

MPM | Missouri
Professionals
Mutual

RE-EMPOWERING MISSOURI PHYSICIANS

2009

ANNUAL
REPORT

ELEMENTS
of **SUCCESS**

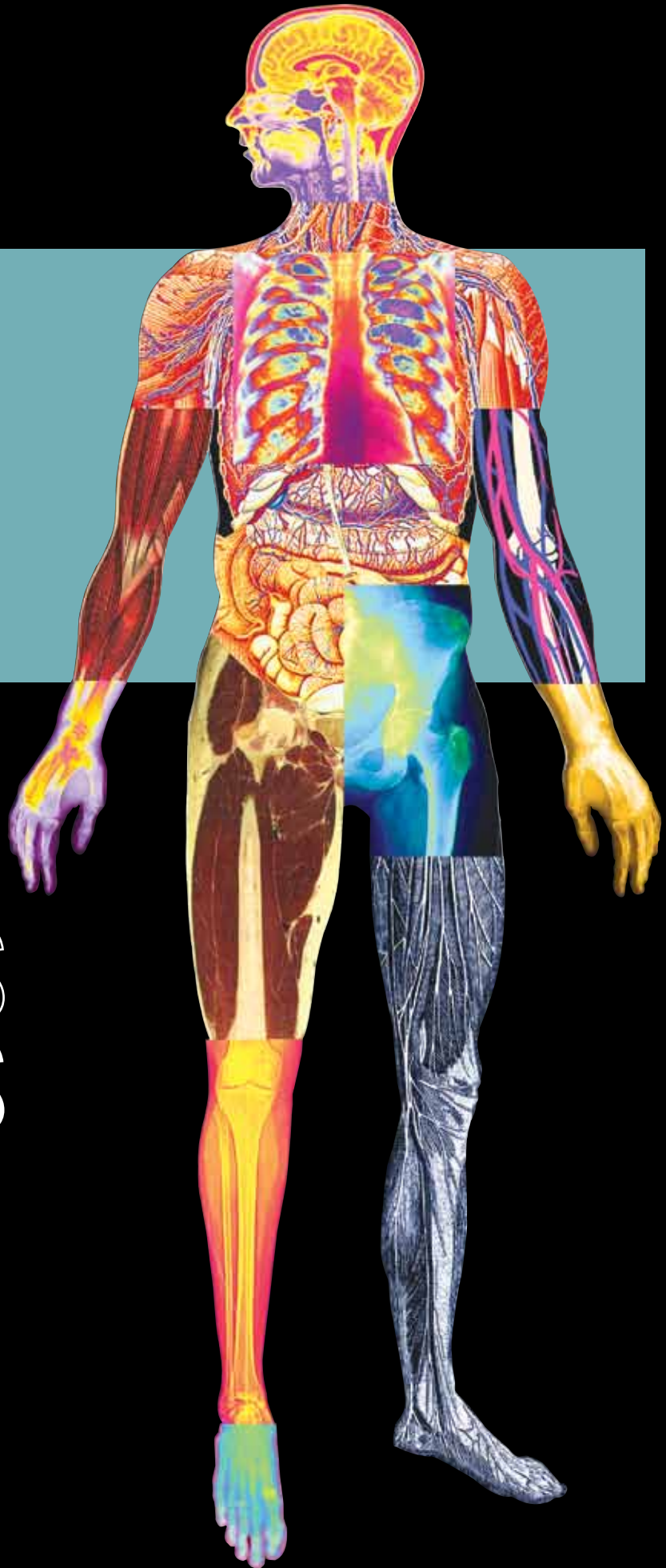


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MPM's stalwart advocacy of medical professionals made it the state's **#1** choice for professional liability insurance for the **sixth consecutive year.**

FROM *the* MANAGING DIRECTOR

Since our inception in 2003, MPM has taken great pride in our role as a quantifiable difference-maker for the physicians and surgeons who practice in Missouri. In 2009, our operational efficacy and stalwart advocacy maintained our position as the state's #1 choice for professional liability insurance for the sixth consecutive year. Equally gratifying, several actuarial firms have estimated that MPM's presence in this marketplace has resulted in a direct savings of over \$250 million in medical professional liability premiums.

As those of you who have been with us from the beginning will recall, prior to the arrival of MPM in the marketplace, Missouri physicians were being egregiously overcharged by the professional liability insurance companies whose primary purpose was, and remains, an obscene bottom line. Since MPM surfaced with our singular focus on Re-Empowering Missouri Physicians, these unscrupulous companies have paid for their greed by suffering significant losses in market share. Keep in mind, these companies once insured nearly 76% of Missouri's physicians and surgeons. Now, at the end of 2009, their combined market share represents less than 24%, while MPM's market share has grown to approximately 35%.

