



TODAY TOMORROW

2010 Annual Report



MAG MUTUAL[®]

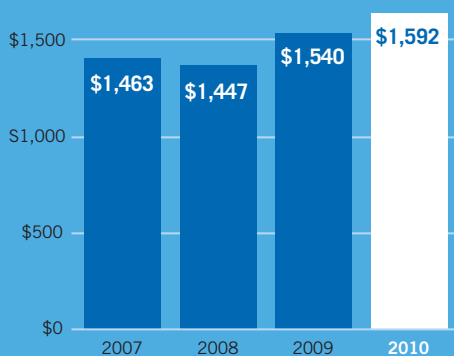
Because your patients come first.

Financial Highlights

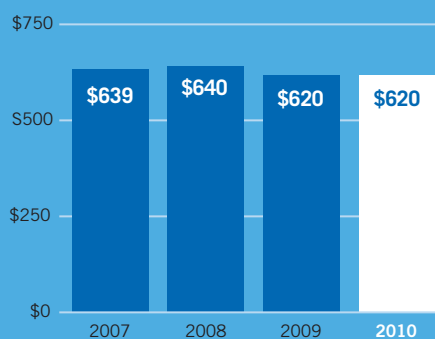
MAG Mutual Insurance Company is rated A- (Excellent) by A.M. Best

| | December 31 | | | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 2007 | 2008 | 2009 | 2010 |
| Physician Policyholders/Owners* | 17,163 | 17,219 | 17,056 | 17,208 |
| Total Assets* | \$ 1,463,110,708 | \$ 1,447,456,551 | \$ 1,539,533,515 | \$ 1,592,376,250 |
| Gross Written Premium* | \$ 318,462,220 | \$ 300,155,075 | \$ 274,252,522 | \$ 295,757,596 |
| Net Income* | \$ 63,361,581 | \$ 56,154,618 | \$ 63,442,418 | \$ 58,308,316 |
| Policyholders' Surplus* | \$ 309,311,491 | \$ 332,239,288 | \$ 452,764,983 | \$ 523,577,768 |
| Claims Paid* | \$ 194,836,196 | \$ 192,725,116 | \$ 177,121,981 | \$ 169,665,861 |
| Claim Reserves (Net)* | \$ 639,362,641 | \$ 640,365,302 | \$ 619,799,365 | \$ 620,114,365 |

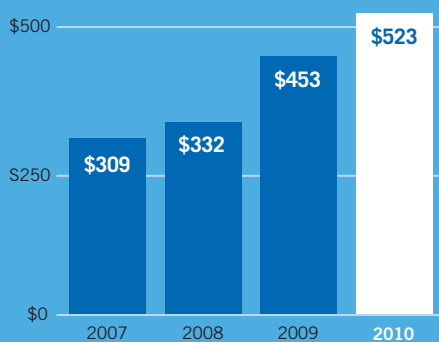
Total Assets (in millions)



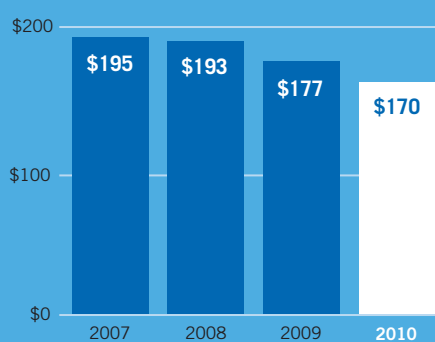
Net Amount Reserved for Pending Claims (in millions)



Policyholders' Surplus (in millions)



Claims Paid (in millions)



* Figures represent consolidated results for MAG Mutual Insurance Company and subsidiaries prepared under Generally Accepted Accounting Principles (GAAP) basis.

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THOUGHTS ON TODAY ... AND TOMORROW

An interview with retiring Chairman
and CEO Dr. Roy W. Vandiver



At the end of 2010, Dr. Roy W. Vandiver announced his retirement, effective June 30, 2011. He has served on the Board of Directors of MAG Mutual Insurance Company for 22 years and has been Chairman since 1999. Dr. Vandiver shares his perspective on where the company is – and where it's going.

We are as local as a medical liability insurance company can get. Many people don't realize that. We have offices in most of the states we serve, and we hire local people to manage claims and provide risk management advice and tools. We carefully select and work with law firms in each state. In nearly every case, claims are first reviewed by local physicians. All of this is important, because once a physician is sued, that case is going to be tried in his or her state.

I love to travel. When I meet with physicians in practices large and small who are thinking about joining MAG Mutual, I want them to know who I am, and why I think MAG Mutual is a perfect fit.

All the physicians who have served on our state Claims Committees will say they're now a better physician from having served on the committee. Because when you review a claim, you review everything. *Everything.*

If a physician insists on going to trial – well, we're going to trial.

If you start settling cases without merit, you open a door. And there's no telling how many cases are going to start coming through that door.

