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Medical Mutual posts solid financial results for 2009

Strong earnings coupled with the recovery in the market value of investments allow Company to grow capital base to a record \$195 million. Trend of stable premium rates and a return of money to its policyholders continues with an allocation of \$15 million to member savings accounts. Increase in lawsuits presents concern for the future.

RALEIGH, NC — Medical Mutual Insurance Company of North Carolina, a physician owned and highly rated professional liability insurance carrier that has served North Carolina physicians for 34 consecutive years, announced today the results of its financial performance for the year ending December 31, 2009.

Despite the uncertain economic environment and the softness in the insurance markets, the company experienced continued growth in financial strength during 2009. Boosted by strong earnings and a rebound in the value of the Company's investment portfolio, capital and surplus grew 24% to a record high of \$195 million. Premiums written by the Company declined 6% while claims and related defense costs increased by 5%; however, net income grew just over 1%, primarily through the control of operating expenses and a reduction in realized losses on investments. The decline in written premiums resulted from additional premium discounts provided to policyholders and, the number of physicians insured by the Company remaining relatively constant with the number insured in 2008. Lawsuits filed against physicians insured by the Company rose 12%. This increase reverses a downward trend in suits, and it presents concerns for the future.

The financial results achieved over the last three years have created the opportunity for the Company to return almost \$25 million to its policyholders. Additionally, premiums to physician policyholders have been reduced by over 10%. The Company eliminated all external debt in 2008, and it is repaying \$12 million in capital that physicians had on deposit with the Company.

Dale Jenkins, Medical Mutual CEO commented, "We are pleased with the results we achieved in 2009, and in particular, our ability to once again contribute money to our policyholders' savings accounts. However, we are concerned about certain emerging trends. Insurance market conditions are challenging and the physicians we insure today are under tremendous financial and regulatory pressures. Rates of return on government and corporate bonds, which deliver the majority of our investment income, are at historically low

levels. And, the increase in the number of lawsuits is worrisome. It is important that today the Company is financially strong and well positioned to address the challenges that lie ahead. We have an outstanding group of people who have demonstrated they can manage the Company in many different market conditions, and we are confident in our abilities to continue to provide outstanding, important services to our insured physicians in the coming days. Our goal has been and will continue to be to provide market stability for our insured owners in the very volatile world of physician's professional liability insurance."

No premium rate increases planned for 2010; physicians have opportunities to earn additional premium discounts

Medical Mutual will keep its premium rates steady in North Carolina for the fifth consecutive year. During 2010, the Company will also provide North Carolina physicians the opportunity to earn additional premium discounts if they implement certain risk management "tool kits" the Company has developed that primarily focus on improving physician/patient relationships and communications.

"We believe the risk of being sued for malpractice is significantly reduced if physicians effectively communicate and relate to patients" said Dr. Henry Carr, Jr., a family physician who serves as Chairman of Medical Mutual's Board of Directors. "We have worked collaboratively with outside professionals to develop patient satisfaction survey tools and improved informed consent materials that are designed to enhance the patients' ability to understand the risks associated with certain procedures and also, the opportunity for the patient to provide feedback to the physician regarding the care and treatment received. We see many lawsuits where the fundamental cause of the problem is poor communication."

"A" Rating from A.M. Best

For the sixth consecutive year, Medical Mutual earned an "A" (Excellent) rating from A.M. Best, the country's oldest and most prestigious insurance rating organization. This puts the company in an elite group of insurance providers that have demonstrated financial strength and stability for the future. Based on written premium volume, the Company is among the top 20 largest writers of physicians' professional liability insurance in the United States.

Medical Mutual is a physician-owned and controlled company that specializes in professional liability insurance for physicians. The company is headquartered in Raleigh, North Carolina. Medical Mutual also owns Medical Security Insurance Company, which writes professional liability insurance for dentists, and MMIC Agency, LLC, which markets health insurance and commercial insurance coverage to medical and dental practices.

Medical Mutual Insurance Company of North Carolina
Summary of 2009 Financial Operations

	2009	2008	Change
Total Assets	\$473.8 M	\$422.5 M	12%
Capital and Surplus	\$195.0 M	\$157.0 M	24%
Written Premiums	\$125.2 M	\$133.4 M	(6)%
Investment Income	\$10.7 M	\$11.1 M	(4)%
Claim-Related Expenses	\$52.2 M	\$49.7 M	5%
Operating Expenses	\$14.0 M	\$13.8 M	1%
Realized investment gains (losses)	\$(1.9) M	\$(8.9) M	(79)%
Net Income	\$25.1 M	\$24.8 M	1%
Lawsuits Filed	357	319	12%