More than 17,000 policyholders... served by 316 hard-working employees... who are led by 18 physician board members... all part of 1 unified community.

In 2007, more than ever, MAG Mutual proved there is **strength in numbers**.
A MESSAGE FROM THE PRESIDENT

Reflections on a career

It is said that experience is a tough teacher because it gives the test first, then the lesson. My experience at MAG Mutual has brought more than a few tests and many lessons. But more than anything, I would characterize my experience as a promise fulfilled.

Our promise remains powerful, yet simple: Do whatever it takes to protect and support every physician-policyholder, today and tomorrow. To uphold such a promise commits us to building a company of immense strength – in the boardroom, on the balance sheet and with the quality service we provide each and every day. That strength defines MAG Mutual.

We fought alongside physicians and health care professionals for tort reform, and we’ve seen the results – most notably in Georgia, where legislation became law on February 16, 2005. This has enabled us to reduce premiums in most states and for most specialties. In 2007, we declared a $10 million dividend to our policyholders and introduced 0% financing on premiums.

Over the years, we’ve enjoyed other successes that have helped physicians – successes that are too numerous to mention here. Each is not viewed as the triumph of a corporation; rather, they were hard-won victories for the physicians who own the corporation. That’s because we understand that every action that benefits our physicians benefits their patients. Working to keep premiums low, while maintaining fiscal responsibility so that we’ll be here when needed, helps doctors serve patients in rural areas, small towns, inner cities and metro areas. And unlike most insurers, MAG Mutual has an extensive portfolio of other services that allows doctors to concentrate on what they do best – provide quality care.

I owe much to the physicians who have served and continue to serve on the MAG Mutual Board of Directors. They taught me what it means to be part of the medical community – to stand for quality patient care, put patients before self, and give your best each day to relieve the suffering of others.

Of course, I also appreciate all of my past and current MAG Mutual colleagues. By thinking and performing as a unified team, we built a company that is sure to be an ally to physicians for a long time to come.

And I am especially grateful to the thousands of physicians who, through the years, put their trust in us. From just a handful in 1982 to 17,000 today, it has been a privilege to serve you. Rest assured that the team we have in place will continue to fulfill the promise of MAG Mutual – your company.

Thomas M. Gose
President
Strength in numbers: Harnessing the power of community

As we celebrated our 25th anniversary in 2007, no phrase better described MAG Mutual Insurance Company than “strength in numbers.”

For one, “strength in numbers” epitomizes what your company accomplished last year – the strongest financial year in our history. Led by your physician Board of Directors, we maintained our sound financial practices to deliver $10 million in dividends to our physician policyholder-owners, maintained rate stability, implemented rate reductions in several states and introduced 0% premium installment financing.

But beyond the bottom line, “strength in numbers” captures what’s really happening with MAG Mutual: More and more, through our local offices, medical society affiliations, policyholders, Board of Directors and staff, we are part of the fabric of the medical community in the states we serve. Over the past two decades, MAG Mutual Insurance Company has done much more than sell insurance policies across the Southeast:

• We’ve fought for tort reform efforts in Florida, Georgia, South Carolina and North Carolina.

• We’ve supported local medical communities, sponsoring medical school educational symposia, society meetings, conferences and continuing medical educational programs.

• We’ve provided on-site risk management and practice management assessments to help physician practices run more efficiently.

• We’ve been a proud sponsor of the “Health Care Heroes” awards and recognition program in six of our largest cities in four states.

• We’ve acted on your input by improving our service and offerings. MAG Mutual is offering more products to help you manage and protect your practice through our MAG Mutual Insurance Agency, LLC; MAG Mutual Healthcare Solutions, Inc.; and MAG Mutual Financial Services, Inc.

To paraphrase Shakespeare: Strong reasons lead to strong actions. He was right. The strong reason that motivates all of us at MAG Mutual is serving as an ally to you, our physician policyholder-owners. Because our Board is comprised of physicians like you, we understand what it means to practice medicine in the 21st century.

