STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Missouri Professionals Mutual for the period ended December 31, 2011

ORDER

After full consideration and review of the report of the financial examination of Missouri Professionals Mutual for the period ended December 31, 2011, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Missouri Professionals Mutual as of December 31, 2011, be and is hereby ADOPTED as filed and for Missouri Professionals Mutual to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 20th day of February, 2013.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF

FINANCIAL EXAMINATION

Missouri Professionals Mutual

As of:
DECEMBER 31, 2011

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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January 23, 2013
St. Louis, MO

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Huff:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

Missouri Professionals Mutual

hereinafter referred to as "MPM" or as the "Company." The Company's main office is located at 287 N. Lindbergh Blvd; St. Louis, MO 63141-7849; telephone number (314) 587-8000. Examination fieldwork began on June 4, 2012 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a single-state examination of Missouri Professionals Mutual. The last examination was completed as of December 31, 2008. This examination covers the period of January 1, 2009 through December 31, 2011. This examination also included material transactions or events occurring subsequent to December 31, 2011.

Procedures

This examination was conducted as a full scope comprehensive examination. We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook. The handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company and evaluating systems controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with statutory accounting principles and Annual Statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Key activities were: Investment and Cash Management, Underwriting and Premiums, Claims and Reserving, and Reinsurance.

The examiners relied upon information and workpapers provided by the Company's independent auditor Kerber Eck & Braeckel, LLP for its audit covering the period from January 1, 2011 through December 31, 2011. Such reliance included taxes, internal control narratives and tests of internal controls.

SUMMARY OF SIGNIFICANT FINDINGS

A significant concern in this examination was the retrocessional reinsurance program's impact on the Company's policyholders and future solvency. This examination concluded that the program has, to a large extent, achieved the objective sought. In accomplishing these objectives, MPM's policyholder claims are adequately reinsured, as all past claims are 100% reinsured. The Company's claims-made policies are also 100% reinsured going forward. Therefore, claims, both past and present will be covered.

During the quarter in which this transaction was finalized, the Company saw its surplus decline by $16.4 million. The surplus was used to increase the reserves of MPM Insurance Company of Kansas (MPM-Kansas) and to purchase the initial reinsurance coverage provided by MPM-Kansas. This allowed MPM-Kansas to then purchase the retrocessional reinsurance currently in place. Management asserts that this coverage could not have been directly obtained by MPM.

The final step in this retrocessional reinsurance program is MPM's purchase of MPM-Kansas. MPM's Board initially proposed the purchase of MPM-Kansas in June of 2010 during the formation of MPM-Kansas. This transaction has been approved by both companies and by the state of Kansas and the sale has closed. MPM-Kansas had $10.4 million in policyholder surplus as of its most recent regulatory filing (September 30, 2012.) MPM acquired this company for consideration of $2.5 million, an amount equal to the capital investment of Timothy H. Trout in MPM-Kansas. Purchasing MPM-Kansas for a cost below its book value has returned much of the surplus that was expended under the initial reinsurance transaction. Other costs of the reinsurance transaction were paid to unrelated third party reinsurers to transfer 100% of MPM's risk to them.

The Company has experienced substantial decreases in premium writings as a result of competitive pressure. Gross written premiums have declined by almost a quarter since 2009. This necessitates continued efforts to control expenses.

SUBSEQUENT EVENTS

Three significant subsequent events have occurred since the examination date. First, the Company's exclusive producer, the Keane Insurance Group, announced its termination of their contract with Timothy H. Trout, L.L.C. in March, 2012. MPM filed suit against the Keane Insurance Group primarily alleging breach of the contract with Timothy H. Trout, L.L.C. The Keane Insurance Group has, in turn, filed a countersuit alleging damaged business brought about by the publicity of these events. These lawsuits are pending.

