





A top-down view of a diverse group of business professionals sitting in a circle on a light-colored tiled floor. Their hands are stacked in the center, symbolizing teamwork and collaboration. The individuals are wearing various professional attire, including suits, blouses, and shirts. The image is framed by a thin white border.

OUTPERFORM.

TRANSFORM.

From the President

The challenge of developing a sustained, successful culture has intrigued economists and organizational theorists for years. But a recent study (*The Culture Code*) from bestselling author Daniel Coyle suggests the formula for attaining such success is simple if an organization has established a clear and driving sense of purpose.

AF Group and its brands carry this unmistakable sense of purpose, and we are supported by valued agents and customers as we fulfill our mission through the delivery of innovative

insurance products. And in 2018, this purpose-driven work led us to remarkable success and achievement.

As you review the details of this report, I hope you are inspired by our outstanding results. In workers' compensation, we again achieved unprecedented outcomes while continuing to partner with agents to deliver dynamic solutions to customers. And we made remarkable progress in our strategic work to transform and diversify our business by establishing profitable fronting relationships, earning additional state contracts in the assigned risk market, and generating new partnerships in our inaugural commercial auto product.

Through all of this, our work was re-energized by the possibilities of innovations that will further strengthen our workers' compensation line while creating new opportunities for growth through alternative risk products.

I remain confident that our formula for success is indeed the right one, and our continued partnerships and shared purpose have every promise of leading us to even greater success.

Lisa Corless
President and CEO



Representing one of the most successful years in its noted history, **AF Group's** outstanding performance and profitability in 2018 will serve as the hallmark for future success. The organization and its brands exceeded expectations against all goals while introducing new products that have diversified its portfolio, allowing enhanced services to meet changing customer needs and expectations.

Collective Financial Performance

Year Ended December 31*

GROSS WRITTEN PREMIUM



UNDERWRITING RATIOS AS A PERCENTAGE OF NET EARNED PREMIUM

Calendar Year Combined Ratio



	NET INCOME	RETURN ON EQUITY
2018	187,340	15.1%
2017	110,533	12.9%
2016	143,676	16.2%

	NET WRITTEN PREMIUM/SURPLUS
2018	1.66
2017	1.39
2016	1.37

*Dollars in thousands



Workers' Compensation:

DATA-DRIVEN BRANDS

In 2018, AF Group's data-driven workers' compensation brands achieved exceptional results in a softening market, exceeding goals with outstanding top- and bottom-line performance while further strengthening relationships with valued agents and customers.

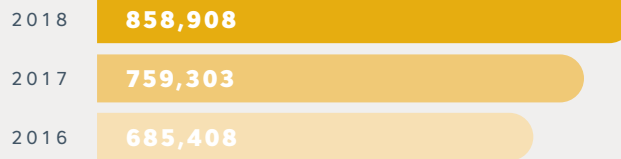
Noted achievements for **Accident Fund** included yet another year of record performance, surpassing goals against a number of measures, including total policies written and policy retention. Strong regional growth also reflected the brand's lasting agent partnerships and unmatched expertise in delivering exceptional underwriting, claims, and loss control services.

CompWest's focus on diversification in its distribution channels, policy size, industries, and geography led to a strong performance in 2018. Efforts in business development, agency expansion, and a broadened appetite resulted in new business in excess of \$50 million for the second year in a row. These results also improved the brand's long-term stability and ability to better navigate the unique California market.

SELECTED FINANCIAL DATA*



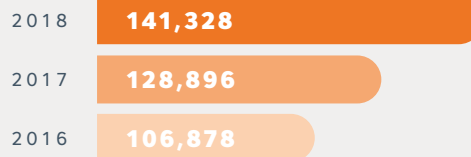
DIRECT WRITTEN PREMIUM



GAAP COMBINED RATIO



DIRECT WRITTEN PREMIUM



GAAP COMBINED RATIO



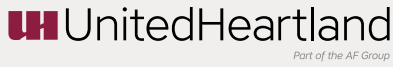
WHAT IS DATA DRIVEN?

Accident Fund and CompWest workers' compensation brands use predictive analytics – a sophisticated method for analyzing data – to more accurately forecast

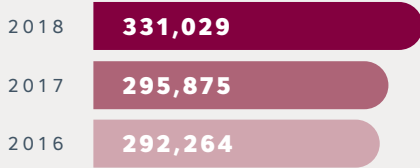
underwriting outcomes. This approach compliments the proven skills of the underwriting team and provides an improved accurate assessment and evaluation of risk.

