UNITED FIRE & CASUALTY CO
Form 11-K
July 15, 2003

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

# FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

Commission File No. 2-39621

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

UNITED-LAFAYETTE 401(k) PROFIT SHARING PLAN

B. Name of the issuer of the securities held pursuant to the plan and the address of its principal executive office:

United Fire & Casualty Company
118 Second Avenue SE
Cedar Rapids, IA 52407

The United-Lafayette 401(k) Profit Sharing Plan ("Plan") is subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Therefore, in lieu of the requirements of Items 1-3 of Form 11-K, the financial statements of net assets available for the benefits of the Plan as of December 31, 2002 and 2001, and the changes in net assets available for benefits for the year ended December 31, 2002, have been prepared in accordance with the financial reporting requirements of ERISA.

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

UNITED-LAFAYETTE 401(k) PROFIT SHARING PLAN

By: The United-Lafayette 401(k) Profit Sharing Plan Retirement Committee

July 14, 2003

/s/ John A. Rife
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John A. Rife
Chief Executive Officer

UNITED-LAFAYETTE 401(k) PROFIT SHARING PLAN

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## REPORT OF INDEPENDENT AUDITORS

The Trustees and Participants of
United-Lafayette 401(k) Profit Sharing Plan

We have audited the accompanying statement of net assets available for benefits of United-Lafayette 401(k) Profit Sharing Plan as of December 31, 2002, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of United-Lafayette 401(k) Profit Sharing Plan as of and for the year ended December 31, 2001, were audited by other auditors whose report, dated October 9, 2002, expressed a limited scope opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2002, and the changes in its net assets available for benefits for the year then ended, in conformity with accounting principles generally accepted in the United States.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2002, is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Ernst & Young LLP

July 14, 2003
Chicago, Illinois

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UNITED-LAFAYETTE 401(k) PROFIT SHARING PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2002 AND 2001

| | 2002 |
|---|---|
| ASSETS | |
| Investments: | |
| Participant-directed investments, at fair value | $14,313,789 |
| Participant-directed investments, at contract value | - |
| Participant loans | 123,998 |
| Total investments | 14,437,787 |
| Non-interest bearing cash | 68,895 |
| Total assets | 14,506,682 |
| LIABILITIES | 162 |
| NET ASSETS AVAILABLE FOR BENEFITS | $14,506,520 |

See accompanying notes to financial statements



UNITED-LAFAYETTE 401(k) PROFIT SHARING PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2002

| | |
|---|---|
| ADDITIONS: | |
| Interest and dividends | $ 305,707 |
| Contributions: | |
| Participant | 2,136,902 |
| Rollover | 243,084 |
| Total contributions | 2,379,986 |
| Total additions | 2,685,693 |
| DEDUCTIONS: | |
| Withdrawals | 1,151,341 |
| Net depreciation on fair value of investments | 1,593,518 |
| Administrative expenses | 875 |
| Total deductions | 2,745,734 |
| NET DECREASE IN NET ASSETS AVAILABLE FOR BENEFITS | (60,041) |
| NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR | 14,566,561 |
| NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR | $ 14,506,520 |

See accompanying notes to financial statements



UNITED-LAFAYETTE 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS,
DECEMBER 31, 2002

1. DESCRIPTION OF PLAN

The following description of the United-Lafayette 401(k) Profit Sharing Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General - The Plan is a defined contribution plan covering all employees of United Fire & Casualty Company and its following subsidiaries: United Life Insurance Company; Lafayette Insurance Company; Insurance Brokers and Managers, Inc.; United Fire Group Foundation; Addison Insurance Company; Texas General Indemnity Company, American Indemnity Company, United Fire & Indemnity Company, United Fire Lloyds, and American Indemnity Financial Corporation (collectively the "Companies"), who have at least one hour of service and have attained age 21 or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Contributions - Each year, participants may elect to contribute up to an annual dollar limitation, of their eligible compensation to the Plan through salary reduction. The Plan provides for payments by the participating employers to the Plan in such amounts as the Board of Directors of each of the Companies shall direct. No payments by participating employers have been made since the inception of the Plan.