During the Company's annual meeting held April 14, 2012, the intent to purchase MPM of Kansas was confirmed per the minutes of the June 28, 2010 Board of Directors meeting when the Board approved an option to purchase MPM-Kansas. The Company paid $2.5 million, which was the amount to initially capitalize MPM- Kansas. This acquisition, which received final approval from the state of Kansas on December 20, 2012, represented the final phase of the Company's overall retrocessional reinsurance transaction.

In an opinion issued on July 31, 2012, the Supreme Court of Missouri overturned tort reform measures relating to limits on non-economic damage awards. This action has the potential to effect claim costs of medical malpractice companies operating in Missouri.

A special meeting of the members on November 17, 2012, resulted in the election of four additional physician board members, increasing the size of the Board of Directors to a total of seven members.

COMPANY HISTORY

General

MPM was issued a Certificate of Authority by the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department) to operate as an assessment association under Chapter 383 RSMo, (Malpractice Insurance) on February 24, 2003. The Company commenced business on February 27, 2003.

Capital Stock

The Company operates as an assessment association and is not authorized to issue capital stock. Each member pays an initial assessment of $100 and is liable for subsequent assessments in accordance with the Articles of Association and Bylaws.

Dividends

The Company has paid no dividends to members since its inception.

Mergers and Acquisitions

During 2008, the Company formed two subsidiaries, Midwest Professionals Risk Management, LLC and Midwest Professionals Reinsurance, Ltd. Both entities ceased operations in 2009 and were closed.

CORPORATE RECORDS

Corporate Documents

The Articles of Association and the Bylaws were reviewed. No amendments were made to either document during the current examination period.

Meeting Minutes

The minutes from the annual meetings and the Board of Directors meetings were reviewed for the current examination period. Those minutes adequately documented the deliberations of those meetings.

MANAGEMENT AND CONTROL

Board of Directors

The Company's Bylaws call for three directors. At December 31, 2011, they were:

Timothy H. Trout St. Louis, MO President	John M. Lorei, M.D. Kansas City, MO Physician	Richard T. Meyer St. Louis, MO Consultant

Officers

The officers appointed and serving as of December 31, 2011 were:

Name	Office
Timothy H. Trout	President
John M. Lorei	Secretary
Richard T. Meyer	Treasurer

Committees

The Company has an investment committee and an audit committee. Timothy H. Trout, Richard T. Meyer, and Lawrence V. Niemann serve on both committees.

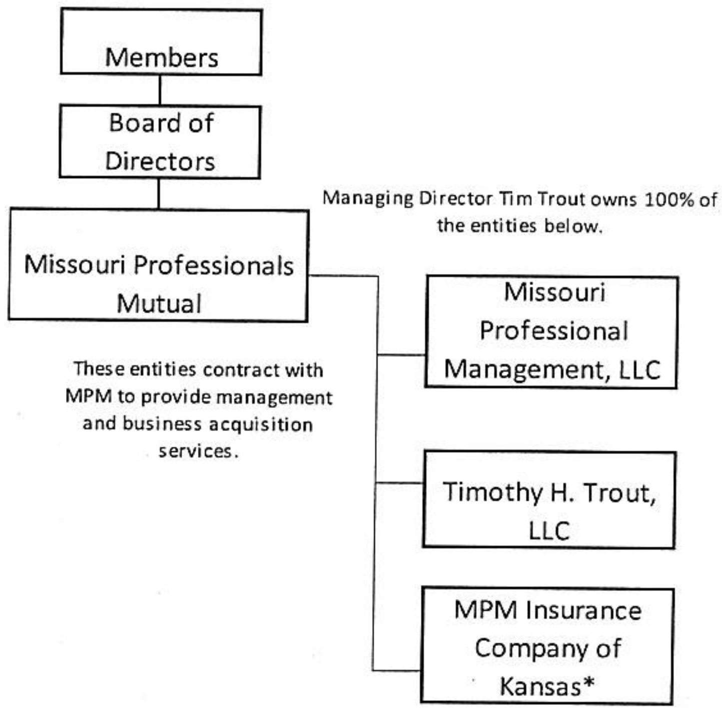
Conflict of Interest

Conflict of Interest disclosure statements are executed annually by all Board members and officers. A review of the conflict of interest disclosure statements for the period under current examination indicated the company has procedures in place to ensure that potential conflicts are adequately disclosed and are taken into consideration when voting on and discussing issues where there may be a conflict of interest.

