

PEOPLE FIRST

 AF Group |      

2019 ANNUAL REPORT

From the President

In any great story, tucked subtly alongside the central theme, you'll often find a subplot that compliments the main storyline, weaving in critical details and giving purpose to the narrative.

In 2019, AF Group followed this proven formula to create another best-selling performance that reflected unprecedented success in our work to become a leading-edge and strategically diversified top 50 specialty carrier.

Along this journey, our subplot featured remarkable, behind-the-scenes effort by our teammates, who delivered yet another outstanding year of service to our agents, policyholders and injured workers.

I remain so proud of our team as we worked together to build our credibility and prominence in specialty insurance. Certainly, the "people first" foundation and culture we have established is a winning combination that will serve our organization for years to come, in a storyline that continues to unfold, one exciting chapter at a time.



Lisa Corless
President & CEO



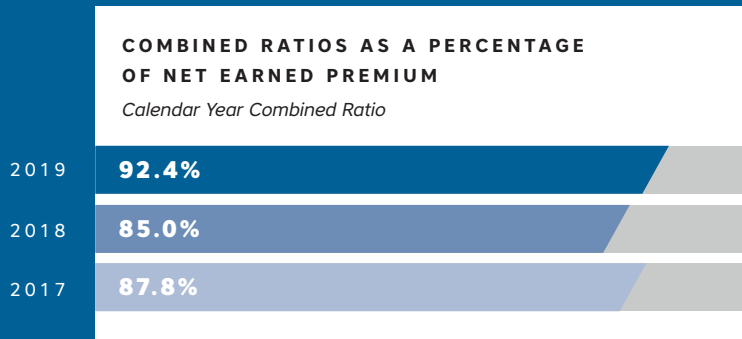
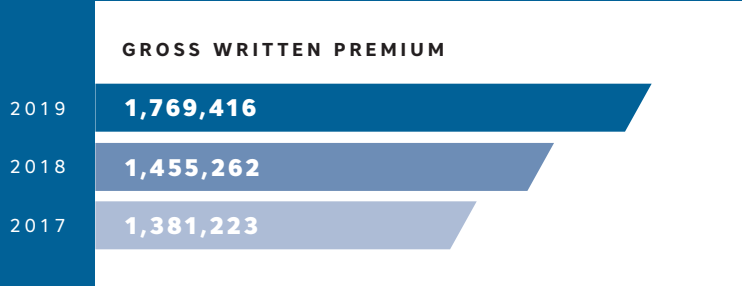
With a team of more than 1,500 teammates across the nation, AF Group and its brands achieved outstanding success in 2019, reaching \$2 billion in premium for the first time in company history and combined ratio results that again outperformed our peers — all while facing increasing competition and a softening market.

Collectively, this success was the result of sustained excellence by our workers' compensation brands, complimented by continued progress in our strategic diversification efforts — specifically through limited risk-bearing opportunities, new servicing carrier contracts and expansion of our commercial auto operations.

The year was highlighted by an upgraded A.M. Best rating and selection as a Ward's 50 company for superior underwriting, claim and operational excellence — honors that reinforce AF Group's resilience in difficult markets, our strong financial position and our ability to produce consistent and profitable results through exceptional performance.

Collective Financial Performance

Year Ended December 31*



	NET INCOME	RETURN ON EQUITY	NET WRITTEN PREMIUM/SURPLUS
2019	187,340	15.1%	1.66
2018	110,533	12.9%	1.39
2017	143,676	16.2%	1.37

*Dollars in thousands



Workers' Compensation:

AF Group's workers' compensation brands continued to build on more than a century of success and partnership, generating strong revenue and record retention from customers who value our ability to protect businesses and provide exceptional care to injured workers.

SIGNIFICANT ACHIEVEMENTS

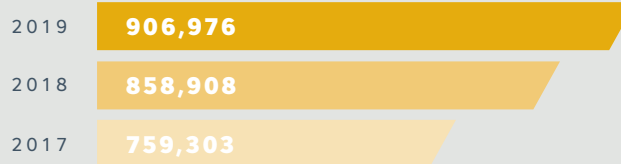
- Record number of policies written and above-plan premium retention by Accident Fund
- Growth for United Heartland with the addition of four new core states and \$5.2 million in new business
- Strong overall results for CompWest with expanded class codes
- Record-breaking written premium by Third Coast Underwriters, including reaching \$100 million for the first time

