loans	—	—		5,282	0.3		5,282	0.2	
Other long-term investments	37,280	2.2		15,069	1.0		52,349	1.6	
Short-term investments	175	—		—	—		175	—	
Total	$1,723,641	100.0	%	$1,547,765	100.0	%	$3,271,406	100.0	%

(1) Available-for-sale securities and trading fixed maturities are carried at fair value. Held-to-maturity fixed maturities are carried at amortized cost.

At June 30, 2016, we classified $2.9 billion, or 99.6 percent, of our fixed maturities portfolio as available-for-sale, compared to $2.8 billion, or 99.5 percent, at December 31, 2015. We classify our remaining fixed maturities as held-to-maturity or trading. We record held-to-maturity securities at amortized cost. We record available-for-sale

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securities at fair value, with any changes in fair value recognized in accumulated other comprehensive income. We record trading securities, primarily convertible redeemable preferred debt securities, at fair value, with any changes in fair value recognized in earnings.

As of June 30, 2016 and December 31, 2015, we did not have direct exposure to investments in subprime mortgages or other credit enhancement vehicles.

Credit Quality

The following table shows the composition of fixed maturity securities held in our available-for-sale, held-to-maturity and trading security portfolios, by credit rating at June 30, 2016 and December 31, 2015. Information contained in the table is generally based upon the issued credit ratings provided by Moody's, unless the rating is unavailable, in which case we obtain credit ratings from Standard & Poor's.

(In Thousands)	June 30, 2016		December 31, 2015	
Rating	Carrying Value	% of Total	Carrying Value	% of Total
AAA	$777,312	26.3 %	$838,318	29.6 %
AA	827,851	28.0	724,023	25.5
A	702,218	23.8	670,098	23.6
Baa/BBB	571,578	19.3	556,667	19.6
Other/Not Rated	76,621	2.6	49,149	1.7
	$2,955,580	100.0%	$2,838,255	100.0%

Duration

Our investment portfolio is invested primarily in fixed maturity securities whose fair value is susceptible to market risk, specifically interest rate changes. Duration is a measurement used to quantify our inherent interest rate risk and analyze our ability to match our invested assets to our reserve liabilities. If our invested assets and reserve liabilities have similar durations, then any change in interest rates will have an equal effect on these accounts. The primary purpose for matching invested assets and reserve liabilities is liquidity. With appropriate matching, our investments will mature when cash is needed, preventing the need to liquidate other assets prematurely. Mismatches in the duration of assets and liabilities can cause significant fluctuations in our results of operations.

Investment Results

We invest the premiums received from our policyholders and annuitants in order to generate investment income, which is an important component of our revenues and profitability. The amount of investment income that we are able to generate is affected by many factors, some of which are beyond our control. Some of these factors are volatility in the financial markets, economic growth, inflation, interest rates, world political conditions, terrorist attacks or threats of terrorism, adverse events affecting other companies in our industry or the industries in which we invest and other unpredictable national or world events. Our net investment income decreased by 5.0 percent and 6.8 percent in the three- and six-month periods ended June 30, 2016, respectively, compared with the same period of 2015. The decrease in the three- and six-month periods ended June 30, 2016 was primarily due to the change in value of our investments in limited liability partnerships and the low interest rate environment as compared to the same periods in 2015. We are maintaining our investment philosophy of purchasing fixed income investments rated investment grade or better.

We hold certain investments in limited liability partnerships that are recorded on the equity method of accounting, with changes in value of these investments recorded in investment income. In the three- and six-month periods ended June 30, 2016, the change in value of our investments in limited liability partnerships resulted in an increase of $1.2 million and a decrease of $0.3 million, respectively to investment income as compared to an increase of $2.2 million and $2.9 million, respectively, to investment income in the same periods of 2015. This resulted in $1.0 million and $3.2 million less in investment income in the three- and six-month periods ended June 30, 2016, respectively.

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Our net realized investment gains were $1.6 million and $3.7 million, respectively, during the three- and six-month periods ended June 30, 2016, as compared with $0.8 million and $1.7 million, respectively in the same period of 2015. We regularly monitor the difference between our cost basis and the estimated fair value of our investments. Our accounting policy for impairment recognition requires other-than-temporary impairment charges to be recorded when we determine that it is more likely than not that we will be unable to collect all amounts due according to the contractual terms of the fixed maturity security or that the anticipated recovery in fair value of the equity security will not occur in a reasonable amount of time. Impairment charges on investments are recorded based on the fair value of the investments at the measurement date. Factors considered in evaluating whether a decline in value is other-than-temporary include: the length of time and the extent to which fair value has been less than cost; the financial condition and near-term prospects of the issuer; our intention to hold the investment; and the likelihood that we will be required to sell the investment.

