UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the quarterly period ended September 30, 2007

Commission File Number 2-39621

UNITED FIRE & CASUALTY COMPANY
(Exact name of registrant as specified in its charter)

Iowa (State of Incorporation)	42-0644327 (IRS Employer Identification No.)

118 Second Avenue, S.E., Cedar Rapids, Iowa 52407
(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 ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
YES ☐ NO ☒

As of October 22, 2007, 27,413,764 shares of common stock were outstanding.

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United Fire & Casualty Company and Subsidiaries

FORWARD−LOOKING INFORMATION

It is important to note that our actual results could differ materially from those projected in our forward-looking statements. Information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained in Part I Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part II, Item 1A “Risk Factors.”

PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Consolidated Balance Sheets

United Fire & Casualty Company and Subsidiaries

(Dollars in Thousands Except Per Share Data)	September 30, 2007	December 31, 2006
ASSETS	(unaudited)	
Investments		
Fixed maturities		
Held-to-maturity, at amortized cost (fair value $29,340 in 2007 and $45,715 in 2006)	**$ 28,688**	$ 44,663
Available-for-sale, at fair value (amortized cost $1,861,718 in 2007 and $1,787,880 in 2006)	**1,877,138**	1,808,228
Equity securities, at fair value (cost $62,526 in 2007 and $65,685 in 2006)	**191,596**	193,207
Trading securities, at fair value (amortized cost $9,921 in 2007 and $10,227 in 2006)	**10,998**	11,577
Mortgage loans	**19,339**	27,789
Policy loans	**7,622**	7,833
Other long-term investments	**14,739**	11,777
Short-term investments	**43,146**	28,268
	$ 2,193,266	$ 2,133,342
Cash and Cash Equivalents	**$ 182,640**	$ 255,045
Accrued Investment Income	**29,021**	28,383
Premiums Receivable	**136,952**	126,689
Deferred Policy Acquisition Costs	**140,530**	135,761
Property and Equipment (primarily land and buildings, at cost, less accumulated depreciation of $29,799 in 2007 and $27,320 in 2006)	**11,423**	12,663
Reinsurance Receivables and Recoverables	**44,166**	53,543
Prepaid Reinsurance Premiums	**2,588**	5,578
Income Taxes Receivable	**10,930**	10,355
Other Assets	**18,065**	14,708
TOTAL ASSETS	**$ 2,769,581**	$ 2,776,067
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Future policy benefits and losses, claims and loss settlement expenses		
Property and casualty insurance	**$ 491,212**	$ 518,886
Life insurance	**1,192,441**	1,233,342
Unearned premiums	**237,005**	231,377
Accrued expenses and other liabilities	**56,612**	67,690
Deferred income taxes	**43,110**	43,964
TOTAL LIABILITIES	**$ 2,020,380**	$ 2,095,259
Stockholders' Equity		
Common stock, $3.33 1/3 par value; authorized 75,000,000 shares; 27,474,748 shares issued and outstanding in 2007 and 27,648,993 shares issued and outstanding in 2006	**$ 91,582**	$ 92,163
Additional paid-in capital	**156,919**	161,533
Retained earnings	**417,491**	343,761
Accumulated other comprehensive income, net of tax	**83,209**	83,351
TOTAL STOCKHOLDERS' EQUITY	**$ 749,201**	$ 680,808
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 2,769,581**	$ 2,776,067

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

Consolidated Statements of Income (Unaudited)

United Fire & Casualty Company and Subsidiaries

(Dollars in Thousands Except Per Share Data)	Three Months Ended September 30, **2007**	2006	Nine Months Ended September 30, **2007**	2006
Revenues				
Net premiums earned	**$ 126,988**	$ 126,849	**$ 375,545**	$ 370,125
Investment income, net of investment expenses	**30,117**	30,896	**92,369**	90,365
Realized investment gains	**871**	301	**4,365**	8,240
Other income	**243**	131	**490**	476
	$ 158,219	$ 158,177	**$ 472,769**	$ 469,206
Benefits, Losses and Expenses				
Losses and loss settlement expenses	**$ 78,450**	$ 71,346	**$ 190,495**	$ 223,860
Increase in liability for future policy benefits	**3,472**	4,367	**10,468**	13,586
Amortization of deferred policy acquisition costs	**33,668**	31,910	**100,289**	92,445
Other underwriting expenses	**5,514**	5,484	**17,672**	19,495
Interest on policyholders' accounts	**10,645**	12,082	**32,671**	37,554
	$ 131,749	$ 125,189	**$ 351,595**	$ 386,940
Income before income taxes	**$ 26,470**	$ 32,988	**$ 121,174**	$ 82,266
Federal income tax expense	**7,399**	10,562	**36,241**	23,447
Net income	**$ 19,071**	$ 22,426	**$ 84,933**	$ 58,819
Weighted average common shares outstanding	**27,629,595**	27,633,153	**27,646,220**	25,624,094
Basic earnings per common share	**$ 0.69**	$ 0.81	**$ 3.07**	$ 2.30
Diluted earnings per common share	**$ 0.69**	$ 0.81	**$ 3.06**	$ 2.29
Cash dividends declared per common share	**$ 0.135**	$ 0.12	**$ 0.405**	$ 0.36

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

Consolidated Statements of Cash Flows (Unaudited)

United Fire & Casualty Company and Subsidiaries

(Dollars in Thousands)	Nine Months Ended September 30,	
	2007	2006
Cash Flows From Operating Activities		
Net income	**$ 84,933**	$ 58,819
Adjustments to reconcile net income to net cash provided by operating activities:		
Net bond (discount) premium accretion	**$ (261)**	$ 1,482
Depreciation and amortization	**2,664**	2,721
Stock-based compensation expense	**1,077**	834
Realized investment gains	**(4,365)**	(8,240)
Net cash flows from trading investments	**2,066**	(4,663)
Deferred income tax expense	**113**	4,618
Changes in:		
Accrued investment income	**(638)**	1,770
Premiums receivable	**(10,263)**	(21,649)
Deferred policy acquisition costs	**(2,531)**	(4,679)
Reinsurance receivables	**9,377**	65,723
Prepaid reinsurance premiums	**2,990**	(3,047)
Income taxes receivable/payable	**(575)**	33,970
Other assets	**(3,357)**	(2,014)
Future policy benefits and losses, claims and loss settlement expenses	**(18,912)**	(77,942)
Unearned premiums	**5,628**	21,960
Accrued expenses and other liabilities	**(10,193)**	12,799
Deferred income taxes	**(891)**	(856)
Other, net	**907**	(420)
Total adjustments	**$ (27,164)**	$ 22,367
Net cash provided by operating activities	**$ 57,769**	$ 81,186
Cash Flows From Investing Activities		
Proceeds from sale of available-for-sale investments	**$ 2,846**	$ 754
Proceeds from call and maturity of held-to-maturity investments	**16,160**	21,348
Proceeds from call and maturity of available-for-sale investments	**194,741**	175,783
Proceeds from short-term and other investments	**50,153**	36,062
Net proceeds from sale of subsidiary	**-**	7,767
Purchase of available-for-sale investments	**(265,279)**	(224,387)
Purchase of short-term and other investments	**(60,276)**	(49,932)
Net purchases and sales of property and equipment	**(1,381)**	(2,229)
Net cash used in investing activities	**$ (63,036)**	$ (42,601)
Cash Flows From Financing Activities		
Policyholders' account balances:		
Deposits to investment and universal life contracts	**$ 168,177**	$ 139,824
Withdrawals from investment and universal life contracts	**(217,840)**	(201,831)
Payment of cash dividends	**(11,203)**	(9,464)
Issuance of common stock	**513**	107,070
Repurchase of common stock	**(6,950)**	-
Tax benefit from issuance of common stock	**165**	56
Net cash (used in) provided by financing activities	**$ (67,138)**	$ 35,655
Net Change in Cash and Cash Equivalents	**$ (72,405)**	$ 74,240
Cash and Cash Equivalents at Beginning of Period	**255,045**	162,791
Cash and Cash Equivalents at End of Period	**$ 182,640**	$ 237,031

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

Notes to Unaudited Consolidated Financial Statements

United Fire & Casualty Company and Subsidiaries

Note 1. Nature of Operations and Basis of Presentation

The terms "United Fire," "we," "us," or "our" refer to United Fire & Casualty Company or United Fire & Casualty Company and its consolidated subsidiaries and affiliate, as the context requires. In the opinion of the management of United Fire, the accompanying unaudited Consolidated Financial Statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly the financial position, the results of operations and cash flows for the periods presented. The results for the interim periods are not necessarily indicative of the results of operations that may be expected for the year. The Consolidated Financial Statements should be read in conjunction with our annual report on Form 10-K for the year ended December 31, 2006. The review report of Ernst & Young LLP as of and for the three-month and nine-month periods ending September 30, 2007 accompanies the unaudited Consolidated Financial Statements included in Item 1 of Part I.

We maintain our records in conformity with the accounting practices prescribed or permitted by the insurance departments of the states in which we are domiciled. To the extent that certain of these practices differ from U.S. generally accepted accounting principles ("GAAP"), we have made adjustments to present the accompanying Consolidated Financial Statements in conformity with GAAP.

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, and future policy benefits and losses, claims and loss settlement expenses.

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

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 twelve months or less. We made payments for income taxes of $45.2 million for the nine-month period ended September 30, 2007, compared to $13.5 million for the nine-month period ended September 30, 2006. We received tax refunds totaling $7.8 million in 2007, due primarily to an operating loss carryback from prior year losses. We made no significant payments of interest for the nine-month periods ended September 30, 2007 and 2006, other than interest credited to policyholders' accounts.

Comprehensive Income

Comprehensive income includes all changes in equity during a period except those resulting from contributions to capital and dividends to shareholders. The major components of our comprehensive income are net income and the change in net unrealized investment gains and losses on available-for-sale securities, as adjusted for amounts that have been reclassified as realized investment gains and losses. The table below displays our comprehensive income for the nine months ended September 30, 2007 and 2006.

(Dollars in thousands)	Nine months ended September 30,	
	2007	2006
Net income	**$ 84,933**	$ 58,819
Other comprehensive income (loss):		
Change in net unrealized appreciation on investments	**3,262**	14,291
Adjustment for net realized gains included in income	**(4,365)**	(8,240)
Adjustment for costs included in employee benefit expense	**885**	-
Other comprehensive income (loss), before tax	**(218)**	6,051
Income tax effect	**76**	(2,118)
Other comprehensive income (loss), after tax	**(142)**	3,933
Comprehensive income	**$ 84,791**	$ 62,752

Income Taxes

In the nine-month period ended September 30, 2007, our effective federal income tax rate was 29.9 percent, compared to 28.5 percent for the nine-month period ended September 30, 2006. Our effective tax rate differs from the federal statutory rate of 35.0 percent due principally to the effect of tax-exempt municipal bond interest income, non-taxable dividend income, and the reduction in the valuation allowance on our deferred tax assets.

In June 2006, FASB Interpretation ("FIN") 48, "Accounting for Uncertainty in Income Taxes," was issued to clarify accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, as well as the derecognition of a tax position previously recognized in the financial statements. FIN 48 also prescribes expanded disclosure requirements for unrecognized tax benefits recorded. FIN 48 is effective for fiscal years beginning after December 15, 2006. Our adoption of this interpretation effective January 1, 2007, had no impact on our consolidated financial position.

We have recognized no liability for unrecognized tax benefits at January 1, 2007. 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 income tax returns in the U.S. federal jurisdiction and various state jurisdictions. We are no longer subject to U.S. federal income tax examination by tax authorities for years before 2003 and state income tax examination for years before 2001. There are no ongoing examinations of income tax returns by federal or state tax authorities.

