

October 28, 2008

Dear Insured:

As a Medical Mutual policyholder in Vermont, you have had the benefit of stable premiums since September 2006. During this period we continued to experience declines in reported claims that have not only made this premium relief possible, but also paved the way for our dividend declarations in 2007 and 2008. Today, I'm very pleased to deliver an announcement that, on balance, means more positive news relative to the premiums you pay for your medical or hospital professional liability insurance.

Acting on the analysis and recommendation of our independent actuarial firm, Milliman USA, Medical Mutual filed for and received approval from the Vermont Department of Banking, Insurance, Securities and Health Care Administration to revise the base rates and relativity factors for our physician book of business effective January 1, 2009. The combined impact of these revisions will produce an overall average net rate reduction of 0.9%.

To help you understand the nuances of the rate changes, it's important to know that a relativity factor is used to quantify the relative risk inherent in various specialties as compared to Family Practice. For example, the relativity factor of 5.25 for an Ob/Gyn indicates that this specialty's expected losses and expenses are 5.25 times higher than those of a family practitioner.

Because of the approved changes in relativity factors, actual premium modifications will vary by specialty, though the vast majority will remain neutral. For those few of you in a specialty that will see an increase, please note that this year's dividend declaration will help mitigate your increase as those dividend credits will be applied toward your renewal premium.

For hospitals, rates will remain unchanged for a third year in a row. Premiums for employed physicians will change in accordance with the changes in rates and relativities discussed above.

Should you have any questions regarding your rate or relativity change or any other facet of your Medical Mutual coverage, please do not hesitate to contact Medical Mutual or your independent insurance agent. You are the reason we are in business and we remain eager to help in any way we can.

Very truly yours,



Terrance J. Sheehan, MD
President and CEO