In the months ahead, you will see us strengthen our relationships with physicians as well as office managers – opening up new channels for dialogue about the issues that challenge you every day. Through upcoming small group gatherings and dinners, we’re developing new ways to communicate. This one-to-one approach provides us the feedback we need to serve you better.
We’re also developing an online customer portal that will enable you to accomplish more aspects of your business, on your time and your terms.

You will also see us extend the ways in which we reach out to the medical profession. In 2008, we will strengthen our alliances with organizations that support our policyholders and broaden our partnerships with the state and local medical societies in our region, always seeking new ways to demonstrate our commitment to medical professionals.

And you’ll see us forge stronger ties with our independent agent network that helps us reach physicians in the states we serve. A new agent development marketing program will provide them with added support to spread the MAG Mutual story to their current and prospective clients.

Please spend a few minutes with this annual report. It’s a little different from previous annual reports; it casts a bright light on some of the numbers that prove how MAG Mutual creates value for you. These numbers are not about us – they’re about you. They reflect the many ways in which the company you own works to make your practice as strong as it can be.

Thank you for choosing MAG Mutual as your provider and partner.

Roy W. Vandiver, M.D.
Chairman

Darrell Grimes
Chief Operating Officer

*SPECIAL ANNOUNCEMENT:
On April 23, 2008, MAG Mutual’s Board of Directors announced a $15 million dividend.*

“‘Strength in numbers’ epitomizes what your company accomplished last year – the strongest financial year in our history.”

*S*The 2008 dividend will be returned to eligible Physicians and Surgeons Medical Professional Liability policyholders of record as of the close of business April 1, 2008. The dividend will appear as a credit with renewals effective June 1, 2008. Visit www.magmutual.com for more details.
Every number tells a story

Sure, all of our policyholders know that physician-owned and physician-led MAG Mutual Insurance Company provides medical professional liability insurance. For more than 25 years, we've been here – defending your reputation, protecting your assets. Now, we'd like you to look at your company in a different way. So we've highlighted some special facts that give you the bigger picture of MAG Mutual.

Take a look – you might discover something new, or maybe you'll confirm something you already knew. And when you add up the numbers, you'll find there's much more to your company than you might have imagined – one that’s dedicated to understanding your needs and helping you reach your goals.

**0%**

The finance rate MAG Mutual “charges” physicians and practices paying their premiums in installments (for policies issued after 10-1-07).

**17,137**

Physicians throughout the Southeast who put their trust in MAG Mutual for medical professional liability insurance protection – to protect their professional reputations and their personal and practice assets.

**$1,400,000,000+**

Total assets of MAG Mutual Insurance Company, a clear indication of continued financial strength. The company also earned another A- (Excellent) rating from the A.M. Best Company – a rating that was supported with a “stable outlook.”
89 CME Seminars

Sponsored and conducted by Risk Management for physicians and surgeons across the region in 2007. We come to you, so you have the flexibility to choose a seminar at a time and place that meets your schedule.

$25,000,000

Dividends delivered to eligible MAG Mutual Physicians and Surgeons Medical Professional Liability policyholders between June 2007 and May 2009. That’s $10 million in 2007 and $15 million in 2008. (Eligible policyholders are those insured as of close of business April 1, 2007 for the 2007 dividend; and April 1, 2008 for the 2008 dividend.)

83.4%

Percentage of claims MAG Mutual has won for our insureds in courts since our founding – a testament to MAG Mutual’s vigorous defense of policyholders.

25+

Different insurance products offered to physicians (besides medical professional liability protection). When it comes to practice or personal insurance, MAG Mutual Insurance Agency has got you covered.

MAG Mutual’s ranking in the Southeast among medical professional liability insurers in total number of premiums written.

Guaranteed savings on medical and office supplies – available only to MAG Mutual policyholders enrolled in the purchasing program developed through our alliance with GroupSource, a nationally known company.

