

2018 Consolidated Financial Highlights – Constellation, Inc., and Subsidiaries

Constellation, Inc., is a growing portfolio of medical professional liability insurance companies, which currently includes MMIC in the Midwest, UMIA in the Mountain States, and Arkansas Mutual. Together, these organizations collaborate throughout much of the country to offer our health care and long-term care clients a market-leading blend of financial stability, highly responsive customer service, and innovative approaches to liability risk management. Our dedication to care teams informs all we do, as we believe that what's good for care teams is good for business. In 2018, we worked "together for the common good" to achieve another year of impressive results, as well as strong positioning for our future.

"A"-rated by A.M. Best

A.M. Best, the most widely recognized insurance rating agency, affirmed the financial strength and stability of our member insurance companies with an "A" (Excellent) credit rating after reviewing our 2018 financial results. Our "A" ("Excellent")-rated member insurance companies are MMIC, Constellation's founding member company, which has a leadership position in the Midwest; UMIA, the leading professional liability insurance provider in the Mountain States; and Arkansas Mutual Insurance Company, which serves physicians in Arkansas.

Our ongoing financial strength enables us to deliver superior service to our policyholders while continuing to invest in opportunities that will drive future growth. Ultimately, our solid financial position fuels our mission to help physicians and all those who devote their lives to health care attain their dream—to help, heal and serve.

Excellent customer retention

In 2018, 98.4% of our clients chose to continue their policies with one of our Constellation insurance companies rather than switching to a competitor. We take pride in the trust our clients place in us, and we are committed to providing personalized service and innovative offerings that will continue to earn their business.

Successful partnership

2018 marked five years since UMIA joined Constellation, and the final installment payments to former UMIA subscribers were completed as agreed. The companies have worked together to achieve significant integration across operations, ranging from claim philosophy to organizational culture to reinsurance and investment capabilities.

Constellation continues to pursue creative partnership opportunities and was singled out as a "company to watch" at the 2018 Medical Professional Liability Symposium in Chicago, conducted by the Professional Liability Underwriting Society (PLUS). The mention came in a market update delivered by insurance research firm Conning, who highlighted various ways organizations in our industry are joining forces to respond creatively to market challenges.

Growth in a competitive market

2018 marked our first year of service to Montana-based Mountain States Healthcare Reciprocal Risk Retention Group (MSHRRRG) and its 17 owner-insured hospitals and more than 1,500 employed physicians. We are thrilled to have earned the trust of this highly regarded health care organization as well as additional new clients that helped us achieve outstanding written premium growth in 2018 of 16.5%.

Investments in technology and information security

In 2018, we made significant investments in technology to strengthen our customer service capability and further safeguard our information. These efforts are strategically important as we scale our business. These key investments, most of which were one-time in nature, impacted our 2018 combined ratio, which ended the year at 108.2%⁽¹⁾. The combined ratio measures underwriting profitability as a percentage of premium.

Built for the long term

The net loss for the year was partially due to an underwriting loss as highlighted by the 108.2%⁽¹⁾ combined ratio noted above, coupled with unrealized investment holding losses due to the downturn in financial markets during the 4th quarter of 2018. As a mutual insurance organization, we are committed to meeting the needs of our member policyholders for the long term and our investment approach reflects this steadfast long-term thinking, which has served us well through volatile markets.

Solid members' surplus

Members' surplus, an indicator of financial strength and stability, totaled \$371 million at the end of 2018, up nearly 12% since the end of 2014. These funds enable us to honor our commitments and to invest in new avenues that provide value for our member policyholders.

Improving our customers' experience

Our solid financial position allows us to invest in solutions that protect our member policyholders from medical liability risks *and* support their efforts to improve patient care, reduce health care delivery costs and drive growth for their organizations. In addition, we are dedicated to improving their experience as Constellation customers. In 2018, we developed online mobile risk assessments and launched a policyholder forum that enables our customers to benefit from each other's expertise and enthusiasm.

We look forward to another year of providing exceptional service to our member policyholders and the organizations—and people—they serve. Thank you for placing your trust in us.

⁽¹⁾ From consolidated financial results prepared on the basis of United States generally accepted accounting principles.

2018 Highlights

- Members' surplus \$371.0 million
- Direct written premium \$175.3 million
- Policyholder retention 98.4%