Participant Accounts - Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contribution and allocations of (a) the Companies' discretionary contributions and (b) Plan earnings, and charged with an allocation of Plan losses. Allocations are based on participant earnings (losses) or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Participants direct the investment of employer and participant contributions into various investment options offered by the Plan. Participants may change their investment options daily. The Plan currently offers fifteen mutual funds, a common collective trust, United Fire & Casualty Company common stock and a self-directed account in which participants have access to a money market account, nine mutual funds and common stocks offered by The Charles Schwab Trust Company. United Fire & Casualty Company common stock can be purchased twice a month with new contributions or by transferring a portion of existing Plan balances.

Vesting - Participants are immediately vested in their voluntary contributions plus actual earnings (losses) thereon. Vesting in the remainder of his/her account is based on years of continuous service with full vesting after two years. A participant with less than two years of credited service is 0% vested except in the event of the participant's death or disability while employed by the Companies, at which time the participant becomes 100% vested. After two years of credited service, participants are 100% vested.

Forfeitures - Upon termination, the nonvested portion of a participant's account balance is forfeited. Forfeitures are to be used to first reduce the Plan's ordinary and necessary administrative expenses for the Plan year and then reduce the employer contributions for the Plan year. There were no forfeited invested balances included in the Plan's net assets available for benefits at December 31, 2002 and 2001.

Participant Loans - Participants may borrow from their accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50 percent of their vested account balance. Loan terms range from 1-5 years, except for the purpose of acquiring the person's personal residence for which the term is commensurate with local prevailing terms, as determined by the Companies. The loans are secured by the balance in the participant's account and bear interest at a rate determined at the time of each loan by the Plan administrator. Principal and interest is paid ratably through semi-monthly payroll deductions.

Payment of Benefits - Upon termination of service, a participant may elect to receive either a direct rollover or a lump-sum amount equal to the value of their vested accounts; installment payments over a fixed period of time not to exceed the participant's life expectancy or the joint life expectancy of the participant and the participant's designated beneficiary; or payments from a joint and survivor annuity purchased by the Plan. Prior to separation from service, participants may elect a hardship distribution in accordance with Plan policy.

Administrative Expenses - The Plan's administrative expenses are paid by either the Plan or the Companies, as provided by the Plan document. The Companies paid principally all administrative expenses for 2002.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Valuation of Participant-Directed Investments at Fair Value and Participant Loans - Investments in mutual and pooled funds are stated at fair value based upon quoted market prices reported on recognized securities exchanges on the last business day of the year, which represents the net asset values of shares held by the Plan at year-end. The fair value of the participation units owned in the common trust fund is based on quoted redemption values on the last business day of the plan year. Purchases and sales of securities are recorded on a trade-date basis. Investments in money market funds and participant loans are stated at cost, which approximates fair value. Interest income is recorded on the accrual basis of accounting.

Valuation of Participant-Directed Investments at Contract Value - The Plan's investment in a pooled separate account with Hartford Life Insurance Company ("Hartford") consisted of stable value pooled investment contract funds. The account was fully benefit responsive and was valued at contract value. The account had been established for the purpose of maintaining contributions and allocating investments. The account's interest was the sum of all contributions, investment gains and interest, less any withdrawals, fees and investment losses. The accumulation unit value was determined by dividing the value of investments less administrative expenses by the total number of accumulation units. The average annual yield for these investments was 5.88% during 2001.

In June 2001, the Plan notified Hartford of its intent to discontinue the contract. The discontinuance became effective 15 days after notification. On and after the discontinuance date, no further contributions were made to the fund or further withdrawals made from the fund. In June 2002, Hartford processed a withdrawal of discontinuance and distributed such amounts in accordance with the terms of the contract.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein during the reporting period. Actual results could differ from those estimates.