10%

STRENGTH IN NUMBERS
Independent insurance agencies carefully chosen by Select Professional Underwriters, LLC, serving more than 5,400 MAG Mutual insured physicians throughout the Southeast.

Physicians who joined the MAG Mutual family last year as new policyholders. Welcome!

Visitors to MAG Mutual’s websites in 2007. And coming in 2008, even more ways to serve you online!

Separate, state physician claims committees that review potential claims in MAG Mutual’s region. These committees tap the expertise of the physicians in the states we serve. So your fellow physicians are deeply involved in the defense of our policyholders.

A.M. Best’s 2007 ranking of MAG Mutual among all medical professional liability insurers based on 2006 premiums written.

$56.5 million
Total amount of dividends that MAG Mutual has now distributed since opening in 1982. The dividends are a tangible reminder that MAG Mutual is a mutual company, owned by – and focused on – its physician-policyholders.

Years that MAG Mutual has served physicians, beginning in 1982. A silver anniversary video – MAG Mutual’s Tribute to Physicians – is available on DVD. If you didn’t receive one, please call 404-842-5641.
Practices welcomed MAG Mutual’s risk management experts into their offices in 2007 – to conduct on-site assessments, provide advice or both.

At the end of each assessment, the practice receives a written report of recommendations. These recommendations are based on an analysis of past claims filed against medical practices. For larger practices or medical groups, MAG Mutual will make a presentation – free of charge – on simple steps that promote patient safety.

MAG Mutual even helps practices conduct their own evaluations. Go to www.magmutual.com to give your practice a risk management checkup in 30 minutes or less.

Read the story on patient safety on page 9 >
Physician clients of MAG Mutual Financial Services, Inc. who take advantage of the programs offered for disability income protection, life, health and long-term care insurance and many others.

$1 billion

Amount paid in claims for our physician insureds since MAG Mutual’s inception a quarter-century ago.

1,328

The length of time that a MAG Mutual physician-policyholder can take as a leave of absence from his/her medical practice without paying medical liability premiums.

$42,810,515
(and counting)

Amount of payments collected for clients of MAG Mutual HealthCare Solutions, Inc.’s billing service.

67

Meetings where MAG Mutual representatives spoke — free of charge — to specialty societies, hospital groups and professional associations through our Speakers Bureau in 2007. Among the topics: medical liability trends, risk management, personal financial planning and asset protection. More: 1-800-282-4882, ext. 5690.

20%

Discount for disability income insurance for MAG Mutual medical professional liability insureds. This added protection is provided through an alliance with nationally known insurers. Call 1-800-300-7983.
MAG Mutual is giving physicians and practices new tools to promote optimal care and prevent errors.

If you were asked to identify a way in which a patient could be harmed in your practice, what would you say?

It’s a tough question, but it’s one that every medical practice should consider. “We’ve always strived to be a valuable resource for practices seeking to minimize liability risk,” says Dan Wright, Vice President of Risk Management. “Now, we’re focusing further attention on how to keep patient safety foremost in the minds of everyone involved in providing patient care.”

In so doing, MAG Mutual has developed a powerful incentive: Awarding up to 20 hours of Continuing Medical Education credits* to physicians who successfully develop and execute an activity that improves the quality of care at their practices. And in creating that activity, physicians partner with MAG Mutual to ensure its success. Beginning with a self-assessment to identify and analyze gaps in processes and procedures involving patient care, the program concludes with an evaluation of the activity’s effectiveness.

The new patient safety initiative reflects the evolution of MAG Mutual’s risk management offerings. For example, the site survey that our risk management consultants use to assess physician practices has now been streamlined. The previous tool involved a comprehensive all-day survey, manual reporting and data collection, and numerous recommendations. By contrast, the new survey focuses on the greatest threats to patient safety and evaluates the relevant office systems in just half the time. It also automates report and data collection and provides a prioritized list of recommendations to be used as an action plan for that specific practice.

