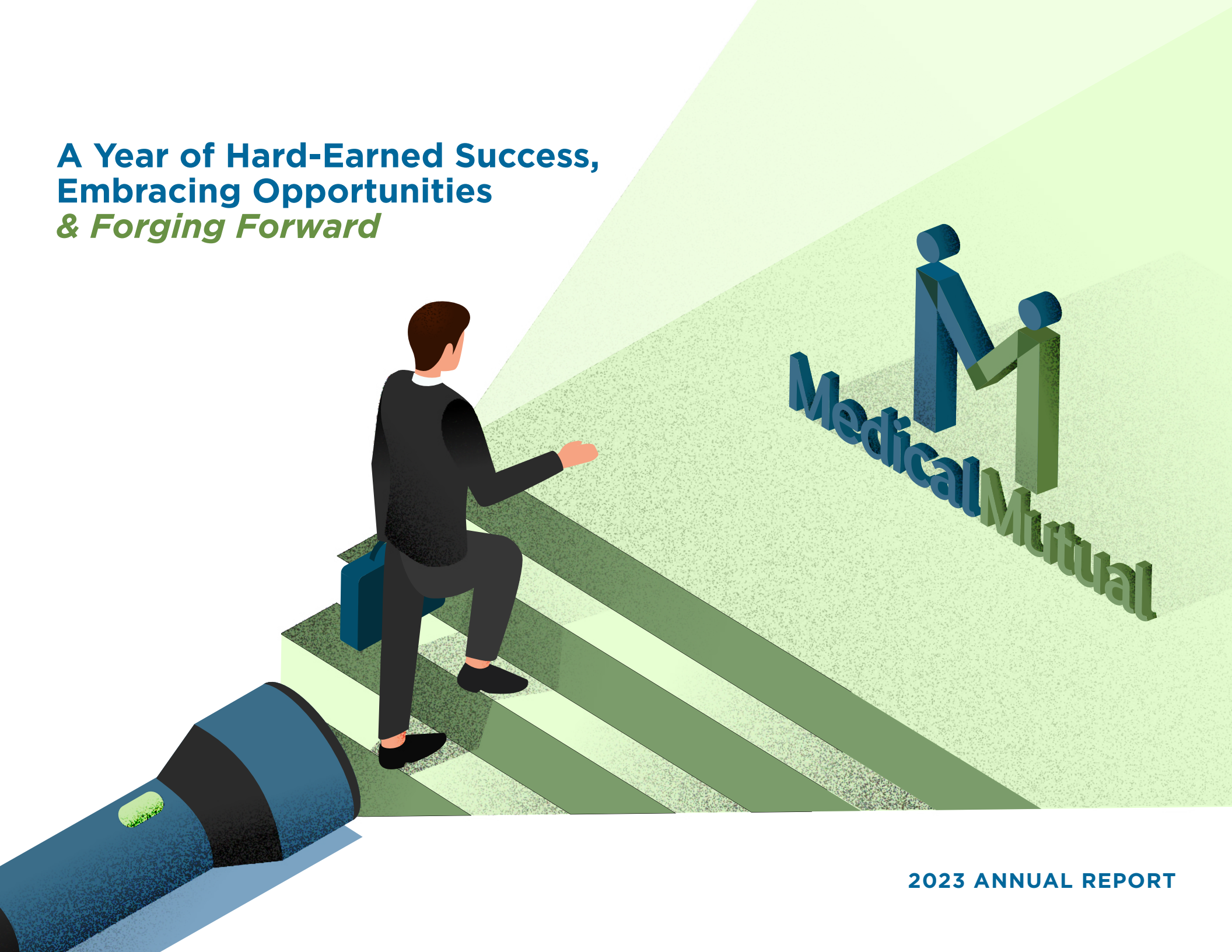


**A Year of Hard-Earned Success,  
Embracing Opportunities  
& *Forging Forward***



## 2023 in review: Hard-earned success overpowers underlying industry challenges



Shawn Anderson, MSB  
PRESIDENT & CEO



It's no secret that Medical Mutual Insurance Company of Maine has achieved a notable and impressive string of operational successes for the past 15 or more years. This success has no doubt been due, in great part, to the exceptional leadership of the Company during this time by Terry Sheehan, MD and more recently Frank Lavoie, MD, MBA, whom I succeeded in the role of President & CEO just this past December.