*Dollars in thousands

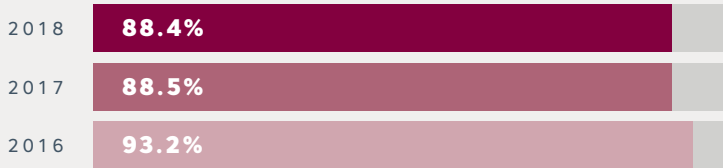
SELECTED FINANCIAL DATA*



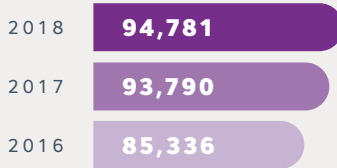
DIRECT WRITTEN PREMIUM



GAAP COMBINED RATIO



DIRECT WRITTEN PREMIUM



GAAP COMBINED RATIO



Workers' Compensation:

NICHE-FOCUSED BRANDS

AF Group's niche brands continued to demonstrate value to customers with a unique and specialized approach in workers' compensation.

United Heartland delivered a strong performance in 2018 despite ongoing rate decreases and significant competitive pressures. The brand's intentional customer engagement strategies, high-touch model, and consistent out-servicing of the competition led to profitable growth with better-than-plan new business and retention results.

Third Coast Underwriters continued its successful path toward growth and diversification in 2018, broadening its business in key segments including transportation and agriculture. New efforts to provide valuable training and insights to staff enhanced 3CU's market knowledge, further supporting the brand's reputation as an industry leader in writing and servicing complex, specialized risks.

WHAT IS A NICHE BRAND?

United Heartland and Third Coast Underwriters workers' compensation brands are considered industry specialists, focusing on writing larger, specialized businesses.

With appetites and customized approaches in segments that include agribusiness, energy, education, health care, and nonprofits, this high-touch service leads to lasting partnerships with customers.

*Dollars in thousands



Alternative Markets

(START-UPS)

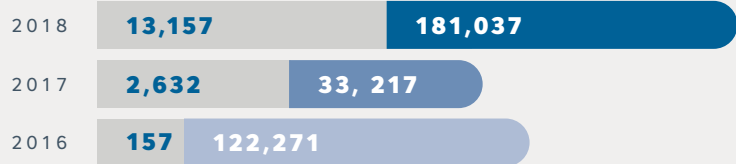
AF Specialty's ability to generate low risk-bearing revenue reached new heights in 2018 as the brand added a record \$181 million in fronted premium. Since its introduction in 2016, AF Specialty is a clear example of the successful execution of AF Group's growth and diversification strategy, providing creative solutions to meet customer needs.

In 2017, AF Group successfully entered the involuntary market as a servicing carrier for Michigan and Indiana, earning the respect of state bureaus by providing workers' compensation coverage in this specialized line. In 2018, **Assigned Risk Solutions** serviced \$30 million in premium, with enhancements to its operations and exceptional service leading to further success in winning contracts for Connecticut, Illinois, South Carolina, and Virginia for 2019.

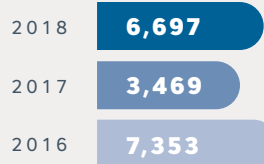
SELECTED FINANCIAL DATA*



NET EARNED PREMIUM / GROSS WRITTEN PREMIUM

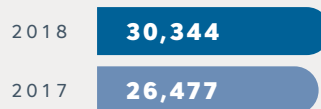


FEE INCOME EARNED

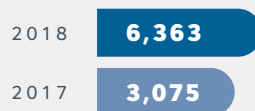


Part of the AF Group

GROSS WRITTEN PREMIUM



FEE INCOME EARNED

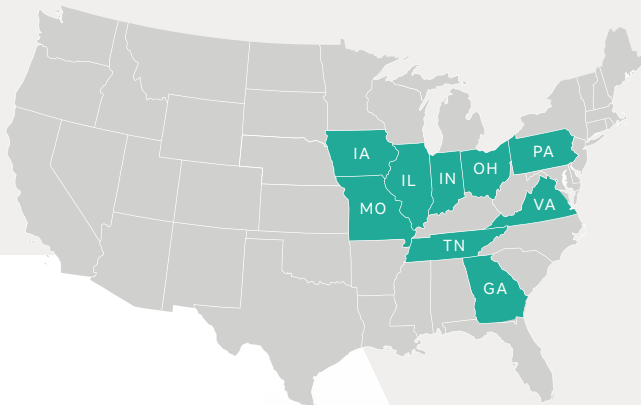


*Dollars in thousands



Part of the AF Group

2018 LAUNCH STATES



10,000	2018 DIRECT WRITTEN PREMIUM*
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Multiline

(START-UP)

In 2018, the commercial trucking market benefited from the launch of AF Group's new managing general agency (MGA) providing non-admitted commercial auto coverage, a product created specifically in response to customer and market needs.

