



MMIC Financial Highlights: 2017

MMIC, the largest medical professional insurance organization in the Midwest, completed 2017 in a strong financial position. For the year, we reported increased policyholder surplus, profitable operating results and outstanding customer retention. Insurance rating agency A.M. Best affirmed our financial stability with an "A" ("Excellent") rating for the 26th consecutive year.

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.

Increased policyholder surplus

For 2017, policyholder surplus, an indicator of financial strength and stability, totaled \$362.6 million at year-end, up 6.8 percent over 2016 and 32.5 percent since the end of 2013. These funds enable us to honor our commitments and to invest in new avenues to increase value for our policyholders.

Strong income despite market challenges

MMIC reported strong net income of \$43.1 million in 2017 even though direct written premiums of \$108.7 million declined 6 percent from the prior year. This decline reflected increased pricing pressure as the health care market continued to consolidate with well-capitalized medical liability insurance industry aggressively priced premiums. Our invested assets continued to perform well for both income and total return, helping to support our operations and build our financial strength.

Improved underwriting profitability

MMIC recorded an underwriting profit of \$5.9 million resulting in a combined ratio of 94.7 percent for 2017. This compares to an underwriting profit of \$1.3 million and a combined ratio of 98.0 percent for 2016. The combined ratio measures underwriting profitability as a percentage of premium. The improvement in underwriting profitability was mainly due to a decrease in incurred losses. Our expense ratio, a measure of efficiency, was 23.0 percent for 2017, compared with 22.7 percent in 2016. The decline in premium was the main cause for the increase in the expense ratio and makes the careful management of expenses even more important.

Excellent customer retention

Insurance rating agency A.M. Best again affirmed MMIC's financial stability with an "A" (Excellent) rating after reviewing our 2016 results.

Expanded offerings to support policyholders and drive future growth

Our solid financial position allows us to continue to invest in solutions designed to protect our policyholders from medical liability risks and to support them in improving patient care, protecting professional reputations, reducing health care delivery costs and driving growth for their organizations. In addition, we are expanding the value we can offer our clients by joining with strong partners under the Constellation umbrella.

During 2017, we negotiated a strategic collaboration with CliftonLarsonAllen (CLA), a leading health care professional services firm providing financial, strategic and operational consulting to more than 8,300 health care and senior living clients across the U.S. The collaboration was announced in January 2018.

In addition, we have continued to expand our portfolio of programs that enable physicians and their practices to frequently assess patient experience, document compliance with evidence-based care guidelines and use practice data and insights to strengthen their negotiations with payers. We also have further expanded our data analytics capabilities to discern insights from our extensive claims data into factors contributing to medical liability risks and care team inefficiencies.

Working with strong insurance – and beyond insurance – partners will help us grow and enhance our value even as change continues to sweep the health care market. We are grateful for the opportunity to serve our valued clients and the broader health care community – and to support the vital work they do to help, heal and serve. We sincerely look forward to another year of service.

2017 Highlights

▪ Policyholder surplus	\$362.6 million
▪ Direct written premium	\$108.7 million
▪ Combined ratio	94.7%
▪ Expense ratio	23.0%
▪ Policyholder retention	96.5%