Changes in unrealized gains and losses on available-for-sale securities do not affect net income and earnings per share but do impact comprehensive income, stockholders' equity and book value per share. We believe that any unrealized losses on our available-for-sale securities at June 30, 2016 are temporary based upon our current analysis of the issuers of the securities that we hold and current market conditions. It is possible that we could recognize impairment charges in future periods on securities that we own at June 30, 2016 if future events and information cause us to determine that a decline in value is other-than-temporary. However, we endeavor to invest in high quality assets to provide protection from future credit quality issues and corresponding other-than-temporary impairment write-downs. In the three- and six-month periods ended June 30, 2016, there were no other-than-temporary impairment write-downs.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity measures our ability to generate sufficient cash flows to meet our short- and long-term cash obligations. Our cash inflows are primarily a result of the receipt of premiums, annuity deposits, reinsurance recoveries, sales or maturities of investments, and investment income. Cash provided from these sources is used to fund the payment of losses and loss settlement expenses, policyholder benefits under life insurance contracts, annuity withdrawals, the purchase of investments, operating expenses, dividends, pension plan contributions, and in recent years, common stock repurchases.

We monitor our capital adequacy to support our business on a regular basis. The future capital requirements of our business will depend on many factors, including our ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses. Our ability to underwrite is largely dependent upon the quality of our claims paying and financial strength ratings as evaluated by independent rating agencies. In particular, we require (1) sufficient capital to maintain our financial strength ratings, as issued by various rating agencies, at a level considered necessary by management to enable our insurance company subsidiaries to compete and (2) sufficient capital to enable our insurance company subsidiaries to meet the capital adequacy tests performed by regulatory agencies in the United States.

Cash outflows may be variable because of the uncertainty regarding settlement dates for losses. In addition, the timing and amount of individual catastrophe losses are inherently unpredictable and could increase our liquidity requirements. The timing and amount of reinsurance recoveries may be affected by reinsurer solvency and reinsurance coverage disputes.

Historically, we have generated substantial cash inflows from operations. It is our policy to invest the cash generated from operations in securities with maturities that, in the aggregate, correlate to the anticipated timing of payments for losses and loss settlement expenses and future policyholder benefits of the underlying insurance policies, and annuity withdrawals. The majority of our assets are invested in available-for-sale fixed maturity securities.

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The following table displays a summary of cash sources and uses in 2016 and 2015.

Cash Flow Summary	Six Months Ended June 30,	
(In Thousands)	2016	2015
Cash provided by (used in)		
Operating activities	$81,077	$91,256
Investing activities	(25,507)	(5,084)
Financing activities	(42,319)	(83,364)
Net increase in cash and cash equivalents	$13,251	$2,808

Operating Activities

Net cash flows provided by operating activities totaled $81.1 million and $91.3 million for the six-month periods ended June 30, 2016 and 2015, respectively. The decrease in operating cash flows in the six-month period ended June 30, 2016 is primarily due to the decrease in net income. Our cash flows from operations were sufficient to meet our liquidity needs for the six-month periods ended June 30, 2016 and 2015.

Investing Activities

Cash in excess of operating requirements is generally invested in fixed maturity securities and equity securities. Fixed maturities provide regular interest payments and allow us to match the duration of our liabilities. Equity securities provide dividend income, potential dividend income growth and potential appreciation. For further discussion of our investments, including our philosophy and our strategy for our portfolio, see the "Investment Portfolio" section of this item.

In addition to investment income, possible sales of investments and proceeds from calls or maturities of fixed maturity securities also can provide liquidity. During the next five years, $0.9 billion, or 30.4 percent, of our fixed maturity portfolio will mature.

We invest funds required for short-term cash needs primarily in money market accounts, which are classified as cash equivalents. At June 30, 2016, our cash and cash equivalents included $66.9 million related to these money market accounts, compared to $20.8 million at December 31, 2015.

Net cash flows used in investing activities were $25.5 million for the six-month period ended June 30, 2016 compared to $5.1 million for the six-month period ended June 30, 2015. For the six-month periods ended June 30, 2016 and 2015, we had cash inflows from scheduled and unscheduled investment maturities, redemptions, prepayments, and sales of investments of $315.9 million and $386.3 million, respectively.

Our cash outflows for investment purchases were $338.6 million for the six-month period ended June 30, 2016, compared to $387.6 million for the same period of 2015.