Predictably, in recent years a multitude of opportunists have entered the Missouri market seeking to emulate the success of MPM. In my opinion, these operators have a superficial knowledge of and experience in our industry. Their ability to build a medical liability insurance company capable of a continued viable operation over the long haul is questionable, at best. My fervent hope is that the trepidation I express for physicians

"insured" by these me-too companies will inspire them and their business managers to thoroughly re-evaluate their choice of insurers. In this regard, I believe the fact that MPM wrote more than \$40 million in premiums in 2009 – a sum greater than our three next largest competitors combined – is telling.

Yet, even as these imitators seek to undermine us, MPM is staying on the path of financial prudence and forging ahead with new initiatives that heighten the intrinsic value of a professional liability policy bearing the MPM name.

Foremost among the notable achievements of 2009 was a better than 25% year-to-year increase in policyholder surplus to an all-time high of \$17.2 million. Our conservative investment philosophy also guided our investment portfolio through a perilous financial market with zero loss of principal. On another bright note, the Missouri Department of Insurance conducted its second triennial audit of MPM in 2009. The state auditors reaffirmed our stated financials since inception, as we expected.

Operationally, MPM continued to set the standard by which others should be judged. We have closed 87% of all claims received since our inception and closed them 3.5 times faster than the state average. MPM also sustained its record of success in effectively defending its physician-partners. Since inception, more than 80% of all claims closed by MPM required no indemnity payment. When payment was required, it was 31% less than the state average.

MPM was also proud to publicly support Missouri physicians by

preparing an Amicus Brief and filing it with the Missouri Supreme Court as it examined the constitutionality of 2005 Missouri tort reform legislation. We were the only physician liability insurer to do so.

MPM became Missouri's first and only carrier to develop and launch a 100% web-based risk management, continuing medical education (RM-CME) curriculum.

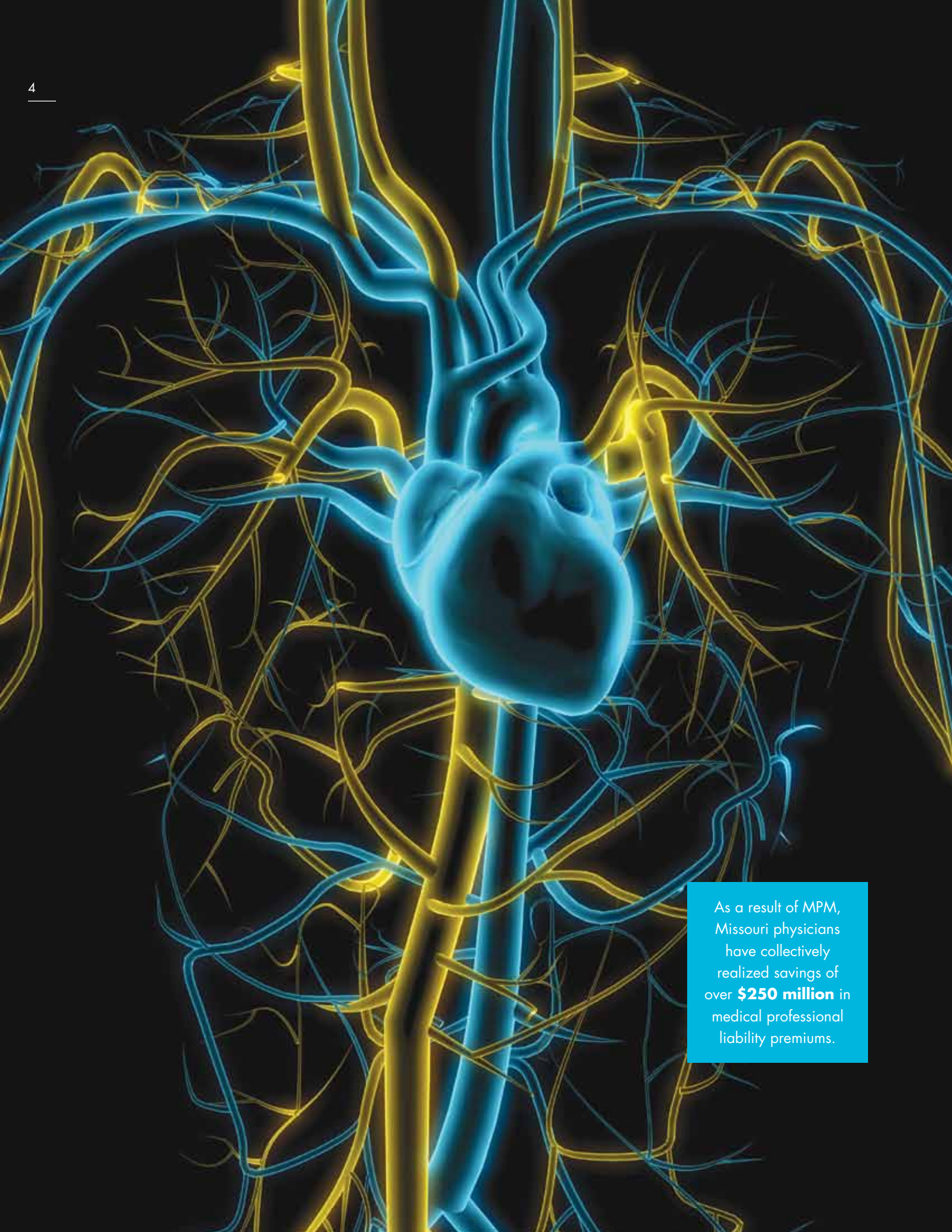
In closing, know that MPM will NEVER take its market leadership role for granted. While we can not promise the lowest premium, we can promise that it is a final premium - not a deposit. We can promise that in 2010, for the eighth consecutive year, MPM will file no rate increases. We can promise that our financial foundation is actuarially sound, that we will continue to reinsure every policy we issue, and that we will never cease to provide the best-of-class service to those we humbly serve.

I remain dedicated to enhancing the practice of medicine and its availability in Missouri, just as I remain resolute in the belief that Re-Empowering Missouri Physicians is central to attaining our mutual objective.

Warmest regards,



Timothy H. Trout
Managing Director



As a result of MPM, Missouri physicians have collectively realized savings of over **\$250 million** in medical professional liability premiums.

COMMITMENT to PHYSICIANS

The Heart Of A Champion

Re-Empowering Missouri Physicians is the mission of MPM. In pursuing that goal since our inception in 2003, MPM has functioned as a cost-saving catalyst by stabilizing the premiums paid by physicians and surgeons for medical professional liability insurance. The on-going support of MPM's physician-partners (Our average annual policy renewal rate is more than 96%.) has made it #1 in market share, #1 in premium dollars and #1 in membership statewide since 2004.

An innovative business model combined with a commitment to writing only actuarially sound insurance policies supported by best-in-class claims management that decisively and aggressively defends the physicians it insures has enabled MPM to prevail in the Missouri marketplace. Our physician-partners also value our open, honest communication and

transparent business operations. The challenging economic environment of the past two years has compelled some of MPM's competitors to resort to predatory pricing. At MPM, we are profoundly concerned about the ramifications of that short-term business strategy on the long-term financial viability of these companies. The core issue we raise is found in every company's independent actuarial report in Exhibit B, Loss Reserve Disclosures, Question 6, which asks: *"Is there a significant risk of material adverse deviation?"* This is a "Yes" or "No" question, and as such, removes any ambiguity proffered by those selling such a product.

In 2009, MPM remained true to its proven, winning business model. Doing so produced positive outcomes. Among them: increasing shareholder surplus by 25% to a record-setting \$17.2 million;

continuing to reinsure every policy written; becoming the first, and only, Missouri carrier to create and deploy a 100% web-based RM-CME curriculum; and expanding our educational outreach to physicians both in-person and via our website.

Just as our physician-insureds wholeheartedly refer MPM to their colleagues, we were proud to publicly champion Missouri physicians in 2009 by funding the filing of an Amicus Brief with the Missouri Supreme Court in support of 2005 Missouri tort reform legislation. MPM was the only physician liability insurer to do so. Many of our competitors have shamelessly asserted that they alone were responsible for the passage of tort reform in 2005. To us, this begs the question. Now that tort reform has been challenged, where are they?

"When faced with an unbelievable increase in premiums for the 12 people in my practice, we turned to MPM and were able to save \$250,000. I continue to be impressed by MPM's claim management...and with the extraordinary service provided by MPM."

Edward A. Bruns, D.O. Rolla, MO

FINANCIAL HIGHLIGHTS

IN 2009, MPM
REALIZED A **25%**
INCREASE IN SURPLUS
TO \$17.2 MILLION.



	2005	2006
Admitted Assets	\$50,565,428	\$63,800,304
Direct Premiums Written	\$42,450,735	\$41,270,790
Net Written Premium	\$36,519,812	\$41,270,790
Net Underwriting Gain (Loss)	\$716,980	\$3,307,621
Net Investment Gain (Loss)	\$916,997	\$1,647,997
Net Income (Loss)	\$487,884	\$2,799,266
Net Reserves for Unpaid Losses	\$28,041,250	\$39,289,000
Policyholder Surplus	\$1,966,709	\$2,062,694

The balance sheet of an insurance company is its financial backbone. In achieving positive results in 2009, MPM further strengthened its balance sheet. Particularly impressive was the \$17.2 million in surplus it recorded – a gain of more than 25%. These positive financial outcomes are a clear testament to the inherent value of the mutual trust, faith and respect that MPM cultivates in its professional partnerships with physicians and surgeons.

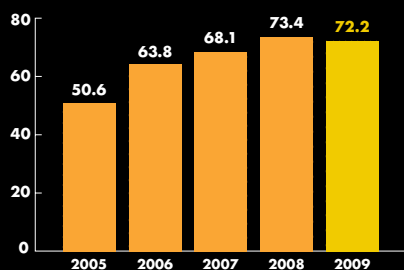
MPM continues to prosper by sustaining its disciplined approach to collecting actuarially sound premiums and to proactively managing claims.