**Dollars in thousands*

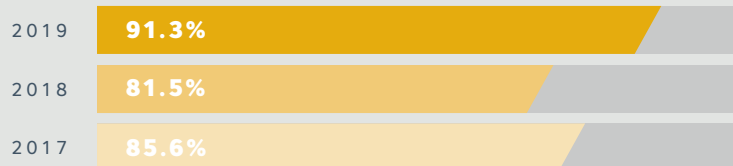
SELECTED FINANCIAL DATA*



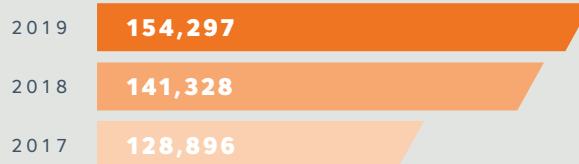
DIRECT WRITTEN PREMIUM



GAAP COMBINED RATIO



DIRECT WRITTEN PREMIUM



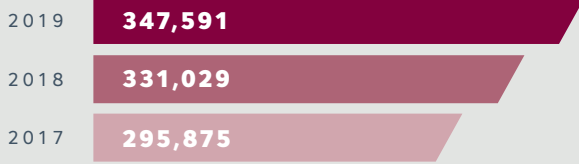
GAAP COMBINED RATIO



SELECTED FINANCIAL DATA*



DIRECT WRITTEN PREMIUM



GAAP COMBINED RATIO



DIRECT WRITTEN PREMIUM



GAAP COMBINED RATIO



*Dollars in thousands



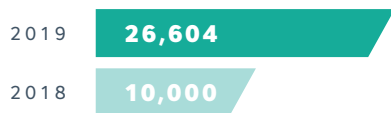


Diversification Performance

AF Group's long-term strategy to build new, diversified sources of revenue materialized through our exploration and delivery of specialty products to meet new and unique customer needs.



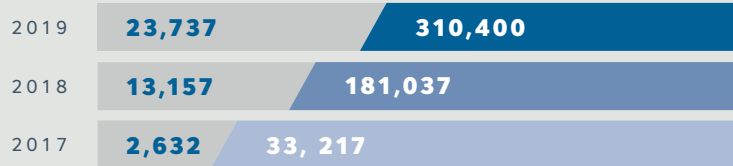
GROSS WRITTEN PREMIUM



SELECTED FINANCIAL DATA*



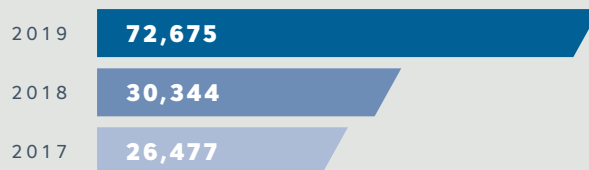
NET EARNED PREMIUM / GROSS WRITTEN PREMIUM



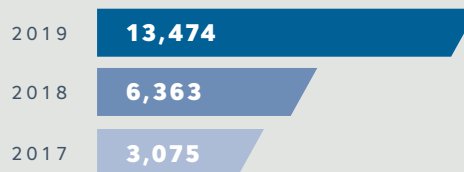
INCOME EARNED



GROSS WRITTEN PREMIUM



INCOME EARNED



SIGNIFICANT ACHIEVEMENTS

- Fronting services provided by AF Specialty led to a 76% increase in fronting premium in 2019
- Fundamental Underwriters expanded its commercial auto product to 19 states by year's end
- Assigned Risk Solutions added four new servicing carrier states, bringing the total to six state contracts

*Dollars in thousands

2019 Milestones



Upgraded financial rating of "A" (Excellent) by A.M. Best




Honored as a Ward's 50 company for financial and operational excellence



Increased engagement and participation in Diversity & Inclusion efforts through dynamic opportunities including Employee Resource Networks and volunteerism



Earned recognition for the 10th straight year as a Best Place to Work in Insurance by Business Insurance magazine, with first-place honors in the large employer category in 2019



Continued our success in sustaining an exceptional work environment, earning our 9th consecutive Top Workplaces award for United Heartland from the Milwaukee Journal Sentinel



Launched new master's program in Quantitative Risk Analytics in partnership with Michigan State University



Celebrated Innovation Week to inspire creativity in finding ideas to meet business and customer needs



Sponsored "Pathways into Insurance" conference in partnership with the Lansing Economic Area Partnership (LEAP) to promote careers in insurance to high school teachers and counselors



Hosted second annual InsurTech day, focusing on the technological transformation occurring in the insurance industry



2019 Leader of the Year
Rita Ramsey
Director,
Service Center



2019 Employee of the Year
Arthur J. Miller
Manager, Government
Affairs

**Dollars in thousands*

Community Impact

A spirit of enduring altruism remains a valued component of AF Group's culture and is reflected in the desire of our teammates to make a lasting impact upon the communities in which we work and live.

This spirit was brought to life in many ways in 2019, including the success of our annual Caring and Sharing Community Campaign, where employees pledged \$294,000 — matched dollar-for-dollar by AF Group — to 33 local and national nonprofits, promoting health and human services, economic development, education and diversity.

Additionally, AF Group teammates earned the Heavyweight Award for collecting more than 5,000 pounds of food during Downtown Lansing's Food Fight to benefit the Greater Lansing Food Bank. Nearly \$19,000 in gifts and gift cards were donated during the holidays to those in need in our communities.

As a company, AF Group also continued its second annual "Give Back Big" holiday initiative, donating \$56,000 to 14 nonprofits selected by our brands across the country.

CHARITABLE GIVING - BY THE NUMBERS



\$678K

IN CORPORATE DONATIONS

\$295K

IN EMPLOYEE DONATIONS



5,011

LBS OF FOOD CONTRIBUTED



268

PINTS OF BLOOD DONATED

121

CHARITABLE GROUPS SUPPORTED



2,351

HOURS VOLUNTEERED



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