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Annual  
Report 2015

# INDIVIDUAL FOCUS. COLLECTIVE STRENGTH.

## Each day, our organization delivers excellence

through dedicated teammates who provide uncompromising service to injured workers, policyholders and agents.

In 2015, we demonstrated a continued passion for protecting workplaces and further established our relevance and thought leadership in the industry. Our success, coupled with an ongoing pledge to give back to the community, reflects a tireless commitment to building a culture of sustained excellence for those we serve.

- A / RESULTS & ACHIEVEMENTS
- B / BRAND PERFORMANCE
- C / GIVING BACK
- D / AF GROUP TEAMMATES
- E / SUSTAINING EXCELLENCE



2.1M

EMPLOYEES COVERED BY AF GROUP POLICIES

2,407

AGENCY PARTNERS

### OUR MISSION

We are a trusted partner providing innovative insurance products and services that promote workplace safety and exceptional care for injured workers.



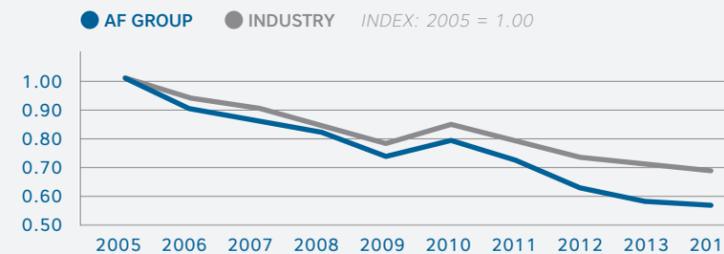
### INTRODUCING AF GROUP

After more than a century in business, our organization has helped shape the delivery of workers' compensation and our industry. We began in Lansing in 1912 and privatized in 1994. Soon after, we expanded our footprint beyond Michigan and later added United Heartland, CompWest and Third Coast Underwriters to extend our reach and further showcase our expertise.

Now, as a \$1 billion company, Accident Fund Holdings is becoming AF Group, to better reflect the unified, collective strength of our organization. AF Group is an exceptional collection of brands that are reshaping how workers' compensation is delivered. With this rebranding, our people, service and commitment to our mission remain.

While our success is important, we place greater value on living out our strategies to fulfill our mission and serve customers.

### LOST TIME FREQUENCY INDEX



BECAUSE OF OUR DILIGENCE TO KEEP WORKERS SAFE ON THE JOB, THE FREQUENCY OF LOSS FOR OUR CUSTOMERS IMPROVED BY 17% MORE THAN THE INDUSTRY BETWEEN 2006 AND 2014.

**We demand underwriting excellence** to ensure employers get the right price. With effective products and a deliberate focus on accident prevention, we provide incentives for workplace safety—and products to support it:

- AF Group paid \$21 million in policyholder dividends to select insureds who produced excellent results in 2015.
- Risk Management Services delivered products for retrospective and large deductible buyers with proven safety records.
- On average, our rates decreased by 3.1% in 2015, as we were able to reflect improved loss experience in our pricing.

**We require innovative & best-in-class medical management** to keep costs down through:

- Innovative and proprietary tools such as Care Analytics™ to identify physicians who specialize in treating occupational injuries and provide superior care to help injured workers return to work.
- Cutting-edge programs to improve outcomes and expose fraud.
- Collaboration on research to reduce prescription drug and opioid abuse.

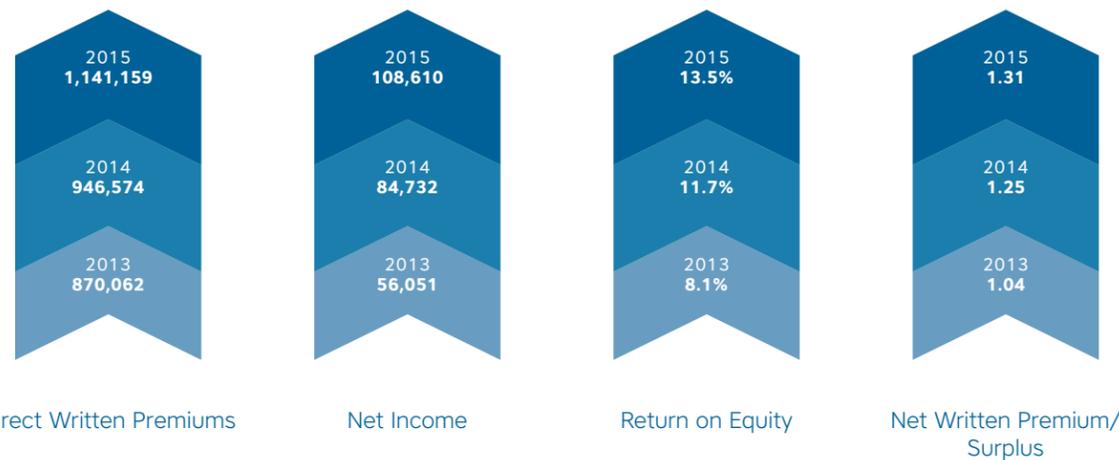
**We pursue growth in products & markets** to continually meet the evolving needs of employers and agents:

- New market growth led to \$67 million in premium in 2015.
- Niche brands (United Heartland and Third Coast Underwriters) specialize in partnering with hard-to-write businesses.

**We focus on scalability & culture** to ensure low administrative costs, allowing premium dollars to be used for what's most important—helping injured workers.

# OUR YEAR IN REVIEW

## AF GROUP – YEAR ENDED DECEMBER 31\*



Direct Written Premiums

Net Income

Return on Equity

Net Written Premium/  
Surplus

## ACHIEVEMENTS



Provided industry-leading research from Director of Innovation Jeffrey Austin White on the impact of technology and demographics on the work comp industry and the benefits of evidence-based medicine to WorkCompCentral and Risk & Insurance magazine.



Demonstrated our strong balance sheet to earn a financial rating of "A-" (Excellent) from credit rating agency A.M. Best.

## FEDERAL RESERVE BANK OF CHICAGO

Organized an exclusive economic thought leadership discussion with Charlie Evans, president & CEO of the Federal Reserve Bank of Chicago, as keynote guest.

Launched a new alternative markets division and created new fronting products which ultimately reduce costs for insureds.

Fostered our commitment to building insurance education with a new partnership with Lansing, Mich., school districts to promote insurance careers among high school students.

Earned recognition for ongoing diversity and recruitment efforts with a Regional Diversity Star Award from the Lansing Economic Area Partnership.

Supported Michigan Governor Rick Snyder's Michigan Talent Investment Board to provide recommendations on ways to best develop talent in the state—with the appointment of Human Resources Vice President Darcy Kerr.



Strengthened our exceptional workplace to earn a second-place ranking for large employers, third among all employers in the 2015 Best Places to Work in Insurance honor from Business Insurance magazine.

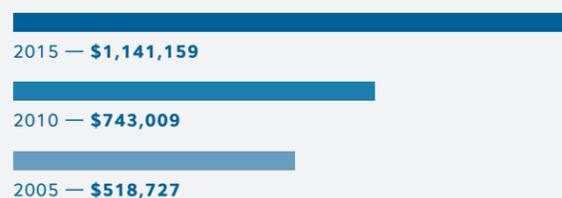


Shared insights on industry thought leadership and successful business practices from President & CEO Liz Haar in Business Insurance magazine and with the Insurance Accounting and Systems Association.

Shared our expertise on the changing dynamics in workers' compensation in Business & Insurance magazine, featuring Senior Vice President and Chief Claims Officer Patrick Walsh.

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## PREMIUMS

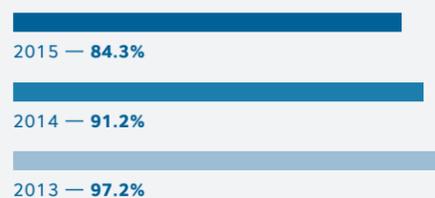


\$25M

IN INCENTIVE AND CONTINGENT COMMISSIONS PROVIDED TO SELECT AGENTS AND BROKERS

## UNDERWRITING RATIOS AS A PERCENTAGE OF NET EARNED PREMIUMS

Calendar Year Combined Ratio



53K

EMPLOYERS PARTNERING FOR SAFER WORKPLACES

# ACCIDENT FUND INSURANCE COMPANY OF AMERICA

Accident Fund Insurance Company of America's focus on growth and profitability in 2015 led to continued success as the brand demonstrated the effectiveness of its core strengths in claims handling and pricing. The result was unprecedented results in written premium, policies in force and profitability along with a year-end combined ratio of 80.9%.

Accident Fund finished 2015 with a record level of new business and a 12.2% increase in policy count—which now totals more than 48,000. The brand's success was also the result of a focused effort to close out claims, which led to the closing of 42% of the claims from 2013 and prior years.