Contingent Liabilities

In the aftermath of Hurricane Katrina, United Fire & Casualty Company and our Louisiana property and casualty insurance subsidiary, Lafayette Insurance Company, as well as many other insurers in the Louisiana market, have been named as defendants in litigation commenced by policyholders. Some of these policyholders are seeking relief in their own right; other suits have been filed seeking class certification. These suits allege various improprieties in the claims settlement process, primarily underpayment of claims, and an entitlement to the statutory penalties associated with underpayment of claims, but the most important relief sought by plaintiffs in these suits is to have the policies cover flood damage, even though the policies explicitly exclude flood as an insured peril. The class action litigation is in the early stages, and we cannot at this time make a determination as to the ultimate outcome or effect of this litigation on our financial position or operating results.

While we believe we have handled the claims of our policyholders consistent with policy language and applicable law, the litigation environment is challenging to insurers involved in hurricane litigation in Louisiana courts. Several recent lower court rulings in Louisiana and neighboring states have been adverse to insurers and have received considerable publicity. We maintain that because we were not a party to the litigation that resulted in these unfavorable rulings, the rulings should not directly impact us. Nevertheless, these developments present challenges to all insurers involved in hurricane litigation. We believe that the most unfavorable of the rulings should be corrected in the Louisiana appellate courts, when appeals are ruled upon by those courts.

In early August 2007, a Federal Appeals Court sitting in Louisiana issued a ruling that narrowly interprets property insurance coverage to exclude flood coverage, which is consistent with both policy language and the approach taken by most insurers. However, this court's interpretation is not binding on state courts, and flood coverage remains in contention in state courts. If the state courts rule that flood coverage is provided by policies that exclude flood coverage, an interpretation that is contrary to that adopted by the Federal court, the exposure faced by United Fire & Casualty Company and Lafayette Insurance Company in the aggregate from individual policyholder suits could be material. Furthermore, plaintiffs seeking to be certified as a class, which could include a large number of members, could likewise potentially create material exposure for us.

The deadline for filing lawsuits on claims arising out of Katrina was September 4, 2007. In the several days leading up to that date, we were notified of many new lawsuits filed against the company. Including these additional lawsuits, we have resolved approximately one-sixth of the lawsuits filed against us by individual policyholders. We believe that there may be additional lawsuits filed by policyholders of which we are not aware.

We have established reserves, as a component of our losses and loss settlement expenses, for all claims in litigation commensurate with our evaluation of the potential outcome of those claims. We believe that, in the aggregate, these reserves should be adequate. However, the wave of litigation that we and other insurers face is unprecedented, so it is difficult to accurately predict an outcome. Additionally, many of the persons who will be involved in the determination of factual and legal issues were themselves affected by Hurricane Katrina, complicating the defense of these claims. Furthermore, the decisions of the courts in Louisiana have been inconsistent, which increases the risk of inconsistent outcomes of this litigation. Our evaluation of these claims and the adequacy of our recorded reserves may change if we encounter adverse developments in the further defense of these claims.

We consider all of our other litigation pending at September 30, 2007, to be ordinary, routine, and incidental to our business.

Recently Issued Accounting Standards

In February 2007, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS No. 159 permits entities to choose to measure and report many financial instruments and certain other assets and liabilities at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing entities the opportunity to reduce the complexity in accounting for financial instruments and to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently reviewing SFAS No. 159 to determine whether it will have any impact on our Consolidated Financial Statements upon adoption.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure requirements regarding fair value measurement. Where applicable, SFAS No. 157 simplifies and codifies previously issued guidance on fair value. Although SFAS No. 157 does not require any new fair value measurements, its application may, in certain instances, change current practice. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We are currently reviewing SFAS No. 157 to determine its impact on our Consolidated Financial Statements upon adoption.

Note 2. Stock-Based Compensation

We have a nonqualified employee stock option plan that authorizes the issuance of up to 1,000,000 shares of United Fire common stock to employees, with 310,908 options available for future issuance at September 30, 2007. The plan is administered by the board of directors. The board has the authority to determine which employees will receive options, when options will be granted, and the terms and conditions of the options. The board may also take any action it deems necessary and appropriate for the administration of the plan. Pursuant to the plan, the board may, in its sole discretion, grant options to any employees of United Fire or any of its affiliated companies. These options are granted to buy shares of United Fire's common stock at the market value of the stock on the date of grant. The options vest and are exercisable in installments of not less than 20.0 percent of the number of shares covered by the option award each year from the grant date. To the extent not exercised, installments accumulate and are exercisable by the optionee, in whole or in part, in any subsequent year included in the option period, but not later than 10 years from the grant date. Stock options are generally granted free of charge to the eligible employees of United Fire as designated by the board of directors.

The activity in our nonqualified employee stock option plan is displayed in the following table.

Authorized Shares Available for Future Option Grants	**Nine Months Ended September 30, 2007**	Inception to Date
Beginning balance	**486,908**	1,000,000
Number of options granted	**(192,500)**	(727,792)
Number of options forfeited or expired	**16,500**	38,700
Ending balance	**310,908**	310,908
Number of options exercised	**24,850**	154,292

We also have a nonqualified nonemployee director stock option and restricted stock plan that authorizes United Fire to grant restricted stock and nonqualified stock options to purchase 150,000 shares of United Fire's common stock, with 120,003 options available for future issuance at September 30, 2007. The board has the authority to determine which nonemployee directors receive awards under the plan, 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. The board may also take any action it deems necessary and appropriate for the administration of the plan.

The activity in our nonqualified nonemployee stock option plan is displayed in the following table.

Authorized Shares Available for Future Option Grants	**Nine Months Ended September 30, 2007**	Inception to Date
Beginning balance	**114,000**	150,000
Number of options granted	—	(36,000)
Number of options forfeited or expired	**6,003**	6,003
Ending balance	**120,003**	120,003
Number of options exercised	—	—

For the nine-month periods ended September 30, 2007 and 2006, we recognized stock-based compensation expense of $1.1 million and $.8 million, respectively. As of September 30, 2007, we have approximately $4.3 million in stock-based compensation that has yet to be recognized through our results of operations. This compensation will be recognized through our financial results as the underlying stock options vest.

Note 3. Employee Benefit Plans

Among the employee benefit plans we offer, the two most significant plans are a noncontributory defined benefit pension plan and an employee/retiree health and dental benefit plan.

All of our employees are eligible to participate in the noncontributory defined benefit pension plan after they have completed one year of service, attained 21 years of age, and met the hourly service requirements with United Fire. Under our pension plan, retirement benefits are a function of the number of years of service and the level of compensation. Our policy is to fund this plan on a current basis to the extent that the contribution is deductible under existing tax regulations.

All of our eligible employees and retirees are able to participate in our health and dental benefit plan. The plan is composed of two programs: (1) the self-funded retiree health and dental benefit plan and (2) the self-funded employee health and dental benefit plan. The plan provides health and dental benefits to our employees and retirees (and covered dependents) who have met the service and participation requirements stipulated by the plan. The plan's contract administrators are responsible for making medical and dental care benefit payments. The plan requires participants to submit claims for reimbursement or payment to the claims administrator within 365 days after the end of the calendar year in which the charges were incurred.

Our pension and postretirement benefit costs are displayed in the following table.

(Dollars in Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Pension costs	**$ 841**	$ 639	**$ 2,120**	$ 1,918
Other postretirement benefit costs	**620**	366	**1,351**	1,097

We previously disclosed in our annual report on Form 10-K for the year ended December 31, 2006 that we expected to contribute $4.0 million to our pension plan in 2007. The actual amount contributed for 2007 is $4.4 million, with the last payment this year being made on October 15, 2007.

Note 4. Segment Information

We have two reportable business segments in our operations: property and casualty insurance and life insurance. All of our property and casualty offices target a similar customer base, market the same products, and use the same marketing strategies, and are therefore aggregated. All of our insurance is sold domestically; we have no revenues allocable to foreign operations. Our management evaluates the two segments on the basis of both statutory accounting practices prescribed 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 have not changed from that reported in our annual report on Form 10-K for the year ended December 31, 2006.

The following analysis has been reconciled to amounts reported in our unaudited Consolidated Financial Statements to adjust for inter-segment eliminations.

(Dollars In Thousands)	Property and Casualty Insurance	Life Insurance	Total
Nine Months Ended September 30, 2007			
Net premiums earned	**$ 351,703**	**$ 24,001**	**$ 375,704**
Investment income, net of investment expenses	**32,888**	**59,520**	**92,408**
Realized investment gains	**3,281**	**1,084**	**4,365**
Other income	**21**	**469**	**490**
Revenues	**387,893**	**85,074**	**472,967**
Intersegment Eliminations	**(106)**	**(92)**	**(198)**
Total Revenues	**$ 387,787**	**$ 84,982**	**$ 472,769**
Net Income	**$ 75,524**	**$ 9,409**	**$ 84,933**
Assets	**$ 1,324,455**	**$ 1,445,126**	**$ 2,769,581**
Nine Months Ended September 30, 2006			
Net premiums earned	$ 343,022	$ 27,287	$ 370,309
Investment income, net of investment expenses	29,372	61,006	90,378
Realized investment gains	6,570	1,672	8,242
Other income (expense)	(45)	521	476
Revenues	378,919	90,486	469,405
Intersegment Eliminations	(100)	(99)	(199)
Total Revenues	$ 378,819	$ 90,387	$ 469,206
Net Income	$ 49,858	$ 8,961	$ 58,819
Assets	$ 1,291,307	$ 1,492,616	$ 2,783,923

Note 5. Earnings Per Common Share

We compute basic earnings per common share by dividing net income or loss by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share gives effect to all potentially dilutive common shares outstanding during the period. The potentially dilutive shares we consider in our diluted earnings per share calculation relate to our outstanding stock options.

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 options that have an exercise price less than the weighted average fair market value of our common stock during the period. This method assumes that the proceeds from the hypothetical stock option exercises are used to repurchase shares of common stock at the weighted-average fair market value of the stock during the period. The net of the assumed options exercised and assumed common shares repurchased represents the number of potentially dilutive common shares, which we add to the denominator of the earnings per share calculation.

The components of basic and diluted earnings per share are displayed in the following tables:

(In Thousands Except Per Share Data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Net income	**$ 19,071**	$ 22,426	**$ 84,933**	$ 58,819
Weighted-average common shares outstanding	**27,630**	27,633	**27,646**	25,624
Basic earnings per common share	**$ 0.69**	$ 0.81	**$ 3.07**	$ 2.30

Net income	**$ 19,071**	$ 22,426	**$ 84,933**	$ 58,819
Weighted-average common shares outstanding	**27,630**	27,633	**27,646**	25,624
Potentially dilutive common shares - stock options (1)	**80**	47	**88**	62
Weighted-average common and potential shares outstanding	**27,710**	27,680	**27,734**	25,686
Diluted earnings per common share	**$ 0.69**	$ 0.81	**$ 3.06**	$ 2.29

(1) For the three-month periods ended September 30, 2007 and 2006, we had 137,750 and 260,750 anti-dilutive options outstanding, respectively, which were excluded from the computation of diluted earnings per share. For the nine-month periods ended September 30, 2007 and 2006, we had 137,750 and 144,750 anti-dilutive options outstanding, respectively.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders of
United Fire & Casualty Company

We have reviewed the consolidated balance sheet of United Fire & Casualty Company as of September 30, 2007, and the related consolidated statements of income for the three-month and nine-month periods ended September 30, 2007 and 2006, and the consolidated statements of cash flows for the nine-month periods ended September 30, 2007 and 2006. 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, 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 interim 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 & Casualty Company as of December 31, 2006, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended, not presented herein, and in our report dated February 28, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2006, 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

Chicago, Illinois
October 25, 2007

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

ORGANIZATION OF MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis provides a narrative of our financial performance and condition that should be read in conjunction with the accompanying financial statements. It includes the following sections:

- Forward-Looking Statements
- Critical Accounting Policies
- Overview and Outlook
  - Our Business
  - Financial Overview
- Results of Operations
  - Consolidated Financial Highlights
  - Property and Casualty Insurance Segment Results
  - Life Insurance Segment Results
  - Investment Results
- Liquidity and Capital Resources
  - Liquidity
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- Statutory and Other Financial Measures

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about our operations, anticipated performance, and other similar matters. The forward-looking statements are not historical facts and involve risks and uncertainties that could cause actual results to differ materially from those expected and/or projected. Such forward-looking statements are based on current expectations, estimates, forecasts, and projections about our company, the industry in which we operate, and beliefs and assumptions made by management. Words such as "expects," "anticipates," "intends," "plans," "believes," "continues," "seeks," "estimates," "predicts," "should," "could," "may," "will continue," "might," "hope" and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed in such forward-looking statements. Information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained in Part II Item 1A "Risk Factors" of this document. Among other factors that could cause our actual outcomes and results to differ are:

- The adequacy of our reserves established for Hurricanes Katrina and Rita, which are based on management estimates.
- Developments in domestic and global financial markets that could affect our investment portfolio and financing plans.
- Additional government and NASDAQ policies relating to corporate governance, and the cost to comply.
- Changing rates of inflation.
- The valuation of invested assets.
- The valuation of pension and other postretirement benefit obligations.
- The calculation and recovery of deferred policy acquisition costs.
- The ability to maintain and safeguard the security of our data.
- The resolution of regulatory issues and litigation pertaining to and arising out of Hurricane Katrina.
- Our relationship with our reinsurers.