There aren't a lot of layers of leadership here at MAG Mutual. We're all here to get the job done. All employees are involved in making the company a success. That is our culture.

I know some physicians who look at a medical liability insurance policy as a convenience to keep them out of court. It's not. It's a policy that helps protect their reputation.

You can always find time for things that need to get done.

Physicians can't accomplish long-term tort reform on their own. They should partner with Chambers of Commerce, their state medical societies, other interested groups and MAG Mutual.

We need more physicians to run for public office. It's important for their voice to be heard in policymaking.

It's hard for the AMA to effectively go before Congress when only 15 percent of all physicians are members. So yes, physicians need to join the AMA and be much more involved and active.

When I became Chairman, we insured 5,000 physicians. All were in Georgia. Now we serve more than 17,000 physicians in nine states. We've more than tripled the insureds we serve and most importantly, have never lost our focus on the individual physician policyholder as a member of the MAG Mutual family.

I couldn't have done this without the support of Maureen, my wife.



ON THE MOVE: MAG MUTUAL

Our position is **strong**. Our direction is **clear**.

In your mind, you have a clear picture of where your medical practice is today. And you probably have a good idea where it's going tomorrow.

It's important that you have a similar view of MAG Mutual – because whether you own a practice or work for one, as a MAG Mutual policyholder and a MAG Mutual owner, you have a stake in the company.

The short version: Physician-owned and physician-led MAG Mutual is the picture of stability and commitment. Consider the evidence:

1. 2010 was one of the best financial years in the company's history. Assets reached a record level (\$1.5+ billion). So did policyholder surplus (\$523.6 million). Invested assets generated a 6.5 percent return, beating the benchmark by nearly half a percent. And in June 2010, the rating organization A.M. Best not only affirmed our financial strength at A- (Excellent), it upgraded our outlook from Stable to Positive.

This financial strength benefits you: **In April 2011, the Board voted to authorize the largest dividend in MAG Mutual history – \$16.5 million back in the pockets of you and all of our policyholders.**

2. Our local roots continue to run deeper. Insurance companies typically operate through a centralized model. If you're in trouble, they'll address it from their headquarters. MAG Mutual works the opposite way. We operate as closely as possible to our policyholders.

In 2010, we expanded this localized model. In nearly every case, if you have a claim filed against you, that claim will be reviewed by a group of physicians from your state. Your practice will be served by a MAG Mutual claims professional working in your state. And if your case goes to trial, you can rest assured that attorneys who live in, work in and know your state will be your front-line defense. **This localized approach is a major reason MAG Mutual won 91 percent of all cases taken to verdict in 2010.**

MAG Mutual has Risk Management and Patient Safety professionals near you and online resources available to help your practice. Our agents and independent partners are also everywhere we serve, keeping their fingers on the pulse of the medical community and physician practices. Finally, MAG Mutual remains a steadfast partner of medical societies and professional organizations at state and local levels, attending meetings, sponsoring activities, providing speakers and supporting medical community causes – at more than 520 events alone in 2010.

3. Preventing and defending against claims remains job one. In 2010, we ramped up staffing for Risk Management to help us serve more insureds and help protect physicians and their practices. We also rolled out free access (through www.MAGMutual.com) to two valuable online resources for our insureds: the *ECRI Institute's Physician Practice Risk Management* site, which provides detailed information on patient safety, quality improvement, healthcare technology and



RECORD DIVIDEND ANNOUNCED!

On April 27, 2011, MAG Mutual's Board of Directors approved a \$16.5 million dividend, the largest in the company's history.

The 2011 dividend will be returned to eligible Physicians and Surgeons Medical Professional Liability policyholders of record as of the close of business April 1, 2011. The dividend will appear as a credit with renewals beginning June 1, 2011. Visit www.MAGMutual.com for more details.

other support; and *HR Compliance Solution*, which helps practices prevent employee-related litigation by delivering invaluable counsel to HR professionals.

As for claims defense, our position is ironclad. **We will not settle a claim if it has no merit, and we will not settle if a physician wishes to go to trial.** Further, we remain at the side of a physician from the time a claim is filed until it has been resolved. It's not enough to pursue justice – we also seek to alleviate the burden of litigation so that a physician can stay as focused as possible on providing quality care.

The great jurist Oliver Wendell Holmes, Jr., once said, "The greatest thing in this world is not so much where we are, but in what direction we are moving."

MAG Mutual's direction is this: serving you even better. Here are some examples:

1. The election of a new chairman, Joseph Wilson, Jr., MD, effective July 1, 2011, assures that the company's leadership will continue to be mindful of the realities that come with practicing medicine. *(Learn more about Dr. Wilson on the next page.)*
2. The launch of a new online policyholder portal, MAG Mutual PolicyViewSM, in 2011 places greater access and control in the hands of physicians and their administrators. You can now view your invoices and manage your CMEs, policy and claims 24/7. *(See page 8 for more on the portal.)*

3. The tripling of our customer service staff, along with the addition of new technology, speeds response time to your questions and requests.
4. The expansion of our new Office Manager Councils in states throughout the Southeast, and the continuation of our town hall meetings with physicians, adds resonance to your concerns and ideas. In the years ahead, we'll be listening more actively than ever.
5. The extension of our reach, within current states and into new states, reflects measured and strategic decisions. This diversification helps preserve our strong financial position; at the same time, we do not seek to grow for the sake of growth. MAG Mutual will never place quantity over quality.

