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Medical Mutual posts financial results for 2010 - eliminates debt, stabilizes premium costs, and returns profits to its physician owners.

Strong earnings allow Company to grow capital base to \$233 million. Trend of stable premium rates and a return of money to its policyholders continue, with an allocation of \$20 million to member savings accounts, a \$2 million policyholder dividend, and the full refund of members' capital contributions. However, an increase in lawsuits is a reminder of the cyclical nature of claims.

RALEIGH, NC — Medical Mutual Insurance Company of North Carolina, a 100% physician-owned, professional liability insurance carrier, rated “A” (Excellent) by A.M. Best, that has served North Carolina physicians for 35 consecutive years, announced today the results of its financial performance for the year ending December 31, 2010.

Despite the current economic environment, the uncertainties surrounding healthcare reform, and the softness in the insurance markets, the Company experienced continued growth in financial strength during 2010. In times of decreasing reimbursements for the services provided by its physician owners, stability in premium rates has been a priority for the Company, allowing its members to stay in practice, grow their practices, and continue rendering high-quality care to their patients. Boosted by strong underwriting results, prudent management of operating expenses, and an increase in investment income, capital and surplus grew 20% to \$233 million. Premiums written by the Company declined 7%, while claims and related defense costs decreased by 19% resulting in net income growth of \$7.8 million comparing 2010 and 2009. The decline in written premiums resulted from additional premium discounts provided to members and a decrease in the number of members insured by the Company, due to many physicians seeking employment with hospitals and healthcare systems because of their struggles with increasing cost structures and burdensome regulatory and compliance issues. Lawsuits filed against physicians insured by the Company rose 3%. This is the second consecutive year suit counts have risen, 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 \$45 million to its member policyholders.

Additionally, annual premiums to policyholders have been reduced by over 12%. The good financial results have also allowed the Company to eliminate all external debt and refund over \$12 million in capital contributions provided by its members that was necessary to strengthen the financial position of the Company in 2003 during a challenging insurance cycle.

Dale Jenkins, Medical Mutual CEO, commented, "We are pleased with the results achieved in 2010 and, in particular, our ability to once again contribute money to our policyholders' savings accounts. However, we are concerned about certain emerging trends. We operate in a cyclical environment. The frequency of claims began to decline in 2005; however, for the past two years, we have witnessed an increase in the number of suits filed against our members. Insurance market conditions are challenging, and the physicians we insure today are under tremendous financial and regulatory pressures. The passage of sweeping healthcare reform in 2010 has also added uncertainty. For most of our corporate history, we have been economically challenged to respond to the peaks in the insurance cycle. Accordingly, we have worked hard to achieve strong financial results in recent years to make sure 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 physicians' professional liability insurance."

No premium rate increases planned for 2011; physicians have opportunities to earn additional premium discounts

Medical Mutual will keep its premium rates steady in North Carolina for the sixth consecutive year. During 2011, the Company will continue to 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 patient education and satisfaction.

Dr. Tom McCoy, an orthopedic surgeon who serves as Chairman of Medical Mutual's Board of Directors, commented, "At Medical Mutual, we spend considerable time and money helping our member physicians avoid unnecessary risk in their practices. A major reason why physicians formed this Company was to promote safe, high-quality care for the patients our members serve. We have developed a wealth of resources and materials designed to improve such areas as patient/physician communications, the level of understanding patients have about their health care, and ways for patients to provide feedback to physicians regarding their care and the level of service they receive. We are committed to help reduce the likelihood of preventable medical errors."

“A” Rating from A.M. Best

For the seventh 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 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 2010 Financial Operations

	2009	2010
Total Assets	\$473.8 M	\$521.7 M
Capital and Surplus	\$195.0 M	\$233.2 M
Written Premiums	\$125.2 M	\$116.4 M
Investment Income	\$10.7 M	\$11.7 M
Claim-Related Expenses	\$52.2 M	\$42.3 M
Operating Expenses	\$14.0 M	\$14.2 M
Realized investment gains (losses)	\$(1.9) M	\$1.1 M
Net Income	\$25.1 M	\$32.9 M
Lawsuits Filed	358	367
Policyholder Dividends	0	\$2.0 M
Legacy Fund Allocation	\$15 M	\$20 M