

A.M. Best Reaffirms "A-" (Excellent) Rating for MEDICAL MUTUAL

The A.M. Best Company, the nation's premier independent rating agency, has reaffirmed its "A-" (Excellent) rating for MEDICAL MUTUAL. An A.M. Best rating is assigned after an extensive quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile. The "A-" (Excellent) rating is assigned to companies that, in the opinion of A.M. Best, have an excellent ability to meet their ongoing financial obligations to policyholders. This rating reflects MEDICAL MUTUAL's leading position as a provider of high quality professional liability insurance to the Physicians of Maryland. We are pleased that A.M. Best has recognized our continued financial stability, and we will continue to maintain that stability in order to protect our Insureds now and in the future.



Notes

MEDICAL MUTUAL
Liability Insurance Society of Maryland

FROM THE CHAIR OF THE BOARD

November 2006
ISSUE

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- State Announces Premium Subsidy Amount for 2007
- Recent Favorable Claims Experience Has Positive Impact
- Online Services Adds Automatic Debit Payment Option
- A.M. Best Reaffirms "A-" (Excellent) Rating for MEDICAL MUTUAL

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MEDICAL MUTUAL
Liability Insurance Society of Maryland

FROM THE CHAIR OF THE BOARD

November 7, 2006

Dear MEDICAL MUTUAL Member:

Saying goodbye to close friends and associates is never easy. For me, after 16 years at MEDICAL MUTUAL, it is especially difficult. I am retiring and this will be my last issue of the *Notes* newsletter as Chair of the Board. Please let me take a few moments to thank you for allowing me to serve you in such an important capacity.

I have had the opportunity to work at MEDICAL MUTUAL, a company I believe is the finest Doctor-owned insurance company in the country. I'm pleased with our many accomplishments and, most importantly, our single-minded commitment to being a quality, reliable long-term source of professional liability insurance for Maryland Physicians. Moreover, in the 30 years since the company's founding, our claims, risk management and customer service operations have achieved recognition for the superior service we offer.

I leave behind a company that is strong and focused on meeting your insurance needs for many years to come. Although I will miss the people and the challenges of directing a Physician-owned company, the success of MEDICAL MUTUAL is a legacy of which I am particularly proud.

During my tenure with MEDICAL MUTUAL, I have been fortunate to work with some of the most devoted and talented Doctors a person could ever hope to meet. And since this includes some very trying periods for the Physician community, their dedication has been especially appreciated.

Just as I have closed all my previous letters to you, let me say one final time, thank you for your loyalty and support. Best wishes.

Sincerely,

D. Ted Lewers, M.D.
Chair of the Board

Important News Concerning 2007 Premium Rates

Because of the timely cooperation of the Maryland Insurance Administration, we are able to reflect the 17% state subsidy on your recent 2007 MEDICAL MUTUAL renewal premium. Furthermore, although the average amount paid on claims is still high, there has been a moderation in the frequency of claims. This favorable claims experience enables us to establish your 2007 premium using a base rate that has been reduced 8% from the base rate used in 2006. Absent other changes that may affect your rate (such as claims-made step increases, changes to your claims-free discount status or other policy coverage changes), this combination of rate subsidy from the Maryland Health Care Provider Rate Stabilization Fund and base rate reduction by MEDICAL MUTUAL should result in no material increase in the premium you pay for the coming year. Please see the enclosed article on 2007 Premium Rates for more information.

HEADLINES

Chair of the Board Announces Retirement

D. Ted Lewers, M.D. to retire after 16 years of service to MEDICAL MUTUAL, including 10 as Chair of the Board.

State of Maryland to Provide 17% Subsidy for 2007 Premiums

Maryland Physicians to receive a 17% subsidy on MEDICAL MUTUAL renewal premiums from the Maryland Health Care Provider Rate Stabilization Fund.

Recent Favorable Claims Experience Has Positive Impact

Because of recent favorable claims experience, Policyholders will see a base rate for 2007 that has been reduced 8% from the 2006 base rate.

Rating Reaffirmed

A.M. Best has issued an "A-" (Excellent) rating for MEDICAL MUTUAL in recognition of our financial strength.

Automatic Debit Payment Option Added to Web Services

Policyholders can now pay policy premium via automatic debit from bank account.



D. Ted Lewers, M.D.

“Dr. Lewers will be greatly missed by everyone. Throughout his time at MEDICAL MUTUAL, he brought tremendous vision and leadership. Our continued growth and success is in no small part due to Dr. Lewers’ experience and guidance and his unwavering commitment to serving the community and the Physicians of Maryland.”

