



With You At Every Turn



MagMutual
2013 Annual Report

MagMutual – With You At Every Turn

2013 was another year of solid results for MagMutual. **Our admitted assets now top \$1.6 billion and our surplus stands at a record \$740 million, with net income remaining strong at just over \$52 million.** We are proud of these achievements because MagMutual is *your* company. You own us and we work for you. We do not measure our success in monetary terms, but rather by the value we bring to our policyholders. The ‘Journey Board’ attached to this report demonstrates how MagMutual is with you throughout your career, providing value at every turn. We hope you will embrace that partnership and make use of the resources MagMutual has created to help you on your own personal journey.



Joseph S. Wilson, M.D.
Chairman and
Chief Executive Officer

Neil Morrell
President and
Chief Operating Officer



Monetary Value

Our dividend program ensures that you benefit from MagMutual's financial success. In March 2014, MagMutual's Board of Directors approved a \$13 million policyholder dividend – continuing a long line of annual dividend payments that now exceeds **\$136 million in distributions since our inception**. MagMutual, in fact, has returned more to our policyholders in dividend payments than any other medical professional liability carrier in the Southeast.

Policyholders who stay with us until the end of their career receive a further benefit in the form of our Owners Circle® rewards program. 2013 marked the third year of our Owners Circle program, which provides distributions to qualified physicians as they come to the end of their practice of medicine. **More than \$150 million has been pledged for potential future payment to eligible policyholders.** For policyholders who have been with us since 2012, a cumulative 75% of their annual premium has now been set aside to their benefit.

The Strongest Defense

No one defends clinical judgment better than we do. No one in the Southeast has successfully protected as many physicians as MagMutual, and we have been doing it over a longer period of time. **We have successfully**

More than \$15 million in dividends to policyholders in 2013

managed some 59,000 allegations against our physicians and hospitals. Usually, a trial can be avoided. However, when we go to trial, we continue to have the most impressive record, winning close to 90% of all cases. Through our **Doctor2Doctor® program**, we provide peer support to all who request it during this potentially traumatic time. **We also accomplished a major milestone by winning our 1,000th verdict at trial.** Our hope is that none of our policyholders ever suffer a lawsuit. But if they do, the value and experience MagMutual brings is virtually immeasurable.

Supporting Your Advances in Patient Safety

In October, we introduced the MagMutual Patient Safety Institute. Supported with a \$50 million commitment, the Institute is designed to support our policyholders by helping them improve quality care while reducing risk in care delivery. This is done

by systematically identifying and analyzing risk management trends and issues in order to craft evidence-based and practice-specific patient safety resources. The goal of the Institute is not to reduce MagMutual's claims costs, but rather to support and make a positive difference in the practices of our policyholders.

Better Information, More Easily Accessible

MagMutual also refined its communications in 2013 in order to streamline the way we provide information to our policyholders. Our website, for example, has been refreshed for easier navigation and to better showcase new tools and resources. These include **The Physician's Lounge**, an online community where you can interact with your peers. We also added a new quote tool – a feature unique to MagMutual – that allows visitors to receive a quote and purchase coverage online, in real time.

Available on the go and in a format that is easy to access and use, **MagMutual's new mobile app sends push updates in five key professional categories – patient safety, legal developments, claims lessons, insurance industry news and healthcare industry news.** These informational categories not only represent MagMutual's primary areas of subject-matter expertise, but they reflect our

policyholders' desire to receive short, timely updates on key developments in these areas. The MagMutual mobile app (currently accessible from iPhones and iPads) is available free of charge through the iTunes App Store.

New Ways to Manage Your Risk

As the face of healthcare changes, so does its associated risk and the ways in which this can be managed. MagMutual continues to be committed to providing our policyholders with the best objective advice coupled with the widest range of products and solutions – enabling you to make the most informed decision possible. A manifestation of this approach was the successful creation of OURCell Captive, P.C.C. A wholly owned subsidiary of MagMutual, **OURCell Captive enables policyholders to design, own and run their own captive, but still benefit from the resources and protection of MagMutual,**

MagMutual's new mobile app updates busy physicians on-the-go

allowing physician practices and hospital systems to manage liability exposure through an alternate form of risk financing.

Growing Your Company

During 2013, we were proud to announce MagMutual's acquisition of South Carolina Physician Assurance Company (SCPAC).