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 (the “SEC”), our forward-looking statements speak only as of the date of this report or as of the date they were made and 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.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties and that potentially may result in materially different results under different assumptions and conditions. Our discussion and analysis of our results of operations and financial condition are based upon our Consolidated Financial Statements, which we have prepared in accordance with GAAP. As we prepare these 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 during 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 most sensitive to estimates include the following: the valuation of investments; the valuation of reserves for losses, claims, and loss settlement expenses; the valuation of reserves for future policy benefits; and the calculation of the deferred policy acquisition cost asset. These critical accounting policies are more fully described in our Management’s Discussion and Analysis of Results of Operations and Financial Condition presented in our annual report on Form 10-K for the year ended December 31, 2006.

OVERVIEW AND OUTLOOK

Our Business

We operate property and casualty and life insurance businesses, marketing our products through independent agents. Although we maintain a broad geographic presence that includes most of the United States, more than half of our property and casualty premiums are written in Iowa, Texas, Colorado, Louisiana and Illinois. More than three-fourths of our life insurance premiums are written in Iowa, Minnesota, Wisconsin, Nebraska and Illinois. Within our property and casualty insurance segment, our primary focus is on our core commercial lines business. Through disciplined underwriting and strong agency relationships, we have traditionally emphasized writing good business at an adequate price, preferring quality to volume. Our goal of consistent profitability is supported by these business strategies.

We conduct our operations through two distinct segments: property and casualty insurance and life insurance. We manage these segments separately because they generally do not share the same customer base, and they each have different pricing and expense structures. We evaluate segment profit based upon operating and investment results. Segment profit or loss as described in the following sections of the Management’s Discussion and Analysis is reported on a pre-tax basis.

Financial Overview

Our underwriting and overall financial results improved in the nine months ended September 30, 2007 than in the nine months ended September 30, 2006, due primarily to a reduction in our pre-tax catastrophe losses incurred, net of reinsurance, of $47.5 million. Our claims severity and frequency increased in the third quarter compared to the third quarter of 2006. Although this had a negative impact on our loss ratio, we reported a year to date combined ratio of 79.9 percent.

Last quarter, we disclosed an increase in premium pressure on our larger commercial accounts, which has continued in the third quarter. In addition, we are now experiencing premium pressure on our commercial accounts at lower premium levels. This competitive pricing, coupled with our planned reduction of coastal exposures in Louisiana, contributed to our flat growth in premium revenue between the third quarters of 2007 and 2006.

Despite these challenges in the insurance market, our overall underwriting results remain strong. Our core book of business has been derived from successful retention of high-quality commercial and personal accounts. We have also been successful in increasing premium volume in states specifically targeted for growth, and we continue to seek opportunities to write profitable new business.

Although we experienced a net outflow of funds in our annuity business in the third quarter, the amount of that outflow has decreased in each of the last three quarters, which is a positive trend. During 2007, despite the net cash outflow, the interest rate spread on our annuity block of business has increased, and is meeting our expectations. Sales of our universal life product, Uni-3, increased modestly between the second and third quarters of 2007. Introduced in April 2007, Uni-3 replaces all other universal life products previously offered by our company. The new product captures the benefits of the previous two universal life products, with several enhancements to better appeal to a new generation of customers.

On August 31, we announced that our Board of Directors authorized us to repurchase up to 600,000 shares of common stock. Under this share repurchase program, we may purchase common stock from time to time through open market or privately negotiated transactions. The amount and timing of any purchases will be determined at our discretion and will depend upon a number of factors, including the price, economic and general market conditions, and corporate and regulatory requirements. The share repurchase program will be in effect for two years, but may be modified or discontinued at any time. In the third quarter of 2007, 200,000 shares of common stock were repurchased and retired to the status of authorized but unissued shares.

RESULTS OF OPERATIONS

Consolidated Financial Highlights

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Dollars in Thousand)	**2007**	2006	**%**	**2007**	2006	**%**
Revenues						
Net premiums earned	**$ 126,988**	$ 126,849	0.1 %	**$ 375,545**	$ 370,125	1.5 %
Investment income, net of investment expenses	**30,117**	30,896	-2.5 %	**92,369**	90,365	2.2 %
Realized investment gains	**871**	301	189.4 %	**4,365**	8,240	-47.0 %
Other income	**243**	131	85.5 %	**490**	476	2.9 %
	$ 158,219	$ 158,177	- %	**$ 472,769**	$ 469,206	0.8 %
Benefits, Losses and Expenses						
Losses and loss settlement expenses	**$ 78,450**	$ 71,346	10.0 %	**$ 190,495**	$ 223,860	-14.9 %
Increase in liability for future policy benefits	**3,472**	4,367	-20.5 %	**10,468**	13,586	-23.0 %
Amortization of deferred policy acquisition costs	**33,668**	31,910	5.5 %	**100,289**	92,445	8.5 %
Other underwriting expenses	**5,514**	5,484	0.5 %	**17,672**	19,495	-9.4 %
Interest on policyholders' accounts	**10,645**	12,082	-11.9 %	**32,671**	37,554	-13.0 %
	$ 131,749	$ 125,189	5.2 %	**$ 351,595**	$ 386,940	-9.1 %
Income before income taxes	**$ 26,470**	$ 32,988	-19.8 %	**$ 121,174**	$ 82,266	47.3 %
Federal income tax expense	**7,399**	10,562	-29.9 %	**36,241**	23,447	54.6 %
Net Income	**$ 19,071**	$ 22,426	-15.0 %	**$ 84,933**	$ 58,819	44.4 %

Our results for the nine months ended September 30, 2007, significantly improved over the nine months ended September 30, 2006. For the nine months ended September 30, 2006, losses and loss settlement expenses were 14.9 percent less than the nine months ended September 30, 2007, generally due to the impact that catastrophe losses had on our company in the prior year. Pre-tax catastrophe losses, net of reinsurance, for the nine months ended September 30, 2006 totaled $57.9 million and included unfavorable loss development of $35.3 million on Hurricane Katrina claims. Comparatively, pre-tax catastrophe losses, net of reinsurance, for the nine months ended September 30, 2007 totaled $10.4 million, of which $4.2 million related to Hurricane Katrina. The difference in realized investment gains between the nine months ended September 30, 2007, and the nine months ended September 30, 2006, is primarily resulted from the gain on the sale of American Indemnity Company of $3.4 million and a gain on a taxable exchange pursuant to a bankruptcy settlement of $1.2 million, which were both recognized during the nine months ended September 30, 2006.

Property and Casualty Insurance Segment Results

Property & Casualty Insurance Financial Results:	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in Thousands)	**2007**	2006	**2007**	2006
Net premiums written [1]	**$ 112,068**	$ 114,614	**$ 361,323**	$ 364,223
Net premiums earned	**$ 119,222**	$ 117,880	**$ 351,703**	$ 343,022
Losses and loss settlement expenses	**(74,813)**	(67,764)	**(177,980)**	(212,252)
Amortization of deferred policy acquisition costs	**(31,240)**	(29,394)	**(91,595)**	(84,897)
Other underwriting expenses	**(3,465)**	(3,323)	**(11,540)**	(13,180)
Underwriting income [1]	**$ 9,704**	$ 17,399	**$ 70,588**	$ 32,693
Investment income, net of investment expenses	**$ 10,439**	$ 10,802	**$ 32,782**	$ 29,274
Realized investment gains	**814**	310	**3,281**	6,568
Other income (loss)	**8**	(45)	**21**	(45)
Income before income taxes	**$ 20,965**	$ 28,466	**$ 106,672**	$ 68,490
GAAP Ratios:				
Net loss ratio	**62.8%**	57.5%	**50.6%**	61.9%
Expense ratio	**29.1%**	27.8%	**29.3%**	28.6%
Combined ratio [1]	**91.9%**	85.3%	**79.9%**	90.5%
Combined ratio (without catastrophes) [1]	**87.9%**	81.5%	**76.9%**	73.6%

1. Please refer to the Non-GAAP financial measures section of this report for further explanation of this measure.

In the third quarter of 2007, our property and casualty insurance segment's pre-tax income was $21.0 million, compared to pre-tax income of $28.5 million in the third quarter of 2006. The deterioration in our pre-tax net income is primarily attributable to a $7.0 million increase in losses and loss settlement expenses due to a higher claims severity in the third quarter of 2007 as compared to the third quarter of 2006.

For the nine months ended September 30, 2007, investment income improved $3.5 million, compared to the nine months ended September 30, 2006, because of the property and casualty insurance segment's larger investment base from funds generated by our 2006 common stock offering, as well as reinsurance recoveries and income tax refunds received in 2006. Realized investment gains and losses were $3.3 million lower during the nine months ended September 30, 2007 than in the nine months ended September 30, 2006, which reflects the $3.4 million gain that was recognized in May 2006 on the sale of American Indemnity Company.

Nine months ended September 30,	**2007**			2006		
(Dollars in Thousands)	**Net Premiums Earned**	**Net Losses & Loss Settlement Expenses**	**Net Loss Ratio**	Net Premiums Earned	Net Losses & Loss Settlement Expenses	Net Loss Ratio
Commercial lines:						
Other liability	**$ 102,446**	**$ 40,039**	**39.1 %**	$ 96,010	$ 28,083	29.3 %
Fire and allied lines	**88,878**	**50,677**	**57.0**	92,384	83,448	90.3
Automobile	**73,497**	**48,371**	**65.8**	70,750	36,183	51.1
Workers' compensation	**35,930**	**17,752**	**49.4**	31,324	23,622	75.4
Fidelity and surety	**15,252**	**513**	**3.4**	15,946	7,554	47.4
Miscellaneous	**642**	**269**	**41.9**	643	51	7.9
Total commercial lines	**$ 316,645**	**$ 157,621**	**49.8 %**	$ 307,057	$ 178,941	58.3 %
Personal lines:						
Fire and allied lines	**$ 15,765**	**$ 10,672**	**67.7 %**	$ 15,274	$ 18,226	119.3 %
Automobile	**10,505**	**5,983**	**57.0**	12,560	6,783	54.0
Miscellaneous	**234**	**349**	**N/A**	250	563	N/A
Total personal lines	**$ 26,504**	**$ 17,004**	**64.2 %**	$ 28,084	$ 25,572	91.1 %
Reinsurance assumed	**$ 8,554**	**$ 3,355**	**39.2 %**	$ 7,881	$ 7,739	98.2 %
Total	**$ 351,703**	**$ 177,980**	**50.6 %**	$ 343,022	$ 212,252	61.9 %

The commercial lines environment continues to be competitive, with an overall decrease in pricing of 5.0 to 7.0 percent. The personal lines pricing environment also continues to be very competitive both in the auto and homeowners lines of business. Rate levels for these lines decreased by mid-single-digit rates for several Midwest states. Policy retention remained strong in both our personal and commercial lines of business.

