

THE FEELINGS ARE MUTUAL



TRUST



RESPECT



SUPPORT

THE ESSENCE OF MEDICAL MUTUAL'S SPECIAL RELATIONSHIP WITH THE DOCTORS OF MARYLAND IS OUR MUTUAL TRUST, RESPECT AND SUPPORT.



For 35 years Maryland Doctors have trusted MEDICAL MUTUAL. They know we will aggressively defend the practice of quality medicine. Doctors show their trust and respect by providing their support to MEDICAL MUTUAL and other Physicians of this state. They serve on our Board of Directors. They help to teach our risk management programs. They serve on our Claims Committee and assist with our claims defense process. All this and much more. This unique relationship with our Insureds is the foundation on which we have built our success.



IN YOUR OWN WORDS

These comments were written by MEDICAL MUTUAL Insureds in response to a performance satisfaction survey sent to them in the past year.

“Outstanding in all aspects, especially the MED MUTUAL Claims Rep and Attorneys...”

Internal Medicine
MEDICAL MUTUAL INSURED SINCE 1990

“Excellent legal care! Excellent insurance care!”

OB/GYN
MEDICAL MUTUAL INSURED SINCE 1993

“I personally do not think that any service could be better than the attention I have received in the past from MEDICAL MUTUAL.”

Urologist
MEDICAL MUTUAL INSURED SINCE 1990

“I was very concerned that MED MUTUAL would decide that it was cheaper to settle the nonsense case than defend it. I was very grateful that they understand a doctor's reputation is valuable!”

Family Medicine
MEDICAL MUTUAL INSURED SINCE 1990

“Both my MED MUTUAL rep and my lawyers were outstanding throughout an obviously difficult time for me. I could not be more appreciative of the outstanding representation MED MUTUAL gave me.”

Otorhinolaryngologist
MEDICAL MUTUAL INSURED SINCE 2002

TO OUR MEMBERS

THE FEELINGS ARE MUTUAL



George S. Malouf, Jr., M.D.



Jeffrey M. Poole

Success can take many forms. It can be sudden and unexpected and a result of more luck than effort. Or, more importantly, it can grow from skills and expertise hard-earned over many years and built on the premise of service to others. This success is particularly precious and is the type of achievement Doctors can relate to the most.

In 2010, MEDICAL MUTUAL celebrates 35 years as the leading provider of medical professional liability insurance in this state. Our success can be attributed to the skills and expertise we have developed from the unique relationship we have with the Physicians of Maryland. As an insurer created by Doctors to serve Doctors, we believe we are more capable of relating to you and your specific needs. Day to day, your close involvement with MEDICAL MUTUAL brings us a special insight into your world and enables us to have an understanding and appreciation for the challenges you face. As a result, MEDICAL MUTUAL has a sincere respect for the wisdom, dedication and skills of our Insureds. We trust them to offer the best possible patient care, and we support their vital work by making sure their interests are defended in the courthouse and their concerns are heard in the Statehouse.

And we believe those feelings are mutual. Our Insureds entrust us with the protection of their practices and professional reputations. They respect our legal and insurance expertise. They support our efforts by helping to teach our risk management courses, by serving on our committees, and by standing with us as we advocate for a strong health care environment in Maryland.

We take the vote of confidence you place in us very seriously. Over the course of 2009, we introduced a number of new customer service initiatives designed to better serve you. Changes continue in 2010 with the most significant being the February retirement of David L. Murray, President of the company for more than two decades. Jeffrey M. Poole, formerly Executive Vice President and Chief Operating Officer, is our new President and Chief Executive Officer. This transition was smooth and seamless to our Policyholders.

Our goal for our next 35 years is to build on the legacy of our special relationship with the Maryland Doctors who own and direct MEDICAL MUTUAL. We will keep the company strong for your long-term defense. We will strive to make our services to you even more responsive and convenient.

Thank you for the essential role you have played in the growth of MEDICAL MUTUAL. The success has certainly been mutual.

Sincerely,

George S. Malouf, Jr. M.D.
Chair of the Board

Jeffrey M. Poole, M.B.A., C.P.C.U.
President & Chief Executive Officer

CELEBRATING

THIRTY-FIVE YEARS



MEDICAL MUTUAL CELEBRATES 35 YEARS

This year is an important milestone for MEDICAL MUTUAL as it marks the company's 35th anniversary. For over three decades, MEDICAL MUTUAL has been the only medical professional liability insurer operating continuously in Maryland. Created by the state in 1975 as a response to a growing insurance availability crisis in Maryland, MEDICAL MUTUAL is now one of the oldest and most respected Doctor-owned and directed liability insurance companies in the country. MEDICAL MUTUAL

will continue to support Maryland Physicians, offering comprehensive and affordable coverage, personalized service and an unmatched commitment to the long-term defense of our Insureds' professional reputations and careers.