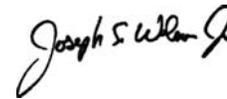
This acquisition represents an alignment of groups with similar missions – to support policyholders and empower them to focus on providing expert care. The move enhanced our penetration in South Carolina and ensures that the coverage and protection needs of those policyholders will continue to be met. Former SCPAC policyholders are now benefitting from MagMutual's claims defense, patient safety and risk management programs.

Furthermore, 2013 was a year of solid organic growth. **For the first time in MagMutual's history, the number of healthcare providers we serve now exceeds 19,000.** We are particularly encouraged that this number reflects significant growth in the number of hospital policyholders we serve. **MagMutual not only insures more doctors than ever before, we also protect more hospitals, as well, as an ever-increasing number of institutions come to recognize the value we bring.** This not only makes us the largest

medical malpractice insurer based in the Southeast, it means we have the means to do more, for more people than ever before.

These accomplishments have required dedication, determination and hard work on the part of all our staff. But ultimately this level of achievement is not possible without inspiration and motivation – and for that we will continue to look to you, our policyholders. We appreciate all you do in the face of your own challenges, pressures and obstacles, and we will continue to do our best to support you in every way we can.

Sincerely,



Joseph S. Wilson, Jr., M.D.
Chairman and Chief Executive Officer



Neil Morrell
President and Chief Operating Officer

What value does MagMutual offer over other insurers?

Joseph S. Wilson: Two things come to mind. First, we were founded and continue to be governed by physicians, and secondly, as a mutual company, we are owned by our policyholders. As a result, we are focused on the needs of those policyholders as opposed to the demands of public shareholders or the

financial markets. This allows MagMutual to function as a true partner to our policyholders – a partner that not only provides medical professional liability coverage and the best defense in our industry, but also best-in-class patient safety and risk management resources, education and advocacy.

Neil Morrell: We are completely focused on providing the best possible product at the lowest sustainable cost, whatever the face of medicine. We focus on helping our policyholders manage their risk in the way that best suits them – from buying a simple policy to running

a complicated captive – all is possible within the MagMutual family. Furthermore, we are able to support our policyholders wherever their practice takes them – be that a solo, independent practice or a complete integrated hospital system. We expect and adapt to our insureds' needs, not vice versa.

Evolving to Meet the Challenges of a New Healthcare Era

Q
A



Neil Morrell
President and Chief Operating Officer

What are some other areas where MagMutual excels?

Wilson: We defend our doctors and hospitals better than anyone else. In legal cases that go to court, our success rate is better than 87% for defense verdicts on behalf of our doctors and hospitals.

While this is a great statistic, it does not tell the whole story. Equally important to that great

success rate defending our doctors are the physician support resources we have created. Our Doctor2Doctor® peer counseling program can play a critical role when a physician faces being sued while offering support from fellow physicians who have been through the litigation process.

Finally, our local presence makes us unique. This means more than just providing local attorneys to mount a robust defense. It also means that a local claims representative, who is part of the MagMutual family, will be present to help coordinate that representation, answer questions and be a caring support as they attend to the legal proceedings.

What type of marketplace opportunities does OURCell create for MagMutual?

Morrell: OURCell provides a vehicle through which we can deliver greater efficiencies and cost savings for complex insureds such as larger physician practices and hospitals. We developed OURCell in response to the market's need for an alternative type of risk financing – specifically,

captive insurance solutions. OURCell captive insurance provides the flexibility these groups need to tailor coverage for their specialized organization or practice. The unique beauty of our approach is that MagMutual can still handle the claims, underwriting and management for our

policyholders within the captive. This not only allows our policyholders to leverage the huge advantage our experience and presence bring, it avoids the potentially crippling internal costs of running a smaller captive.

Launching the MagMutual Patient Safety Institute was a significant achievement in 2013. How will the Institute benefit policyholders?

Wilson: The Institute establishes support for physicians and hospitals as they look for a strategy to reduce unexpected adverse patient outcomes. Using over 30,000 of our closed claims data results and customizing data aggregation from your practice, we can help you identify areas

where this knowledge can lead to better outcomes for your patients and your practice. For hospitals and physicians, the Institute can provide analysis to help improve the quality scores upon which reimbursements are based, potentially improving their bottom line inside their business model.

Tell us about MagMutual's expanded professional liability coverage for hospitals and health systems.

