

August 12, 2010

Medical Mutual filed for and recently received approval from the Vermont Department of Banking, Insurance, Securities & Health Care Administration to raise Physician and Hospital rates effective October 1, 2010, by 3% and 9%, respectively.

For Vermont physicians, this modest rate change represents the first net rate increase since 2006. Changes in base rates and relativities produced an overall average net rate reduction of 0.9% for Vermont physicians in 2009. The increase for hospitals is the first rate change since base rates increased 5.2% in 2006.

These new rates are based on actuarial indications, which show an increase in incurred losses on claims in the state. Since claims are the single largest contributing factor to our financial performance, it's critical for the Company to take appropriate action when actuarial analysis determines additional premium is needed to cover expected losses. At the same time, we understand that any increase in expenses, particularly in this economy, has a significant impact on how physicians and hospitals manage their financial resources. Thus, we make every effort to manage rate fluctuations, which includes paying dividends when possible, as we have three times in Vermont since 2006.

While other medical professional liability carriers have come and gone from the Vermont market, Medical Mutual has provided what we believe to be the best coverage and service to Vermont's physicians and hospitals since 1995, without interruption.

We are committed to protecting the assets and reputations of you - our member policyholders. You are the reason we exist and we remain eager to help in any way we can. Should you have any questions regarding these rate changes, please do not hesitate to contact us or your independent insurance agent.

Very truly yours,



Terrance J. Sheehan, MD
President and CEO