



2020 ANNUAL REPORT

# Meaningful Work. Remarkable People.



“Our exceptional,  
meaningful  
partnerships  
continue to lead us  
to success.”

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# From the President



**Over the course of my 30 years in the insurance industry, I've been witness to many highs and lows that have brought both immense success and significant challenges.**

But in 2020, we experienced a year that was truly unparalleled – with highly unstable market conditions and a work environment that was dramatically altered as a result of COVID-19.

Despite such a turbulent and unpredictable year, we persevered. And we did it together, thanks to the unwavering commitment of our teammates and agent partners.

We provided critical help to our shared policyholders – helping them navigate difficult economic challenges while supporting their ongoing efforts to create safe environments for their workers.

We offered support to communities nationwide with contributions to food banks and to frontline health care workers in recognition of their amazing dedication to serving others.

We actively led the defense of the workers' compensation system, advocating for its effectiveness in helping protect workers and keeping businesses viable.

And we affirmed our commitment to building lasting cultural and social change by developing new programs and training to encourage diversity, inclusion and equity.

To celebrate these remarkable achievements, I invite you to explore this site to discover the extraordinary efforts demonstrated by more than 1,500 teammates across the country. Together, with our valued agents, our exceptional, meaningful partnerships continue to lead us to success.

A white, handwritten signature of Lisa Corless on a dark blue background.

**Lisa Corless**  
President and CEO



# Our Response to COVID-19

## People First Relief Program

Providing care, compassion and partnership in the communities where our teammates work and live has been central to the mission of AF Group for decades, and is a reflection of our lasting commitment to the health and wellbeing of others in their time of greatest need.

During the COVID-19 pandemic, AF Group was proud to fulfill this commitment by establishing the People First Relief Program, which offered more than \$30 million in financial assistance to customers and communities nationwide.

**“Recognition of the dedication, commitment and quality of nursing services at Sparrow, especially during the pandemic, lifts the spirits of our talented caregivers and confirms our service to the Mid-Michigan community. AF Group has always displayed outstanding support of our community assets and helping support Sparrow’s mission of excellent care and compassion is deeply appreciated.”**

*- John Pirich, Chair, Sparrow Health System Board of Directors  
Commenting on AF Group’s assistance to frontline health care workers*

### This remarkable program included:

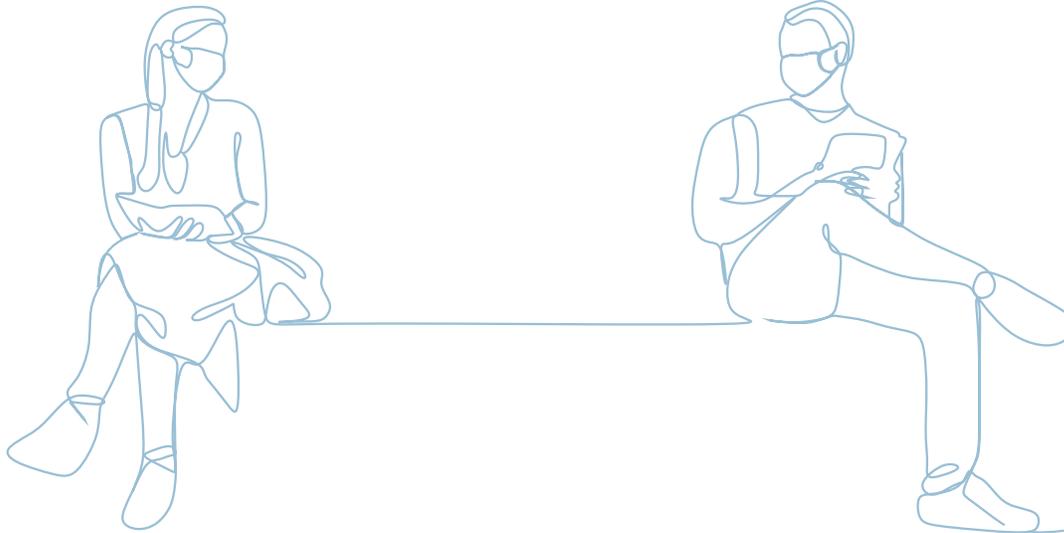
- **Corporate & Employee Giving**

More than \$312,000 in donations to food banks focused on supplying COVID-19 relief across the country

- **Partnership & Collaboration with agents in support of shared customers, which included:**

- Collaboration with agents to support policyholders to help sustain their businesses

- Early distribution of dividend payment checks to policyholders
- Profit sharing distribution options for agents to generate additional cash flow
- Proactive endorsements of policies to reflect lower payrolls, helping to decrease payment plans or generate refunds to policyholders
- Provision of PPE and medical supplies to policyholders in industries most impacted by COVID-19, such as health care, senior living facilities, food service and restaurants



- Coordination with health care facilities to supply hundreds of free meals delivered directly to local frontline workers
- **New Resources**
  - Innovative, virtual loss control for customers to ensure the ongoing safety of their workplaces and employees
  - Extensive safety materials offering guidance on safe work practices during COVID-19

Given its larger mix of business in health care, senior living and other frontline medical services than the industry (25% vs. industry average of 6%), AF Group was significantly impacted by COVID-19. While many competitors chose to not renew policies in these segments and exited the market, AF Group continued to not only write the business, but support our policyholders and their injured workers despite the challenges to our bottom line.