The Plan offers various investment instruments to its participants. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, is it reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Withdrawals - Participant withdrawals are recorded upon distribution. Amounts allocated to accounts of persons who have elected to withdraw from the Plan but have not yet been paid were $108 and $45,116 at December 31, 2002 and 2001, respectively.



3. INVESTMENTS

The Charles Schwab Trust Company is trustee of the Plan and custodian of the Plan's assets. Hartford Life Insurance Company served as custodian of the Plan's assets that were held in the pooled separate account.

The Plan's investments that represented five percent or more of the Plan's net assets available for benefits as of December 31, 2002 and 2001 are as follows:

| Identity of Issuer | Description of Investment | Shares |
|---|---|---|
| Charles Schwab & Co., Inc.* | Schwab S&P 500 Investment Shares | 55,475 shares at December 2002;<br>53,627 shares at December 2001 |
| First Eagle Fund of America Inc. | First Eagle Fund of America | 37,813 shares at December 2002;<br>34,324 shares at December 2001 |
| Gartmore Morley Financial Services, Inc. | Morley Stable Value Fund | 202,026 shares at Decembe 2002;<br>156,007 shares at Decembe 2001 |
| Selected Funds | Selected American Shares | 41,765 shares at December 2002;<br>38,821 shares at December 2001 |
| Strong Investments Inc. | Strong Government Securities Fund | 281,156 shares at Decembe 2002;<br>269,129 shares at Decembe 2001 |

| | | |
|---|---|---|
| Weitz Securities, Inc. | Weitz Value Portfolio | 37,932 shares at December 2002; 34,861 shares at December 2001 |
| Artisan Funds | Artisan International Fund | 40,211 shares at December 2001 |
| Van Kampen Funds, Inc. | Van Kampen Emerging Growth Fund Class A | 18,269 shares at December 2001 |
| One Group Dealer Services, Inc. | One Group Mid Cap Growth Fund Class A | 40,304 shares at December 2001 |
| The Janus Funds | Janus Olympus Fund | 30,862 shares at December 2001 |

*Indicates a party-in-interest to the Plan.



During 2002, the Plan's investments (including investments bought, sold and held during the year) appreciated (depreciated) in fair value, as follows:

| Identity of Issuer, Borrower Lessor or Similar Party | Description of Investment | Fai |
|---|---|---|
| Artisan Funds | Artisan International Fund | $ |
| Century Shares Trust Co. | Century Shares Trust | |
| Cohen & Steers Capital Mgmt. | Cohen & Steers Realty | |
| Columbia Funds | Columbia High Yield Fund CL Z | |
| Dodge & Cox Fund | Dodge & Cox Balanced Fund | |
| First Eagle of America, Inc. | First Eagle Fund of America | |
| Gabelli Asset Management, Inc. | Gabelli Westwood Balanced | |
| Gartmore Morley Financial Services | Morley Stable Value Fund | 3, |
| ING Fund Distributor, Inc. | ING Int'l Small Cap Growth | |
| The Janus Funds | Janus Olympus Fund | |
| One Group Dealers Services, Inc. | One Group Mid Cap Growth Fund | |
| Selected Funds | Selected American Shares | 1, |
| Strong Investments | Strong Government Securities Fund | 3, |
| Van Kampen Funds, Inc. | Van Kampen Emerging Growth Fund | |

| | | |
|---|---|---|
| Weitz Securities, Inc. | Weitz Value Portfolio | 1, |
| Charles Schwab & Co., Inc.* | Schwab S & P 500 Investment Shares | |
| Charles Schwab & Co., Inc.* | Schwab Retirement Money Fund | |
| United Fire & Casualty Company* | United Fire & Casualty Company | |
| Charles Schwab & Co., Inc.* | Schwab - Personal Choice Accounts | |
| Total participant-directed investments at fair value | | $14, |

*Indicates a party-in-interest to the Plan.