Morrell: Through our affiliate Professional Security Insurance Company (PSIC), we are able to combine facility and employed physician coverage for hospitals and healthcare systems. PSIC offers a comprehensive suite of coordinated coverage, defense and patient safety in a single product that includes hospital professional, general and employee

benefit liability, physicians' liability and umbrella liability coverage. We believe this solution offers much more effective protection and helps foster a coordinated, collaborative claims process, effectively eliminating the "divide-and-conquer" strategy often used by plaintiff attorneys to drive a wedge between hospitals and their employed physicians.



Joseph S. Wilson, M.D.
Chairman and Chief Executive Officer

How do you envision policyholders utilizing the new MagMutual app?

Morrell: The MagMutual app, currently available for iPhones and iPads, is a wonderful new tool that provides timely information for policyholders on the go. We designed the app around five key content areas that matter to our policyholders, and which represent our company's primary areas of subject-matter expertise: patient safety, claims lessons, legal developments, and news

from the healthcare and insurance industries. We also keep the pushes short, easy to read and relevant. Our goal is to avoid information overload, so we only provide information that is actionable and timely. When an update is published, the app's push notification feature alerts the policyholder that new information has been delivered.



Patient Safety

Stay up-to-date on the latest patient safety issues and trends, including medical alerts and timely articles.



Legal Developments

Laws and government regulations affecting the medical profession can change rapidly. Stay informed on the latest news and issues at play in the legal, legislative and regulatory environments.



Claims Lessons

Our Claims Lessons feature includes scenarios to avoid and important lessons from the front line of medicine. Each sample case study is derived from the facts of a real claim that MagMutual has either seen or defended.



Insurance Industry

Stay abreast of the latest trends and developments in the insurance industry that potentially impact physicians, patients, hospitals, and other healthcare providers.



Healthcare Industry

Better understand changes in the healthcare industry, including updates on healthcare technology and a host of other issues.



Your Account

Review and update your MagMutual account profile, and view our Privacy Policy.



Our New Website

MagMutual's refreshed website, www.MagMutual.com, makes it easier for you to find information, access tools and tap into a wealth of resources.

With simplified, intuitive navigation, our re-engineered site provides information concerning MagMutual's insurance and financial services solutions, as well as patient safety resources

and an interactive community called The Physician's Lounge where you can ask questions and interact with other policyholders.

Website visitors can also secure a quote and purchase medical professional liability insurance through our online quote tool, the first of its kind in the medical malpractice industry. This convenient feature compresses to a

matter of minutes a traditionally manual process that previously took days and even weeks.



Anytime, Anywhere Resources That Deliver a Higher Level of Service

Edit your MagMutual account profile and stay informed about breaking healthcare news through the MagMutual mobile app, available at no charge through the iTunes App Store, or visit MagMutual.com to access a variety of information, tools and resources.

Financial Highlights

How Do We Rate?

Rated A (Excellent)
by A.M. Best

as of December 31	2013	2012	2011	2010
MagMutual & Subsidiary Policyholders	19,044	17,548	17,305	17,208
Total Admitted Assets	\$ 1,609,939,340	\$ 1,543,671,903	\$ 1,510,375,252	\$ 1,480,735,959
Gross Written Premium	\$ 241,529,771	\$ 239,563,167	\$ 253,264,604	\$ 295,757,596
Net Income	\$ 52,030,267	\$ 43,712,858	\$ 66,207,172	\$ 68,972,906
Policyholders' Surplus	\$ 740,346,728	\$ 667,493,246	\$ 610,096,938	\$ 541,328,929
Claim Reserves (Net)	\$ 530,151,000	\$ 550,321,000	\$ 565,243,000	\$ 620,075,000

Unless otherwise noted, figures represent results for MAG Mutual Insurance Company prepared under Statutory Accounting Principles as promulgated by the National Association of Insurance Commissioners.

