



 **MagMutual**[®]
2014 ANNUAL REPORT

Our Specialty Is You



Everything we do at MagMutual is to benefit YOU, our owners. From helping to improve your professional environment, to reducing claims, and strengthening patient safety, MagMutual works exclusively on your behalf. This allows you to stay focused on your specialty while we stay focused on ours — you.

Your Policy Is a Promise

When you buy a MagMutual policy, you're buying a promise from a company you own. You shouldn't need a lawyer to understand that promise, so we've simplified and shortened our policy. How many pages of our simplified policy do you need to read to understand that promise?



Instead of the typical 45 pages of legalese, our protection is now outlined in one clear page, followed by the necessary definitions and explanations of the company's promise over the next six pages.



Your Risk of Litigation Is Reduced

Our work to improve patient safety, enact tort reform and pass favorable legislation has reduced your risk of litigation and drastically cut the number of lawsuits. Through MagMutual's efforts, claims against physicians have been reduced by ...



An improved environment has cut claims by half. And that's good for you and your peace of mind.



Your Peace of Mind Improves

For incidents that arise and claims made against you, how often have we kept you out of court?



Historically, we have kept 95% of claims brought against our physicians and hospitals from going to trial.

Your Premiums Are Lower

Fewer claims means lower premiums. As a MagMutual policyholder, on average, how much have your premiums gone down?



The frequency of claims has gone down and the value has gone up. We now give you continually better protection, at an even lower cost.

YOU

We're in Your Corner

Of the small percentage of physicians and hospitals that do go to trial, our winning percentage is ...



In 2014, we earned our 1,000th favorable defense verdict. We have the best lawyers, staff and strategies to give the most favorable outcome.

In addition, we understand the emotional stress this causes and provide support through our Doctor2Doctor® program.



Your Unexpected Adverse Events Are Reduced

Our commitment to patient safety is unmatched. How substantial is our investment in the MagMutual Patient Safety Institute (MMPSI)?



With that \$50 million investment, on behalf of our owners, the MMPSI is developing actionable guidance to reduce unexpected adverse events and keep patients safe by analyzing claims trends across specialties, territories and practice settings.



Your Financial Interests Are Our Top Priority

Protecting our owners is our No. 1 goal,
but MagMutual also keeps
your financial interests in mind.

Retirement is a milestone event in any career, and
MagMutual's Owners Circle® program helps.
What maximum percent of annual premium has
already been put aside for you?

50%

75%

100%

100%

This value-added benefit is unique to
MagMutual Owners.

YOU

Your Money Comes Back to You

How much have we already given back
to our owners?

\$136M

\$118M

\$150M

OVER
\$150M

In 2014 alone, we returned \$14 million
to owners through dividends.





Neil Morrell
President and
Chief Operating Officer

Joseph S. Wilson, MD
Chairman and
Chief Executive Officer

Our Specialty Is You

We have enjoyed another excellent year at MagMutual. We are growing, our finances are in the best shape ever and we now serve more physicians and hospitals than at any point in our history. As leaders of your company, it is vital that we convert this success into benefits for you.

Throughout the year we are often asked how we ensure that MagMutual's success provides value for the policyholders we serve. We would like to share our answers to some of the most common questions with you.





What makes MagMutual unique?

MagMutual exists for one reason and one reason only: You, our owners. We were founded by you and we work every day to deliver benefit to you.

What is different about the way MagMutual sells insurance?

We don't see ourselves as selling insurance. We strive to be objective advisors. Our goal is to help the policyholders fully understand the risk they face, to be able to evaluate the volatility associated with that risk and, in the end, for them to decide what risk they want to keep and what they want to insure. Within the MagMutual family of companies, we offer the whole spectrum of possible insurance solutions — from the most traditional product right through to captive management services with associated reinsurance. Ultimately, this means that our policyholders make the most informed decision possible.

What inspired the Doctor2Doctor® Program?

It was predominately motivated by some of your peers. Several physicians shared with us the profound challenge of dealing with the stress of the litigation process. We began developing a program that would help physicians cope with that stress. In doing so, we considered that physicians often learn best from other physicians, thus the Doctor2Doctor® Program was born. We sincerely believe connecting a physician currently involved in a suit with another physician who has endured the ordeal is the best way we can help our physicians manage the pressure. The results of the program speak for themselves. After having experienced the benefits firsthand, some physicians even become peer advisors for the Doctor2Doctor® Program.

