



February 24, 2023

**Our 16th dividend declaration since 2007,  
all things considered, 2022 was a very good year.**

Dear Member-Policyholder:

When the Medical Mutual Board of Directors meets every December to discuss the question of whether the Company's year-end financial results warrant a dividend declaration, key performance metrics and an evaluation of other less precise market forces all factor into the decision. This year, I am pleased to announce that after reviewing the numbers for 2022 and evaluating all market trends, your Medical Mutual Board has declared a dividend of \$5 million, a number that represents 13.2% of eligible premiums.

In many of the past 16 years since 2007, virtually all factors have been favorable, making for an easy dividend decision. And while the Company produced strong financial results again in the year 2022, certain metrics and factors produced more of a mixed bag. For instance, 104 new claims were reported in 2022, a slight uptick from the 96 reported a year earlier. Still, that number was lower than the 115 claims in 2020 and significantly lower than the 131 filed two years prior in 2018. Overall, the filed claims metric, while up a bit this past year, extends a long period of moderated claims activity dating back to the high watermark of 484 new cases in 2005.

**Signs of rising severity**

That said, claims severity, which reflects the cost, or size, of claims, is a factor the Company has seen rising on a national level for several years — and indeed, increased claims severity has now begun to impact Medical Mutual and its clients. Which is to say, your Company paid four separate significant claims of \$9.6 million, \$6 million, \$6 million and \$5 million in 2022 — all much higher than typical claims historically experienced here in Northern New England. The bottom line is that higher claims severity is real and is now an important factor to consider in deciding the question of whether or not to declare a dividend in any given year. Not to mention determining the premium levels necessary to meet our obligation of protecting our members' assets and reputations when claims are filed against them.

Despite last year's string of high-value cases, there's no question that the enduring trend of moderated claims counts indicates that you, our insureds, continue to practice high quality medicine with an excellent record of patient safety that benefits the communities you serve. On behalf of both the Board and your patients, thank you for that.

**Eligibility and your dividend**

With regard to this year's dividend, it will be paid to all policyholders of record at December 31, 2021 and who remain insured with the Company on April 1, 2023. Your dividend share will be applied as a lump sum against your renewal premium.

Once again, thank you for your business and for your organization's diligence in providing your patients with the best possible healthcare you can provide.

Gratefully yours,

A handwritten signature in black ink that reads "Frank W. Lavoie". The signature is written in a cursive, flowing style.

Frank W. Lavoie, MD, MBA  
President and CEO