**19,044 policyholders,
up nearly 12% in 5 years**

Total Admitted Assets in millions



Policyholders' Surplus in millions



Policyholders



Condensed Statements of Admitted Assets, Liabilities and Surplus

Total Admitted
Assets Exceed
\$1.6 Billion

as of December 31	2013	2012
ADMITTED ASSETS		
Cash and invested assets		
Bonds and stocks	\$ 1,389,985,155	\$ 1,334,848,235
Cash, short-term investments and other invested assets	117,365,571	100,942,956
Total cash and invested assets	1,507,350,726	1,435,791,191
Agents' balances in course of collection	69,544,422	62,379,420
Net deferred tax asset	13,861,901	24,716,883
Other assets	19,182,291	20,784,409
Total admitted assets	\$ 1,609,939,340	\$ 1,543,671,903
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Reserves		
Reserves for losses and loss adjustment expenses	530,194,712	550,341,802
Unearned premiums	140,673,640	140,192,015
Total reserves	670,868,352	690,533,817
Funds held under reinsurance treaties	135,603,498	126,625,753
Deferred compensation and retirement plan	28,955,947	24,220,869
Other liabilities	34,164,815	34,798,218
Total liabilities	869,592,612	876,178,657
Surplus notes	60,000,000	60,000,000
Unassigned surplus	680,346,728	607,493,246
Total policyholders' surplus	740,346,728	667,493,246
Total liabilities and policyholders' surplus	\$ 1,609,939,340	\$ 1,543,671,903

Condensed Statements of Income

In 2013, we paid over
\$15 million in dividends
to policyholders

as of December 31	2013	2012
Net premiums written	\$ 197,529,892	\$ 197,325,445
Change in unearned premiums	(481,625)	5,742,399
Premiums earned	197,048,267	203,067,844
Losses and expenses		
Loss and loss adjustment expenses	127,004,604	145,289,642
Underwriting and administrative expenses	52,898,998	52,069,006
Total underwriting deductions	179,903,602	197,358,648
Net underwriting gain	17,144,665	5,709,196
Net investment income including net realized capital gains of \$22,348,470 and \$19,161,112 in 2013 and 2012 respectively	57,486,291	56,506,222
Other income	1,207,783	1,107,741
Net income before dividends, after tax on capital gains and before all other federal income taxes	75,838,739	63,323,159
Dividends to policyholders	15,204,835	15,136,126
Net income after dividends, capital gains and before all other federal income taxes	60,633,904	48,187,033
Federal income tax expense	8,603,637	4,474,175
Net income	\$ 52,030,267	\$ 43,712,858

Condensed Statutory-Basis Audited Financial Statements
MAG Mutual Insurance Company
For the years ended December 31, 2013 and 2012

Notes to Condensed Statutory-Basis Financial Statements

Organization

MAG Mutual Insurance Company (the Company) is domiciled in the State of Georgia. The Company has no stockholders and no shares of capital stock, as it is owned and controlled by its insured physicians and healthcare facilities, each of whom has one vote. The Company has one wholly owned insurance subsidiary, Professional Security Insurance Company (PSIC); two wholly owned noninsurance subsidiaries, MAG Mutual Insurance Agency, LLC (MMIA) and MAG Mutual Financial Services, LLC (MMFS); and a wholly owned insurance brokerage, Select Professional Underwriters, LLC (SPU). Additionally, on April 11, 2013, the Company purchased all assets, liabilities and common stock of South Carolina Physician Assurance Company (SCPAC). SCPAC is a South Carolina domiciled insurance captive writing solely medical professional liability insurance. SCPAC is now a wholly owned captive insurance subsidiary of the Company. The Company is also the owner of OURCell Captive, PCC.

The Company is primarily involved in the sale of commercial lines of property and casualty insurance including medical professional liability, business owners, workers' compensation, and general liability insurance. Medical professional liability insurance coverage to licensed physicians and healthcare facilities represents over 96% of the Company's premium volume. The Company

is licensed in Georgia, Alabama, Arkansas, Florida, Indiana, Kentucky, Maryland, Mississippi, North Carolina, Ohio, South Carolina, Tennessee, Virginia and West Virginia.

Basis of Presentation

The condensed financial information of MAG Mutual Insurance Company has been prepared in accordance with statutory accounting principles prescribed or permitted by the Georgia Department of Insurance (Statutory-basis) which is a basis of accounting other than accounting principles generally accepted in the United State of America (US GAAP). The effects on the financial statements of the variances between Statutory-basis accounting practices and US GAAP, although not reasonably determinable, are presumed to be material. Additionally, the preparation of financial information in conformity with statutory-basis accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. In the opinion of management, all adjustments considered necessary for fair presentation, consisting of normal recurring adjustments, have been included. Such estimates and assumptions could change in the future as more information becomes known which could impact the amounts reported and disclosed.