Life Insurance Segment Results

Life Insurance Financial Results:	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in Thousands)	**2007**	2006	**2007**	2006
Revenues				
Net premiums written [1]	**$ 7,459**	$ 8,342	**$ 22,840**	$ 24,816
Net premiums earned	**$ 7,766**	$ 8,969	**$ 23,842**	$ 27,103
Investment income, net of investment expenses	**19,678**	20,094	**59,587**	61,091
Realized investment gains (losses)	**57**	(9)	**1,084**	1,672
Other income	**235**	176	**469**	521
Total Revenues	**$ 27,736**	$ 29,230	**$ 84,982**	$ 90,387
Benefits, Losses and Expenses				
Losses and loss settlement expenses	**$ 3,637**	$ 3,582	**$ 12,515**	$ 11,608
Increase in liability for future policy benefits	**3,472**	4,367	**10,468**	13,586
Amortization of deferred policy acquisition costs	**2,428**	2,516	**8,694**	7,548
Other underwriting expenses	**2,049**	2,161	**6,132**	6,315
Interest on policyholders' accounts	**10,645**	12,082	**32,671**	37,554
Total Benefits, Losses and Expenses	**$ 22,231**	$ 24,708	**$ 70,480**	$ 76,611
Income Before Income Taxes	**$ 5,505**	$ 4,522	**$ 14,502**	$ 13,776

(1) Please refer to the Non-GAAP financial measures section of this report for further explanation of this measure.

In the third quarter of 2007, our life insurance segment recorded pre-tax income of $5.5 million, compared to $4.5 million for the third quarter of 2006. The improvement was the result of a combination of factors. Net premiums earned decreased by $1.2 million in the third quarter of 2007 as compared to the third quarter of 2006. The decrease in net premiums earned was due to a reduction in the sale of single premium whole life insurance and the continuing runoff of our credit life business, which we ceased writing in 2004. Our single premium whole life product remains competitive and we anticipate that we will increase the sales of this product in the future.

The provision for interest on policyholders' accounts decreased $1.4 million in the third quarter of 2007 as compared to the third quarter of 2006, which is attributable to the increased volume of annuity withdrawals experienced recently. These increased withdrawals caused less interest to be owed on policyholders' accounts.

The principal product of our life insurance segment is the single premium deferred annuity. Pursuant to GAAP, we do not report annuity deposits as net premiums earned. Rather, we record annuity deposits as liabilities for future policyholder benefits. Revenues from annuities consist of policy surrender charges and investment income earned on policyholder deposits. During the third quarter of 2007, we recorded $59.2 in annuity deposits compared to $38.4 million in the third quarter of 2006.

In the third quarter of 2007, we experienced a net cash outflow of $17.7 million related to our annuity business, compared to a $30.8 million net cash outflow during the third quarter of 2006. For the nine months ended September 30, 2007, we experienced a net cash outflow of $73.2 million related to our annuity business, compared to a net cash outflow of $89.6 million for the nine months ended September 30, 2006. The level of net cash outflows is representative of the challenges we have been facing in retaining our existing annuitants and attracting new annuitants with a rate of interest that is competitive in the marketplace while still allowing for an acceptable profit margin. These challenges are in large part a result of the recent interest rate environment, which has been characterized by a flat to inverted yield curve. The inverted yield curve results when long-term debt security rates are lower than short-term debt security rates. As the result of this situation, investors may be able to obtain a better yield on a short-term investment than on an annuity.

Investment Results

We recorded net investment income (before tax) of $92.4 million for the nine-month period ended September 30, 2007, compared to $90.4 million for the nine-month period ended September 30, 2006.

Net realized investment gains (before tax) for the nine-month period ended September 30, 2007 totaled $4.4 million, compared to $8.2 million of net realized investment gains (before tax) for the nine-month period ended September 30, 2006. This difference is due primarily to the gain on the sale of American Indemnity Company and a large gain on a taxable exchange pursuant to a bankruptcy settlement, which were both recognized during the nine months ended September 30, 2006.

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 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 market 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 and are included in net realized investment gains and losses. Factors considered in evaluating whether a decline in value is other-than-temporary include: the length of time and the extent to which the fair value has been less than cost; the financial conditions and near-term prospects of the issuer; and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery. During the nine months ended September 30, 2007 we had investment write-downs of $.1 million, compared to $.2 million during the nine months ended September 30, 2006. Based upon our review, we do not believe that our portfolio will be materially affected by recent sub-prime market conditions.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Liquidity measures our ability to generate sufficient cash flows to meet our short- and long-term cash obligations. Our sources of cash inflows are premiums, annuities, sales or maturity of investments, and investment income. Historically, we have generated substantial cash inflows from operations because cash from premium payments is usually received in advance of cash payments made to settle losses. When investing the cash generated from operations, we invest in securities with maturities that approximate the anticipated timing of payments for losses and loss settlement expenses of the underlying insurance policies. The majority of our assets are invested in fixed maturities.

Our sources of cash outflow are losses and loss settlement expenses, commissions, premium taxes, income taxes, operating expenses, dividends, and investment purchases. Cash outflows may be variable because of the uncertainty regarding settlement dates for losses. The timing and amount of catastrophe losses are inherently unpredictable and could increase our liquidity requirements.

Cash flow and liquidity is derived from three sources: 1) operating activities; 2) investing activities; and 3) financing activities.

Cash Flow Summary	Nine Months Ended September 30,	
(Dollars in Thousands)	**2007**	2006
Cash provided by (used in):		
Operating activities	**$ 57,769**	$ 81,186
Investing activities	**(63,036)**	(42,601)
Financing activities	**(67,138)**	35,655
Net increase (decrease) in cash and cash equivalents	**$ (72,405)**	$ 74,240

The decrease in cash provided by operating activities during the nine months ended September 30, 2007 reflects a tax refund and reinsurance recoveries received during the nine months ended September 30, 2006 related to Hurricanes Katrina and Rita. We have experienced improvement in cash flows from our direct underwriting business.

We have significant cash inflows from sales of investments and from scheduled and unscheduled investment security maturities, redemptions, and prepayments. These cash flows totaled $263.9 million for the nine-month period ended September 30, 2007 and $241.7 million for the nine-month period ended September 30, 2006. We invest in fixed maturities that mature at regular intervals in order to meet our scheduled obligations to pay policy benefits, claims, and claim adjusting expenses.

Cash used in financing activities has been impacted by the level of surrenders and withdrawals experienced in our life insurance segment’s annuity portfolio in recent years, which resulted in negative annuity and universal life cash flows of $49.7 million during the nine months ended September 30, 2007, compared to negative annuity and universal life cash flows of $62.0 million during the nine months ended September 30, 2006. In addition, in the nine months ended September 30, 2006, we had proceeds (net of underwriting expenses) of $107.0 million due to the completion of our common stock offering.

If our operating, investment, and financing cash flows are not sufficient to support our operations, we have additional short-term investments that we could utilize for this purpose. At September 30, 2007, our consolidated invested assets included $43.1 million of short-term investments, which consist primarily of fixed maturities that mature within one year. We may also borrow up to $50.0 million on our existing bank line of credit, which expires on July 10, 2008. We did not utilize our line of credit in the first nine months of 2007, other than to secure letters of credit utilized in our reinsurance operations. As of September 30, 2007, $.2 million of the line of credit was allocated for that purpose.

Capital Resources

Capital resources demonstrate our overall financial strength and ability to raise new capital to meet our needs. At September 30, 2007 our consolidated total assets were $2.77 billion, compared to $2.78 billion at December 31, 2006. Invested assets, primarily composed of fixed maturity securities, increased $59.9 million, or 2.8 percent, from December 31, 2006. The increase in invested assets we experienced this year includes an increase of $59.6 million in purchases exceeding sales, calls and maturities since December 31, 2006. The $59.6 million increase in our purchases at the nine months ended September 30, 2007 was primarily due to our increased level of cash at December 31, 2006 which was the result of our 2006 common stock offering, reinsurance recoveries and income tax refunds received in 2006, all of which was available for investment. The changes in our total reported balance in invested assets are summarized in the table below.

(Dollars in Thousands)	
Invested Assets at December 31, 2006	$ 2,133,342
Purchases	329,961
Sales	(8,872)
Calls and maturities	(261,501)
Net realized gains on investment sales	4,638
Mark to market adjustment (1)	(1,240)
Net bond premium accretion	261
Change in net unrealized appreciation	(3,342)
Other	19
Change in carrying value of invested assets	59,924
Invested Assets at September 30, 2007	**$ 2,193,266**

(1) Pursuant to GAAP, changes in the fair value of both our portfolio of trading securities and limited liability partnership investments are recognized currently in earnings.

The composition of our investment portfolio at September 30, 2007 is presented in the following table:

	Property & Casualty Insurance Segment		Life Insurance Segment		Total	
(Dollars in Thousands)		Percent of Total		Percent of Total		Percent of Total
Fixed maturities (1)	$ 684,596	77.9%	$ 1,221,230	92.9%	$ 1,905,826	86.9%
Equity securities	171,051	19.4	20,545	1.6	191,596	8.7
Trading securities	10,998	1.2	—	—	10,998	0.5
Mortgage loans	—	—	19,339	1.5	19,339	0.9
Policy loans	—	—	7,622	0.6	7,622	0.3
Other long-term investments	12,739	1.4	2,000	0.2	14,739	0.7
Short-term investments	1,200	0.1	41,946	3.2	43,146	2.0
Total	$ 880,584	100.0%	$ 1,312,682	100.0%	$ 2,193,266	100.0%

(1) Available-for-sale fixed maturities are carried at fair value, while held-to-maturity fixed maturities are carried at amortized cost.

At September 30, 2007, $1,877.1 million, or 98.5 percent of our fixed income security portfolio was classified as available-for-sale, compared to $1,808.2 million, or 97.6 percent, at December 31, 2006. We classify our remaining fixed maturities as held-to-maturity, which are reported at amortized cost, or trading. We record trading securities, primarily convertible redeemable preferred debt securities, at fair value, with any changes in fair value recognized in earnings.

At September 30, 2007, cash and cash equivalents totaled $182.6 million compared to $255.0 million at December 31, 2006. This decrease was attributable to fixed maturity purchases significantly exceeding calls and maturities; income tax payments during 2007 of $45.2 million; and a $7.0 million stock repurchase.

Nine-month periods ended September 30, 2007 (Dollars in Thousands)		Property & Casualty		Life Insurance		Total
Beginning deferred acquisition costs	$	58,349	$	77,412	$	135,761
Current deferred costs		95,281		7,539		102,820
Current amortization		(91,595)		(8,694)		(100,289)
Ending unamortized deferred acquisition costs	$	62,035	$	76,257	$	138,292
Change in shadow deferred acquisition costs		N/A		2,238		2,238
Recorded deferred acquisition costs	$	62,035	$	78,495	$	140,530

Our consolidated deferred policy acquisition costs increased $4.8 million, or 3.5 percent, to $140.5 million at September 30, 2007 from December 31, 2006. Our property and casualty insurance segment's deferred policy acquisition costs increased $3.7 million, or 6.3 percent, to $62.0 million at September 30, 2007 from December 31, 2006. The increase is due to a reduction in the premium deficiency adjustment due to the overall improvement in our underwriting results. Our life insurance segment's deferred policy acquisition costs increased $1.1 million, or 1.4 percent, to $78.5 million at September 30, 2007 from December 31, 2006. The life insurance segment's deferred policy acquisition cost asset is primarily related to universal life and annuity business, which is affected by the changes in unrealized gains and losses on certain available-for-sale securities. As a result of decreases in these unrealized gains during the nine-month period ended September 30, 2007, due primarily to rising interest rates, deferred policy acquisition costs increased by $2.2 million.