“MPM never strays from the path of smart, conservative, responsible portfolio management. It is a joy to collaborate with MPM in the management of its rock-solid investment portfolio.”

Lawrence V. Niemann, Jr., Member of LV Niemann Consulting Group, LLC, St. Louis, MO

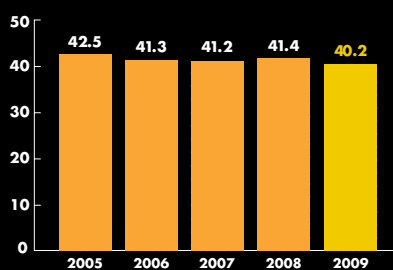
ADMITTED ASSETS

in Millions



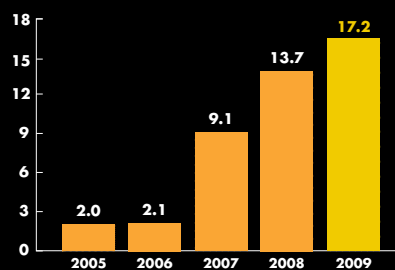
DIRECT PREMIUMS WRITTEN

in Millions



POLICYHOLDER SURPLUS

in Millions



2007

2008

2009

\$68,124,556	\$73,396,433	\$72,184,313
\$41,213,754	\$41,440,608	\$40,216,180
\$38,407,093	\$40,677,430	\$39,485,552
\$5,307,649	\$5,411,015	\$4,550,143
\$2,337,748	\$1,833,746	\$795,918
\$5,284,682	\$4,712,714	\$3,602,188
\$31,658,784	\$30,807,217	\$23,152,768
\$9,064,620	\$13,717,531	\$17,214,866



INVESTMENT REPORT

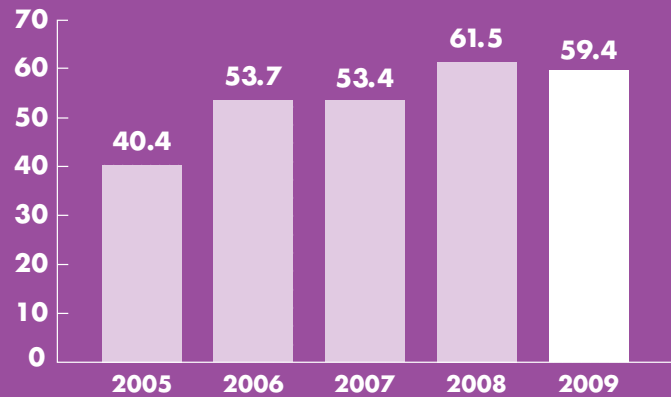
CASH AND INVESTMENT SUMMARY

	2005	2006
Cash & Cash Equivalents	\$2,366,026	\$16,800,755
Bonds	\$35,600,958	\$33,961,245
Real Estate Owned	\$2,427,442	\$2,984,485
Total Cash & Investments	\$40,394,426	\$53,746,485

Missouri Professionals Mutual has developed an investment policy which focuses on optimizing returns while taking a conservative approach to preserving principal. The result is that once again in 2009, there have been no realized or unrealized losses in the entire MPM investment portfolio.

In this volatile marketplace, MPM has chosen to remain steadfast in its conservative approach to investing. The interest rates available for these secure investment instruments have dictated the returns. Multiple investment advisors are retained in order to meet and achieve the objectives determined by the MPM investment committee.

TOTAL CASH & EQUIVALENTS in Millions



“A conservative investment philosophy has served MPM well since 2003 and promises to remain the surest way to safeguard capital while earning a respectable rate of return in the coming decade.”

Richard T. Meyer, CPA, Director, Treasurer

2007

2008

2009

\$16,902,676

\$9,825,255

\$31,331,626

\$33,560,314

\$48,777,631

\$25,256,039

\$2,921,208

\$2,850,088

\$2,772,165

\$53,384,198

\$61,452,974

\$59,359,830



ACTUARIAL CONFIDENCE

"Surplus is a measure of financial strength of which there is no substitute. By this measure, MPM has grown rapidly and steadily since its founding. This strength gives the company a wide selection of financial options, such as purchasing the most effective reinsurance, and also allows management to make decisions with a steady, long-term and confident look at the future. MPM has truly come of age."

James P. Streff, F.C.A.S., M.A.A.A. President, Streff Insurance Services, Red Wing, MN

Streff Insurance Services
406 West Third Street, Suite 450 | Red Wing, MN 55066
651.385.7500
www.streffinsurance.com



MISSOURI PROFESSIONALS MUTUAL

Statement of Actuarial Opinion
As of December 31, 2009

Exhibit B: LOSS RESERVE DISCLOSURES

	COLUMN 1		
1. Name of the Appointed Actuary.	LAST: Streff	FIRST: James	MID: Peter
2. The Appointed Actuary's Relationship to the Company. <i>Enter E if an Employee, or C if a Consultant.</i>		C	
3. The Appointed Actuary is a Qualified Actuary based upon what qualification? <i>Enter F if a Fellow of the CAS, A if an Associate CAS, M if not a member of the CAS but a Member of the AAA approved by the Casualty Practice Council, as documented with the attached approval letter, O for Other.</i>		F	
4. Type of Opinion, as identified in the OPINION Paragraph. <i>R if Reasonable, I if Inadequate or Deficient Provision, E if Excessive or Redundant Provision, Q if Qualified. Use Q when part of the OPINION is Qualified. N if No Opinion.</i>		R	
5. Materiality Standard expressed in \$US (Used to Answer #6).		\$4,500,000	
6. Is there a Significant Risk of Material Adverse Deviation?		Yes <input type="radio"/> No <input checked="" type="radio"/>	
7. Statutory Surplus.		\$17,214,866	
8. Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P.		\$345,000	
9. Discount included as a reduction to loss reserves and loss expense reserves as reported in Schedule P.			
9.1) Nontabular Discount		\$0	
9.2) Tabular Discount		\$0	
10. The net reserves for losses and expenses for the company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and expenses that are included in reserves shown on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines.		\$0	
11. The net reserves for losses and loss adjustment expenses that the company carries for the following liabilities included on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expense lines.*			
11.1) Asbestos, as disclosed in the Notes to Financial Statements		\$0	
11.2) Environmental, as disclosed in the Notes to Financial Statements		\$0	
12. The total claims made extended loss and expense reserve (Schedule P Interrogatories).			
12.1) Amount reported as loss reserves		\$595,668	
12.2) Amount reported as unearned premium reserves		\$0	
13. Other items on which the Appointed Actuary is providing relevant Comment (list separately).		\$0	

* The reserves disclosed in item 11 above, should exclude amounts relating to contracts specifically written to cover asbestos and environmental exposures. Contracts specifically written to cover these exposures include Environmental Impairment Liability (post 1986), Asbestos Abatement, Pollution Legal Liability, Contractor's Pollution Liability, Consultant's Environmental Liability, and Pollution and Remediation Legal Liability.



MPM has secured
reinsurance on
EVERY policy issued
since inception.

REINSURANCE SECURITY

To further solidify our financial footing, MPM has purchased reinsurance for each and every policy issued.

Our reinsurance strategy to protect against catastrophic loss is secured through internationally respected insurance companies, including Lloyd's of London syndicates. Since inception, MPM's reinsurers have deployed independent auditors and actuaries to analyze our business and financial foundation. In 2009, these syndicates and companies again validated our business acumen and endorsed the efficacy of our business model and claims management strategy. In fact, when discussing MPM, one reinsurer said, "MPM is the company by which all other medical malpractice carriers in North America should be measured."

"Time tests all things, and MPM continues to prevail. From its early days of pioneering a solution to the state's insurance availability crisis to its current position as a premier professional liability insurer, MPM remains stalwart in the Missouri market. It advocates vociferously for insureds and strives to achieve quick and compassionate settlement. In a time when physician insurers are moving from state to state because of bottom line decisions, MPM remains steadfast in its commitment to Missouri's medical care providers."

Robert F. Kennedy, President, ReSource Intermediaries, Inc., San Francisco, CA



"We leave no stone unturned in the defense of our members. We are there to lead the fight on their behalf every step of the way. We realize how distracting and disruptive a claim can be to a practice. That is why we act quickly to chart a decisive course of action and expediently resolve any new claim."

Jodi Sease, R.N., President, MPM Claims Management

As of Dec. 31, 2009,
MPM has closed
87% of all claims
received since
inception.

CLAIMS MANAGEMENT

MPM's proactive claims philosophy continues to speak for itself.

When a claim is made against an MPM insured, MPM's claims management team immediately deploys coordinated expert resources to build an effective defense. The team executes a three-step process to expedite the claim's course of action:

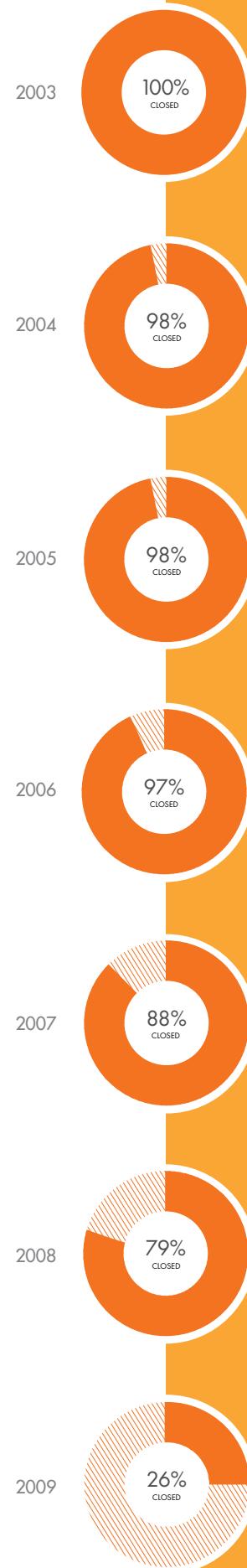
- ① Immediately assemble all factual and relevant evidence.
- ② Determine the insured's liability, if any.
- ③ Resolve the claim based on the facts.