Audited Financial Statements

The accompanying condensed financial information of MAG Mutual Insurance Company has been prepared for purposes of this annual report. Accordingly, this document does not include all the information and notes required by Statutory-basis accounting principles for complete financial statements. The financial information of MAG Mutual Insurance Company shown herein has been derived from complete Statutory-basis financial statements which were audited by Johnson Lambert LLP, our independent auditors. Johnson Lambert LLP's opinion was issued as it relates to the Company's financial statements prepared using the accounting practices prescribed or permitted by the Insurance Department of the State of Georgia, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The information presented in the annual report should be read in conjunction with the full audited Statutory-basis financial statements, which include information and disclosures not included in this annual report. A complete set of audited Statutory-basis financial statements may be obtained from the Company upon request.

Executive Management



Left to right: Larry Miller, Marc Hammett, Dr. Mary Gregg, Edward Lybrook, Matt Mitcham, Ed Lynch, Neil Morrell, Dr. Joe Wilson, Jr., Jamie Sapp, Johnathan Brutlag
Lisa Coppolino, Joe Cregan

Dr. Joe Wilson, Jr.

Cardiologist, Chairman of the Board and Chief Executive Officer

Neil Morrell

President and Chief Operating Officer

Johnathan Brutlag

President, Professional Security Insurance Company

Lisa Coppolino

Senior Vice President, Underwriting

Joseph L. Cregan, J.D.

Senior Vice President, General Counsel

Dr. Mary Gregg, FACS, MHA

Senior Vice President, Chief Medical Officer

Marc Hammett, C.P.A.

Chief Financial Officer and Treasurer

Edward Lybrook

Senior Vice President, Product Development and Regulatory Compliance

Ed Lynch

Senior Vice President, Business Development

Larry Miller

Senior Vice President, Support Services

William Matthew (Matt) Mitcham, III

Senior Vice President, Claims

Jamie Sapp

Senior Vice President, Chief Digital Officer

Board of Directors



W. Scott Bohlke, MD

Bohler Family Practice, PC
Brooklet, GA

S. Terry Smith, MD

South Carolina Oncology Associates
Columbia, SC

David T. Stewart, Jr., MD

Pathology Associates
Tallahassee, FL

E. Daniel DeLoach, MD

Savannah Plastic Surgery
Savannah, GA

John S. Antalis, MD

Dalton Family Practice, PC
Dalton, GA

Peter D. Steckl, MD

EmergiNet, LLC
Atlanta, GA

Benjamin H. Cheek, MD

OB/GYN Associates of Columbus
Columbus, GA

James B. Ball, Jr., MD

Tampa, FL

Joseph S. Wilson, Jr., MD

Chairman and CEO of MagMutual
Atlanta, GA



Neil Morrell

President and Chief Operating Officer
Atlanta, GA

Joseph W. Griffin, Jr., MD

Augusta Gastroenterology Associates, Inc.
Augusta, GA

J. Daniel Hanks, Jr., MD

FACR
Rome, GA

H. Alexander "Sandy" Easley, III, JD, MD

SEAHEC OB/GYN
Wilmington, NC

C. Thomas Hopkins, MD

The Orthopedic & Sports Injury Center
Griffin, GA

Catherine S. Andrews, MD

Main Street Family Physicians
Acworth, GA

Michael J. Bono, MD, FACEP

Emergency Physicians of Tidewater, PLC
Norfolk, VA

Michael E. Greene, MD

Macon, GA

Sheila A. Robinson, MD

Metropolitan Atlanta Cardiology
Consultants, PC
Atlanta, GA

J. Price Corr, Jr., MD

Albany Surgical, PC
Albany, GA

About MagMutual

MAG Mutual Insurance Company is one of the largest medical professional liability insurers for physicians 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 an insurance agency created to meet the medical liability, property and casualty insurance needs of the physicians and policyholders in the states we serve.

MAG MUTUAL FINANCIAL SERVICES, LLC (MMFS) 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 through alliances with selected partners.