Stockholders' equity increased from $680.8 million at December 31, 2006 to $749.2 million at September 30, 2007, an increase of 10.1 percent. The primary increase in stockholders' equity is attributable to net income of $84.9 million. Decreases to stockholders' equity included stockholder dividends of $11.2 million and repurchase of common stock totaling $7.0 million. At September 30, 2007, book value was $27.27 per common share compared to $24.62 per common share at December 31, 2006.

STATUTORY AND OTHER FINANCIAL MEASURES

We believe that disclosure of certain non-GAAP financial measures enhances investor understanding of our financial performance. The following non-GAAP financial measures are utilized in this report:

Net premiums written is a statutory accounting measure representing the amount of premiums charged for policies issued during the period. These premiums are reported as revenue as they are earned over the underlying policy period. Net premiums written applicable to the unexpired term of a policy are recorded as unearned premium subject to reinsurance We evaluate net premiums written as a measure of business production for the period under review. The table below sets forth a reconciliation of net premiums written to net premiums earned for the three- and nine-month periods ended September 30, 2007 and 2006.

(Dollars in Thousands)	Three Months Ended September 30,				Nine Months Ended September 30,			
		2007		2006		**2007**		2006
Net premiums written	**$**	**119,527**	$	122,956	**$**	**384,163**	$	389,039
Net change in unearned premium		**7,665**		2,278		**(5,628)**		(21,960)
Net change in prepaid reinsurance premium		**(204)**		1,615		**(2,990)**		3,046
Net premiums earned	**$**	**126,988**	$	126,849	**$**	**375,545**	$	370,125

Catastrophe losses utilize the designations of the Insurance Services Office ("ISO") and are reported with loss and loss settlement expense amounts net of reinsurance recoverables, unless specified otherwise. According to the ISO, a catastrophe loss is a single unpredictable incident or series of closely related incidents causing severe insured losses, that cause $25.0 million or more in industry-wide direct insured losses to property and that affect a significant number of insureds and insurers ("ISO catastrophes"). We also include as catastrophes those events we believe are, or will be, material to our operations, either in amount or in number of claims made. 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.

(Dollars in Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
Non-ISO catastrophes, pre-tax	**$ 179**	$ 71	**$ 495**	$ 295
ISO catastrophes, pre-tax	**4,610**	4,438	**9,941**	57,624

Combined ratio is a commonly used financial measure of underwriting performance. Generally, a combined ratio below 100.0 percent generally indicates a profitable book of business. A combined ratio is the sum of two separately calculated ratios, the net loss and net loss settlement expense ratio (referred to as the "net loss ratio") and the underwriting expense ratio (the "expense ratio"). When prepared in accordance with GAAP, the net loss ratio is calculated by dividing the sum of net losses and net loss settlement expenses by net premium earned. The expense ratio is calculated by dividing nondeferred underwriting expenses and amortization of deferred policy acquisition costs by net premiums earned.

Underwriting Income is the gain or loss by an insurance company from the business of insurance. Underwriting income is equal to net premiums earned less incurred losses, loss settlement expenses, amortization of deferred policy acquisition costs, and other underwriting expenses.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have exposure to market risk arising from potential losses due to adverse changes in interest rates and market prices. Our primary market risk exposure is changes in interest rates, although we have some exposure to changes in equity prices and limited exposure to foreign currency exchange rates.

Active management of market risk is integral to our operations. 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 rebalancing our existing asset portfolio and by managing the character of future investment purchases.

There have been no material changes in our market risk or market risk factors from that reported in our annual report on Form 10-K for the year ended December 31, 2006.

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, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (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 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 controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls 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

As required by Rule 15d-15(e) under the Securities Exchange Act of 1934, 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.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a detailed discussion of legal proceedings of the Company, refer to Note 1—*Contingent Liabilities* in the Notes to Unaudited Consolidated Financial Statements of this Form 10-Q.

ITEM 1A. RISK FACTORS

Our business is subject to a number of risks, including those identified in Part I, Item 1A of our 2006 annual report on Form 10-K filed with the SEC on March 1, 2007, 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 documents are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also could have a material effect on our business, results of operations, financial condition and/or liquidity.

The following risk factor has been modified during the third quarter of 2007 due to our removal of Standard & Poor's as one of our rating agencies, from that disclosed in the Form 10-K for the year ended December 31, 2006 which was filed on March 1, 2007.

A reduction in our financial strength ratings could adversely affect our business and financial condition. Third-party rating agencies assess and rate the claims-paying ability of insurers and reinsurers based on criteria established by the agencies. Our property and casualty insurers have been assigned a financial strength rating of "A" (Excellent) from A.M. Best Company since 1994 (except for one insurance subsidiary that is in a runoff status, which A.M. Best has designated as NR-3 (Rating Procedure Inapplicable)). Our life insurance subsidiary has been assigned a financial strength rating of "A-" (Excellent) from A.M. Best since 1998. A.M. Best historically has rated our property and casualty companies on a pooled basis. However, beginning in 2006, our companies were rated on a group basis, consistent with rating guideline changes A.M. Best recently adopted. These financial strength ratings are used by policyholders, insurers, reinsurers and insurance and reinsurance intermediaries as an important means of assessing the financial strength and quality of insurers and reinsurers. These ratings are not evaluations directed to potential purchasers of our common stock and are not recommendations to buy, sell or hold our common stock. These ratings are subject to change at any time and could be revised downward or revoked at the sole discretion of the rating agency. Downgrades in our financial strength ratings could adversely affect our ability to access the capital markets or could lead to increased borrowing costs in the future. Perceptions of our company by investors, producers, other businesses and consumers could also be significantly impaired. We believe that the rating assigned by our third-party rating agency is an important factor in marketing our products. Our ability to retain our existing business and to attract new business in our insurance operations depends largely on our ratings by these agencies. Our failure to maintain our ratings, or any other adverse development with respect to our ratings, could cause our current and future independent agents and insureds to choose to transact their business with more highly rated competitors. If the rating agency downgrades our ratings or publicly indicates that our ratings are under review, it is likely that we would not be able to compete as effectively with our competitors and our ability to sell insurance policies could decline. If that happens, our sales and earnings would decrease. For example, many of our agencies and insureds have guidelines that require us to have an A.M. Best financial strength rating of "A-" or higher. A reduction of our A.M. Best rating below "A-" would prevent us from issuing policies to a majority of our insureds or other potential insureds with similar ratings requirements. In addition, a ratings downgrade by A.M. Best below "A" would constitute an event of default under our credit facility.

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

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
7/1/07 – 7/31/07	—	—	—	600,000
8/1/07 – 8/31/07	—	—	—	600,000
9/1/07 – 9/30/07	200,000	$ 34.75	200,000	400,000

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

			Incorporated by reference			
Exhibit number	Exhibit description	Filed herewith	Form	Period ending	Exhibit	Filing date
10.1	Description of employment arrangement between United Fire & Casualty Company and Randy A. Ramlo*		10-Q	06/30/07	10.1	07/27/07
10.2	United Fire & Casualty Annual Incentive Plan (Amended October 19, 2007)*	X				
10.3	United Fire & Casualty Company's Nonqualified Deferred Compensation Plan*	X				
11	Statement Re Computation of Per Share Earnings. All information required by Exhibit 11 is presented within Note 5 of the Notes to Unaudited Consolidated Financial Statements, in accordance with the provisions of SFAS No. 128	X				
31.1	Certification of Randy A. Ramlo pursuant to Section 302 of the Sarbanes—Oxley Act of 2002	X				
31.2	Certification of Dianne M. Lyons 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 Dianne M. Lyons pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes—Oxley Act of 2002	X				

*Indicates a management contract or compensatory plan or arrangement

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 & CASUALTY COMPANY
(Registrant)

October 25, 2007
(Date)

/s/ Randy A. Ramlo
Randy A. Ramlo
President, Chief Executive Officer

/s/ Dianne M. Lyons
Dianne M. Lyons
Vice President, Chief Financial Officer and
Principal Accounting Officer

ANNUAL INCENTIVE PLAN (AIP)
PLAN DOCUMENT

1.0 PLAN OBJECTIVES

1.1 Focus attention on the achievement of Corporate, Branch and Department performance measures.

1.2 Provide a strong financial incentive to employees based on the achievement of critical Corporate, Branch and Department goals.

1.3 Provide a systematic incentive plan consistent with specific performance objectives.

1.4 Alignment of all levels of employee commitment with the interests of shareholders.

2.0 DEFINITIONS

2.1 **Top Management:** The Chairman of the Board and the Chief Executive Officer.

2.2 **Calculated Award:** The AIP Award a participant would receive based on the level of performance achieved against each Component: Corporate, Branch and Department.

2.3 **Company:** United Fire Group, its subordinate divisions or successor organization.

2.4 **Corporate Performance Component:** The United Fire Group annual financial measures and specific objectives as established by Top Management. The attainment of goals will be the basis for granting the Corporate Award Component. Corporate performance measures will be established each year, and may consist of financial indicators such as ROE and Combined Ratio.

2.5 **Earned Award:** A participant's Calculated Award including any discretionary adjustment, resulting in his/her overall Award for the Plan Year.

2.6 **Branch and Department Performance Component:** Specific performance objectives established for each unit, the attainment of which will be the basis for granting the Branch and Department Award Component.

2.7 **Maximum Performance Level:** The maximum level of performance used for determining the Calculated Award. The maximum has been set at 120% for the target awards; however, maximum assignments may be modified for each Plan Year.

2.8 **Plan Year:** The twelve-month performance period corresponding to the calendar fiscal year.

2.9 **Target Award:** The percentage of a participant's eligible salary that he/she would receive assuming that 100% performance level on each of the assigned performance measures is achieved. This will range from 10% - 40% of eligible salary.

2.10 **Threshold Performance Level:** The minimum level of performance that must be achieved before any Earned Awards will be paid. Threshold assignments may be modified for each Plan Year.

2.11 **Direct Written Premium (DWP):** Includes all direct written premiums, excluding DWP from Western RE Agreement.

3.0 PARTICIPATION/PROCEEDURES

3.1 To be eligible to participate in this plan an employee must have a minimum of one calendar year of service prior to December 31st of the year for which the Award is to be paid. This requirement may be met through employment with any of the subsidiary companies.

3.2 Eligible participants must have a minimum of 1,000 hours of service in the calendar year the Award is paid and be employed by the Company on the date the Award is paid. Any Award that would have been payable shall be paid in the event of death to the spouse based on the employee's earnings for the year the Award is based.

3.3 The employee will receive the percentage of bonus attributable to the Company, Branch or Department the employee is assigned to on December 31st of the year the Award is earned.

4.0 PERFORMANCE MEASURES

4.1 Top Management will establish the Corporate financial performance measures, as well as appropriate performance targets and performance thresholds.

4.2 Individual objectives will be established for each eligible participant that focus attention on key desired results within his/her respective area of responsibility.