**200+**  
OF ONLINE LOSS CONTROL RESOURCES DEVELOPED TO HELP KEEP WORK ENVIRONMENTS AND WORKERS SAFE



"There aren't enough good words in the dictionary to describe your company. In my heart, I believe you actually care about your clients and what happens to them."

—Kathy M.  
On behalf of her brother who suffered severe injury in 2004.

"Ease of doing business is the single greatest reason we continue to partner with Accident Fund. Their flexibility with pricing and open access to business development consultants are keys to our success. We anticipate bigger and better things for the near- and long-term future with Accident Fund."

—James Huttenlocher

**James Huttenlocher**  
President  
Huttenlocher Group – Waterford, MI  
HuttenlocherGroup.com  
Partner since 1990. Founded in 1918, Huttenlocher Group is an Accident Fund Agency of the Year, specializing in providing uncompromising service in auto, home, business, life & health insurance.



### SELECTED FINANCIAL DATA\*

	Direct Written Premium	GAAP Combined Ratio
2015	619,907	80.9%
2014	558,813	81.3%
2013	519,698	91.8%

\*Dollars in thousands

# UNITED HEARTLAND

United Heartland concluded a strong 2015, with success in part due to a new loss sensitive program — Risk Management Services, launched in 2014. The program earned more than \$10 million in premium by year's end, far exceeding its initial \$8 million goal.

United Heartland also continued to explore growth and expansion in key regions, including Florida and Texas. In Florida, the brand increased its footprint which helped new business grow to \$8 million, surpassing the goal of \$4 million. The brand also entered the Lone Star State in October and has worked to quickly build its agency base in this important growth region.

**96.8%**  
OF INJURED RETURN TO WORK WITHIN 30 DAYS



"Since my injury, the people at United Heartland have treated me very well and I have been really, really happy. Everyone has been very good to me."

—Olga C.  
Environmental services worker who experienced repetitive motion injuries

"When we first began our relationship with United Heartland, there weren't a ton of monoline work comp carriers, so the timing of our relationship was perfect. They have proven to be a highly service-intensive carrier that is very interactive. Their loss control efforts set them apart from competitors and their willingness to think outside-the-box is what has won us accounts. They are very client-focused and exist to make us all better."

—Laure Guisinger

**Laure Guisinger**  
Senior Vice President  
Holmes Murphy – Des Moines, IA  
HolmesMurphy.com  
Partner since 2000. Holmes Murphy is an 83 year-old privately held independent company with a strong history of insurance and risk management expertise. Founded in 1932, Holmes Murphy has 12 offices in 10 states, with a predominant footprint in the Midwest.



### SELECTED FINANCIAL DATA\*

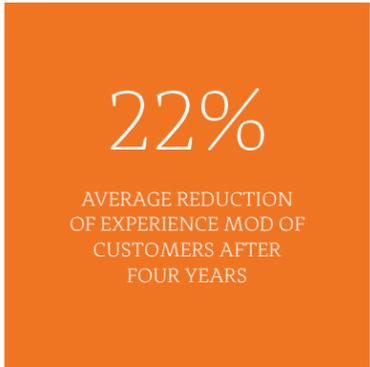
	Direct Written Premium	GAAP Combined Ratio
2015	254,679	93.8%
2014	243,331	102.4%
2013	243,612	96.9%

\*Dollars in thousands

# COMPWEST INSURANCE

CompWest concluded a successful 2015 with an impressive calendar year combined ratio of 94% and underwriting gains more than \$4 million better than plan. These results confirmed the success of the brand's three-year turnaround and renewed focus on profitable growth—positioning the brand in the upper echelon of insurers in the California market.

CompWest's growth initiatives were also successful in 2015, resulting in a two-year new business premium total of \$54 million. Key initiatives also laid many foundational changes for the brand, including the reconfiguration of resources and staffing in business development and upgrades to technology infrastructure which have better prepared the brand for continued, sustainable growth in 2016.



"My experience with doctors and treatment has gone very well and the CompWest team has been very helpful, especially in helping reimburse me for costs."

—Remigio S.  
Suffered a foot injury while unloading a forklift in 2015

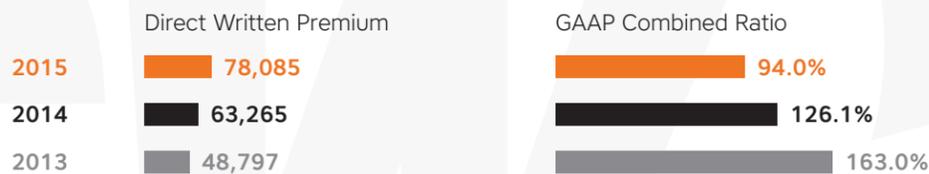
"As a work comp-leading agency, having a strong and accessible partner is essential. CompWest consistently provides us with access to decision makers who really listen—and that is very important to us. We value partners who bring a clear service orientation and client-facing skills to the table—something the CompWest team does very well."