Further, MPM searches far and wide to identify attorneys and experts who have compiled a superior record of success in defending like cases. MPM engages only the best of the best to preserve and protect the reputation of the physicians we insure.

The MPM claims team has accomplished remarkable, proven success.

- MPM has closed more than 87% of all claims received since inception.
- Of all claims closed since inception, more than 80% were closed with no indemnity payment.
- Of those closed with indemnity payments, MPM's average indemnity payment was 31% less than the state average.*
- MPM closes claims 3.5 times faster than the state average.*

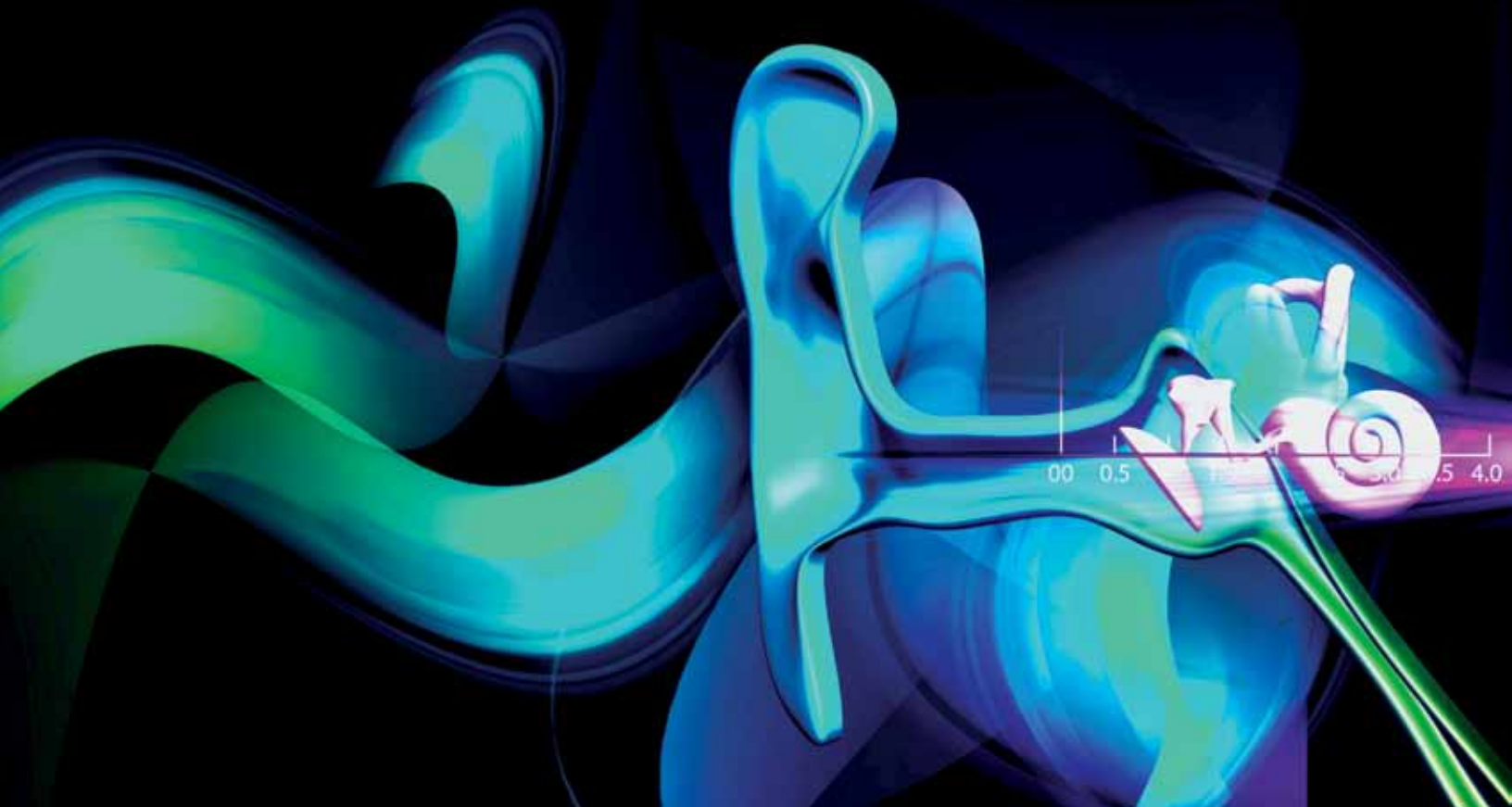
* State average includes MPM data



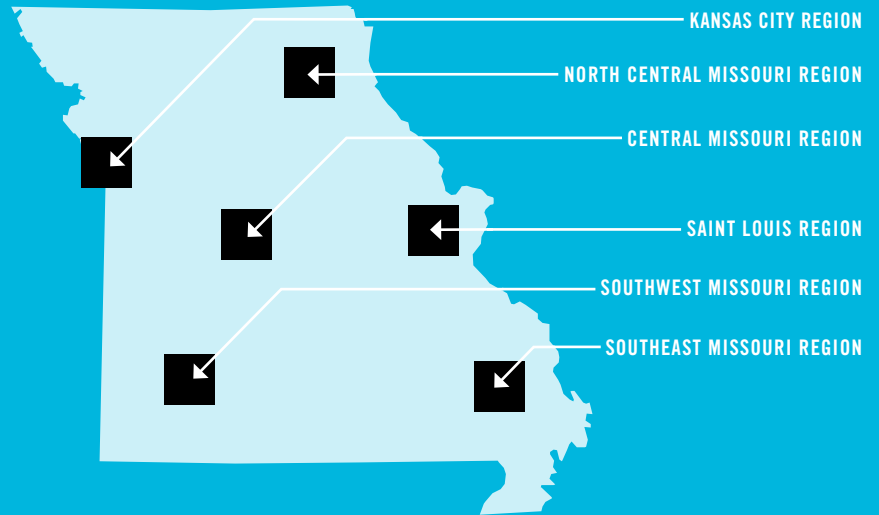
MPM'S REGIONAL PHYSICIAN ADVISORY BOARDS