More specifically, though, I believe the Company's ongoing high performance has been due to its commitment to challenging the status quo. This is a trait of the Company I have admired for years, and now as the new President & CEO of this exceptional Company, I pledge to continue that tradition as I too believe that sustaining success takes active management by challenging the status quo and refusing to rest on historic successes.

With that in mind, I am happy to report that 2023 was another exceptional year of success for Medical Mutual.

Claims frequency was up modestly in 2023 after two unusually low years in 2021 and 2022. Those "new claims" numbers for 2021 and 2022 simply reflected the lower level of clinical activity during the COVID pandemic. So, the uptick this past year was no surprise as clinical activity across the medical industry resumed to normative levels. In fact, the claims frequency experienced in 2023 was in line with, and in some cases exceeded, the several years immediately prior to the pandemic.

Operationally, the Company performed at a strong level in 2023. The Company was able to control many costs in a challenging and inflationary environment. While we witnessed some unusual levels of staff turnover in the past year, the greatest percentage of this turnover was related to employee retirements—which is a testament to the strength of the Company and the culture upon which it stands.

In the final days of 2023, the Company's Board of Directors declared its 17<sup>th</sup> policyholder dividend in the past 18 years. The amount of the dividend was a significant one amounting to \$4.5 million, which represented 11.7% of eligible premiums. That, in and of itself, speaks to the Company's overall financial performance. Other financial strength metrics, including a very strong 71.5% Operating Ratio and an equally strong 104.2% Combined Ratio after Dividend, also indicate that it was yet another year of formidable performance for the Company. Accordingly, Medical Mutual earned a rating of "A Stable" for the sixth straight year from independent rating agency, A.M. Best.

It might be tempting to chalk 2023's performance up to success breeding success, which certainly has an element of truth to it. However, I can tell you this success was hard-earned, precisely because of your Company's culture of challenging the status quo and actively managing the business. Which is to say, while this industry and this market have posed significant challenges, they have been shrouded by the successful efforts of senior management and every single staff member of Medical Mutual to strategically adapt to those challenges in the face of today's headwinds.





## Shedding light on the challenges

While claims frequency has remained in a fairly narrow range of late, claims severity, the cost of adjudicating judgments, settlements and their related expenses, rose significantly in 2023. The Company paid a historic amount in claims last year—over 60% more than the next highest year in the Company's history.

This increase in claims severity is an industry-wide trend we have been reporting on for several years now, so we are not alone in this troubling environment. But that offers little consolation in these particularly rough seas.

Increasing claims severity is a multifactorial phenomenon. Two of the primary drivers of the increase in severity are: plaintiff demands for inflated and unsubstantiated life care estimates and the increasing cost of reinsurance coverage across the industry. These two cost drivers pose a significant challenge to the Company as damages sought in wrongful death or medical liability cases continue to escalate at unsustainable levels. This has led to, in some cases, notably higher jury verdicts and awards for damages. Even in more traditional cases where life care estimates are not a factor, plaintiff attorneys are alleging that damages are suddenly and significantly higher than what similar claims have historically been judged to be worth by juries and through negotiated settlements. Combine these severity challenges with significant upward pressure on the cost of reinsurance across our industry and we've got a double whammy of increased claims costs followed by increased costs to insure ourselves as a carrier against such larger judgments.

## Business management and challenging the status quo

Yesterday's legal and insurance strategies worked well in yesterday's legal and insurance environment. With plaintiffs going on the offensive with innovative tactics, today's environment requires that we use a different playbook in defense of medical liability claims and even how we restructure parts of our reinsurance program to reinforce our ability to protect the interests of our member-policyholders.

To offset notable increasing reinsurance costs, Medical Mutual is retaining more risk in the first layer of coverage for medical liability claims. By doing so, we can reduce the premium we must pay to cover higher losses and better manage overall premiums to policyholders.

As for rebutting plaintiff attorneys' inflated demands of jury awards, the Company has taken a new aggressive approach to challenge the basis of such asks. This involves investing in expert witnesses such as financial planners and economists to challenge what we believe to be flawed or unsubstantiated assumptions and unrealistic estimates relative to the value of individual cases. In the end, we expect to inject a sense of reality back into the process of establishing case values.

As always, we believe it is only fair that patients injured due to medical errors deserve to be compensated. Increasingly, though, the question of what constitutes fair compensation has become an important factor for us to manage in a more intensive way.