The sum total of today and tomorrow is this: We are, and will continue to be, a company built by and for physicians.

Roy W. Vandiver, MD
Chairman and Chief Executive Officer

Darrell O. Grimes, CPA
President and Chief Operating Officer



READY TO SERVE

Dr. Joseph Wilson, Jr., has always put patients first. Now, in his new role as Chairman and CEO of MAG Mutual, physicians are his top priority.

The waiting room is filled with patients, as it is every day. Only today is far from ordinary at Cardiology of Atlanta. It is the last day of practice for Dr. Joseph Wilson, Jr.

Several patients bear gifts – a budding tulip plant, a songbird carved from a block of wood – as well as gratitude for their cardiologist, who is retiring to prepare for a new career as Chairman and CEO of MAG Mutual Insurance Company.



“Going forward, the challenge is to find new ways to support our physician insureds in a dynamic, changing climate.”

– Dr. Joseph Wilson, Jr.



“Joe has practiced medicine with his heart,” says one longtime patient, Wanda McSwain. “He takes time with people, and he lets you know he really, really cares about you.”

The caliber of care that Dr. Wilson provided to patients over three decades isn’t going away. It’s just taking on a new form. He views his new position at MAG Mutual, beginning July 1, 2011, as a way to continue his contribution to medicine, this time by serving physicians.

Beyond his physician experience, Dr. Wilson comes to the post well prepared. He holds an economics degree from Vanderbilt, in addition to a medical degree from Emory. He earned a reputation for being one of Atlanta’s top cardiologists. And he became an outspoken advocate for heart doctors while serving as Governor of the American College of Cardiology and President of the organization’s Georgia chapter.

Dr. Wilson also knows MAG Mutual well. He joined the MAG Mutual Board in 1999, but his experience with the company pre-dates its birth. His father, Dr. Joseph Wilson, Sr., was a founding Board member in 1982.

“I know why my dad put so much energy into starting MAG Mutual,” he recalls. “There was only one provider of medical professional liability coverage in Georgia at

the time. My father and other physicians saw the need for a company that actually partnered with doctors.”

Clearly, Dr. Wilson embraces partnership and service. Since 1987, he has been the Medical Director for Atlanta’s Peachtree Road Race, the largest 10K in the country. He has conducted free cardiovascular screenings for high school athletes, and for more than 13 years he treated rural Georgia patients who lacked health insurance.

“I don’t want to lose that sense of making a difference,” Dr. Wilson says. “I’m coming in to serve MAG Mutual, not change it. That’s what the company deserves – and what the physicians deserve, too.”

“MAG Mutual isn’t in business to make money. We’re here to take care of physicians. When you think about it, very few companies are doing that.”

**PROFILE:
DR. JOSEPH WILSON, JR.**

- Doctorate in medicine from Emory University
- Board-Certified Cardiologist
- 27 years in practice
- MAG Mutual Board of Directors since 1999
- Married to Sharon Wilson
- Two daughters attending the University of Alabama
- More at: MAGMutual.com under Member News

THE MEASURE OF MOMENTUM

91%

The percentage of cases taken to verdict in 2010 that were **WON** for MAG Mutual policyholders. When it comes to defending our physicians, MAG Mutual is by your side, from start to finish.



How we rank nationally among physician medical professional liability insurance companies, based on the amount of direct written premiums in 2010.

Source: National Association of Insurance Commissioners database through SNL Interactive.

#8

527

The places we've been in 2010! By attending medical conferences, association gatherings and other special events, we have the opportunity to see our policyholders face-to-face. (And we learn a lot from you.) Look for us in 2011 – visit www.MAGMutual.com and click on Seminars and Events.

The total number of physicians serving on Claims Committees in the nine states served by MAG Mutual. These physicians are key to our commitment to a strong defense. They examine case details, offer insights into defense strategy and identify expert witnesses. (In other words, they look out for you.)

48

20%

The amount you save on disability income insurance just by being a medical professional liability policyholder. Find out how you can save – call MAG Mutual Financial Services at 1-866-261-2497.



\$93,000,000

The amount we've returned to Physicians and Surgeons Medical Professional Liability policyholders in dividends since our founding in 1982. That includes this year's record dividend of \$16.5 million.

Proof is in the numbers, and MAG Mutual's core metrics continue to reflect stability and growth. For the physicians we serve, that's good news. It means we're **strong today**. And we'll remain **strong tomorrow**.

\$16,500,000

The largest dividend in the history of MAG Mutual – returned this year to Physicians and Surgeons Medical Professional Liability policyholders, the owners of the company. Proof positive that steadfast claims defense and sound fiscal management put money back in your pocket. All physicians and policyholders insured with MAG Mutual as of the close of business on April 1, 2011, will receive a share of that dividend, effectively reducing the annual cost of insurance.



17,208

The total number of physicians MAG Mutual insured at the end of 2010. MAG Mutual is the largest medical professional liability insurer in the nine Southeastern states we serve.



984

The number of medical practices MAG Mutual's Risk Management and Patient Safety Consultants visited in the Southeast in 2010. When we visit your practice, we share ideas and resources to help you improve patient safety and reduce your exposure to risk – at no cost to you. Schedule a visit to your practice by calling 1-800-282-4882.

\$1.5 billion+

The value of MAG Mutual's total assets. These assets are the bedrock of our financial position. They're also one reason we maintained our rating of A- (Excellent) and received a "positive outlook" from A.M. Best in 2010.

75

The total number of independent agents in communities across the Southeast who now represent MAG Mutual. Think of them as an extension of MAG Mutual: They're here to serve you.

Bryan Carter, MAG Mutual's Senior Vice President for Sales and Business Services, tours PolicyViewSM, which provides 24/7 access to policy, billing and claims information. PolicyView, which rolls out in 2011, lets you make changes, pay premiums, reconcile invoices and more.



POLICYVIEW: ACCESS, CONVENIENCE, CONTROL

MAG Mutual's new online portal provides information, interactivity in real time

MAG Mutual's new powerful online portal provides practices with the ability to manage their policy at their convenience. It provides 24/7 access to a wealth of information about policies, billing and claims, taking online service to a new level.

Want to get details about your coverage? Pay a premium? Track CMEs across your practice? All are possible through PolicyView, which is rolling out to all policyholders during 2011.

"What makes the portal unique is that it was conceived and developed with the guidance and input of physician practices," says Bryan Carter, MAG Mutual's Senior Vice President for Sales and Business Services and the point person for developing PolicyView. "What we're offering, and the way we're offering it, was developed with input provided by a cross-section of physicians and office managers, as well as the agents we work with."

Through PolicyView, practices and agents can:

- **report incidents as soon as they happen;**
- **view policy activity, policy limits, renewal status and coverage;**
- **reconcile invoices, track payments made and pay premiums online;**
- **add and track CME credits (CMEs earned through MAG Mutual are automatically added!).**

MAG Mutual also made sure that the input that shaped PolicyView continues to influence its development: Practices can submit feedback on future improvements as well as "rate" MAG Mutual.

"We always want to know what our policyholders are looking for, and how we can make it easier for them," Mr. Carter says. "We help with the business side, so our policyholders can focus on the patient side."

Contact your agent to enroll in PolicyView today.

MEET YOUR PHYSICIAN CLAIMS COMMITTEES

Should a claim ever be filed against you and your practice, some of the best medical minds will be on the case. Our Claims Committees are your first line of defense. And the physician members will scrutinize facts, discuss context and offer a range of perspectives and expertise.

Georgia Claims Committee A Also serves Alabama, Arkansas, Kentucky and Tennessee



Seated L-R: **Benjamin H. Cheek, MD**, OB/GYN Associates of Columbus – Columbus; **James B. Ball, Jr., MD**, Sunshine Radiology, LLC – Tampa, FL; **John S. Antalis, MD**, Dalton Family Practice – Dalton; **William C. Collins, MD** – Atlanta; and **Joseph S. Wilson, Jr., MD**, Cardiology of Atlanta – Atlanta

Standing L-R: **Joseph S. Wilson, Sr., MD** – Atlanta; **W. Matt Mitcham**, MAG Mutual Claims Senior Vice President – Atlanta; **Andrew B. Oliver, MD** – Charlotte, NC; **Peter D. Steckl, MD**, EmergiNet, LLC – Atlanta; **E. Daniel DeLoach, MD**, Chairman, Savannah Plastic Surgery – Savannah; **David T. Stewart, Jr., MD**, Pathology Associates – Tallahassee, FL; **John B. Neeld, Jr., MD**, Northside Anesthesiology Associates – Atlanta; and **W. Scott Bohlke, MD**, Bohler Family Practice, PC – Brooklet

Georgia Claims Committee B Also serves Alabama, Arkansas, Kentucky and Tennessee

Seated L-R: **Roy W. Vandiver, MD**, MAG Mutual Chairman and CEO – Atlanta; and **Joseph W. Griffin, Jr., MD**, Augusta Gastroenterology Associates, Inc. – Augusta