4.3 The Performance Components (Corporate, Branch or Department), and their relative weighting, will be established for each Plan Year, based on the desired focus. The weighting of performance measurements vary by level and/or function as follows, and may be modified from year to year:

		Performance Targets		
Tier	**Position**	**Corporate ROE**	**Corp/Branch LR**	**Dept. Expense**
AAAA	CEO	75.0%	25.0%*	-
AAA	VP/Reg Pres	60.0%	20.0%	20.0%
AA	AVP/Mgr/Supv	40.0%	30.0%	30.0%
A	All Others	30.0%	35.0%	35.0%

* Revenue Growth

4.4 When multiple performance measures are assigned, each will be weighted based on the desired focus for each goal.

5.0 TARGET AWARDS

5.1 Target Awards are established based on the participant's level, and a participant's Target Award is calculated as a percentage of his/her base salary. Earned Awards may range from 0% to 120% of the Target Award. Target Awards are as follows:

Tier	**Position**	**At Target %**
AAAA	CEO	40.0%
AAA	VP/Reg Pres	25.0%
AA	AVP/Mgr/Supv	17.5%
A	All Others	10.0%

6.0 DETERMINATION OF CALCULATED AND EARNED AWARDS

6.1 Calculated Awards reflect a combination of Corporate, Branch and Department performance that are indicative of each participant's performance and contribution.

6.2 Each performance Component (Corporate, Branch and Department) will stand alone when evaluating performance. Therefore, each Component must meet or exceed the established Threshold (minimum) performance level in order for Awards to be paid for that Component of the Plan.

6.3 For determining the level of financial performance when two or more performance indices are used, a formula will be utilized to determine the overall performance.

6.4 Each participant's Calculated Award will be based on the level of performance achieved against assigned performance measures.

6.5 Department and Branch Objectives can be weighted based on importance, if necessary.

6.6 The Calculated Award may be subject to an adjustment of up to ±10% based on the evaluation of overall performance and contribution of the participant. Ultimately, the Board is responsible for reviewing the overall Award budget for all participants.

6.7 At the discretion of the Top Management, performance outside of expectations or outside control may be recognized in the determination of awards.

6.8 Before any Award is payable to a participant, the participant’s performance level must at least meet solid performance standards in order for him/her to be eligible to receive an Earned Award.

7.0 AWARD CALCULATION

7.1 Awards will be based on the Department and Branch’s actual performance at year-end.

7.2 Department and Branch goals will be measured against the established standards.

7.3 Award will be capped at two (2) times the Target Award for each participant.

8.0 AWARD DISTRIBUTION

8.1 Earned Awards will be calculated and paid in April, following the end of the Plan Year for which the Awards have been earned.

8.2 A participant <u>must</u> be actively employed on the last day of the Plan Year <u>and</u> actively employed on the date of distribution in order to be eligible to receive his/her Earned Award.

8.3 Up to one hundred (100%) percent of the Earned Award may deferred into appropriate Corporate plans.

8.4 If a participant is promoted into a position where the eligibility and/or Target Award changes, he/she may receive, at the discretion of Top Management, the higher Award.

8.5 In the event that a participant does not meet eligibility criteria during the Plan Year, he/she would not be eligible to receive any Award.

8.6 In the event that a participant leaves the Company during the Plan Year or before the date of award distribution due to retirement or death, he/she (or surviving spouse), would be eligible to receive a pro-rated Earned Award to the date of the qualifying event at the sole and final discretion of Top Management. Earned Awards will be payable based on overall results and distributed in April.

9.0 FUNDING

9.1 The threshold Corporate performance must be met for any payout.

9.2 The plan will be funded with Company profits.

10.0 GENERAL

10.1 The Chief Executive Officer, or his/her designee, shall be responsible for the implementation and on-going administration of the Plan.

10.2 Targets and weightings may be changed annually based on the shift in focus.

10.3 Interpretation of all matters related to this Plan, including but not limited to eligibility, calculation and determination of Earned Awards, as well as the resolution of any questions relating to accounting procedures of the Plan, shall be at the sole and final determination of Top Management.

10.4 United Fire Group may amend or discontinue this Plan at any time with respect to future Awards; however, any Awards earned up to the date of modification or termination will be distributed in accordance with Plan provisions at the time they were earned.

10.5 Nothing in this Plan shall be interpreted as giving any participant the right to be retained as an employee of United Fire Group or of limiting the Company's rights to control or terminate the service of any employee at any time in the course of its business.

10.6 This Plan shall be construed in accordance with all applicable Federal and State securities and regulatory laws. In the event that any section, or portion of a section, of the Plan shall be held invalid, illegal, or unenforceable, that section, or portion of that section, shall not affect any other section hereof. This Plan shall be construed and enforced as if the invalid, illegal, or unenforceable section, or portion of the section, had never been contained herein.

Modified October 19, 2007

UNITED FIRE & CASUALTY COMPANY
NONQUALIFIED DEFERRED COMPENSATION PLAN

This United Fire & Casualty Company Nonqualified Deferred Compensation Plan (the Plan) is adopted by United Fire & Casualty Company (the Employer) for certain of its executive employees, and amends and restates, subject to the provisions in the following paragraph, the United Fire & Casualty Company Executive Supplemental Retirement and Deferred Compensation Plan previously adopted by the Employer effective January 1, 1995, as amended ("Previous Plan"). This amended and restated Plan is effective as of January 1, 2007. The Plan is intended to provide certain employees with supplemental retirement income and to offer those employees an opportunity to elect to defer the receipt of compensation in order to provide termination of employment and related benefits taxable pursuant to Section 451 of the Internal Revenue Code of 1986, as amended (the Code). The Plan is intended to be a top-hat plan (i.e., an unfunded deferred compensation plan maintained for a select group of management or highly compensated employees) under Sections 201(2), 301(a)(3), and 401(a)(1) of the Employee Retirement Income Security Act of 1974 (ERISA).

This amended and restated Plan is intended to bring the Previous Plan into compliance with the provisions of §409A of the Internal Revenue Code, as amended, and all notices, rulings and regulations issued or applicable with respect to §409A. Except as may be otherwise specifically provided herein, nothing in this amended and restated Plan shall be interpreted or construed to enhance an existing benefit or right under the Previous Plan, or add a new benefit or right to the Previous Plan. To the extent that any provision of this Plan would constitute a "material modification" (within the meaning of §409A) of the Previous Plan, such provision shall, except as specifically provided herein, be deemed ineffective, and the remainder of the Plan shall be construed in such a manner that no existing benefit or right under the Previous Plan is enhanced , and no new benefit or right is added to the Previous Plan.

ARTICLE I - DEFINITIONS

1.1 "Account" means the balance credited to a Participant's or Beneficiary's Plan account, including contributions, interest, income, gains, and losses (to the extent realized as determined by the Employer, in its discretion) credited thereto. A Participant's or Beneficiary's Account shall be determined as of the date of reference.

1.2 "Beneficiary" means any person or persons so designated in accordance with the provisions of Article VII.

1.3 "Code" means the Internal Revenue Code of 1986 and the regulations thereunder, as amended from time to time.

1.4 "Compensation" means the total current cash remuneration paid by the Employer to an Eligible Employee with respect to his or her service for the Employer (as determined by the Employer).

1.5 "Disability" means a medically determinable physical or mental impairment of a Participant which renders the Participant unable to engage in any substantial gainful activity, and is expected to result in death, or expected to last for a continuous period of not less than 12 months. A Participant shall also be considered disabled if he is, by reason of any medically determinable physical or mental impairment which can be expected to result in death, or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Employer. The disability of a Participant shall be determined by a physician chosen by the Employer.

1.6 "Effective Date" means the effective date of the Plan, which shall be January 1, 2007.

1.7 "Eligible Employee" means, for any Plan Year (or applicable portion thereof), a person employed by the Employer who is determined by the Employer to be a member of a select group of management or highly compensated employees and who is designated by the Employer to be an Eligible Employee under the Plan. By November 1 of each year, the Employer shall notify those individuals, if any, who will be Eligible Employees for the next Plan Year. If the Employer determines that an individual first becomes an Eligible Employee during a Plan Year, the Employer shall notify such individual of its determination and of the date during the Plan Year on which the individual shall first become an Eligible Employee.

1.8 "Employer" means United Fire & Casualty Company and its successors and assigns unless otherwise herein provided, or any other corporation or business organization that, with the consent of United Fire & Casualty Company or its successors or assigns, assumes the Employer's obligations hereunder, or any other corporation or business organization that agrees, with the consent of United Fire & Casualty Company, to become a party to the Plan.

1.9 "Entry Date" with respect to an Eligible Employee means the first day of the pay period following the date on which the Eligible Employee elects to participate in the Plan. If an individual first becomes an Eligible Employee during a Plan Year, they must make an election to participate in the Plan as provided herein within thirty (30) days after they first become an Eligible Employee. Such deferral election shall apply only to services performed after the election is made.

1.10 "Participant" means any person so designated in accordance with the provisions of Article II, including, where appropriate according to the context of the Plan, any former employee who is or may become (or whose Beneficiaries may become) eligible to receive a benefit under the Plan.

1.11 "Participant Enrollment and Election Form" means the form or forms on which a Participant elects to defer Compensation hereunder and on which the Participant makes certain other designations as required thereon.

1.12 "Plan" means this United Fire & Casualty Company Nonqualified Deferred Compensation Plan, as amended from time to time.

1.13 "Plan Year" means the twelve (12) month period ending on December 31 of each year during which the Plan is in effect.

1.14 "Valuation Date" means the December 31 of each Plan Year and any other date that the Employer, in its sole discretion, designates as a Valuation Date.

ARTICLE II - ELIGIBILITY AND PARTICIPATION

2.1 Requirements. Every Eligible Employee on the Effective Date shall be eligible to become a Participant on the Effective Date. Every other Eligible Employee shall be eligible to become a Participant on the first Entry Date occurring on or after the date on which he or she becomes an Eligible Employee. No individual shall become a Participant, however, if he or she is not an Eligible Employee on the date his or her participation is to begin. Participation in the Plan is voluntary. In order to participate, an otherwise Eligible Employee must make written application in such manner as may be required by Section 3.1 and by the Employer and must agree to make Compensation Deferrals as provided in Article III.

2.2 Reemployment. If a Participant whose employment with the Employer is terminated is subsequently reemployed, he or she shall become a Participant again in accordance with the provisions of Section 2.1.

2.3 Change of Employment Category. During any period in which a Participant remains in the employ of the Employer, but ceases to be an Eligible Employee, he or she shall not be eligible to make Compensation Deferrals hereunder.

ARTICLE III - DEFERRALS, CONTRIBUTIONS AND CREDITS

3.1 Compensation Deferrals. In accordance with rules established by the Employer, a Participant may elect to defer Compensation that is due to be earned and that would otherwise be paid to the Participant, in a lump sum or in any fixed periodic dollar amounts designated by the Participant. Amounts so deferred will be considered a Participant's "Compensation Deferrals." Ordinarily, a Participant shall make such an election with respect to a coming twelve (12) month Plan Year during the period beginning on the November 1 and ending on the December 31 of the prior Plan Year or during such other period established by the Employer.

Compensation Deferrals shall be made through regular payroll deductions or through an election by the Participant to defer the payment of Performance-Based Compensation that is not yet payable to him or her at the time of the election. The Participant may, in accordance with regulations issued by the Treasury Department, reduce or revoke his or her payroll deduction Compensation Deferral amount as of, and by written notice delivered to the Employer at least thirty (30) days prior to, the beginning of any regular payroll period, with such reduction being first effective for Compensation to be earned in that payroll period. Once made, a Compensation Deferral payroll deduction election shall continue in force indefinitely, until changed by the Participant on a subsequent Participant Enrollment and Election Form provided by the Employer.

Compensation Deferrals shall be deducted by the Employer from the pay of a deferring Participant and shall be credited to the Account of the deferring Participant.