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4. PLAN TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. In the event of any termination of the Plan, or upon complete of partial discontinuance of contributions, the accounts of each affected participant become fully vested.

5. TRUSTEE CERTIFICATION

The following is a summary of the 2001 unaudited information regarding the Plan, as included in the Plan's 2001 financial statements and supplemental schedules, that was prepared by or derived from information prepared by The Charles Schwab Trust Company, trustee of the Plan, and Hartford Life Insurance Company, custodian of the pooled separate account, furnished to the Plan Administrator. The Plan Administrator has obtained certifications from the trustee and custodian that the information is complete and accurate:

| | 2 |
|---|---|
| Statements of net assets available for benefits: | |
| Investments at contract value | $ 2 |
| Investments at fair value (including cash and cash equivalents) | 14,2 |

The above figures include all 2001 investments that exceeded 5 percent or more of the Plan's net assets (as displayed in Note 3).

6. FEDERAL INCOME TAX STATUS

The Plan obtained its latest determination letter dated March 2, 1995, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving that letter; however, the Company believes the Plan as designed is in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income tax has been included in the Plan's financial statements.

7. SUBSEQUENT EVENTS

Effective January 1, 2003, the Plan was amended to comply with rules and regulations contained in the Economic Growth and Tax Relief Reconciliation Act of 2001. The provisions of the amendment increased eligible annual compensation in accordance with Internal Revenue Service regulations, modified restrictions pertaining to employee loans, rollovers, distributions and benefit requirements, and incorporated and defined additional terms to the Plan.

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UNITED-LAFAYETTE 401(k) PROFIT SHARING PLAN

FORM 5500, SCHEDULE H, PART IV, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2002

| Identity of Issuer, Borrower Lessor or Similar Party | Description of Investment | S |
|---|---|---|
| Mutual Funds | | |
| Artisan Funds | Artisan International Fund | 4 |
| Century Shares Trust Co. | Century Shares Trust | |
| Cohen & Steers Capital Mgmt. | Cohen & Steers Realty | |
| Columbia Funds | Columbia High Yield Fund CL Z | |
| Dodge & Cox Fund | Dodge & Cox Balanced Fund | |
| First Eagle of America, Inc. | First Eagle Fund of America | 3 |
| Gabelli Asset Management, Inc. | Gabelli Westwood Balanced | 1 |
| ING Fund Distributor, Inc. | ING Int'l Small Cap Growth | 3 |
| The Janus Funds | Janus Olympus Fund | 3 |
| One Group Dealers Services, Inc. | One Group Mid Cap Growth Fund | 4 |
| Selected Funds | Selected American Shares | 4 |
| Strong Investments | Strong Government Securities Fund | 28 |
| Van Kampen Funds, Inc. | Van Kampen Emerging Growth Fund | 1 |
| Weitz Securities, Inc. | Weitz Value Portfolio | 3 |
| Charles Schwab & Co., Inc.* | Schwab S & P 500 Investment Shares | 5 |
| Charles Schwab & Co., Inc.* | Schwab Retirement Money Fund | |

| | | |
|---|---|---|
| Common Collective Trust | | |
| Gartmore Morley Financial Services | Morley Stable Value Fund | 20 |
| Common Stock | | |
| United Fire & Casualty Company* | United Fire & Casualty Company | |
| Personal Choice Retirement Accounts | | |
| Charles Schwab & Co., Inc.* | Schwab - Personal Choice Accounts | |
| Total participant-directed investments at fair value | | |
| Participant loans (maturing 2003 through 2017 at interest rates ranging from 7% - 14%) | | |
| Total assets held for investment purposes | | |

*Indicates a party-in-interest to the Plan.



Index to Exhibits

| Exhibit Number | Description |
|---|---|
| 23 | Consent of Ernst & Young LLP, Independent Auditors |
| 99.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 99.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |