

Dear PolicyOwners,

The challenges you face every day are daunting. The expectations can be unrealistic, the demands endless, resources limited, bureaucracy mountainous and the stress acute. Bad outcomes are often unavoidable and, even in the absence of fault, people need to find someone to blame.

Unfortunately, MagMutual doesn't have the ability to remove all of these issues, but we can do our part to support you. In the last year alone, we continued to provide complimentary UpToDate[®] subscriptions, collectively saving PolicyOwners millions of dollars. We have paid out record dividends, reducing the cost of liability insurance by close to 13%. We employed more staff attorneys to provide free advice on HIPAA, regulatory and employment concerns. We continued to lead the industry in securing the best defense for those unfortunate enough to face a lawsuit, and we have done more than ever in helping you maintain the most robust and effective of risk management programs.

Due to your tireless work serving patients in your communities, you are being successful, despite the head winds. Because of this dedication, we are seeing so many of you grow and expand both locally and nationally. This growth, combined with your trust in us, means we are currently insuring more physicians, hospitals, facilities, and healthcare teams than at any time in our history.

MagMutual has also faced challenges, not the life and death issues that you face, but significant challenges nonetheless. Overall demand for liability insurance has been falling consistently since 2006. The consolidation seen in US healthcare delivery has led to changing needs and expectations, with risk and liability growing more pronounced and complex. Additionally, interest rates remain historically low, the stock markets are volatile, claims frequency has stopped falling and, in some areas, is rising. Additionally, the severity of claims and cost of jury awards keep going up.

You are having to do more than ever before and, as your partner, MagMutual is also working harder and smarter. Your motivation comes from serving your patients and ours comes from our commitment to serving you. For this reason, it's particularly satisfying that 2017 was such a strong year for MagMutual.

Your support enabled us to lead the industry in terms of organic growth. Nearly every PolicyOwner who could stay with us chose to, and those remaining tended to enjoy significant growth in their own practices. We also added many new healthcare professionals and facilities into the MagMutual community. What was also very encouraging was that an ever-increasing number of you now trust us to manage all aspects of liability involved in healthcare delivery. Accordingly, we are insuring more exposures relating to workers' compensation, employment practices, directors & officers', regulatory, cyber, general and umbrella liabilities than at any other time.

Over the last five years we have given back more dividends than in the previous 30 years.

All these developments were reflected in our direct written premium growing over 10% to \$302M, our invested surplus increasing to \$837M, and our asset base to \$1.7B. This financial success enabled us to, once again, give back historic dividend levels, nearly \$32M. In fact, over the last five years we have given more dividends back to PolicyOwners than in the previous 30 years.*

Despite giving so much back, we made net income (profit after tax and dividends) of \$24.5M (pre-tax and dividends the figure was \$62M).

Our role always has, and always will be to help you avoid litigation in the first place and, in 2017, 98% of our claims were resolved without subjecting our insureds to trial. Additionally, 81% of those resolutions were achieved without indemnity payments. Of the 2% of cases that proceeded to trial, our insureds obtained a favorable outcome 88% of the time. MagMutual really has continued to offer the best defense and support possible.

Today, there are more patients than ever seeing more physicians, receiving more and more complicated procedures. We look forward to helping you face the resulting issues and opportunities in the years to come. We know you have a choice, we thank you for choosing us and we promise to always put your interests, as an owner of this company, first.

Sincerely,

A handwritten signature in black ink that reads "Joe".

Joe Wilson, MD
Executive Chairman

A handwritten signature in black ink that reads "Neil".

Neil Morrell
President and CEO

*Dividends and Owners Circle allocations are delared at the discretion of the MagMutual Board of Directors.