

PARTNERSHIP.
INNOVATION.
STRENGTH.



FROM THE PRESIDENT

Through the years, former Disney executive and prominent author Lee Cockerell has shared many insights on business and life that I have taken to heart. But his simple statement noting the value of great people is a personal favorite of mine, and without a doubt characterizes the exceptional individuals that have guided our organization for more than a century.

“Surround yourself with great people.”

—LEE COCKERELL

From our respected Board of Directors who offer consistent wisdom and insight; to our partner agents who allow us to serve their valued policyholders; to businesses who entrust us to protect their employees; to injured workers who place their vital care in our hands; and to our amazing employees who count it a privilege to live out our mission — each have had a remarkable impact on the success of our business.

In 2017, these individuals collectively contributed to an outstanding year, which included:

- An improved financial outlook by A.M. Best.
- Customer retention that reached record levels
- Successful execution of major components in our digital transformation, which will lead to enhanced customer experiences for our agents, policyholders and injured workers
- Recognition as the No. 1 large employer in Best Places to Work from *Business Insurance*

As a respected industry leader, a noted insurance authority, a creative innovator and a home to unparalleled talent that has created one of the most dynamic work environments in the industry, we are so pleased with our success and excited for the possibilities held by our future.

We remain grateful for the opportunity to deliver continued, outstanding results as we pursue greatness together.



Lisa Corless
President, AF Group

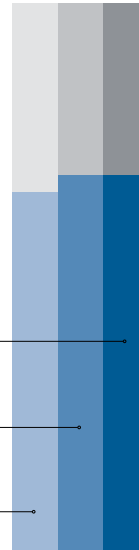


COLLECTIVE
FINANCIAL
PERFORMANCE
YEAR ENDED DECEMBER 31*



GROSS
WRITTEN
PREMIUMS

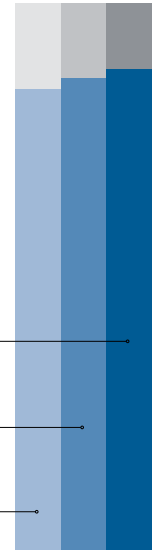
2017
1,455,262
2016
1,381,223
2015
1,188,976



UNDERWRITING
RATIOS AS A
PERCENTAGE
OF NET EARNED
PREMIUMS

Calendar Year
Combined Ratio

2017
87.8%
2016
86.3%
2015
84.3%



2015

2016

2017

NET INCOME

108,610

143,676

110,533**

RETURN ON
EQUITY

13.5%

16.2%

12.9%

NET WRITTEN
PREMIUM/SURPLUS

1.31

1.37

1.39

**Dollars in thousands*

***Includes \$24 million of tax expense for the write down of deferred tax assets/liabilities*

More than 100 years of excellence in the delivery of insurance solutions has positioned AF Group as an innovative leader and authority in the industry.

AFGroup.com

In 2017, this sustained commitment to excellence led to an outstanding year of partnership and profitability for the enterprise, producing exceptional results, achieving \$1 billion in surplus and the highest premium retention since 2010.

With consistent, remarkable performance in core workers' compensation, AF Group is now well positioned to execute key growth and diversification strategies in the property and casualty market, which will broaden its portfolio toward an exciting future.



SELECTED FINANCIAL DATA*



DIRECT WRITTEN PREMIUM

**Dollars in thousands*

2017	759,303
2016	685,408
2015	619,907



GAAP COMBINED RATIO

2017	85.6%
2016	82.8%
2015	80.9%



Following more than a century of success, Accident Fund continued its remarkable performance and partnership with valued agents and customers in 2017. By year's end, the brand recorded accident year and calendar year combined ratios that outperformed the industry, in addition to achieving better-than-plan top and bottom-line performance.

During the year, Accident Fund also achieved a number of tremendous milestones in spite of a softening market, including outstanding retention, the highest number of policyholders on record and strong new business. Growth across the Atlantic region was particularly significant — a 164% improvement in the last five years.

Accident Fund's focus on service, partnership, underwriting, claims and loss control continues to set the company apart as a carrier of excellence in the industry.

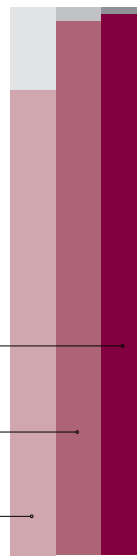
SELECTED
FINANCIAL DATA*



**DIRECT
WRITTEN
PREMIUM**

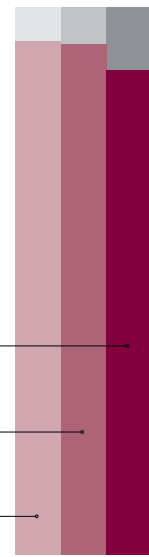
**Dollars in thousands*

2017	295,875
2016	292,264
2015	254,679



**GAAP
COMBINED
RATIO**

2017	88.5%
2016	93.2%
2015	93.8%



In 2017, United Heartland’s results were highlighted by the most impressive retention numbers in a decade, along with strong new business performance despite the challenge of increasing competition in the market. The brand also benefited from several customer engagement strategies designed to further strengthen customer partnerships.