## Seeking growth beyond core markets

When you are the dominant carrier in a limited geographic region, which Medical Mutual is in Northern New England, opportunities for growth can be limited. To combat these geographic limitations, Medical Mutual is embarking on a new initiative in Massachusetts to achieve new top-line physician growth. The Company became an Admitted Carrier there in 2011, primarily to serve member-policyholders from our core states that have satellite offices in the Bay State. Now, it's time to bring the Company's offerings to Massachusetts in a more comprehensive way.

## An attractive new option for Massachusetts physicians

The Company's key to this strategic initiative is the development of a new occurrence-based policy form to match the needs of the Massachusetts marketplace. With numerous existing carriers there filing significant premium increases, the Company believes it is an opportune time to market Medical Mutual's value-added partnership model to independent physicians and practices in neighboring Massachusetts.

The new occurrence policy form, which is expected to be approved by the Massachusetts Bureau of Insurance by late spring, promises a seamless transition to competitively-priced coverage that offers numerous high-touch advantages.

To support the initiative, the Company is launching a robust digital marketing campaign focusing on those numerous financial and operational benefits to raise awareness of Medical Mutual as an attractive new option and to convert Massachusetts physicians to Medical Mutual coverage. Finishing touches on the campaign are in process and the campaign will commence shortly after the new policy form is approved.



## Second new initiative also in the works

In addition to the new policy form in Massachusetts, the Company has been laying the groundwork to capitalize a separate new excess and surplus lines company called Great Pine Specialty Insurance (GPS). Being an excess and surplus lines company, we can offer our tailored insurance solutions for risks that are considered too complex, unusual or difficult for the standard market.

Though it will have the ability to write coverage anywhere, GPS is setting its sights primarily on new nursing home business throughout our geographic region. In time, we expect the new company will also underwrite other risks in the health care sector. The new company should launch later this year, although no official timeline has been set.

## In summary

So, while your Company has faced significant challenges in the medical professional liability insurance marketplace of late, it's satisfying to report that active and focused management has led to yet another year of exceptional performance—both operationally and financially. We are confident that with the unveiling of the aforementioned new strategic initiatives, along with the continuance of our deep commitment to you, our highly valued member-policyholders, we'll reinforce our strength as your essential partner in patient safety and medical liability protection for many years to come.





**O. Robert Stevens, MD**  
**BOARD CHAIR**

## A bit of thanks, some well-deserved praise and two warm welcomes

As my final annual report message, I want to both thank our prior leader and recognize our new president. Having retired from active practice as a radiologist nearly 2 years ago, I will be leaving my position as Medical Mutual board chair effective May 17, 2024, with the transition occurring at our Annual Meeting.

## Modernized governance

As most of you are aware, Frank Lavoie, MD, MBA, retired as president and CEO on December 1, 2023. His many accomplishments deserve recognition. He ushered in a new era of modernized governance, ensured financial stability, and prepared the Company for adverse events. This structure was accomplished through dedication, hard work, and perseverance. It should be noted that our Board is comprised of diverse individuals from the medical community, both physicians and hospital executives who are member-policyholders. The demographics of our Board are represented by geography, gender, and individual skill sets to optimize oversight of the Company's goals and operations. Per the founding principles of the Company, the Board is physician lead with a new directive that all physicians on the Board be active members of the medical community for at least a portion of their nominated Board term. This ensures that our physicians have a keen awareness and connection to issues within the medical community, particularly in relation to claims and current medical practice. Our Claims Committee consists entirely of actively practicing physicians and surgeons from a wide variety of specialties. They evaluate each case strictly on its medical merits according to current medical knowledge. This guarantees that your case will be judged solely on the appropriateness of the medical care provided, without regard to the potential financial implications of settling or defending the claim. We feel this approach provides a distinct advantage for our insureds, which is not the case with other carriers.