“We’ve found that if a practice meets the majority of the survey criteria, then it’s less likely to have a claim,” Wright says. “So with the old survey, we might have made 30 recommendations, many of which were minor and not directly linked to patient safety. Now, we’re focusing much more on activities directly linked to patient care.”

The innovation and thoroughness of MAG Mutual’s new patient safety initiative will distinguish it from traditional risk management offerings at other companies. The company provides some practices with a comprehensive education packet, self-assessment tools, an online video and more. For practices with several physicians, MAG Mutual’s risk management team will consult on-site with physicians and staff to develop, implement and evaluate an individualized action plan. Dedicated team members partner with physician-policyholders to improve the quality of care and increase patient safety.

Perhaps most important, MAG Mutual’s approach is not one-size-fits-all. “We continue to move further away from general risk management and toward customized, evidence-based, measurable approaches that reflect the focus and needs of the individual practice,” Wright says. “We’re also working to make sure nursing staff and physicians get on the same page with what could go wrong – and prevent that from ever happening.”

* MAG Mutual Insurance Company is accredited by the Medical Association of Georgia to offer Continuing Medical Education to physicians. Participating physicians receive AMA PRA Category 1 credit(s)™.
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Robeco Investment Management
909 3rd Avenue
New York, NY 10022
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1033 Skokie Boulevard
Suite 310
Northbrook, IL 60062
OUR MISSION

MAG Mutual is dedicated to helping physicians and others in the medical community focus on providing quality patient care. Working together, our companies develop and provide innovative business, financial and insurance solutions to help those we serve meet their professional, business and personal goals.

ABOUT MAG MUTUAL

MAG Mutual Insurance Company is the eighth largest medical professional liability insurer in the United States. The following subsidiaries of MAG Mutual Insurance Company provide other products and services referenced in this report.

MAG Mutual Insurance Agency, LLC (MMIA) is a Georgia insurance agency created to meet the property and casualty insurance needs of MAG Mutual policyholders beyond medical professional liability insurance.

MAG Mutual Financial Services, Inc. (MMFSI) is a Georgia insurance agency that provides the medical community with a trusted and innovative resource for life, disability income, long-term care and group health insurance programs and financial planning services.

MAG Mutual Healthcare Solutions, Inc. (MMHSI) helps physicians manage the business side of practicing medicine, including consulting, billing and transcription, so that physicians can focus on patient care.

Select Professional Underwriters, LLC (SPU) is a Georgia insurance agency created to market MAG Mutual Insurance Company's insurance products outside of Georgia.

Professional Security Insurance Company (PSIC) is an Arizona domestic property and casualty insurer that was created to provide an excess and surplus lines insurance option for good physicians who need insurance but may not meet standard underwriting guidelines.

For more information about MAG Mutual or any of its companies, visit www.magmutual.com.

MAG MUTUAL CORPORATE CODE OF RESPONSIBILITY AND ETHICS

MAG Mutual has always been committed to the highest standards of business integrity and to the avoidance of wrongdoing. We understand that the wrongful acts by a few individuals at a few companies and the significant losses suffered by investors, employees and customers have caused the public to question the honesty and integrity of businesses. The Board of Directors in 2005 formally codified the Company's long-standing policies into the following Code of Responsibility and Ethics for MAG Mutual Board members and Company officers:

1. Conduct all business activities in a legal, honest and ethical manner.

2. Ensure that all actions are in compliance with all applicable laws, rules and regulations.

3. Avoid all conflicts of interest and promptly disclose to the Company's Chief Legal Officer, and its independent auditors, any transaction or relationship that could potentially lead to or give the appearance of such a conflict.

4. Establish and maintain proper internal controls for accurate financial reporting and assess and report annually to the Company's independent auditors the effectiveness of such controls and procedures and any failures therein.

5. Prepare all reports, documents and disclosures in a complete, timely, fair and accurate manner.

6. Promptly report all violations of this Code to the Company's Chief Legal Officer, the Board of Directors and its independent auditors.