

## 2022 Consolidated Financial Highlights—Constellation, Inc. & Subsidiaries

Constellation, Inc. is a growing portfolio of medical professional liability (MPL) insurance companies, which currently includes MMIC Insurance, Inc., UMIA Insurance, Inc., Arkansas Mutual Insurance Company, MMIC Risk Retention Group, Inc. and Centurion Medical Liability Protective Risk Retention Group, Inc. Together, these organizations collaborate throughout the country to offer our health care and senior living 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 2022, we stayed true to our purpose to champion all those who devote their lives to health care ... to the essential work of enhancing health—and life. By supporting our customers, we were able to achieve another year of impressive results, as well as strong positioning for our future.

### **"A" rated by AM Best**

AM Best is the most widely recognized credit rating agency specializing in the insurance industry. We are pleased to share that our financial strength and stability helped us earn an "A" (Excellent) rating from AM Best in 2022. Our ongoing financial strength enables us to deliver superior service and invest in opportunities to grow and strengthen the business to better serve our policyowners.

### **Excellent customer retention**

In 2022, 95% 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 customers place in us, and we are committed to providing personalized service and offerings that will continue to earn their business in the years ahead.

### **Growth in a competitive market**

Premiums grew again in 2022 as more customers confidently placed their business with us while we continued our focus on building value for policyowners. As a result, we reached \$210 million in written premiums—the highest level in our 44-year history.

### **Early intervention is beneficial for all**

We believe early intervention creates a better way forward after harm events—a way that can preserve relationships, promote communication and ultimately improve the experience for all involved. From the moment our clients report a medical incident or harm event, they receive our support. We aim to reduce the time they may experience stress or negative emotional impacts adverse events may create, so they can continue to provide excellent care. Through our early intervention program, HEAL, we offer clinician peer support, risk consultation, communication assistance and expert case reviews.

Our preliminary data shows our early intervention efforts are working. Between 2020 and 2022, files where we provided early intervention support and paid indemnity closed over 18 months earlier than those without early intervention. We also know some cases will progress to a lawsuit, and when that happens, Constellation will **defend the good medicine** of our clients and protect their reputation by partnering with the best defense attorneys and providing the best possible support throughout the lawsuit.

### **Safeguarding care teams: Verdict protection coverage**

Constellation continues to lead the industry in providing protection against the rise in large jury awards that have caused health care leaders to increase their primary MPL insurance limits. Unfortunately, higher limits can inadvertently invite even higher demands. In 2022, more Constellation customers began to reduce excess limits and convert to verdict protection coverage with **Excess Judgment Liability**, coverage that applies in excess of other MPL insurance and is only accessible through a jury verdict or binding arbitration.

Verdict protection coverage through Excess Judgment Liability safeguards health care teams from inflated and unsubstantiated settlement demands. When health care professionals carry a reasonable primary limit, settlement discussions proceed quickly and fairly. This means more peace of mind for clinicians, less time away from work and reduced stress when adverse outcomes do occur.

### **Net loss driven by declines in bond and equity market values**

For the consolidated organization, Constellation reported a net loss of \$117.4 million<sup>1</sup> in 2022 driven by the declines in bond and equity market values that resulted in recording significant unrealized capital losses for the year. It was a difficult year for nearly all investors as it was one of only four years since 1928 where returns for both bonds and equities were negative. Although rising interest rates adversely impacted bond values, they also provided opportunities to invest at higher yields, generating greater investment income in 2022. We have been through volatile financial markets before and having the discipline to stick to our long-term, diversified investment strategy has served us well in building our financial strength to better serve our policyowners for years to come.

### **Strong surplus for the long term**

Surplus is the amount of capital we hold over and above reserves to pay future claims and claim related costs to cover the unexpected. When challenges arise like volatile financial markets, a strong surplus level helps ensure we will be here for the long term to serve our policyowners. It also gives us the flexibility to proactively manage the company with a long-term view and take advantage of potentially higher-yielding investments to create greater value for our policyowners. Even with an unprecedented year where both bond and equity markets experienced double digit percentage declines, the company continues to be financially strong, with total members' surplus of over \$298 million<sup>1</sup> at the end of 2022.

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

2022 Highlights	
Members' surplus	\$298.8 million
Direct written premium	\$210.0 million
Policyholder retention	95%

<sup>1</sup>From consolidated financial results prepared based on United States generally accepted accounting principles.

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