

2019 Consolidated Financial Highlights – Constellation Inc. and Subsidiaries

Constellation is a growing portfolio of medical professional liability (MPL) 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 2019, 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 2019 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 MPL 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 while continuing to invest in opportunities that will drive future growth and value for our policyholders. 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 2019, 97.6% 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.

Innovation

We continue to find new and innovative ways to better serve our policyholders, including these new programs implemented in 2019.

- HEALSM offers a better way forward after patient harm events. This program equips health care teams to act promptly and effectively after unanticipated outcomes to achieve meaningful resolution.
- Constellation Aligned Performance Initiative (CAPI) is a strategic program that acknowledges the work our customers are doing to mitigate risk and measure patient safety outcomes. In 2019, Constellation began a strategic initiative with Baldrige, a public-private partnership dedicated to performance excellence. This is the first collaboration Baldrige has entered with an MPL insurance company, having been inspired by Constellation’s CAPI program that acknowledges—and rewards—the goals, performance and benchmarks our customers achieve.

Growth in a competitive market

We grew our premiums again in 2019 as more customers confidently placed their business with us and we worked hard to earn our policyholders' continued loyalty. As a result, we reached \$178.6 million in premiums written, the highest level in our 41-year history.

Challenging claim environment

Jury verdicts continued their recent upward trend, increasing our claim costs in 2019. This impacted our combined ratio that ended the year at 107.0%¹. This means that for every \$1.00 of premium we received, we paid out \$1.07 in claims and expenses. We continue to implement new strategies to combat these increasing costs, including the HEALSM program, which provides early insight as to whether the standard of care was met to enable better-informed decisions on next steps. This may include a prompt offer of compensation, if warranted, to help patients and families move on while limiting financial liabilities for policyholders' businesses. We are also addressing the issue of diagnostic errors, as well as other initiatives that may shorten the claim lifecycle and lower the risk of large claim verdicts in order to keep coverage prices reasonable for our policyholders.

Good bottom line results

Constellation reported net income of \$42.3 million in 2019 as outstanding investment performance offset the challenging underwriting environment. Although we did begin to see pricing pressure abate in certain segments, the company still incurred an underwriting loss for the year as indicated by the 107.0%¹ combined ratio noted above. Our long-term investment approach was rewarded in 2019 as invested asset values rebounded strongly from the downturn in the 4th quarter of 2018. Despite persistent low interest rates, our invested assets continued to provide significant investment income that helps to support our operations and build our financial strength to better serve our policyholders.

Members' surplus growth

Members' surplus grew 10.8% to \$411 million at the end of 2019—the highest ever in the company's history and a testament to our financial strength and stability. This means your company is going to be here for you now and in the future.

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.

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

2019 Highlights:

Members' surplus	\$411.0 million
Direct written premium	\$178.6 million
Policyholder retention	97.6%