Financing Activities

Net cash flows used in financing activities were $42.3 million and $83.4 million for the six-month periods ended June 30, 2016 and 2015, respectively. The decrease reflects a lower level of net annuity withdrawals and the increase in the issuance of common stock in the six-month period ended June 30, 2016, compared to the same period of 2015.

Credit Facilities

On February 2, 2016, the Company, as borrower, entered into a Credit Agreement by and among the Company, with the lenders from time to time party thereto and KeyBank National Association, as administrative agent, swingline lender and letter of credit issuer. As of June 30, 2016, there were no balances outstanding under this credit agreement. For further discussion of our credit agreement, refer to Part I, Item 1, Note 8 "Credit Facility" to the unaudited Consolidated Financial Statements.

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Dividends

Dividends paid to shareholders totaled $11.9 million and $10.5 million in the six-month periods ended June 30, 2016 and 2015, respectively. Our practice has been to pay quarterly cash dividends, which we have paid every quarter since March 1968.

Payments of any future dividends and the amounts of such dividends, however, will depend upon factors such as net income, financial condition, capital requirements, and general business conditions. We will only pay dividends if declared by our Board of Directors out of legally available funds.

As a holding company with no independent operations of its own, United Fire Group, Inc. relies on dividends received from its insurance company subsidiaries in order to pay dividends to its common shareholders. Dividends payable by our insurance subsidiaries are governed by the laws in the states in which they are domiciled, and if applicable, commercially domiciled. In all cases, these state laws permit the payment of dividends only from earned surplus arising from business operations. For example, under Iowa law, the maximum dividend or distribution that may be paid within a 12-month period without prior approval of the Iowa Insurance Commissioner is generally restricted to the greater of 10 percent of statutory surplus as of the preceding December 31, or net income of the preceding calendar year on a statutory basis, not greater than earned statutory surplus. Other states in which our insurance company subsidiaries are domiciled may impose similar restrictions on dividends and distributions. Based on these restrictions, at June 30, 2016, United Fire Group Inc.'s sole direct insurance company subsidiary, United Fire & Casualty Company, is able to make a maximum of $67.6 million in dividend payments without prior regulatory approval. These restrictions will not have a material impact in meeting our cash obligations of United Fire Group, Inc.

Stockholders' Equity

Stockholders' equity increased 9.3 percent to $961.0 million at June 30, 2016, from $878.9 million at December 31, 2015. The increase was primarily attributable to net income of $25.5 million and an increase in net unrealized investment gains of $59.1 million, net of tax, during the first six months of 2016, partially offset by shareholder dividends of $11.9 million. At June 30, 2016, the book value per share of our common stock was $37.85 compared to $34.94 at December 31, 2015.

Funding Commitments

Pursuant to an agreement with one of our limited liability partnership investments, we are contractually committed through December 31, 2023, to make capital contributions upon request of the partnership. Our remaining potential contractual obligation was $9.9 million at June 30, 2016.

MEASUREMENT OF RESULTS

Management evaluates our operations by monitoring key measures of growth and profitability. The following section provides further explanation of the key measures management uses to evaluate our results.

Catastrophe losses is a commonly used financial measure that uses the designations of the Insurance Services Office (ISO) and are reported with losses and loss settlement expense amounts net of reinsurance recoverables, unless specified otherwise. According to the ISO, a catastrophe loss is defined as a single unpredictable incident or series of closely related incidents that result in $25.0 million or more in U.S. industry-wide direct insured losses to property and that affect a significant number of insureds and insurers ("ISO catastrophe"). In addition to ISO catastrophes, we also include as catastrophes those events ("non-ISO catastrophes"), which may include U.S. or international losses that we believe are, or will be, material to our operations, either in amount or in number of claims made. Management, at times, may determine for comparison purposes that it is more meaningful to exclude extraordinary catastrophe losses and resulting litigation. The frequency and severity of catastrophic losses we experience in any year affect our results of operations and financial position. In analyzing the underwriting performance of our property and casualty insurance segment, we evaluate performance both including and excluding catastrophe losses. Portions of our catastrophe losses may be recoverable under our catastrophe reinsurance

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agreements. We include a discussion of the impact of catastrophes because we believe it is meaningful for investors to understand the variability in our periodic earnings.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In Thousands)	2016	2015	2016	2015
ISO catastrophes	$35,232	$19,823	$39,169	$20,034
Non-ISO catastrophes [1]	292	347	697	347
Total catastrophes	$35,524	$20,170	$39,866	$20,381

(1) This number includes international assumed losses.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have exposure to market risk arising from potential losses in our investment portfolio due to adverse changes in interest rates and market prices. However, we have the ability to hold fixed maturity investments to maturity. Our investment guidelines define the overall framework for managing our market and other investment risks, including accountability and controls. In addition, each of our subsidiaries has specific investment policies that delineate the investment limits and strategies that are appropriate given each entity's liquidity, surplus, product, and regulatory requirements. We respond to market risk by managing the character of investment purchases.