3.2 Performance-Based Compensation Deferrals. As used in this Plan, "Performance-Based Compensation" shall have the meaning set forth in Section 409A(a)(4)(B)(iii) of the Internal Revenue Code, as amended. In the case of any Performance-Based Compensation based on services performed over a period of at least 12 months, a Participant shall make an election to defer some or all of such Performance-Based Compensation with respect to a coming twelve (12) month Plan Year during the period beginning on November 1 and ending on the latest of the following dates: a) December 31 of the prior Plan Year; or, b) to the extent it would not be considered a material modification of the Previous Plan, no later than six (6) months before the end of the coming twelve (12) month Plan Year; or c) during such other period established by the Employer.

3.3 Contributions and Credits to Accounts. There shall be established and maintained by the Employer a separate Plan Account in the name of each Participant which shall be credited or debited with: (a) amounts equal to the Participant's Compensation Deferrals, (b) amounts equal to the Participant's Performance-Based Compensation Deferrals, (c) an amount of interest each Plan Year beginning in the first Plan Year of the Participant's participation and ending the Plan Year prior to the Plan Year in which the Participant terminates employment equal to a percentage to be determined by the Company's Chief Executive Officer from time to time, and (d) any income, gains, or losses (to the extent realized, based upon fair market value of the Account's assets, as determined by the Employer, in its discretion) attributable or allocable to (a), (b) and (c). The Employer shall have the discretion to allocate such income, gains, or losses among Plan Accounts pursuant to such allocation rules as the Employer deems to be reasonable and administratively practicable.

ARTICLE IV - ALLOCATION OF FUNDS

4.1 Allocation of Earnings or Losses on Accounts. The Participant's Plan Account will be credited or debited with income, gains or losses as follows: As of each Valuation Date, an amount equal to the net increase or decrease in realizable net asset value or credited interest, as applicable (as determined by the Employer), since the preceding Valuation Date shall be allocated among all Participants' Accounts in accordance with the ratio that the portion of the Account of each Participant bears to the aggregate of all Participant Accounts.

4.2 Accounting for Distributions. As of the date of any distribution hereunder, the distribution to a Participant or his or her Beneficiary or Beneficiaries shall be charged to such Participant's Account.

4.3 Separate Accounts. A separate account under the Plan shall be established and maintained by the Employer to reflect the Account for each Participant with subaccounts, if appropriate, to show separately the earnings and losses credited or debited to such Account.

4.4 Interim Valuations. If it is determined by the Employer that the value of the Participant Accounts as of any date on which distributions are to be made differs materially from the value of the Participant Accounts on the prior Valuation Date upon which the distribution is to be based, the Employer, in its discretion, shall have the right to designate any date in the interim as a Valuation Date for the purpose of revaluing the Participant Accounts so that the Account from which the distribution is being made will, prior to the distribution, reflect its share of such material difference in value.

ARTICLE V - ENTITLEMENT TO BENEFITS

5.1 Employment Termination Benefit. Employer agrees that it shall pay each Participant the Employment Termination Benefit, Disability Benefit or Death Benefit described in Article VI below, upon the Participant's retirement, death or Disability at the time, and in the form and manner hereafter provided. The Employer will withhold from payments under this Plan any monies necessary to comply with federal or state employment and income tax withholding regulations. At the time of payment to the Participant or the Participant's designated beneficiary hereunder, the Participant or the Participant's designated beneficiary shall cease to have any further claim or interest under this Plan. Any payments due under this Plan will be paid by the Employer from its general assets.

5.2 Reemployment of Recipient. If a Participant receiving an Employment Termination Benefit or Disability Benefit as provided in Article VI is reemployed by the Employer, the remaining distributions due to the Participant shall be suspended until such time as the Participant (or his or her Beneficiary) once again becomes eligible to receive such benefits, at which time such distributions shall re-commence, subject to the limitations and conditions contained in this Plan.

ARTICLE VI --- DISTRIBUTION OF BENEFITS

6.1 Employment Termination Benefit. Upon a Participant's termination of employment with the Employer, and in accordance with the method of payment provided under Section 6.4, the Participant shall receive an Employment Termination Benefit equal to a percentage of the entire value of the Participant's Account based on the number of years the Participant has been employed by the Employer according to the following schedule:

Years of Employment	Percentage
Less than 5 years	40%
At least 5 years	70%
At least 10 years	100%

Notwithstanding the foregoing, the applicable percentage for a Participant who terminates employment after reaching age 59½ shall be 100%. Under the Previous Plan, if a Participant terminated employment with the Employer for any reason prior to reaching age 59 ½, all retirement benefits under the Plan were forfeited. The above schedule modifies the forfeiture of such benefits based on the Employee's years of employment with Employer. In accordance with Treas. Reg. §1.409A-6(a)(4), the Employer acknowledges and agrees that this change is specifically subject to Section 409A of the Code, but nothing else herein shall be deemed to make any of the benefits provided under the Previous Agreement subject to Section 409A.

6.2 Death Benefit. If a Participant dies before terminating his or her employment with the Employer and before the commencement of payments to the Participant hereunder, the entire value of the Participant's Account shall be paid, as provided in Section 6.4, to the person or persons designated in accordance with Section 7.1, as though the Participant had terminated employment after 25 years of employment with Employer. Upon the death of a Participant after payments hereunder have begun but before he or she has received all payments to which he or she is entitled under the Plan, the remaining benefit payments shall be paid to the person or persons designated in accordance with Section 7.1, in the manner in which such benefits were payable to the Participant unless, to the extent allowed by this Plan and applicable law, the Beneficiary elects a more rapid form or schedule of distribution.

6.3 Disability Benefit. If a Participant becomes disabled before terminating his or her employment with the Employer and before the commencement of payments to the Participant hereunder, the entire value of the Participant's Account shall be paid, as provided in Section 6.4, to the Participant, as though the Participant had terminated employment after 25 years of employment with Employer.

6.4 Method of Payment.

(a) Cash Payments. All payments under the Plan shall be made in cash.

(b) Timing and Manner of Payment. Unless otherwise elected by a Participant in accordance with subsection (c) below, if a Participant becomes entitled to receive an employment termination benefit, death benefit or disability benefit, such benefit shall be paid by the Employer to the Participant in equal monthly installments over a period of ten (10) years, commencing on the first day of the first month following the Employee's termination of employment, death or disability. If an Employee dies before receiving their entire employment termination benefit or disability benefit, any unpaid installments of such benefits will continue to be paid to the Employee's designated beneficiary in the same manner.

(c) Changes to Timing and Manner of Payment. A Participant may change the timing of their distribution of any benefits under the Plan to delay the payment, provided that: 1) such election may not take effect until at least twelve (12) months after the election is made; 2) in the case of an election related to a payment that is not the result of the Participant's death or disability, the first payment for which such election is made is deferred for a period of not less than five (5) years from the date such payment would otherwise have been made; and 3) any election with respect to a distribution to be made at a specified time as specified under the Plan at the date of deferral of such compensation may not be made less than twelve (12) months prior to the date of the first scheduled payment. In no event may the timing or schedule of any benefits payable hereunder be accelerated except as may be provided in regulations issued by the Treasury Department.

(d) If the whole or any part of any benefit under this Plan is to be paid in installments, the total to be so paid shall continue to be held by Employer pursuant to Section 4.1 under such procedures as the Employer may establish, in which case, subject to the limitations of Article VI, any income, gain, or loss attributable thereto (to the extent realized, as determined by the Employer, in its discretion) shall be reflected in the installment payments, in such equitable manner as the Employer shall determine. The actual amounts distributed to a Participant may be less than, equal to, or greater than the aggregate amount of the Participant's Compensation Deferrals and Performance-Based Compensation Deferrals. Notwithstanding any of the foregoing, with respect to any "Specified Employee", (i.e., a "key employee" as defined in Section 416(i) of the Internal Revenue Code, as amended, without regard to paragraph (5) thereof), a distribution of benefits hereunder may not be made before the date that is six (6) months after the date of separation from service, or if earlier, the date of death of such Specified Employee.

6.5 Payment of Benefit Upon Change in Control. If there is a change in the ownership or effective control of the Employer, or a change in the ownership of a substantial portion of the assets of the Employer, within the meaning of Section 409A of the Code and the regulations issued thereunder, all benefits under this Agreement shall immediately become one hundred percent (100%) vested and nonforfeitable. In such event, the Employer shall pay to the Employee an amount equal to Employee’s Retirement Benefit in the same manner as if the Employee had completed 25 years of employment with Employer as of the effective date of such change in control or ownership. Under the Previous Plan there was no provision for payment of benefits upon a change in control. In accordance with Treas. Reg. §1.409A-6(a)(4), the Employer acknowledges and agrees that the addition of this provision is specifically subject to Section 409A of the Code, but nothing else herein shall be deemed to make any of the benefits provided under the Previous Agreement subject to Section 409A.

ARTICLE VII - BENEFICIARIES; PARTICIPANT DATA

7.1 Designation of Beneficiaries. Each Participant from time to time may designate any person or persons (who may be named contingently or successively) to receive such benefits as may be payable under the Plan upon or after the Participant's death, and such designation may be changed from time to time by the Participant by filing a new designation. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Employer, and will be effective only when filed in writing with the Employer during the Participant's lifetime. In the absence of a valid Beneficiary designation, or if, at the time any benefit payment is due to a Beneficiary, there is no living Beneficiary validly named by the Participant, the Employer shall pay any such benefit payment to the Participant's spouse, if then living, but otherwise to the Participant's then living descendants, if any, *per stirpes*, but, if none, to the Participant's estate. In determining the existence or identity of anyone entitled to a benefit payment, the Employer may rely conclusively upon information supplied by the Participant's personal representative, executor, or administrator. If a question arises as to the existence or identity of anyone entitled to receive a benefit payment as aforesaid, or if a dispute arises with respect to any such payment, then, notwithstanding the foregoing, the Employer, in its sole discretion, may distribute such payment to the Participant's estate without liability for any tax or other consequences that might flow therefrom or may take such other action as the Employer deems to be appropriate.

7.2 Information to be Furnished by Participants and Beneficiaries, Inability to Locate Participants or Beneficiaries. Any communication, statement, or notice addressed to a Participant or to a Beneficiary at his or her last post office address as shown on the Employer's records shall be binding on the Participant or Beneficiary for all purposes of the Plan. The Employer shall not be obliged to search for any Participant or Beneficiary beyond the sending of a registered letter to such last known address. If the Employer notifies any Participant or Beneficiary that he or she is entitled to an amount under the Plan and the Participant or Beneficiary fails to claim such amount or make his or her location known to the Employer within three (3) years thereafter, then, except as otherwise required by law, if the location of one or more of the next of kin of the Participant is known to the Employer, the Employer may direct distribution of such amount to any one or more or all of such next of kin, and in such proportions as the Employer determines. If the location of none of the foregoing persons can be determined, the Employer shall have the right to direct that the amount payable shall be deemed to be a forfeiture, except that the dollar amount of the forfeiture, unadjusted for gains or losses in the interim, shall be paid by the Employer if a claim for the benefit subsequently is made by the Participant or the Beneficiary to whom it was payable. If a benefit payable to an unlocated Participant or Beneficiary is subject to escheat pursuant to applicable state law, the Employer shall not be liable to any person for any payment made in accordance with such law.

ARTICLE VIII - ADMINISTRATION

8.1 Administrative Authority. Except as otherwise specifically provided herein, the Employer shall have the sole responsibility for and the sole control of the operation and administration of the Plan and shall have the power and authority to take all action and to make all decisions and interpretations that may be necessary or appropriate in order to administer and operate the Plan, including, without limiting the generality of the foregoing, the power, duty, and responsibility to:

(a) Resolve and determine all disputes or questions arising under the Plan, including the power to determine the rights of Eligible Employees, Participants, and Beneficiaries, and their respective benefits, and to remedy any ambiguities, inconsistencies, or omissions in the Plan.