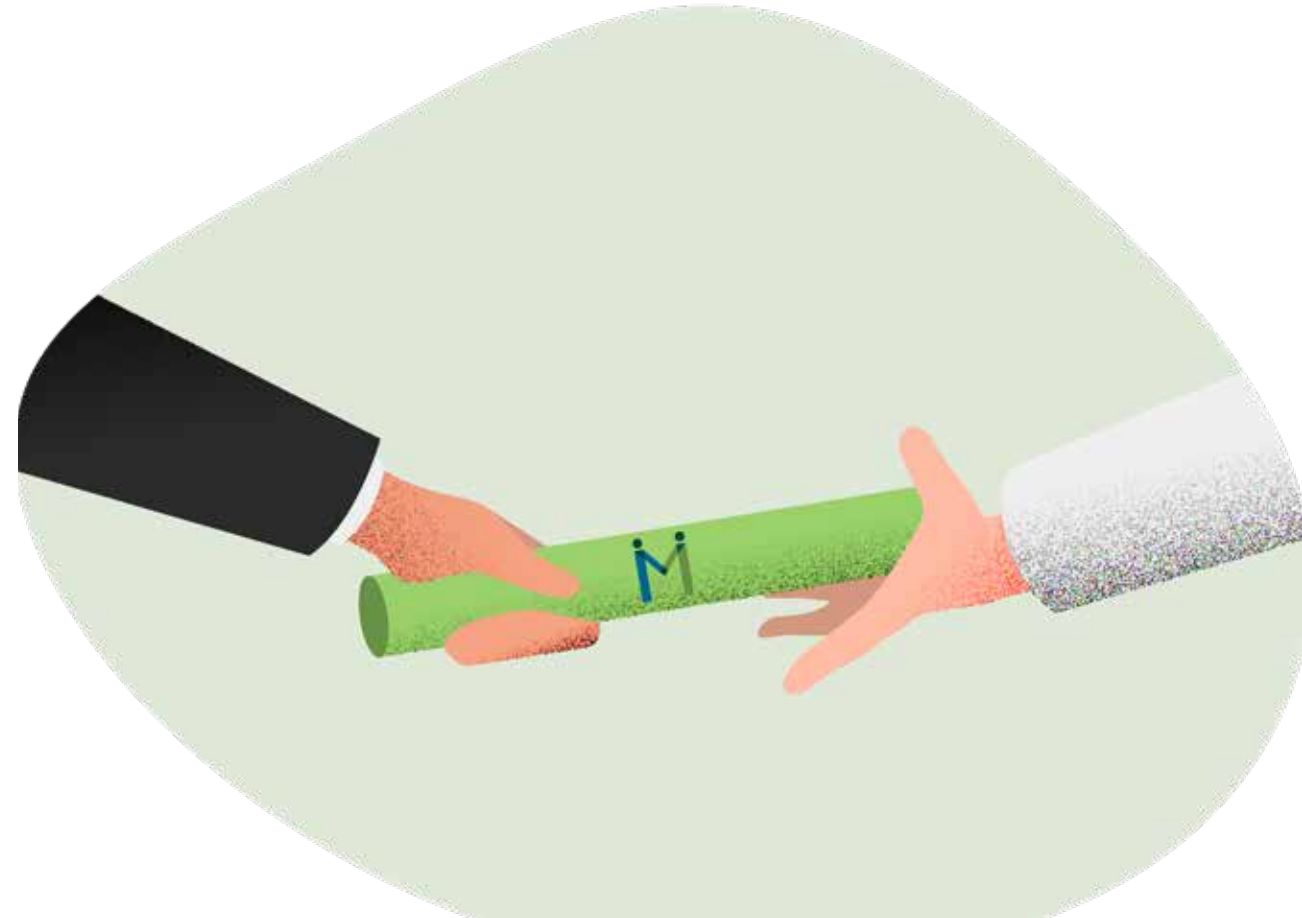


## Excellent company performance and notable achievements

During Frank's tenure, the Company earned and continues to maintain an A (excellent) Stable rating from A.M. best. It is a highly notable feat given the Company size. It should be noted that 10 years prior, the Company was given little hope for obtaining this rating based on size. This is in the setting of an uninterrupted string of annual dividends, including a historic high \$8 million dividend in 2021. In addition, the company issued a cash dividend during the COVID crisis at a time when member-policyholders most needed help. This financial success was due to deft handling of underwriting costs as well as adding new business. The addition of the Northern Light Health system, which transitioned from a captive program, was an unprecedented move in New England. I feel that this was made possible because of the value proposition that our company offers due to strengths in risk management, underwriting, marketing, and the aforementioned claims divisions.

## Gratitude for positive impacts

It was an honor to recognize Frank and his accomplishments at a retirement gathering last fall. The staff, Board, business partners, and, most importantly, Frank's family had a chance to review a stellar career. I hope that you, the policyholders, are able to appreciate the notable ways he has positively impacted the Company. I am, indeed, grateful for him making the Company a better institution.



## A seamless transition

It is with a sense of great optimism and confidence that we transition to new leadership. The transition to our new President and CEO, Shawn Anderson, has been seamless. His astute recognition of the current issues in medical malpractice, outreach to our clients, and new business development are sure signs that the company is in great hands. Prior to joining us, he was CEO of Houlton Regional Hospital and a representative on national boards for medical policy development. He is extremely familiar with the New England medical community and has approached his new tasks with great enthusiasm. Under his early watch, he has also instituted several new initiatives designed to help the Company achieve growth as well as add to our value proposition. As Board Chair, all of my interactions with him have increased my confidence in his ability to lead the Company to continued success. I could not be more positive that Medical Mutual will continue to offer the highest quality medical liability protection.

## Passing the baton, with confidence

In keeping with the Company's credo and foundation by physician leadership, the Nominating Committee has forwarded the name of Dr. David McDermott to become the new Board Chair. He has served as Vice Chair of the Board for the previous four years and Chair of the Governance/Nominating Committee, which has served a pivotal role in the re-organization of Board committees, and roles. In addition, he has represented the Company as a speaker for the Medical Professional Liability Association, as well as being an active participant in multiple national meetings. I am fully confident that he will do an admirable job of overseeing Company operations.

It has been my privilege and honor to serve the Company as Board Chair for the past four years and on various committees for the past 20 years. I would like to thank the Board and the staff for all of their hard work, in addition to our insureds who make up our mutual company. I could not be more optimistic for the future of the Company.



## David McDermott ascends to Board Chair of Medical Mutual

David B. McDermott, MD, MPH, CPE will officially be named Board Chair at Medical Mutual effective May 17, 2024, at the Company's Annual Meeting in Portland. He succeeds O. Robert (Bob) Stevens, MD, who is retiring from the role.

McDermott, an emergency medicine specialist, has been a member-policyholder of Medical Mutual since the mid-1990's. He is currently the Senior Physician Executive at Northern Light Mayo Hospital in Dover-Foxcroft, ME and Northern Light CA Dean Hospital in Greenville, ME. He joined the Medical Mutual Board in 2014 and has served on the Underwriting and Governance Committees. He now ascends to the role of Board Chair after serving as Vice Chair for the past four years.

In addition to his roles with Northern Light Health System and Medical Mutual, Dr. McDermott has been an active member of the Maine Medical Association, having served as the organization's President from 2009 to 2010.

With experience in medical practice and hospital leadership that is both broad and deep, Dr. McDermott brings to his new Medical Mutual role intimate understanding of the care environment in which our member-policyholders operate. And his 10-year tenure on the Company Board has given him valuable insight into the inner workings of the medical professional liability industry.

Dr. McDermott has not only served Medical Mutual in important Board positions for the past 10 years, but he has also been an ambassador for the Company. Just last year he represented the Company at the Medical Professional Liability Association's annual conference, where he spoke on emerging trends in rural healthcare and how they could potentially affect underwriting in the industry.

"David's active participation in helping to address issues in both healthcare and medical liability insurance over the years has put him in a great position to lead our Board of similarly engaged physician leadership," said Company President and CEO Shawn Anderson. "We are grateful for his commitment to the mission of this great Company."



**David B McDermott, MD, MPH, CPE**  
**INCOMING BOARD CHAIR**



**The Medical Mutual Senior Management Team**  
(l to r) John Doyle, VP Marketing & Administration, Shawn Anderson, President & CEO, Holly Bulger, CFO, Steve Hodgkin, VP-CIO, Dave Herzer, VP-Claims, Dave Johnson, VP-Underwriting, Michelle Boucher, VP-Risk Management




## Financial Highlights

At and For the Years Ended  
December 31, 2023, 2022, and 2021  
(Dollars in Thousands)