ARE COMPRISED OF MEDICAL PROFESSIONALS THAT
REPRESENT A VARIETY OF DISCIPLINES.

MPM is the only
Missouri-based
medical liability
insurer to offer a
100% web-based
RM-CME curriculum.

ADVISORY BOARDS



MPM REGIONAL ADVISORY BOARDS



MPM listens, so that we can learn. The insights of the physicians who form our six regional advisory boards are vitally important to us. They sensitize us to emerging issues in the contemporary healthcare workplace. They guide us in our quest to be of ever greater value to MPM insureds.

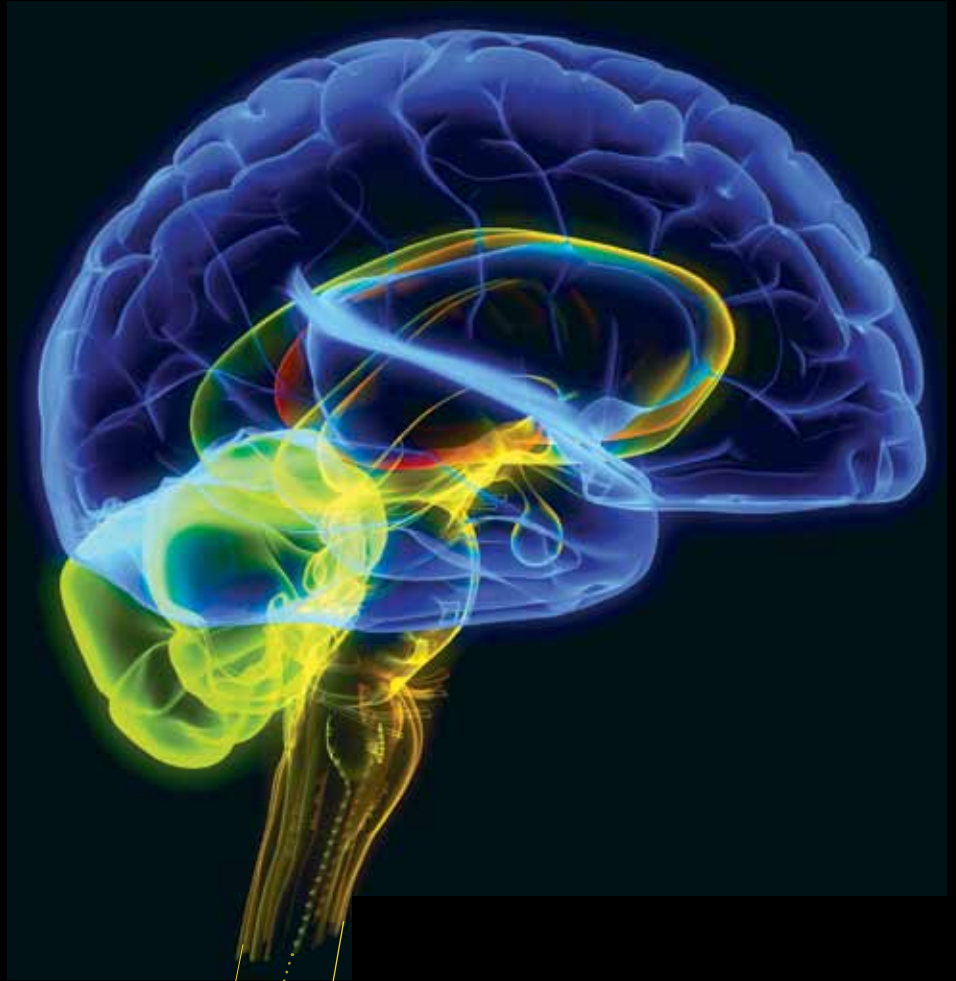
James L. Trout, Jr., president of MPM Client Services, is MPM's chief advisory board liaison. In addition, he oversees MPM's web-based curriculum of risk management CME courses and works with new physicians interested in joining the ranks of MPM insureds.