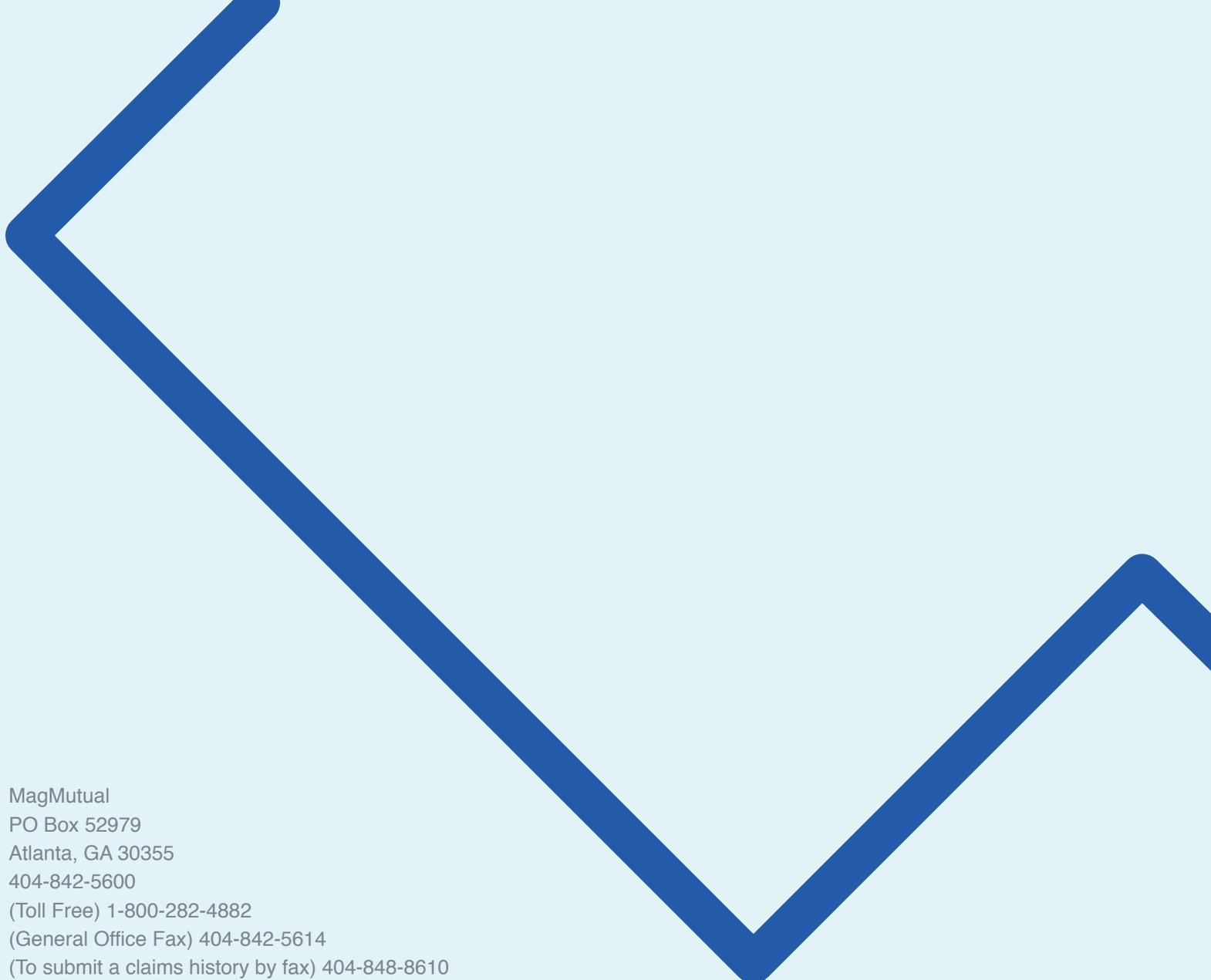
MAG MUTUAL PATIENT SAFETY INSTITUTE, LLC (MMPSI) provides seminars, webinars, continuing education materials and various forms of internal and external assessments to healthcare and hospital communities for the purpose of quality improvement and education.

OURCELL CAPTIVE, PCC (OURCell) provides innovative financial and insurance solutions to the physician, healthcare provider and hospital markets.

SELECT PROFESSIONAL UNDERWRITERS, LLC (SPU) is an insurance agency created to market MAG Mutual Insurance Company's insurance products.

PROFESSIONAL SECURITY INSURANCE COMPANY (PSIC) is an Arizona domestic property and casualty insurer that was created to provide customized and excess and surplus lines insurance for physicians, large groups, hospitals, joint programs and complex risks requiring special underwriting.

For more information about MagMutual or any of its companies, visit MagMutual.com.



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