After expanding to 10 states by year's end, **Fundamental Underwriters** is quickly earning recognition in the industry by delivering individual underwriting solutions, consultative loss control programs, and rapid claims resolutions for risks with superior safety cultures.



AF GLOBAL CAPITAL / LLOYD'S

Since 2016, AF Group has continued to invest with Lloyd's of London to generate exposure outside of workers'

compensation. In 2018, the mix of business in Lloyd's was optimized to increase projected return on capital.

**Dollars in thousands*

Achievements & Recognition

- **Financial Outlook Affirmed** as “A-” (Excellent) with a “positive” outlook by A.M. Best, following yet another year of outstanding financial performance
- **Exceptional, People-First Culture Honored** for the ninth year in a row, with AF Group and its brands named a “Best Place to Work” by *Business Insurance*
- **InsurTech Day Partnership** brought national experts on-site in Lansing to discuss innovation in the insurance and tech industries
- **Thought Leadership in the News:**
 - Keynote in Flint and Milwaukee featuring a partnership with Charlie Evans, president and CEO of the Federal Reserve Bank of Chicago
 - Opioid and formulary features in *Business Insurance* and *Best’s Review*, with Corporate Medical Director Dan Hunt, DO
 - *Lansing State Journal* feature on the insurance job market, featuring President & CEO Lisa Corless and Accident Fund Divisional Director Mike Maurer
 - *Work Comp Central* feature on Distracted Driving with Dave Brandolino, Third Coast Underwriters Loss Control Manager
 - *Risk & Insurance* feature on medical costs, with Chief Claims Officer Jeff Kuss
 - *Insurance Journal* feature on new commercial auto product with Fundamental President Marguerite Dixen
 - Top 26 Innovators to Watch honor for Abel Travis from DigitalInsurance.com
- **Top Workplace Honor Earned** for United Heartland, continuing its impressive success in sustaining an exceptional work environment with its eighth consecutive award from the *Milwaukee Journal Sentinel*



National Ad Campaign Launched highlighting the important role AF Group brands play in protecting workplaces and helping injured workers get back to work

- **Annual Caring and Sharing Campaign Success** in raising \$267,000 in employee donations for local and national charities, continuing this successful philanthropic effort that has raised more than \$2.6 million since 2010 (see p. 9)
- **Exceptional Executive Leadership**, with the promotions of:
 - Jacob Geyer to Vice President, AF Specialty; Vice President, Business Analytics and Underwriting Operations
 - Becky Holnagel to Chief Actuary
 - Keri Kittmann to Vice President, Assigned Risk Solutions; Chief of Staff
 - Abel Travis to Vice President of Underwriting and Product Innovation
 - Mitch Walsh to Vice President of Business Transformation



2018 Leader of the Year
 Kristi Houston
 Regional Director,
 Business Development
 CompWest



2018 Employee of the Year
 Nancy Brown
 Manager, Claims
 Accident Fund

EMPLOYEE IMPACT



\$645K

IN CORPORATE
DONATIONS

\$340K

IN EMPLOYEE
DONATIONS



25,520

MEALS SERVED

Community Impact

AF Group employees are consistently and actively engaged in the communities where they work and live, and are committed to serving those in need by volunteering their time and resources.

Each year, teammates are inspired to find new ways to channel their generosity and make a difference by partnering with organizations who are impacting lives for the better.

In 2018, AF Group's annual Caring and Sharing Community Campaign and a new Give Back Big holiday initiative helped expand charitable giving even further by providing financial and volunteer assistance to organizations. Each of these organizations is committed to improving and promoting health and human services, economic development, education, and diversity, which closely aligns with AF Group's social mission.

	894	HOURS VOLUNTEERED
	285	PINTS OF BLOOD DONATED
	130	CHARITABLE GROUPS SUPPORTED

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