—David Weinstein

**David Weinstein**  
Vice President  
Vantreo Insurance Brokerage – Santa Rosa, CA  
Vantreo.com  
Partner since 2009. A member of CompWest Agency Council since 2012, Vantreo specializes in providing insurance solutions across industries.



### SELECTED FINANCIAL DATA\*



\*Dollars in thousands

# THIRD COAST UNDERWRITERS

Now celebrating its fifth year of operation, Third Coast Underwriters (3CU) has proven its unique business model can produce exceptional results despite the challenges of a highly competitive market. The result was a calendar year combined ratio of 90.1%.

The brand executed its regional growth strategy with particular success in the Southeast, which led to new business production results that exceeded goal by 32%. 3CU added South Carolina, Virginia and Oklahoma to existing regions and has now appointed agents in 15 states, building traction with its long-term diversification initiatives.

Third Coast Underwriters' performance led to more than 80% account retention in 2015 and high agent satisfaction supported the brand's commitment to service and effectiveness as a risk management partner producing superior claims outcomes for injured workers.



"After my injury, I was in a bad spot. I wasn't able to collect unemployment, I had no income and I was between a rock and a hard place. But the 3CU team went above and beyond."

—Tim F.  
Ironworker who experienced a lower back injury in 2013

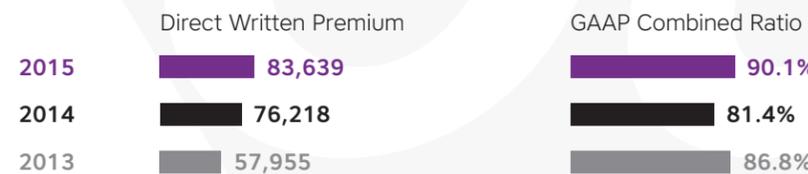
"We were one of the first agencies to write business with 3CU because their model trumps everything else in the industry. Their integrated risk management approach resonates with what we do, and they are one of our best partners in helping write new business. Once our clients join 3CU, they don't want to leave."

—Michael Alberico

**Michael Alberico**  
Senior Vice President  
Assurance Agency – Schaumburg, IL  
AssuranceAgency.com  
Partner since 2010. A Top 50 broker and repeated national "Best Place to Work" winner, focused on minimizing risk and maximizing health for clients.



### SELECTED FINANCIAL DATA\*



\*Dollars in thousands



# ALTERNATIVE MARKETS

In 2014, AF Group intensified its focus on alternative markets as a way to respond to agent and policyholder desire for offerings outside traditional guaranteed cost workers' compensation. We further diversified our products by offering non/low risk bearing solutions to the marketplace.

In 2015, AF Group developed a dedicated Alternative Markets division offering highly effective risk taking solutions for customers.

This non-traditional insurance investment proved to be a profitable revenue stream for AF Group in 2015. In fact, Alternative Markets premium ended the year better than plan by \$12 million.

Expanding into alternative markets is one of the key long-term growth strategies for AF Group, intended to add to our diversification and lower administrative costs.



### SELECTED FINANCIAL DATA\*

	Direct Written Premium	Underwriting Profit
2015	104,849	3,284
2014	4,948	500
2013	811	500

\*Dollars in thousands

**\$12M**

AMOUNT BY WHICH AF GROUP ENDED THE YEAR BETTER THAN PLAN FOR ALTERNATIVE MARKETS PREMIUM.

# GIVING BACK TO OUR COMMUNITY

Philanthropy and benevolence are an important part of AF Group's commitment to community engagement. For more than 100 years, our employees have demonstrated a sincere passion for volunteerism and charity, consistently sharing their time and resources with the communities in which we live and work.

Through a variety of efforts, our employees exhibit this charitable nature by supporting non-profit organizations with a connection to our core business — workplace safety, accident prevention, return-to-work programs, disabilities and rehabilitation. AF Group also partners with human service organizations and educational initiatives in our communities.

### GENEROSITY IN ACTION – OUR IMPACT IN 2015.

#### COMMUNITY INVESTMENT

In 2015, we began our investment of \$150,000 over the next five years in the Mary Free Bed Rehabilitation Unit.