Claim frequency for the brand continued its positive, downward trend, indicative of the brand’s careful risk selection process that matches services and strengths with customers who recognize the value of return to work and safety programs.

United Heartland also continued to gain success with its loss sensitive product — Risk Management Services — a program developed in response to customer needs, which has allowed the brand to tailor large deductible and retrospectively rated programs that balance customer cash flow need with the assumption of additional risk.

UnitedHeartland.com



SELECTED FINANCIAL DATA*



DIRECT WRITTEN PREMIUM

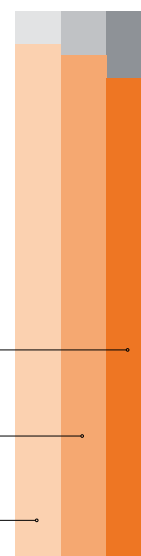
**Dollars in thousands*

2017	128,896
2016	106,878
2015	78,085



GAAP COMBINED RATIO

2017	87.7%
2016	91.9%
2015	94.0%



CompWest continued to experience profitable growth in 2017, increasing its market share and presence in the California workers' compensation market. By providing unique value through superior outcomes, strong service delivery and industry-leading Keep at Work® programs, the brand continued to effectively navigate the challenging West Coast environment.

The brand further expanded its risk appetite by adding artisan contractors and other classes in the health care and manufacturing industries, which led to new opportunities in these key segments.

CompWest concluded the year by achieving success against new business, claims and underwriting profit goals and reached nearly \$129 million in premium, representing a record achievement for the brand. This success reaffirms CompWest's presence in the region and effectiveness in building meaningful partnerships as a dynamic workers' compensation partner, focused on the best outcomes for injured workers.

CompWestInsurance.com

SELECTED
FINANCIAL DATA*



**DIRECT
WRITTEN
PREMIUM**

**Dollars in thousands*

2017
93,790

2016
85,336

2015
83,639

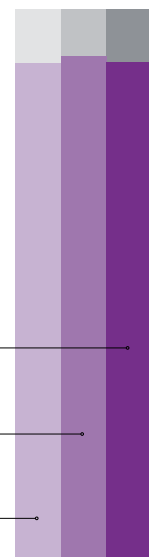


**GAAP
COMBINED
RATIO**

2017
90.3%

2016
91.3%

2015
90.1%



Third Coast Underwriters' unique delivery model has ensured the brand's continued success in managing complex workers' compensation risks.

In 2017, Third Coast concluded a positive year marked by sustained profitability, combined ratio and accident year ratios better than the industry and significant new business growth.

The brand's focus on expanding its footprint was highlighted by a successful entrance into the agriculture segment, introducing a new market to Third Coast's unwavering attention to service and outstanding agent and customer satisfaction.

Third Coast also developed new methods for building customer satisfaction, including customized reports that provide a detailed analysis of the effectiveness of business' partnership with the brand. The brand increased its investment in customer operations by adding new bilingual capabilities to its Claim team, further ensuring the highest level of engagement and responsiveness to customers.

SELECTED FINANCIAL DATA*



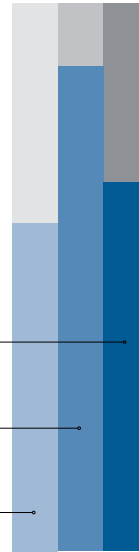
Since 2014, AF Group's strategic focus on growth and diversification has led to important new opportunities with non/low risk-bearing solutions. This new concentration is fulfilling AF Group's long-term growth strategy with innovative products outside of traditional guaranteed cost workers' compensation and offering solutions to customers who desire to share risk.

MULTILINE

AF Group's diversification efforts gained momentum in 2017 with the work of AF Global Capital and a partnership with Lloyd's of London syndicates. Introduced in 2016 and leading to the company's first premium outside of workers' compensation, AF

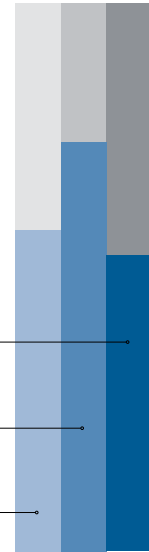
GROSS WRITTEN PREMIUM

Year	Gross Written Premium
2017	117,709
2016	154,890
2015	104,849



% OF WRITTEN PREMIUM OUTSIDE OF WORK COMP

Year	% of Written Premium Outside of Work Comp
2017	8.1%
2016	11.2%
2015	8.8%



AF Specialty – Fronting

In 2017, fronting efforts led to six partnerships expected to produce new revenue in 2018. With specialized solutions for managing general agents, reinsurance intermediaries and captive managers seeking a fronting facility to place well-managed, turnkey commercial property and casualty programs, AF Group has provided an option for customers who require solutions in the fronting space.