As COVID-19 continued, AF Group established enhanced claim handling procedures, which resulted in the consistent review of COVID-19 claims, further reinforcing its commitment to ensuring the continued success of businesses and to protecting the health and safety of their employees.

On the legislative front, AF Group demonstrated our influence and leadership by successfully promoting and supporting COVID-19 public policy solutions across the country, actively working with policyholders, elected officials, industry competitors and communities to advocate for a balanced approach and response to ensure frontline workers impacted by COVID-19 were protected. In this effort, AF Group has been an influential voice in promoting the workers' compensation industry's effectiveness by defending the system from unnecessary presumptions, along with providing further education to policymakers on the tenets of workers' compensation while partnering with industry stakeholders to protect impacted consumers.

As the COVID-19 pandemic subsides, AF Group remains committed to supporting our customers and communities by continuing to extend our outreach and support to those in need.

# Collective Financial Performance



Year Ended December 31  
Selected Financial Data (dollars in thousands)

## Gross Written Premium



## Net Income

2020	149,287
2019	224,265
2018	187,342

## Underwriting Ratios as a Percentage of Net Earned Premium

Calendar Year Combined Ratio

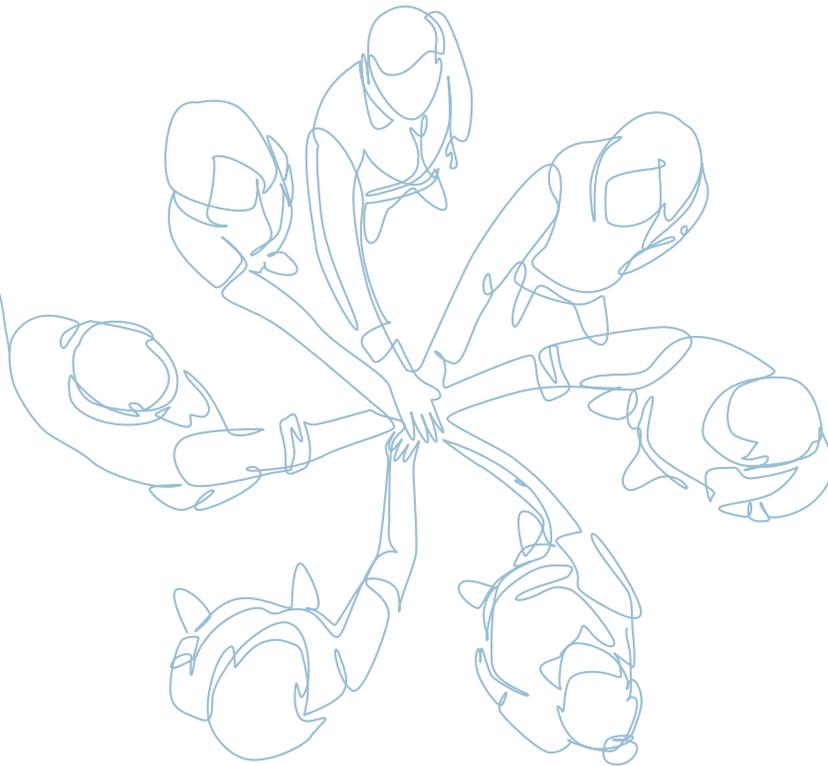


## Return on Equity

2020	9.7%
2019	16.8%
2018	15.1%

## Statutory Net Written Premium/Surplus

2020	1.32
2019	1.49
2018	1.87



## Workers' Compensation Division

In 2020, our workers' compensation brands overcame a challenging market and the restrictions of COVID-19 to deliver a strong performance, further reinforcing our ongoing commitment to protecting workplaces and caring for injured workers nationwide. Over the course of the year, these proven brands developed new ways to effectively connect with agents and policyholders through new virtual communication solutions.

The year concluded with the retirement announcement of Accident Fund and CompWest President Al Gileczek, who joined

Accident Fund as vice president in 2007 and most recently served as president of both brands. Throughout his tenure, Al's strong leadership and genuine connection with agents and customers served as a lasting contribution to our continued success. Steve Cooper, who served as president of United Heartland since 2010, was named Al's replacement and now provides oversight of all workers' compensation brands as president of our Workers' Compensation Division.