*David L. Murray
President and CEO
MEDICAL MUTUAL*



D. Ted Lewers, M.D. Announces Retirement

D. Ted Lewers, M.D., Chair of the Board of MEDICAL MUTUAL, is retiring from the company at the end of 2006. This brings a close to 16 years of dedicated service to the company, including 10 years as Chair.

During Dr. Lewers’ tenure, MEDICAL MUTUAL benefited the Physicians of Maryland with dividend credits due to better than expected claims results. During the past decade, the company was the only medical professional liability company in Maryland that has continued to accept new business without interruption. Although there were also some years with painful rate increases due to significant jumps in claims payouts, these were followed by successful efforts to obtain legislative relief for Maryland Physicians. Dr. Lewers directed projects to expand our highly successful risk management programs and to build on our already unmatched claims defense programs. Throughout some very challenging years MEDICAL MUTUAL maintained its “A-” (Excellent) A.M. Best rating.

In addition to serving as a Nephrologist and Internist in Easton, Maryland, Dr. Lewers has long been active in organized medical activities. Dr. Lewers was first elected to the Board of MEDICAL MUTUAL in 1992 and elected to Chair of the Board in 1996. He served many positions in MedChi, the state medical society, including the position of President. He served in the House of Delegates of the American Medical Association from 1984 until election to the Board of that association in 1993. In 1996 he was elected to the Executive Committee of the AMA Board serving as Secretary-Treasurer (1996 to 1998), Vice-Chair (1998 to 1999) and Chair of the Board (1999 to 2001). In addition, Dr. Lewers served Congress as a member of the Physician Payment Review Commission (PPRC) and later on the Medical Payment Advisory Commission (MedPAC).

State Subsidy Combined with Base Rate Reduction to Keep Premium Essentially Unchanged for 2007

The premium subsidy to be received by MEDICAL MUTUAL Policyholders is a result of legislation enacted by the Maryland General Assembly in 2005. As a result of this legislation, the Maryland Health Care Provider Rate Stabilization Fund delivers professional liability insurance premium subsidies to eligible Doctors for the years 2005 through 2008. Last year the Fund provided a 25% premium subsidy. In accordance with the prescribed funding formula in the bill, this has been reduced by the state to 17% for 2007. In addition, even though the average claim payout is still high, we are experiencing a moderation in the frequency of claims reported. This is allowing MEDICAL MUTUAL to provide a base rate reduction. Your 2007 premium will be established using a base rate that has been reduced 8% from the base rate used in 2006. If there are no other factors affecting your rate, such as claims-made step increases, changes to your claims-free discount status or other policy coverage changes, the combination of rate subsidy and base rate reduction should result in no material increase in the premium you pay for the coming year for your medical professional liability insurance policy.

Web Services Continue to Expand

As an additional convenience to our Policyholders, MEDICAL MUTUAL is pleased to introduce a new online feature: the ability to pay your premium via automatic debit from your bank account. This process is only available online at our web site, www.weinsuredocs.com.

MEDICAL MUTUAL also offers a wide variety of other online services to Policyholders. Visit www.weinsuredocs.com to view your current balance and make online policy payments or set up an automatic credit card payment plan. Access “members-only” risk management resources, view your risk management seminar attendance or request a Certificate of Insurance. Insureds can report a claim or request a claims history. You can also sign up to have various MEDICAL MUTUAL publications e-mailed directly to you, or to receive e-mail notification of a new invoice.

• Make Online Policy Payments

Insureds now have several different online payment options for their premium invoice. Our newest online feature gives Insureds the ability to set up a payment plan using a debit card. You can also set up an automatic payment plan with your credit card or make a direct payment using a Visa, MasterCard or American Express credit card.

• Subscribe to Various MEDICAL MUTUAL Publications

MEDICAL MUTUAL offers electronic versions of some of our most popular and informative publications. Insureds can sign up to receive, via e-mail, PDF file versions of our current annual report, Doctors RX Newsletter, *Notes from the Chair* newsletter or the upcoming 2007 Risk Management Seminar Program brochures.

• Useful Resources Section

Setting up an online account with MEDICAL MUTUAL gives you full access to our members-only risk management resources, which include topical issues such as: HIPAA regulations, Patient-Doctor communications, retirement information and stress management strategies. Additional sections are being developed and will be added.

• Claims Tools

It is essential that you report any pending litigation to MEDICAL MUTUAL as soon as possible. Insureds can file a claims report via our web site that we receive instantly. MEDICAL MUTUAL can also provide Physicians with a claims history upon request.

• Free to MEDICAL MUTUAL Insureds

These free, secure services are available to MEDICAL MUTUAL Insureds 24 hours a day, seven days a week. If you haven’t already obtained your User ID and password, please call our Customer Service Department during normal business hours at 410-785-0050 or 1-800-492-0193. Please have your policy number handy when calling.



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