Standing L-R: **Michael J. Bono, MD**, FACEP, Emergency Physicians of Tidewater, PLC – Norfolk, VA; **J. Daniel Hanks, Jr., MD, FACR** – Rome; **J. Price Corr, Jr., MD**, Albany Surgical, PC – Albany; **Willie Adams, Jr., MD**, Adams & Woods, MD/PC – Albany; **Michael R. Tamucci, Jr.**, MAG Mutual Claims Vice President – Atlanta; **Catherine S. Andrews, MD**, Chairwoman, Main Street Family Physicians – Acworth; **Michael E. Greene, MD** – Macon; **Sheila A. Robinson, MD**, Metropolitan Atlanta Cardiology Consultants, PC – Atlanta; **H. Alexander “Sandy” Easley, III, JD, MD**, SEAHEC OB/GYN – Wilmington, NC



Florida Claims Committee



Seated L-R: **Roy W. Vandiver, MD**, MAG Mutual Chairman and CEO – Atlanta, GA; **James B. Ball, Jr., MD**, Sunshine Radiology, LLC – Tampa; **Napoleon Estrada, MD**, Surgical Management, LTD – Kissimmee; **Steve Canterbury**, MAG Mutual Florida Claims Manager – Orlando; and **E. Daniel DeLoach, MD**, Committee Chairman, Savannah Plastic Surgery – Savannah, GA

Standing L-R: **David T. Stewart, Jr., MD**, Pathology Associates – Tallahassee; **Daniel Summers, MD**, West Florida Medical Center Clinic – Pensacola; **Peter Jansen, MD**, Dopson Family Medical Center – Macclenny; **Michael Meyer**, MAG Mutual Director of Claims for Florida, South Carolina and Virginia; **Curtis Weaver, MD**, Florida Heart Group – Orlando; **Richard Kreinest, MD**, Alliance Medical Practices – Gainesville; and **Kamal Haider, MD**, Clark & Daughtrey Medical Group, PA – Lakeland

North Carolina Claims Committee

Seated L-R: **Roy W. Vandiver, MD**, MAG Mutual Chairman and CEO – Atlanta, GA; **Karen Still**, MAG Mutual Claims Manager – Raleigh; and **E. Daniel DeLoach, MD**, Committee Chairman, Savannah Plastic Surgery – Savannah, GA

Standing L-R: **Patricia Hinson, MD**, Physicians East, PA – Grifton; **Brian Munley, MD**, Carolina Cardiology Cornerstone – Asheboro; **Andrew B. Oliver, MD** – Charlotte; **Fred G. “Buster” Shealy, Jr., MD** – Hendersonville; **Peter Banks, MD**, Carolinas Pathology Group – Charlotte; **H. Alexander “Sandy” Easley, III, JD, MD**, SEAHEC OB/GYN – Wilmington; **Leslie R. Smith, MD**, Cornerstone Pediatric Associates of Kernersville – Kernersville; and **Rod McCaskill, MD**, Wake Emergency Physicians, PA – Cary



South Carolina Claims Committee



Seated L-R: **S. Stanley Juk, Jr., MD**, Columbia Cardiology Consultants – Columbia; **Sam McEwen**, MAG Mutual Claims Supervisor – Columbia; and **William F. James, MD**, Woman's Clinic, PA – Spartanburg

Standing L-R: **C. Alden Sweatman, MD**, Surgical Associates of South Carolina – Columbia; **Gerard C. Jebaily, MD**, McLeod Family Medicine Center – Florence; **Roy W. Vandiver, MD**, MAG Mutual Chairman and CEO – Atlanta, GA; **E. Daniel DeLoach, MD**, Committee Chairman, Savannah Plastic Surgery – Savannah, GA; **J.D. Whitehead, Jr., MD**, Lexington Medical Center – Lexington; **William S. Kanich, MD**, Charleston Emergency Physicians – Charleston; and **S. Terrell Smith, MD**, South Carolina Oncology Associates – Columbia

Virginia Claims Committee

Seated L-R: **Catherine S. Andrews, MD**, Chairwoman, Main Street Family Physicians – Acworth, GA; and **Roy W. Vandiver, MD**, MAG Mutual Chairman and CEO – Atlanta, GA

Standing L-R: **Jacqueline A. Garringer, MD**, Winchester Eye Specialist – Winchester; **D. James Kazakis, MD**, Cardiovascular Associates, Ltd. – Virginia Beach; **Michael J. Bono, MD, FACEP**, Emergency Physicians of Tidewater, PLC – Norfolk, VA; **J. Ryan Anderson, MD**, Pratt Medical Center – Fredericksburg; **Gautham Gondi, MD**, The Orthopaedic Center of Central Virginia – Lynchburg; **Roy M. Kaplan, MD**, Portsmouth Anesthesia Associates – Portsmouth; **Jeff Shawcross**, MAG Mutual Claims Supervisor – Richmond; **Reena R. Talreja-Pelaez, MD**, Virginia Beach Obstetrics & Gynecology – Virginia Beach; and **Michael D. Mandel, MD**, Associated Internists, Inc. – Richmond