# AccidentFund

Insurance Company of America

Part of the AF Group

## Gross Written Premium

*Selected Financial Data (dollars in thousands)*



## GAAP Calendar Year Combined Ratio



## Notable

- Achieved 86% premium retention
- Wrote \$126 million in new business
- Distributed over \$28 million in agency profit sharing along with \$5 million in dividends to agents through group programs
- Continued building new partnerships, adding 97 new agencies in 2020



Agency of the Year:  
INSPRO, a Marsh & McLennan Agency

# UnitedHeartland

Part of the AF Group

## Gross Written Premium

*Selected Financial Data (dollars in thousands)*



## GAAP Calendar Year Combined Ratio



## Notable

- Year-end combined ratio reflected the significant negative impact of COVID-19
- Offered extended support to policyholders – including food, medical supplies and financial assistance – in recognition of the immense challenges on business owners during the pandemic
- Renewed focus on and support to the health care segment, writing over \$32 million in new business – in contrast to the noted exodus of other carriers in the segment during COVID-19
- Grew agency base, with 30% of new business from agents new to UH
- Achieved plan for Risk Management Services, reflecting a sustained commitment to the large account space



Agency of the Year:  
Lockton Companies

# CompWest

Part of the AF Group

## Gross Written Premium

*Selected Financial Data (dollars in thousands)*



## GAAP Calendar Year Combined Ratio



## Notable

- Similar to UH, year-end combined ratio reflected the significant negative impact of COVID-19
- Also led by example in offering support to policyholders through the provision of food, medical supplies and financial assistance to offset the burden of the pandemic
- Wrote \$39 million in new business, including over \$9.4 million in health care and social services
- In a highly competitive California market, earned strong retention (80%) and increased policy count by 3%



Agency of the Year:  
Pacific Interstate Insurance Brokers



### Gross Written Premium

*Selected Financial Data (dollars in thousands)*



### GAAP Calendar Year Combined Ratio



### Notable

- Expanded geographic footprint with agency appointments in Wisconsin and Florida
- Gained traction in new segments, with increased written premium in construction, transportation and agribusiness
- Territory expansion represented 48% of new business premium, accounting for 25% in new business policy growth



Agency of the Year:  
Assurance, a Marsh & McLennan Agency

## Diversification Brands

AF Group's ability to offer specialty insurance products and solutions has led to innovative offerings along with the establishment of key new partnerships within our diversification brands. This effort continued to successfully reshape our business portfolio, strengthening

our diversification position (32.3% of premium outside of workers' compensation vs. 20.6% in 2019) and leading to exciting opportunities in both fronting and assigned risk contracts.



### Net Earned Premium/ Gross Written Premium

*Selected Financial Data (dollars in thousands)*

2020	<b>36,382</b>	<b>615,493</b>
2019	<b>23,737</b>	<b>310,400</b>
2018	<b>13,157</b>	<b>181,037</b>

### GAAP Calendar Year Combined Ratio

2020	<b>17,938</b>
2019	<b>14,119</b>
2018	<b>6,697</b>

### Notable

- Established the single largest partnership in company history
- Achieved more than 98% top line growth over 2019



# Fundamental

## UNDERWRITERS

Part of the AF Group

### Gross Written Premium

*Selected Financial Data (dollars in thousands)*



### GAAP Calendar Year Combined Ratio



### Notable

- Expanded from 19 to 28 states and launched second commercial auto product
- Achieved underwriting gain in only its third year of operations