What's another aspect of MagMutual's approach to claims that's distinct?

One thing we do differently is to assign a claims representative to be with our doctors throughout litigation. Our representatives have extensive experience with malpractice trials and can offer invaluable guidance. Often, they become whatever the doctor needs them to be: a confidant, friend, sounding board or counselor. One claims representative told us that another doctor who was part of the suit, but not represented by MagMutual, sought her out to vent her frustrations with the process.



272

HOSPITALS AND
HEALTHCARE FACILITIES



19,060

PHYSICIANS

How will the \$50 million investment in patient safety benefit MagMutual's owners?

The MagMutual Patient Safety Institute is taking the data MagMutual has collected over the years and analyzing it in order to create patient safety guidance based on real evidence. With that evidence we will build customized programs for our physicians and hospitals, helping them to implement patient safety measures. This will help patients and doctors alike experience safer healthcare.

Why offer the Owners Circle®?

We pledge to protect you, our owners, throughout your career, when you're stressed, inundated with patients, and managing everything one day at a time. Retirement is an important moment in anyone's life, but particularly for doctors because they finally have a chance to slow down. We are committed to supporting your choice to slow down by offering some of the money you've invested in your company back to you.

What does MagMutual offer to larger healthcare facilities and hospitals?

For over 30 years we have been involved in the business of medicine. We understand the expertise and knowledge required to manage a bigger healthcare facility or hospital and have created solutions aligned with those specialized needs. Foremost, by offering all the insurance solutions a business requires, our larger policyholders only have to make one call to MagMutual to address all their liability needs. Additionally, we offer customized risk management solutions including tailored on-site seminars and assessments that accomplish your organization's specific goals.

How will MagMutual be affected by all the changes in U.S. healthcare delivery?

Whether it's a rural solo physician practice or an urban mega hospital, there will always be liability associated with treating patients. What's important is that MagMutual remains the best analyzer, evaluator, mitigator and manager of that risk. Our experience, data, knowledge and understanding of healthcare in the Southeast is second to none. MagMutual's ability

IN 2014 WE PAID OVER
\$14 million
in dividends to
policyholders

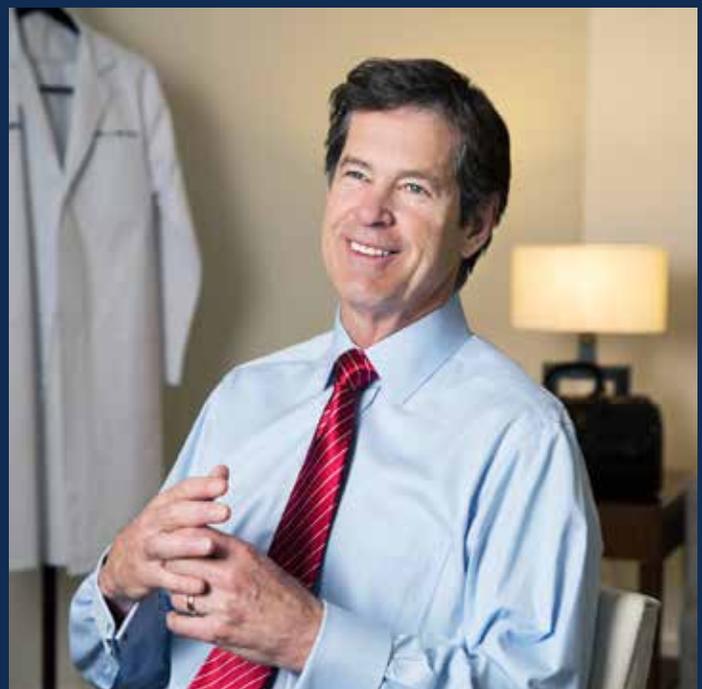
to leverage that expertise for the benefit of the policyholders will not be affected by the changes to healthcare. We will protect our owners from the risks they face in the years to come, regardless of any transformations in healthcare.

Is there one thing you want all your owners to know?

We truly are here for you. Everything we do: the products we create, the services we offer, the insights we share, and the protection we provide, is to benefit you. You can stay focused on you and your patients because we stay focused on YOU.

For a more in-depth look at the company's accomplishments and financials, please access your Annual Report online at: annualreport.magmutual.com.