BALANCE SHEETS *(Statutory Basis)*

DECEMBER 31	2009	2008
Admitted Assets		
Cash & short-term investments	\$ 29,304,775	\$ 75,598,060
Long-term invested assets	686,741,016	642,055,948
Other assets	32,111,023	24,838,013
TOTAL ADMITTED ASSETS	\$ 748,156,814	\$ 742,492,021
Liabilities		
Reserve for losses and loss adjustment expenses, net of reinsurance recoverable	\$ 293,555,174	\$ 315,839,412
Reserve for unearned premiums	67,138,369	65,735,513
Deposits received on policies not in force	41,205,398	44,094,571
Dividends payable to Policyholders	57,945,936	46,500,000
Other liabilities	11,686,301	17,192,956
TOTAL LIABILITIES	\$ 471,531,178	\$ 489,362,452
TOTAL POLICYHOLDERS' SURPLUS	\$ 276,625,636	\$ 253,129,569
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	\$ 748,156,814	\$ 742,492,021

STATEMENTS OF INCOME *(Statutory Basis)*

YEAR ENDED DECEMBER 31	2009	2008
Premiums earned	\$ 129,565,549	\$ 141,611,049
Losses and loss adjustment expenses incurred	65,038,078	64,349,741
Underwriting expenses	21,094,657	21,499,337
NET UNDERWRITING GAIN	\$ 43,432,814	\$ 55,761,971
Net investment income earned and realized capital gains and losses	24,363,353	24,352,948
Other income	67,611	362,310
INCOME BEFORE DIVIDENDS TO POLICYHOLDERS AND FEDERAL INCOME TAXES	\$ 67,863,778	\$ 80,477,229
Dividends to Policyholders	48,228,731	47,435,508
INCOME BEFORE FEDERAL INCOME TAXES	\$ 19,635,047	\$ 33,014,721
Federal income tax	4,760,193	12,915,221
NET INCOME	\$ 14,874,854	\$ 20,126,500

The 2009 and 2008 condensed financial statements of MEDICAL MUTUAL have been prepared in conformity with accounting practices prescribed or permitted by the Maryland Insurance Administration. The condensed financial statements have been derived from complete statutory-basis financial statements, which were audited by our independent auditors. A complete set of audited financial statements may be obtained upon request.

JEFFREY M. POOLE NAMED PRESIDENT AND CEO OF MEDICAL MUTUAL

MEDICAL MUTUAL's Board of Directors has chosen Jeffrey M. Poole, M.B.A., C.P.C.U., as the company's new President and Chief Executive Officer. Previously, Mr. Poole was MEDICAL MUTUAL's Executive Vice President and Chief Operating Officer. He has been with the company since 1990. He succeeds David L. Murray, President and CEO for more than 21 years, who retired on February 17, 2010.

POSITIVE FINANCIAL RESULTS

The A.M. Best Company, the nation's premier independent rating agency, reaffirmed its "A-" (Excellent) rating for MEDICAL MUTUAL. Also, better than expected loss experience gave us the ability to return a dividend credit to our Policyholders in 2009. Since 1975, we have returned over \$300 million to our Insureds in the form of dividend credits.

IN MEMORY OF DR. RAYMOND YOW

Raymond Murray Yow, M.D., former Chair of the Board of MEDICAL MUTUAL, passed away in 2009. He was appointed to the company's founding Board of Directors in 1975 and elected Chair in 1983. Dr. Yow served the company and the Doctors of Maryland faithfully until his retirement in 1996. Dr. Yow was a caring Physician and respected leader.

RISK MANAGEMENT PROGRAMS CONTINUE TO GROW

Taking a Closer Look at Practical Risk Management Strategies, our 2009 risk management educational program, had over 5,000 Doctor attendees who worked to reduce their liability risk. MEDICAL MUTUAL introduced Disclosure BASICS, a new risk management program for early Physician intervention in the event of an unanticipated outcome. Three editions of the *Doctors RX* newsletter reviewed time-sensitive risk issues specific to Maryland Doctors.



ONLINE SERVICES MADE EASIER

MEDICAL MUTUAL continued to expand our online services in 2009. The "members-only" section of our web site was updated with a new welcome page, featuring personalized account information. It's now easier than ever for Insureds to pay their premium, check their account balance, register for a risk management education program or file a claim. These features and many more are available at www.weinsuredocs.com.



MEDICAL MUTUAL

BOARD

George S. Malouf, Jr., M.D.

Chair of the Board, Physician in Comprehensive Ophthalmology in Montgomery and Prince George's Counties, MD

Comm: EX-Chair, RM-Chair, AU-Ex Officio, CL-Ex Officio, CO-Ex Officio, FB-Ex Officio, UW-Ex Officio

Mary Ellen M. Valliant

Vice Chair of the Board, Registered Investment Advisor for Valliant Associates Advisory Services of Centreville, MD

Comm: CO, EX, FB-Chair, PN

Jeffrey M. Poole, M.B.A., C.P.C.U.