BOARD OF DIRECTORS



Roy W. Vandiver, MD (Ret.)
*Chairman of the Board and
Chief Executive Officer*



Darrell O. Grimes, CPA
*President and
Chief Operating Officer*



Willie Adams, Jr., MD



Catherine S. Andrews, MD



John S. Antalis, MD



James B. Ball, Jr., MD



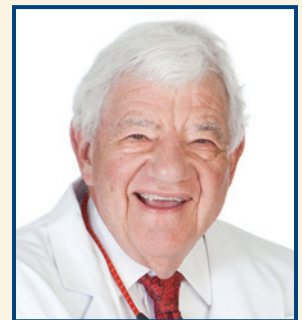
W. Scott Bohlke, MD



Michael J. Bono, MD,
FACEP



Benjamin H. Cheek, MD



William C. Collins, MD



J. Price Corr, Jr., MD



E. Daniel DeLoach, MD



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



Michael E. Greene, MD



Joseph W. Griffin, Jr., MD



J. Daniel Hanks, Jr., MD, FACR



John B. Neeld, Jr., MD



Andrew B. Oliver, MD



Sheila A. Robinson, MD



David T. Stewart, Jr., MD



Joseph S. Wilson, Jr., MD

Not pictured: Ralph L. Haynes, MD

REMEMBERING CHARLES HOLLIS, JR., MD

MAG Mutual is the product of many physicians, but one was especially influential in the creation and growth of the company: Charles Davis Hollis, Jr., MD. When Dr. Hollis passed away in November 2010, he was remembered and revered for his vision and persistence in getting the physician-owned company off the ground in the early 1980s.



As a board member for the Medical Association of Georgia, it was Dr. Hollis who agreed to chair the committee tasked with studying the feasibility of a mutual liability insurance company. "I knew nothing about insurance," he often said when recalling this formative role, a fact that only accelerated his drive to learn everything he could. After MAG Mutual was launched in June 1982, Dr. Hollis became its first board chair and CEO, and he held the post until 1999, when current Chairman and CEO Roy W. Vandiver, MD, succeeded him. Dr. Hollis will never be far from the MAG Mutual Board – the boardroom itself bears his name, and his portrait hangs on the wall, reminding physician members that with hard work and determination, anything can be achieved.

HONORING WILLIAM C. COLLINS, MD

While Dr. Hollis chaired the feasibility committee that sparked MAG Mutual, it was Dr. William C. Collins who, as a member of the Medical Association of



Georgia Board of Directors, first moved to create the committee. That simple motion marked the beginning of three decades of service to MAG Mutual – a period that comes to a close in 2011, when Dr. Collins retires from the Board. The significance

of his longevity: During Dr. Collins' tenure, MAG Mutual grew from a good idea into a powerhouse of protection for physicians, with assets totaling more than \$1.5 billion. "It's been a tremendous experience to see the company grow, and to be a part of it," he says. His part was the picture of commitment. To bolster his contributions to the Finance Committee, Dr. Collins took courses at a university and became a Certified Financial Planner. To maximize his impact, he served on a Claims Committee every year of his term. And he contributed wisdom and wit to his work. "Dr. Collins is a gifted raconteur," says a colleague, "and he's the hit of every social occasion."

Condensed Consolidated Balance Sheets

| | December 31 | |
|---|----------------------|---------------|
| | 2010 | 2009 |
| Assets | | |
| Investments | | |
| Short-term invested assets | \$ 62,029,239 | \$ 90,819,346 |
| Long-term invested assets | 1,332,897,060 | 1,221,045,294 |
| Total investments | 1,394,926,299 | 1,311,864,640 |
| Cash and cash equivalents | 11,924,417 | 17,613,157 |
| Receivable from reinsurers on unpaid losses and loss adjustment expenses | 73,015,386 | 78,890,556 |
| Other assets | 112,510,148 | 131,165,162 |
| Total assets | 1,592,376,250 | 1,539,533,515 |

| | December 31 | |
|---|-------------------------|------------------|
| | 2010 | 2009 |
| Liabilities and Policyholders' Surplus | | |
| Policy liabilities and accruals | | |
| Reserves for losses and loss adjustment expenses | 683,592,000 | 692,212,365 |
| Unearned premiums | 153,601,313 | 154,723,726 |
| Funds held under reinsurance treaties | 121,298,872 | 106,070,740 |
| Total policy liabilities and accruals | 958,492,185 | 953,006,831 |
| Surplus notes | 60,000,000 | 60,000,000 |
| Other liabilities | 50,306,297 | 73,761,701 |
| Total liabilities | 1,068,798,482 | 1,086,768,532 |
| Retained earnings | 481,542,824 | 422,278,441 |
| Accumulated other comprehensive gain | 42,034,944 | 30,486,542 |
| Total policyholders' surplus | 523,577,768 | 452,764,983 |
| Total liabilities and policyholders' surplus | \$ 1,592,376,250 | \$ 1,539,533,515 |

Notes to Condensed Consolidated 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, each of whom has one vote. The Company has one wholly owned insurance subsidiary, Professional Security Insurance Company (PSIC), three wholly owned noninsurance subsidiaries, MAG Mutual Insurance Agency, LLC (MMIA), MAG Mutual Financial Services (MMFS) and MAG Mutual Healthcare Solutions Inc. (MMHSI), and a wholly owned insurance brokerage, Select Professional Underwriters, LLC (SPU). All significant intercompany accounts

and transactions between consolidated companies have been eliminated.