	At December 31		
	2023	2022	2021
<b>ADMITTED ASSETS</b>			
Investments - Bonds	\$292,029	\$282,305	\$266,620
Investments - Equities	61,649	51,028	63,499
Cash and Short-Term Investments	24,340	22,167	25,910
Other Invested Assets	3,473	4,175	2,179
Total Invested Assets	381,491	359,675	358,208
Premiums Due from Policyholders Net of Reinsurance Premiums	29,215	26,048	28,040
Other Assets	6,437	5,001	5,884
<b>TOTAL ADMITTED ASSETS</b>	<b>\$417,143</b>	<b>\$390,724</b>	<b>\$392,132</b>
<b>LIABILITIES &amp; POLICYHOLDERS' SURPLUS</b>			
Reserves:			
Unpaid Losses	\$89,966	\$87,016	\$78,257
Loss Adjustment Expenses	24,833	24,130	25,184
Total Reserves	114,799	111,146	103,441
Unearned Premiums	24,076	23,260	22,825
Death, Disability, and Retirement Reserve	812	814	853
Federal Income Tax Payable	400	155	1,450
Net Deferred Tax Liability	3,781	1,787	4,703
Dividends Declared and Unpaid	4,598	5,157	8,090
Ceded Reinsurance Premiums Payable Net of Ceding Commission	12,041	11,566	10,870
Other Liabilities	11,793	8,704	7,002
Total Liabilities	172,300	162,589	159,234
Policyholders' Surplus	244,843	228,135	232,898
<b>TOTAL LIABILITIES &amp; POLICYHOLDERS' SURPLUS</b>	<b>\$417,143</b>	<b>\$390,724</b>	<b>\$392,132</b>
	For the Year Ended December 31		
	2023	2022	2021
<b>OPERATIONS</b>			
Premiums Earned	\$34,973	\$33,256	\$37,064
Net Losses Incurred	15,914	16,534	15,537
Net Loss Adjustment Expenses	8,330	5,036	6,378
Underwriting Expenses	7,879	8,614	8,371
Net Underwriting Gain (Loss)	2,850	3,072	6,778
Net Investment Gain	11,034	8,426	15,919
Other Income	40	26	28
Income before Taxes and Dividends	13,924	11,524	22,725
Dividends Declared	4,497	4,903	7,983
Income before Taxes	9,427	6,621	14,742
Federal Income Tax Expense	2,095	1,226	1,397
Net Income	<b>\$7,332</b>	<b>\$5,395</b>	<b>\$13,345</b>
Gross Premiums Written	\$56,016	\$51,500	\$51,120
Premiums Ceded	20,229	17,848	14,142
Net Premiums Written	\$35,787	\$33,652	\$36,978
Percent Premiums Retained	64%	65%	72%

# MEDICAL MUTUAL BY THE NUMBERS

## INSURED CENSUS



Physicians  
**3,953**

Hospitals  
**38**



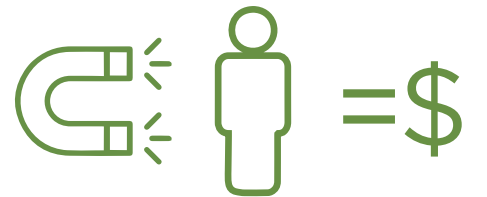

Nursing Homes  
**69**

Physician Extenders  
**2,771**



**18 DIVS** / **18 YEARS**

Since 2007, including an additional mid-year special dividend in 2020



**99%**

Insured retention over the last 5 years

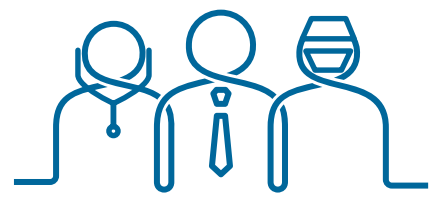
## PREMIUM BY LINE OF BUSINESS

Since 2008, the mix of independent vs. hospital-employed physicians has completely flipped—and then some. By insuring both hospitals and physicians, Medical Mutual has not only survived, but has continued to thrive in the face of this massive shift in its customer base.

Year	Independent Physicians	Hospital & Hospital Employed Physicians	Other to include Nursing Home & Allied Health
2008	51%	45%	4%
2023	16%	80%	4%