#### Agency of the Year:

Maximum Independent Brokerage, LLC



#### Driver of the Year:

Corey McDaniels, Freight Solutions



# Assigned Risk Solutions

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## Gross Written Premium

*Selected Financial Data (dollars in thousands)*



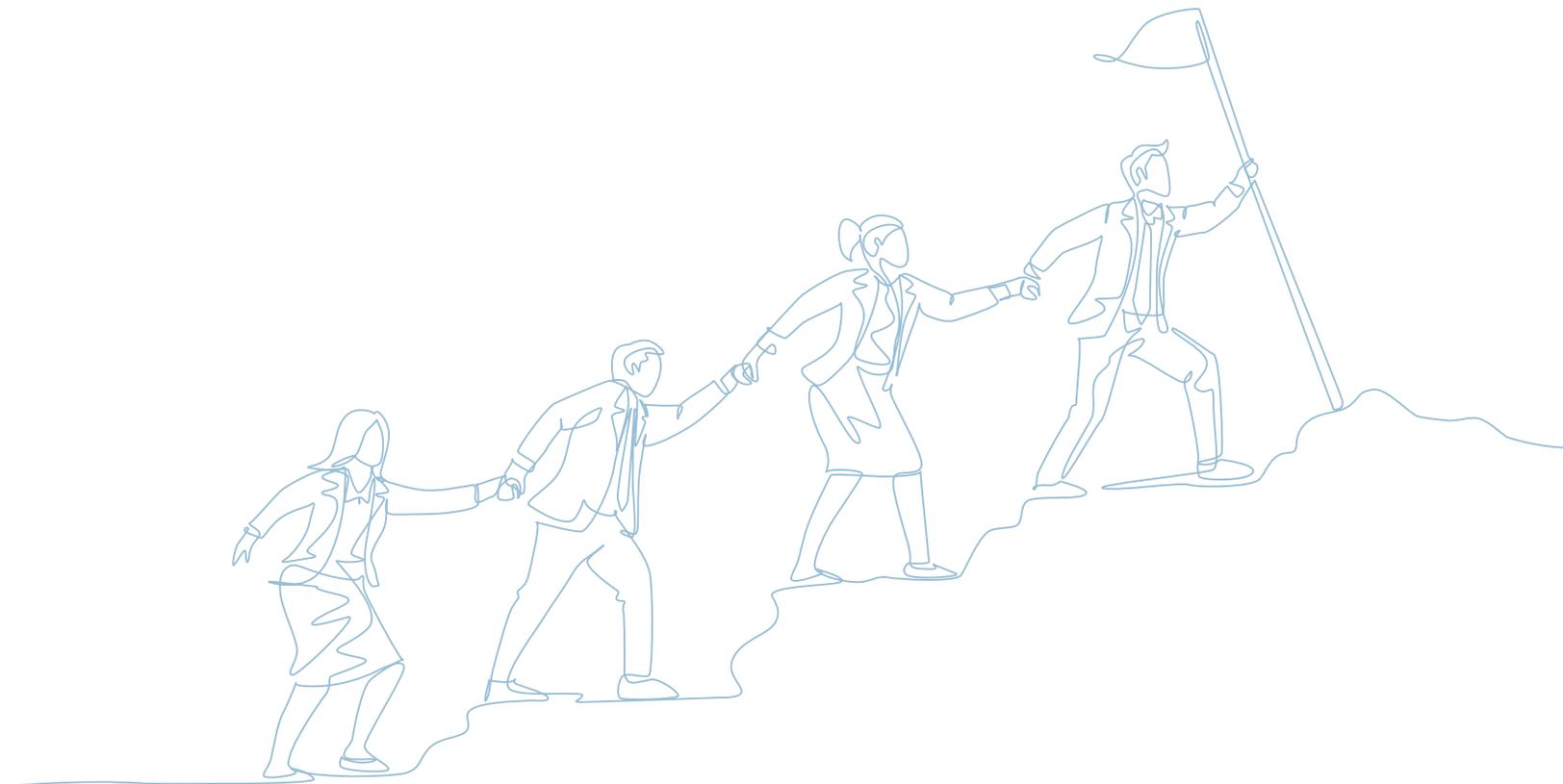
## Fee Income Earned

2020	13,929
2019	13,474
2018	6,363

## Notable

- Renewed Indiana contract, carrying six states in 2020
- Achieved claim closure rate of more than 100%
- Enhanced agent and injured worker portals to provide greater access to customers

# Awards & Milestones



## Reaffirmed Excellence

Reaffirmed financial rating of "A" (Excellent) from A.M. Best



## Best Place to Work

Named a Business Insurance "Best Place to Work" and a *Milwaukee Journal Sentinel* "Top Workplace" for the 11th consecutive year



## Financial Strength

Recognized as a "Ward's 50" company for superior performance (second year in a row)

## Top 10 Ranking

Ranked the 8th largest workers' compensation carrier in the U.S. by SNL Financial

## Innovative Digital Platform

Launched a new digital acquisition platform (Digalent), providing agencies with a digital storefront for workers' compensation customers

## Legislative Leadership

Earned industry recognition for legislative efforts to defend the effectiveness of the workers' compensation system during COVID-19

# 2020 Employee/ Leadership Awards

## Exceptional Commitment, Partnership and Leadership

Each year, AF Group celebrates individuals who demonstrate the essence of our People First culture through exceptional commitment, partnership and leadership. In 2020, the following individuals earned these prestigious honors:



### Employee of the Year

Dan Bell  
*Senior Insurance  
Operations Advisor  
United Heartland*



### Leader of the Year

Dana Pierce  
*Regional Manager,  
Business Development  
United Heartland*

## Our Purpose

### Partnership

As a premier provider of specialty insurance solutions, we understand that partnership is essential to our success. Our independent agents are integral to this success, supporting our mission to our shared customers in their local communities, each and every day.

### Our Culture

We believe that to lead in our industry, it's critical to build a work environment that encourages collaboration, diversity, inclusion and equity. Across our brands, we're building such a culture – one that ultimately puts people first.

Want to know more?  
Explore opportunities to  
[join our dynamic team.](#)



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