

2022 Financial Highlights—Constellation Insurance Companies

Constellation, Inc. is a growing portfolio of medical professional liability (MPL) insurance companies owned by its policyholders that 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 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 **what's good for care teams is good for business**. In 2022, we worked *together for the common good* in support of our clients and achieved another year of impressive results, as well as strong positioning for our future.

"A" rated by AM Best

AM Best is the most recognized and established credit rating agency in the world 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. MMIC Insurance, Inc., our founding member, has received an "A" rating since 1992, demonstrating the ability to deliver consistent financial performance year after year in all kinds of conditions. Most important, 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.

Customer retention remains high

In 2022, 95% of clients renewed 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

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 with Excess Judgment Liability

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.

Bottom line results despite a challenging claim environment

Jury verdicts continued their upward trend, increasing our claim costs in 2022. This impacted our combined ratio, which ended the year at 107.3%¹. This means for every \$1.00 of premium we received, we paid out just over \$1.07 in claims and expenses. Although our companies, along with most others in the MPL industry, incurred an underwriting loss for the year, collectively, we reported a net income of \$6.1 million¹ in 2022, as strong investment income that benefited from the rising interest rate environment along with prudent management of our resources and spending offset the challenging claim environment.

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, a strong surplus level helps ensure we'll 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 the largest equity market declines since 2008, the company continues to be financially strong, with total surplus of more than \$302 million¹ at the end of 2022.

We look forward to another year of providing exceptional service to care teams, organizations and all those who devote their lives to health care. Thank you for placing your trust in Constellation.

2022 highlights	
Policyholder surplus	\$302.7 million
Direct written premium	\$210.0 million
Policyholder retention	95%

¹From consolidated financial results prepared based on statutory accounting practices prescribed or permitted.

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