Jim welcomes your input.

We encourage you to contact him at 314.587.8008 or jim@mpmins.com

"MPM is putting doctors back in the driver's seat. I really appreciate the ability to have ownership and control over the insurer and not vice versa. Without MPM, I would have to seek employment at a hospital. With MPM, I can continue to practice independently – as I want to."

Douglas W. Beal, M.D., M.H.A., Columbia, MO



MPM IS MANAGED BY INSURANCE PROFESSIONALS WHO COMBINE OVER **300 YEARS** OF MEDICAL PROFESSIONAL LIABILITY INSURANCE EXPERIENCE.

Since its inception in 2003, MPM has **NEVER** raised its filed rates.

BOARD *of* DIRECTORS



Timothy H. Trout



John M. Lorei, M.D.



Richard T. Meyer, CPA

The directors of MPM are ever mindful of their fiduciary responsibility to the physicians the company insures. Directors thoughtfully apply their collective experience and knowledge to assure that MPM is competently managed as it remains true to its founding mission – to Re-Empower Missouri Physicians.

“Our group was in crisis in 2003 when our insurer told us that our malpractice rates were going to increase over 300% at renewal. I called Tim Trout to learn about the new company he had formed. My group was skeptical that any malpractice carrier would treat physicians as anything other than premiums. After dozens of hours of conversation with Tim, it became clear that MPM was different. MPM cared – about providing quality malpractice insurance, defending its physicians and most importantly, about the human cost to physicians when allegations of malpractice are made. MPM has consistently exceeded all expectations. It is the standard against which all malpractice carriers should be judged.”

John M. Lorei, M.D., Kansas City, MO

MPM BENEFITS FROM THE **EXTENSIVE NETWORK** OF STRONG WORKING RELATIONSHIPS IT HAS ESTABLISHED WITH SUBJECT EXPERTS WHOSE KNOWLEDGE IS CRITICAL TO THE DEFENSE OF THE PHYSICIANS IT INSURES AND TO THE BEST PRACTICE OF MEDICAL LIABILITY INSURANCE UNDERWRITING. THE UNIQUE OUTSOURCING MODEL MPM APPLIES OPTIMIZES OPERATIONAL EFFICIENCY AND EFFICACY.



PROFESSIONAL ALLIANCES

ACTUARIAL TEAM

Streff Insurance Services

BANKING

United Missouri Bank

CO-COUNSEL

Anderson & Gilbert, P.C.

Blanchard, Robertson, Mitchell & Carter, PC

Blanton, Rice, Nickell, Cozean & Collins L.L.C.

Bradshaw, Steele, Cochrane & Berens, L.C.

Buckley & Buckley, L.L.C.

David I. Hares Esq. & Associates

Gibbs, Pool and Turner, P.C.

Gonnerman Reinert, L.L.C.

Haden, Cowherd & Bullock, L.L.C.

Horn Aylward & Bandy L.L.C.

Hyde, Love & Overby, L.L.P.

Logan, Logan & Watson, LC

Luther & Associates

Neville, Richards & Wuller, LLC

Rabbitt, Pitzer & Snodgrass, P.C.

Sandberg Phoenix & von Gontard, P.C.

Schreimann, Rackers, Francka & Blunt, L.L.C.

Smith Lewis, L.L.P.

CORPORATE ACCOUNTING

L V Niemann Consulting Group, LLC

Kerber, Eck & Braeckel

Stroh Ballweg

CORPORATE COUNSEL

Polsinelli Shughart P.C.

GENERAL COUNSEL

Cantalin Law Firm, L.L.C.

INSURANCE BROKER

The Cornerstone Insurance Group

LOBBYIST

John Bardgett & Associates

MARKETING & PUBLIC RELATIONS

Casey Communications

KRB Creative

Studio 2108

MEDICAL PROFESSIONAL LIABILITY BROKER

The Keane Insurance Group

REINSURANCE BROKER

ReSource Intermediaries, Inc.

RISK MANAGEMENT

MPM Client Services, L.L.C.



RE-EMPOWERING MISSOURI PHYSICIANS

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