The Company is primarily involved in the sale of commercial lines of property/casualty insurance including medical professional liability, business owners, workers' compensation, and general liability insurance. Medical professional liability represents over 97% of the Company's premium volume. The Company is licensed in Georgia, Alabama, Arkansas, Florida, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia.

Condensed Consolidated Statement of Operations

| | December 31 | |
|--|--------------------|--------------------|
| | 2010 | 2009 |
| Revenues | | |
| Net premium earned | \$ 233,977,759 | \$ 221,379,378 |
| Net investment income, includes net realized gains of \$25,812,964 and \$7,104,074 in 2010 and 2009, respectively | 63,170,609 | 45,269,037 |
| Other revenue | 15,046,237 | 15,463,378 |
| Total revenues | 312,194,605 | 282,111,793 |

| | December 31 | |
|--|----------------------|----------------------|
| | 2010 | 2009 |
| Expenses | | |
| Net loss and loss adjustment expenses | 158,054,880 | 132,660,524 |
| Net underwriting and administrative expenses | 59,122,208 | 55,087,227 |
| Total expenses | 217,177,088 | 187,747,751 |
| Income before dividends, distributions and income taxes | 95,017,517 | 94,364,042 |
| Dividends and distributions | 12,740,820 | 7,963,721 |
| Income before income taxes | 82,276,697 | 86,400,321 |
| Income tax expense: | | |
| Current | 15,372,664 | 20,387,055 |
| Deferred | 8,595,717 | 2,570,848 |
| Total income tax expense | 23,968,381 | 22,957,903 |
| Net income | \$ 58,308,316 | \$ 63,442,418 |

Basis of Presentation

The accompanying condensed consolidated financial information of MAG Mutual Insurance Company has been prepared for purposes of this annual report. Accordingly, they do not include all the information and notes required by U.S. generally accepted accounting principles (GAAP) for complete financial statements, which may differ from statutory accounting principles prescribed or permitted by state insurance regulatory authorities. The preparation of financial information in conformity with GAAP 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 2010 and 2009 condensed consolidated financial information of MAG Mutual Insurance Company shown herein has been derived from complete GAAP basis financial statements which were audited by Ernst & Young LLP, our independent auditors. The financial information presented herein should be read in conjunction with our audited consolidated financial statements, which include information and disclosures not included in this annual report. A complete set of audited GAAP basis consolidated financial statements may be obtained upon request.

LEADERSHIP

Executive Officers, Management

Roy W. Vandiver, MD
*Chairman of the Board
Chief Executive Officer*

William C. Collins, MD
Secretary

Darrell O. Grimes, CPA
*President
Chief Operating Officer*

Marc D. Hammett, CPA
*Senior Vice President, Chief
Financial Officer and Treasurer*

W. Matt Mitcham, III
Senior Vice President, Claims

Larry D. Miller
*Senior Vice President,
Support Services*

T. Bryan Carter
*Senior Vice President, Sales
and Business Services*

Lisa M. Coppolino
*Senior Vice President,
Underwriting*

Edward D. Lybrook
*Senior Vice President,
Regulatory Compliance
and Product Development*

J. Patrick Conboy, CMA
*Vice President, Finance
and Controller*

Michael A. Chlon
Vice President, Marketing

Alan Mercaldo
*Vice President, Information
Technology and Chief
Information Officer*

Michael R. Tamucci, Jr.
Vice President, Claims

Daniel R. Wright, RN, JD
*Vice President, Risk Management
& Patient Safety*

Joseph L. Cregan, JD
*Vice President, General Counsel
and Assistant Secretary*

Board of Directors

Willie Adams, Jr., MD
Catherine S. Andrews, MD

John S. Antalis, MD
James B. Ball, Jr., MD

W. Scott Bohlke, MD
Michael J. Bono, MD, FACEP

Benjamin H. Cheek, MD
William C. Collins, MD

J. Price Corr, Jr., MD
E. Daniel DeLoach, MD

H. Alexander Easley, III, JD, MD
Michael E. Greene, MD

Joseph W. Griffin, Jr., MD
Darrell O. Grimes, CPA

J. Daniel Hanks, Jr., MD, FACR

Board of Directors (continued)

Ralph L. Haynes, MD
John B. Neeld, Jr., MD

Andrew B. Oliver, MD
Sheila A. Robinson, MD

David T. Stewart, Jr., MD
Roy W. Vandiver, MD

Joseph S. Wilson, Jr., MD

Standing Committees

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Roy W. Vandiver, MD, *Chairman*
Catherine S. Andrews, MD