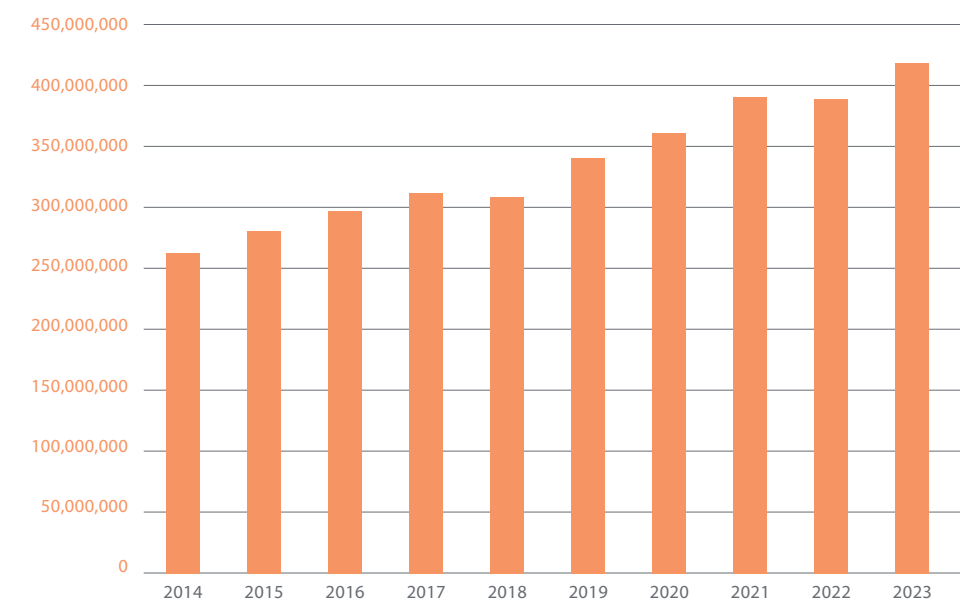
**46 YEARS**

of partnership in patient safety and medical liability protection



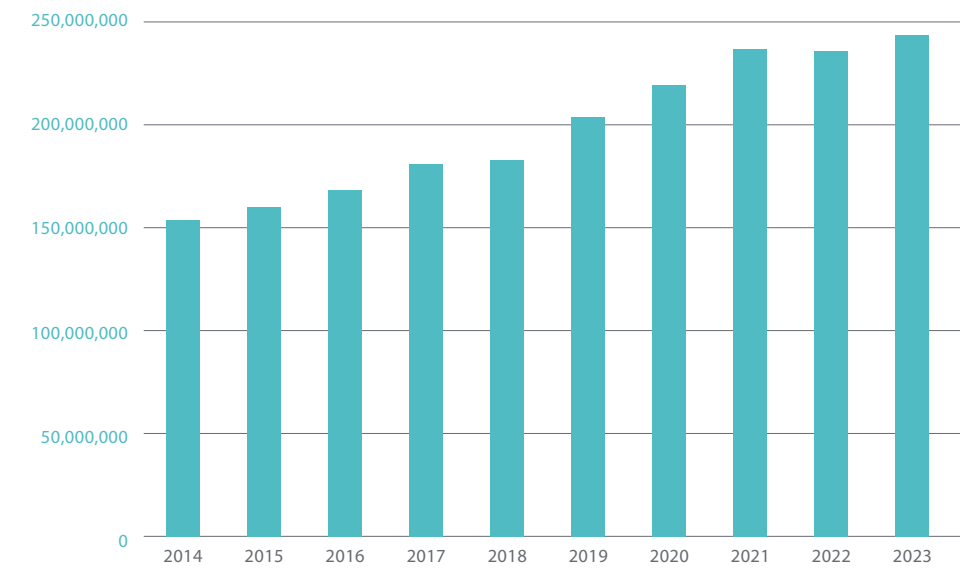
## ADMITTED ASSETS TEN YEAR HISTORY

With total admitted assets exceeding \$417 million, Medical Mutual continues to carry an A (Excellent) rating from independent rating agency A.M. Best.



## SURPLUS TEN YEAR HISTORY

Medical Mutual has steadily increased surplus to \$244.8 million over the past 10 years, giving the Company more than ample financial capacity necessary to cover unexpected losses and to support new business efforts.







# Medical Mutual

INSURANCE COMPANY OF MAINE

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[MedicalMutual.com](https://www.MedicalMutual.com)

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Insurance Company of Maine

## BOARD OF DIRECTORS

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### VICE CHAIR

David B. McDermott, MD

### PRESIDENT & CEO

Shawn D. Anderson, MSB

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Cynthia A. DeSoi, MD

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Matthew C. Dugan, DO

Rebekah J. Gass, MD

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Wendy J. Merchant

Jeremy R. Morton, MD

Zaki Nashed, MD

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