Paul Powell *Joseph S. Wilson, Jr. MD*



Financial Highlights



as of December 31	2014	2013	2012	2011
Total Admitted Assets	\$ 1,635,632,572	\$ 1,609,939,340	\$ 1,543,671,903	\$ 1,510,375,252
Gross Written Premium	\$ 243,037,477	\$ 241,529,771	\$ 239,563,167	\$ 253,264,604
Net Income	\$ 45,206,535	\$ 52,030,267	\$ 43,712,858	\$ 66,207,172
Policyholders' Surplus	\$ 773,261,314	\$ 740,346,728	\$ 667,493,246	\$ 610,096,938
Claim Reserves (Net)	\$ 503,864,578	\$ 530,194,712	\$ 550,321,000	\$ 565,243,000

Figures represent results for MAG Mutual Insurance Company prepared under Statutory Accounting Principles as promulgated by the National Association of Insurance Commissioners.

Total Admitted Assets

in millions

2012	\$1,544
2013	\$1,610
2014	\$1,635

Policyholders' Surplus

in millions

2012	\$667
2013	\$740
2014	\$773

Physicians

2012	17,548
2013	19,044
2014	19,060

Hospitals and Healthcare Facilities

2012	255
2013	269
2014	272



Condensed Statements of Admitted Assets, Liabilities and Surplus

as of December 31	2014	2013
ADMITTED ASSETS		
Cash and invested assets		
Bonds and stocks	\$ 1,333,677,013	\$ 1,389,985,155
Cash, short-term investments and other invested assets	186,445,652	117,365,571
Total cash and invested assets	1,520,122,665	1,507,350,726
Agents' balances in course of collection	71,043,108	69,544,422
Net deferred tax asset	21,556,225	13,861,901
Other assets	22,910,574	19,182,291
Total admitted assets	\$ 1,635,632,572	\$ 1,609,939,340
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Reserves		
Reserves for losses and loss adjustment expenses	\$ 503,864,578	\$ 530,194,712
Unearned premiums	137,188,440	140,673,640
Total reserves	641,053,018	670,868,352
Funds held under reinsurance treaties	144,694,914	135,603,498
Deferred compensation and retirement plan	34,878,160	28,955,947
Other liabilities	41,745,166	34,164,815
Total liabilities	862,371,258	869,592,612
Surplus notes	60,000,000	60,000,000
Unassigned surplus	713,261,314	680,346,728
Total policyholders' surplus	773,261,314	740,346,728
Total liabilities and policyholders' surplus	\$ 1,635,632,572	\$ 1,609,939,340

Condensed Statements of Income

as of December 31	2014	2013
Net premiums written	\$ 194,050,656	\$ 197,529,893
Change in unearned premiums	3,485,200	(481,626)
Premiums earned	197,535,856	197,048,267
Losses and expenses		
Loss and loss adjustment expenses	146,945,224	127,004,604
Underwriting and administrative expenses	54,406,832	52,897,167
Total underwriting deductions	201,352,056	179,901,771
Net underwriting gain	(3,816,200)	17,146,496
Net investment income including net realized capital gains of \$32,779,449 and \$22,383,251 in 2014 and 2013, respectively	63,168,795	57,521,073
Other income	2,176,462	1,207,782
Net income before dividends, after tax on capital gains and before all other federal income taxes	61,529,057	75,875,351
Dividends to policyholders	14,688,719	15,204,835
Net income after dividends, capital gains and before all other federal income taxes	46,840,338	60,670,516
Federal income tax expense	1,633,803	8,640,249
Net income	\$ 45,206,535	\$ 52,030,267

YOU

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 three wholly-owned insurance subsidiaries, Professional Security Insurance Company, South Carolina Physician Assurance Company and Our Cell Captive, P.C.C. Inc. The Company additionally has five wholly-owned non-insurance subsidiaries, MAG Mutual Insurance Agency, LLC, MAG Mutual Financial Services, LLC, Select Professional Underwriters, LLC, MAG Mutual Institute for Patient Safety, LLC, and MAG Mutual Foundation, Inc.

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 95% 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 States 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 dated April 1, 2015, 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.



YOU

There's a Theme in
Everything We Do ...
and It's



PO Box 52979 | Atlanta, GA 30355
404-842-5600 | (Toll Free) 1-800-282-4882
(General Office Fax) 404-842-5614
(To submit a claims history by fax) 404-848-8610

Insurance products and services are issued and underwritten by MAG Mutual Insurance Company and its affiliates.