#### CARING & SHARING COMMUNITY CAMPAIGN

The 2015 campaign raised \$324,000 in support of 31 charitable organizations around the country. This total represents a record-setting \$162,000 in pledges from employees and a corporate match of an equal amount.

#### VOLUNTEER PROGRAMS

In 2015, the number of employee volunteer hours to community charities increased by 175%.

#### HUMAN SERVICE ORGANIZATIONS

Our partnership with food banks in locations near our brands and across the country led to more than \$85,000 in donations.

#### EDUCATION

AF Group is an inaugural supporter of the Lansing Promise scholarship program and has contributed more than \$130,000 over the last four years.

### VOLUNTEER HOURS

EMPLOYEES VOLUNTEERED

**1,480**  
HOURS

### BLOOD DRIVES

COLLECTED

**211**  
PINTS

IMPACTING

**633**  
LIVES

### FOOD BANK CONTRIBUTIONS

DONATED

**2,500**  
POUNDS

SERVING

**2,000**  
MEALS

### FINANCIAL GIVING

CORPORATE

**\$440K**  
DOLLARS

EMPLOYEE

**\$162K**  
DONATIONS

COMBINED GIVING OF \$602,000

## DELIVERING THE EXCEPTIONAL...EVERY DAY.

The passion of our 1,200 teammates across the U.S. is to provide the best care and outcomes for injured workers, unequalled resources for employers to manage costs and create safer work environments while building lasting relationships with our valued partner agents. These are the teammates that deliver on this exceptional promise.



2015 Leader of the Year  
Mike Maurer  
Regional Director,  
Business Development



2015 Employee of the Year  
Don Marencik  
Sr. Business Development Specialist





**BOARD OF DIRECTORS**

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J.G. Agee Consultants, LLC.

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and President of Emerging Markets  
Blue Cross Blue Shield of Michigan

**Michael L. Browne**

Retired President and Chief Operating Officer  
Harleysville Insurance, a Nationwide Insurance Company

**Patrick J. Devlin**

Financial Secretary-Treasurer  
Michigan Building and Construction Trades Council

**A. Gregory Eaton**

Partner, Karoub Associates and Metro Cars Luxury Sedans  
Owner, Gregory's, Inc.

**Diane R. Goddeeris, R.N., B.S.N.**

Registered Nurse-OB Informatics  
Sparrow Hospital

**Elizabeth R. Haar**

President and Chief Executive Officer  
AF Group

**Daniel J. Loepp**

President and Chief Executive Officer  
Blue Cross Blue Shield of Michigan

**Timothy J. McCarthy**

Retired President and Chief Operating Officer  
Soave Enterprises Transportation Group

**Gary J. McInerney**

Owner, Principal  
McInerney and Associates

**Nancy P. McKeague**

Senior Vice President and Chief of Staff  
Michigan Health and Hospital Association

**Gregory A. Sudderth**

President  
Executive Labor-Management Services, Inc.

**Richard E. Whitmer**

Retired President and Chief Executive Officer  
Blue Cross Blue Shield of Michigan



Building an innovative organization that is prepared for long-term success can be a daunting challenge, given the unpredictable nature of our highly competitive industry. Over time, we have seen a great number of competitors arrive and subsequently disappear from the marketplace—having failed to establish business models capable of weathering the volatile insurance landscape.

Our performance in 2015 reflects the proven staying power that has made us a true force in the market. This past year was marked by very positive results—testaments to the experience gained by more than 100 years in the industry and a credit to the remarkable team we have assembled.

As the capstone achievement, we again earned recognition as a Best Place to Work in Insurance, demonstrating the unmistakable connection between our leadership team and more than 1,200 dedicated employees across the U.S. For their collective efforts, we have highlighted each of them on the previous pages, emphasizing the value we place on their expertise and dedication to providing the highest level of service to our agent partners, customers and injured workers.

Today as we reshape our identity as the new AF Group, we will further transform our business to deliver exceptional results for our shareholders and innovative solutions for our customers and agents. Most importantly, we will continue to provide best care solutions for injured workers with compassion and empathy during times they need us the most.

As we navigate the ongoing challenges of our evolving industry, our customers can be assured of our relentless commitment to exceptional service. Sustaining excellence is certainly what we expect of ourselves. As we've proven for more than a century, settling for less is not in our DNA.

Elizabeth Haar  
President & CEO, AF Group

“Excellence must be achieved through the eyes of those who judge us; once achieved it can only be maintained with constant innovation.”

—Tom Collins



[AFGROUPINSURANCE.COM](http://AFGROUPINSURANCE.COM)