Benjamin H. Cheek, MD
William C. Collins, MD

E. Daniel DeLoach, MD
H. Alexander Easley, III, JD, MD
Joseph S. Wilson, Jr., MD

Audit

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Catherine S. Andrews, MD

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William C. Collins, MD

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H. Alexander Easley, III, JD, MD
John B. Neeld, Jr., MD

Compensation, Benefits & Pension

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Chairman
Catherine S. Andrews, MD

Benjamin H. Cheek, MD
E. Daniel DeLoach, MD
H. Alexander Easley, III, JD, MD
Joseph S. Wilson, Jr., MD

Claims

(See pages 9-11)

Education

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Chairman
Catherine S. Andrews, MD

John S. Antalis, MD
Joseph W. Griffin, Jr., MD

John B. Neeld, Jr., MD
Andrew B. Oliver, MD

Sheila A. Robinson, MD
David T. Stewart, Jr., MD

Finance & Investment

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Chairman
Catherine S. Andrews, MD

Benjamin H. Cheek, MD
E. Daniel DeLoach, MD

Standing Committees (continued)

Finance & Investment (continued)

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Joseph W. Griffin, Jr., MD

Darrell O. Grimes, CPA
J. Daniel Hanks, Jr., MD, FACR

John B. Neeld, Jr., MD
Joseph S. Wilson, Jr., MD

Governmental Affairs

Benjamin H. Cheek, MD,
Chairman
Willie Adams, Jr., MD

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W. Scott Bohlke, MD

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E. Daniel DeLoach, MD
H. Alexander Easley, III, JD, MD

Michael E. Greene, MD
Joseph W. Griffin, Jr., MD

J. Daniel Hanks, Jr., MD, FACR
John B. Neeld, Jr., MD

Andrew B. Oliver, MD
Sheila A. Robinson, MD

Peter D. Steckl, MD
David T. Stewart, Jr., MD

Medical Relations

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Chairman
Willie Adams, Jr., MD

Catherine S. Andrews, MD
John S. Antalis, MD

James B. Ball, Jr., MD
W. Scott Bohlke, MD

Michael J. Bono, MD, FACEP
Benjamin H. Cheek, MD

William C. Collins, MD
J. Price Corr, Jr., MD

E. Daniel DeLoach, MD
Michael E. Greene, MD

Joseph W. Griffin, Jr., MD
Darrell O. Grimes, CPA

J. Daniel Hanks, Jr., MD, FACR
John B. Neeld, Jr., MD

Andrew B. Oliver, MD
Sheila A. Robinson, MD

Peter D. Steckl, MD
David T. Stewart, Jr., MD

Joseph S. Wilson, Jr., MD

Nominating

Roy W. Vandiver, MD, *Chairman*
Catherine S. Andrews, MD

Standing Committees (continued)

Nominating (continued)

Benjamin H. Cheek, MD
William C. Collins, MD

E. Daniel DeLoach, MD
H. Alexander Easley, III, JD, MD

Darrell O. Grimes, CPA
Joseph S. Wilson, Jr., MD

Underwriting

Catherine S. Andrews, MD,
Chairwoman
Willie Adams, Jr., MD

Michael J. Bono, MD, FACEP
J. Price Corr, Jr., MD

H. Alexander Easley, III, JD, MD
Michael E. Greene, MD

Joseph W. Griffin, Jr., MD
J. Daniel Hanks, Jr., MD, FACR

Sheila A. Robinson, MD

Actuaries

Towers Watson
3500 Lenox Road, Suite 900
Atlanta, GA 30308-2215

Investment Advisors

Artio Global
330 Madison Avenue
New York, NY 10017

BlackRock
40 East 52nd Street
New York, NY 10022

Brown Brothers Harriman
140 Broadway
New York, NY 10005

Income Research & Management
Two International Place
Floor 23
Boston, MA 02110

Nuveen Tradewinds
333 West Wacker Drive
Chicago, IL 60606

Quant Funds
55 Old Road
Lincoln, MA 01773

Robeco Investment Management
One Beacon Street, 30th Floor
Boston, MA 02108

TCW
865 South Figueroa Street
Suite 800
Los Angeles, CA 90017

The Vanguard Group
455 Devon Park Drive
Wayne, PA 19087

Zazove Associates, LLC
1033 Skokie Boulevard
Suite 310
Northbrook, IL 60062

About MAG Mutual

MAG Mutual Insurance Company is the eighth largest medical professional liability insurer 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 a Georgia 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 Healthcare Solutions, Inc. (MMHSI) helps physicians manage the business side of practicing medicine, including consulting, billing and publications, 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 2002 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 General Counsel, 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 General Counsel, the Board of Directors and its independent auditors.



Printed on FSC-certified paper that contains 30% post-consumer recovered fiber. Environmental savings: 17 trees, 12.1 million BTUs, 2,182 kwh of electricity, 5,953 lbs of CO₂, 6,352 gallons of water and 1,051 lbs of solid waste.



MAG MUTUAL[®]
Because your patients come first.

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.

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