(b) Adopt such rules of procedure and regulations as in its opinion may be necessary for the proper and efficient administration of the Plan and as are consistent with the Plan.

(c) Implement the Plan in accordance with its terms and the rules and regulations adopted as above.

(d) Make determinations with respect to the eligibility of any Eligible Employee as a Participant and make determinations concerning the crediting and distribution of Plan Accounts.

(e) Appoint any persons or firms, or otherwise act to secure specialized advice or assistance, as it deems necessary or desirable in connection with the administration and operation of the Plan, and the Employer shall be entitled to rely conclusively upon, and shall be fully protected in any action or omission taken by it in good faith reliance upon, the advice or opinion of such firms or persons. The Employer shall have the power and authority to delegate from time to time by written instrument all or any part of its duties, powers, or responsibilities under the Plan, both ministerial and discretionary, as it deems appropriate, to any person or committee, and in the same manner to revoke any such delegation of duties, powers, or responsibilities. Any action of such person or committee in the exercise of such delegated duties, powers, or responsibilities shall have the same force and effect for all purposes hereunder as if such action had been taken by the Employer. Further, the Employer may authorize one or more persons to execute any certificate or document on behalf of the Employer, in which event any person notified by the Employer of such authorization shall be entitled to accept and conclusively rely upon any such certificate or document executed by such person as representing action by the Employer until such third person shall have been notified of the revocation of such authority.

8.2 Uniformity of Discretionary Acts. Whenever in the administration or operation of the Plan discretionary actions by the Employer are required or permitted, such actions shall be consistently and uniformly applied to all persons similarly situated, and no such action shall be taken that shall discriminate in favor of any particular person or group of persons.

8.3 Litigation. Except as may be otherwise required by law, in any action or judicial proceeding affecting the Plan, no Participant or Beneficiary shall be entitled to any notice or service of process, and any final judgment entered in such action shall be binding on all persons interested in, or claiming under, the Plan.

8.4 Payment of Administrative Expenses. All expenses incurred in the administration and operation of the Plan, including any taxes payable by the Employer in respect of the Plan, shall be paid by the Employer.

8.5 Claims Procedure. Any person claiming a benefit under the Plan (a Claimant) shall present the claim, in writing, to the Employer, and the Employer shall respond in writing. If the claim is denied, the written notice of denial shall state, in a manner calculated to be understood by the Claimant:

(a) The specific reason or reasons for the denial, with specific references to the Plan provisions on which the denial is based;

(b) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or information is necessary; and

(c) An explanation of the Plan's claims review procedure.

The written notice denying or granting the Claimant's claim shall be provided to the Claimant within ninety (90) days after the Employer's receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension is required, written notice of the extension shall be furnished by the Employer to the Claimant within the initial ninety (90) day period and in no event shall such an extension exceed a period of ninety (90) days from the end of the initial ninety (90) day period. Any extension notice shall indicate the special circumstances requiring the extension and the date on which the Employer expects to render a decision on the claim. Any claim not granted or denied within the period noted above shall be deemed to have been denied.

Any Claimant whose claim is denied or deemed to have been denied under the preceding sentence (or such Claimant's authorized representative) may, within sixty (60) days after the Claimant's receipt of notice of the denial or after the date of the deemed denial, request a review of the denial by notice given, in writing, to the Employer. Upon such a request for review, the claim shall be reviewed by the Employer (or its designated representative), which may, but shall not be required to, grant the Claimant a hearing. In connection with the review, the Claimant may have representation, may examine pertinent documents, and may submit issues and comments in writing.

The decision on review normally shall be made within sixty (60) days of the Employer's receipt of the request for review. If an extension of time is required due to special circumstances, the Claimant shall be notified, in writing, by the Employer, and the time limit for the decision on review shall be extended to one hundred twenty (120) days. The decision on review shall be in writing and shall state, in a manner calculated to be understood by the Claimant, the specific reasons for the decision and shall include references to the relevant Plan provisions on which the decision is based. The written decision on review shall be given to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) time limit discussed above. If the decision on review is not communicated to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) period discussed above, the claim shall be deemed to have been denied upon review. All decisions on review shall be final and binding with respect to all concerned parties.

ARTICLE IX - AMENDMENT

9.1 Right to Amend. The Employer, by written instrument executed by the Employer, shall have the right to amend the Plan, at any time and with respect to any provisions hereof, and all parties hereto or claiming any interest hereunder shall be bound by such amendment; provided, however, that no such amendment shall deprive a Participant or a Beneficiary of a right accrued hereunder prior to the date of the amendment.

9.2 Amendments to Ensure Proper Characterization of Plan. Notwithstanding the provisions of Section 9.1, the Plan may be amended by the Employer at any time, retroactively if required, if found necessary, in the opinion of the Employer, in order to ensure that the Plan is characterized as a top-hat plan of deferred compensation maintained for a select group of management or highly compensated employees as described under ERISA Sections 201(2), 301(a)(3), and 401(a)(1) and to conform the Plan to the provisions and requirements of any applicable law (including ERISA and the Code). No such amendment shall be considered prejudicial to any interest of a Participant or a Beneficiary hereunder.

ARTICLE X - TERMINATION

10. 1 Employer's Right to Terminate or Suspend Plan. The Employer reserves the right, at any time, to terminate the Plan and/or its obligation to make further credits to Plan accounts. The Employer also reserves the right, at any time, to suspend the operation of the Plan for a fixed or indeterminate period of time.

10.2 Automatic Termination of Plan. The Plan automatically shall terminate upon the dissolution of the Employer or upon its merger into or consolidation with any other corporation or business organization if there is a failure by the surviving corporation or business organization to adopt specifically and agree to continue the Plan.

10.3 Suspension of Deferrals. In the event of a suspension of the Plan, the Employer shall continue all aspects of the Plan, other than Compensation Deferrals and Employer contribution credits under Article III, during the period of the suspension, in which event payments hereunder will continue to be made during the period of the suspension in accordance with Articles V and VI.

10.4 Allocation and Distribution. This Section shall become operative upon a complete termination of the Plan. The provisions of this Section also shall become operative in the event of a partial termination of the Plan, as determined by the Employer, but only with respect to that portion of the Plan attributable to the Participants to whom the partial termination is applicable. Upon the effective date of any such event, notwithstanding any other provisions of the Plan, (i) no persons who were not previously Participants shall be eligible to become Participants, and (ii) the value of the interest of all Participants and Beneficiaries shall be determined and, after deduction of estimated expenses in liquidating and, if applicable, paying Plan benefits, paid to them as soon as is practicable after such termination.

10.5 Successor to Employer. Any corporation or other business organization that is a successor to the Employer by reason of a consolidation, merger, or purchase of substantially all of the assets of the Employer shall have the right to become a party to the Plan by adopting the same by resolution of the entity's board of directors or other appropriate governing body. If, within ninety (90) days from the effective date of such consolidation, merger, or sale of assets, such new entity does not become a party to this Plan, as above provided, the Plan automatically shall be terminated, and the provisions of Section 10.4 shall become operative.

ARTICLE XI - MISCELLANEOUS

11.1 Limitations on Liability of Employer. Neither the establishment of the Plan or any modification thereof, nor the creation of any account under the Plan, nor the payment of any benefits under the Plan shall be construed as giving to any Participant or other person any legal or equitable right against the Employer or any officer or employer thereof, except as provided by law or by any Plan provision. The Employer does not in any way guarantee any Participant's Account from loss or depreciation. In no event shall the Employer, or any successor, employee, officer, director, or stockholder of the Employer, be liable to any person on account of any claim arising by reason of the provisions of the Plan or of any instrument or instruments implementing its provisions, or for the failure of any Participant, Beneficiary, or other person to be entitled to any particular tax consequences with respect to the Plan, or any credit or distribution hereunder.

11.2 Construction. If any provision of the Plan is held to be illegal or void, such illegality or invalidity shall not affect the remaining provisions of the Plan, but shall be fully severable, and the Plan shall be construed and enforced as if said illegal or invalid provision had never been inserted herein. For all purposes of the Plan, where the context admits, the singular shall include the plural, and the plural shall include the singular. Headings of Articles and Sections herein are inserted only for convenience of reference and are not to be considered in the construction of the Plan. The laws of the state of Iowa shall govern, control, and determine all questions of law arising with respect to the Plan and the interpretation and validity of its respective provisions, except where those laws are preempted by the laws of the United States. Participation under the Plan will not give any Participant the right to be retained in the service of the Employer nor any right or claim to any benefit under the Plan unless such right or claim has specifically accrued hereunder. The Plan is intended to be and at all times shall be interpreted and administered so as to qualify as an unfunded deferred compensation plan, and no provision of the Plan shall be interpreted so as to give any individual any right in any assets of the Employer which right is greater than the rights of a general unsecured creditor of the Employer.

11.3 Spendthrift Provision. No amount payable to a Participant or a Beneficiary under the Plan will, except as otherwise specifically provided by law, be subject in any manner to anticipation, alienation, attachment, garnishment, sale, transfer, assignment (either at law or in equity), levy, execution, pledge, encumbrance, charge, or any other legal or equitable process, and any attempt to do so will be void; nor will any benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements, or torts of the person entitled thereto. Further, the withholding of taxes from Plan benefit payments; the recovery under the Plan of overpayments of benefits previously made to a Participant or Beneficiary; if applicable, the transfer of benefit rights from the Plan to another plan; or the direct deposit of benefit payments to an account in a banking institution (if not actually part of an arrangement constituting an assignment or alienation) shall not be construed as an assignment or alienation. If any Participant's or Beneficiary's benefits hereunder are garnished or attached by order of any court, the Employer may bring an action or a declaratory judgment in a court of competent jurisdiction to determine the proper recipient of the benefits to be paid under the Plan. During the pendency of said action, any benefits that become payable shall be held as credits to the Participant's or Beneficiary's Account or, if the Employer prefers, paid into the court as they become payable, to be distributed by the court to the recipient as the court deems proper at the close of said action.

IN WITNESS WHEREOF, the Employer has caused the Plan to be executed this 17th day of August, 2007.

UNITED FIRE & CASUALTY COMPANY

By: /s/ Randy A. Ramlo

Print Name: Randy A. Ramlo

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Randy A. Ramlo, certify that:

1. I have reviewed this quarter report on Form 10-Q of United Fire & Casualty Company;

2. Based on my knowledge, this quarter report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarter report;

3. Based on my knowledge, the Consolidated Financial Statements, and other financial information included in this quarter report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarter report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 25, 2007

/s/ Randy A. Ramlo

Randy A. Ramlo
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dianne M. Lyons, certify that:

1. I have reviewed this quarter report on Form 10-Q of United Fire & Casualty Company;

2. Based on my knowledge, this quarter report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarter report;

3. Based on my knowledge, the Consolidated Financial Statements, and other financial information included in this quarter report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarter report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 25, 2007

/s/ Dianne M. Lyons
Dianne M. Lyons
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarter report of United Fire & Casualty Company (the “Company”) on Form 10-Q for the period ending September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Randy A. Ramlo, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Randy A. Ramlo

Randy A. Ramlo
Chief Executive Officer

Dated: October 25, 2007

A signed original of this written statement required by Section 906 has been provided to United Fire & Casualty Company and will be retained by United Fire & Casualty Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarter report of United Fire & Casualty Company (the “Company”) on Form 10-Q for the period ending September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dianne M. Lyons, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dianne M. Lyons

Dianne M. Lyons
Chief Financial Officer

Dated: October 25, 2007

A signed original of this written statement required by Section 906 has been provided to United Fire & Casualty Company and will be retained by United Fire & Casualty Company and furnished to the Securities and Exchange Commission or its staff upon request.