It is our philosophy that we do not utilize financial hedges or derivative financial instruments to manage risks, nor do we enter into any swap, forward or option contracts, but attempt to mitigate our exposure through active portfolio management. In addition, we place the majority of our investments in high-quality, liquid securities and limit the amount of credit exposure to any one issuer. At June 30, 2016, we did not have direct exposure to investments in sub-prime mortgages or other credit-enhancement exposures.

While our primary market risk exposure is to changes in interest rates, we do have limited exposure to changes in equity prices and limited exposure to foreign currency exchange rates.

There have been no material changes in our market risk or market risk factors from what we reported in our Annual Report on Form 10-K for the year ended December 31, 2015.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures, as of the end of the period covered by this report, were designed and functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Changes in Internal Control Over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated our internal control over financial reporting to determine whether any changes occurred during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on this evaluation, no such change in our internal control over financial reporting occurred during the fiscal quarter to which this report relates.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of its business, the Company is a party to a variety of legal proceedings. While the final outcome of these legal proceedings cannot be predicted with certainty, management believes all of the proceedings pending as of June 30, 2016 to be ordinary and routine and does not expect these legal proceedings to have a material adverse effect on the Company's financial position or results of operations.

ITEM 1A. RISK FACTORS

Our business is subject to a number of risks, including those identified in Part I, Item 1A "Risk Factors" in our 2015 Annual Report on Form 10-K filed with the SEC on February 26, 2016, that could have a material effect on our business, results of operations, financial condition, and/or liquidity and that could cause our operating results to vary significantly from period to period. The risks described in the above mentioned report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial could also have a material effect on our business, results of operations, financial condition and/or liquidity.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Under our share repurchase program, first announced in August 2007, we may purchase UFG common stock from time to time on the open market or through privately negotiated transactions. The amount and timing of any purchases will be at our discretion and will depend upon a number of factors, including the share price, general economic and market conditions, and corporate and regulatory requirements.

The following table provides information with respect to purchases of shares of common stock made by or on our behalf or by any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Exchange Act, during the three-month period ended June 30, 2016.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as a Part of Publicly Announced Plans or Programs	Maximum Number of Shares that may yet be Purchased Under the Plans or Programs(1)
4/1/2016 - 4/30/2016	—	$ —	—	1,528,886
5/1/2016 - 5/31/2016	—	—	—	1,528,886
6/1/2016 - 6/30/2016	—	—	—	1,528,886
Total	—	$ —	—	

(1) Our share repurchase program was originally announced in August 2007. In August 2014, our Board of Directors authorized the repurchase of up to an additional 1,000,000 shares of common stock through the end of August 2016. This is in addition to the 818,601 shares of common stock remaining under its previous authorization in August 2012.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit number	Exhibit description	Filed herewith
10.1	Director's Restricted Stock Agreement amended as of May 18, 2016.	X
31.1	Certification of Randy A. Ramlo pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
31.2	Certification of Dawn M. Jaffray pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
32.1	Certification of Randy A. Ramlo pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
32.2	Certification of Dawn M. Jaffray pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101.1	The following financial information from United Fire Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 formatted in XBRL: (i) Consolidated Balance Sheets at June 30, 2016 (unaudited) and December 31, 2015; (ii) Consolidated Statements of Income and Comprehensive Income (unaudited) for the three and six months ended June 30, 2016 and 2015; (iii) Consolidated Statement of Stockholders' Equity (unaudited) for the six months ended June 30, 2016; (iv) Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 2016 and 2015; and (v) Notes to Unaudited Consolidated Financial Statements, tagged as a block of text.	X

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED FIRE GROUP, INC.
(Registrant)

/s/ Randy A. Ramlo	/s/ Dawn M. Jaffray
Randy A. Ramlo	Dawn M. Jaffray
President, Chief Executive Officer,	Senior Vice President, Chief Financial Officer and
Director and Principal Executive Officer	Principal Accounting Officer
August 3, 2016	August 3, 2016
(Date)	(Date)