AF Specialty – Assigned Risk Solutions

Launched in 2016, Assigned Risk Solutions (ARS) completed its first full year as a servicing carrier in the non-voluntary market for Michigan and Indiana. To date, this non-risk bearing division has issued nearly 10,000 policies and processed \$27 million in premiums between the two states and will work to expand operations to additional states in 2019.

Global Capital continues to generate diverse new premium to the enterprise.

Further diversification was realized with the development of a new brand in the commercial auto segment, slated for launch in April of 2018.

This niche opportunity represents an important investment that will broaden AF Group's capability to pursue potential new business in the larger property and casualty market, supplementing its successful workers' compensation efforts.

2017 ACHIEVEMENTS

Success for AF Group is defined by the meaningful relationships built in the course of doing business, and it is acknowledged by peers and partners, affirming our mission and purpose in sustaining excellence. Over the course of 2017, these events and honors made us most proud:

FINANCIAL OUTLOOK IMPROVEMENT



Following several years of strong financial performance, AF Group earned an “A-” (Excellent) rating from A.M. Best, now with an upgraded ‘positive’ outlook.

DISTINGUISHED WORK ENVIRONMENT



For the eighth year in a row, AF Group and its brands were named a “Best Place to Work” in Insurance from *Business Insurance*, now ranked No. 1 in the large employer category.

OLYMPIC KEYNOTE



Former Olympic gold medalist Brandi Chastain inspired the organization as the featured keynote speaker at the All Employee Meetings, visiting AF Group brands across the country.

TOP WORKPLACE HONOR



United Heartland continued its impressive success in sustaining an exceptional work environment, earning its seventh-consecutive Top Workplace award from the *Milwaukee Journal Sentinel*.

NEW BRAND LAUNCH



AF Specialty was formally launched as a new brand focused on generating alternative risk products (see p. 8).

HALL OF FAME INDUCTION



Mike Maurer, divisional director of Business Development for Accident Fund, was inducted into the Michigan Insurance Hall of Fame.

2017 LEADER OF THE YEAR

Tracy Bain
Regional Director of Business Development
United Heartland



2017 EMPLOYEE OF THE YEAR

Nancy Sura
Business Relationship Management Advisor
AF Group



EXCELLENCE IN FEMALE LEADERSHIP

AF Group President Lisa Corless was named recipient of the 2017 Women to Watch award by *Business Insurance* for her contributions to the industry.



COMMUNITY IMPACT

AF Group believes the true character of an organization is represented by the actions of its employees, who reflect its mission to serve and meet the needs of others to make communities better.

For decades, AF Group teammates have demonstrated their generosity by contributing time and resources across their local communities, offering support to like-minded organizations who are committed to impacting lives.

In 2017, AF Group's annual Caring and Sharing Community Campaign served to illustrate this generosity, earning record contributions that provided resources to many valued organizations and events, including local food banks and national charities.

\$914K

IN TOTAL GIVING

4,370

VOLUNTEER HOURS

13,000 LBS

OF FOOD SORTED
(EQUIVALENT OF
10,000 MEALS)

304 PINTS OF
BLOOD DONATED,

912

LIVES IMPACTED.



"AF Group's dedication to the American Red Cross is invaluable to so many who find themselves facing a life changing emergency."



Kelly King, Executive Director
American Red Cross

"We profoundly appreciate that you recognize the many needs in our community, your dedication to being a part of the solution, and that you are passionate about making a meaningful difference."



Kimberly Peterson,
Chief Development Officer
Milwaukee Center for Independence

"AF Group provides an excellent example of how to be impactful in the community and do strong business."



Vicki Hamilton-Allen,
Executive Director
Habitat for Humanity Capital Region

"Thank you for the participation of AF Group in this year's Adopt A Family Program. With the contributions of many wonderful donors we were able to help struggling families recommended by over 60 schools and local organizations."



Jay Donoghue,
Chief Development Officer
Share Our Selves

"Accident Fund, through its employee campaign, has enabled Kids' Chance of America to provide more scholarship dollars to more kids this year. Thank you for your continued support!"



Victoria Burkhart, Executive Director
Kids' Chance of America

"Third Coast Underwriters and AF Group have been invaluable partners to us as we continue to expand debate programming into more schools. We're grateful!"



Edie Canter, Executive Director
Chicago Debate Commission

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