President and Chief Executive Officer of MEDICAL MUTUAL

Comm: EX, AU-Ex Officio, CL-Ex Officio, CO-Ex Officio, FB-Ex Officio, RM-Ex Officio, UW-Ex Officio

Keith P. Allen, A.C.A.S., C.P.C.U.

Senior Vice President – Actuary of MEDICAL MUTUAL

Albert L. Blumberg, M.D.

Vice Chairman, Department of Radiation Oncology, Greater Baltimore Medical Center, past President of MedChi, the Maryland State Medical Society

Comm: AU, CL-Chair

Willarda V. Edwards, M.D., M.B.A.

Practicing Physician in Baltimore, MD, past President of MedChi, the Maryland State Medical Society, past President and COO of Sickle Cell Disease Association of America

Comm: UW-Chair

Thomas W. Johnson

Managing Director and Co-Founder of Signal Hill Capital Group, LLC

Comm: AU

John W. McCullough, C.P.A.

Retired Partner with the international accounting firm of Ernst & Young, LLP

Comm: AU, CO-Chair, EX, FB

Robert R. Neall

Chief Executive Officer of Priority Partners Managed Care Organization, former Member of Maryland State Senate and House of Delegates, former County Executive of Anne Arundel County

Comm: AU, EX, FB

George C. Newman, II, Ph.D., M.D.

Practicing Internist in Hagerstown, MD, member of MedChi, the Maryland State Medical Society, and the Washington County Medical Society

Comm: CL, PN

Gene M. Ransom, III, Esq.

Partner in the law firm of Fogleman & Ransom, Executive Director for MedChi, the Maryland State Medical Society

Comm: FB

Bruce M. Smoller, M.D.

Practicing Psychiatrist in Chevy Chase, MD, President of MedChi, the Maryland State Medical Society and Editor-in-Chief of *Maryland Medicine*, the journal of the Maryland State Medical Society

Comm: EX, RM, UW

Otis Warren, Jr.

Owner and Chief Executive Officer of Otis Warren & Company, Inc. of Baltimore, MD

Comm: AU-Chair, CO, EX, FB

Mark L. Wasserman

Senior Vice President – External Affairs of University of Maryland Medical System

Comm: AU, FB, PN-Chair

BOARD COMMITTEES KEY

AU	Audit
CL	Claims
CO	Compensation and Retirement Plans
EX	Executive
FB	Finance and Budget
PN	Proxy and Nominating
RM	Risk Management
UW	Underwriting Advisory

MEDICAL MUTUAL

OFFICERS / COMMITTEES

OFFICERS

George S. Malouf, Jr., M.D.

Chair of the Board

Mary Ellen M. Valliant

Vice Chair of the Board

Jeffrey M. Poole

President and Chief Executive Officer

Mary Lura Duvall

Senior Vice President, Chief Financial Officer and Treasurer

Keith P. Allen

Senior Vice President – Actuary

Wesley M. Foster, Jr.

Senior Vice President – Claims

Richard A. Walker

Senior Vice President – Marketing

Beth A. Atwell

Vice President – Claims

John H. Clifton

Vice President – ProAd Virginia Operations

David D. Deithorn

Vice President – Information Systems

Steven P. Keuler

Vice President – Controller and Assistant Treasurer

Cheryl F. Matricciani

Vice President – General Counsel and Secretary

Gail M. Sconing

Vice President – Reinsurance and Policy Information

John R. Franklin

Assistant Vice President – Communications

Elizabeth A. Svoysky

Assistant Vice President – Risk Management

COMMITTEES

CLAIMS COMMITTEE

Consultants

Donald M. Switz, M.D. – Vice Chair

George H. Bone, M.D.

Janet Brown, M.D.

J. Douglas Clarke, M.D.

Daniel E. Kohn, M.D.

William D. Lamm, M.D.

Michael Langbaum, M.D.

Mark Matsunaga, M.D.

David McCarus, M.D.

David S. McHold, M.D.

John P. O'Hearn, M.D.

Neil O'Malley, M.D.

Kevin L. Stitely, M.D.

RISK MANAGEMENT COMMITTEE

Consultants

Steven M. Berlin, M.D.

Steven J. Brand, M.D.

Joseph S. Fastow, M.D.

Andrew P. Fridberg, M.D.

Samuel D. Friedel, M.D.

Dean H. Griffin, M.D.

Louis S. Halikman, M.D.

Karen H. Klocko, D.D.S.

Daniel E. Kohn, M.D.

UNDERWRITING ADVISORY COMMITTEE

Consultants

Jayant B. Desai, M.D.

Craig Dickman, M.D.

Olusegun O. Lawoyin, M.D.

Eugenio S. Machado, M.D.

Independent Auditors:

Ernst & Young LLP,
Baltimore, Maryland

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SINCE 1975, MARYLAND DOCTORS HAVE
DEPENDED ON MEDICAL MUTUAL TO
PROVIDE A STRONG AND STEADFAST
CLAIMS DEFENSE.

ANNUAL REPORT 2009

MEDICAL  MUTUAL
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