Holding Company, Subsidiaries and Affiliates

The Company was formed as a Chapter 383 RSMo entity, and holding company statutes do not apply to those entities.

The following organizational chart shows the structure of the Company as of December 31, 2011:



*MPM Insurance Company of Kansas is now 100% owned by Missouri Professionals Mutual

Intercompany Transactions

The Company is a party to the following two affiliated agreements. Both agreements had been submitted to the Department of Insurance, Financial Institutions and Professional Registration (Department) prior to implementation.

Management Agreement

Parties: MPM and Missouri Professional Management, LLC (Management Company)

Effective: February 26, 2003

Services: Management Company provides for the management of MPM's operations including processing of applications, underwriting, premiums and claims accounting.

Rate: In exchange for services provided, MPM pays Management Company 10% of earned premium.

Policy Acquisition Agreement

Parties: MPM and Timothy H. Trout, subsequently assigned to Timothy H. Trout, LLC

Effective: February 28, 2003

Services: Under the terms of the agreement, Timothy H. Trout, LLC will provide brokerage services including the exclusive right to introduce, solicit, promote and sell all products of MPM.

Rate: The commission rate under the agreement is 10% of collected premiums.

These agreements were noted in previous examinations because of the termination clauses contained therein. During 2009, both agreements were amended to include a provision which (1) places restrictions on the termination payment whereby a minimum of $5 million of surplus must remain in the Company, and (2) the termination fee cannot trigger an assessment of the membership. These changes adequately addressed the concerns raised in the previous examinations.

FIDELITY BOND AND OTHER INSURANCE

Missouri Professionals Mutual is a named insured on a $5 million employee crime policy, with a $50,000 deductible. This coverage meets the suggested minimum coverage of the NAIC Financial Condition Examiners Handbook.

The Company is also a named insured on policies which have the following types of coverage: general liability, commercial excess liability, employer's liability, automobile liability, directors and officer's liability, commercial property damage, and personal property. In addition, the Company has a key man life insurance policy on the Managing Director, Timothy H. Trout. These insurance coverages provide adequate protection for all of the Company's insurance exposures.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no employees; therefore, it has no pension plan or insurance benefits for employees.

TERRITORY AND PLAN OF OPERATION

The Company is organized as an assessable mutual insurance company, licensed to write medical malpractice insurance under Chapter 383 RSMo. The Company writes only in the state of Missouri.

Business had been produced through the Company's former exclusive broker, the Keane Insurance Group, through a contract between the Keane Insurance Group and Timothy H. Trout, L.L.C. However, subsequent to the examination date, this arrangement was terminated. The Company plans to produce business through a combination of non-exclusive brokers and affiliations. The Company recently added two brokers, Cretcher Heartland, LLC and Missouri State Medical Association Insurance.

GROWTH OF COMPANY

The Company experienced a significant decline in premium writings over the past few years. This was attributed, primarily, to new entrants into the Missouri market leading to increasing competitive pressure. The following table illustrates the decline in premiums written and the related underwriting expenses (dollar amounts shown to the nearest thousand.)

	2007	2008	2009	2010	2011
Gross written premiums	$41,214	$41,441	$40,216	$37,369	$31,105
Other underwriting expenses incurred	$12,231	$13,619	$16,897	$14,642	$9,420
Expenses as a percentage of premium	29.7%	32.9%	42.0%	39.2%	30.3%

The Company is taking steps to keep expenses in line with declining premium writings.

LOSS EXPERIENCE

The Company has maintained favorable loss experience throughout its existence. The pure direct loss ratio has never exceeded 54%. The Company now has reinsurance protection providing coverage for all losses.

Gregory S. Wilson, FCAS, MAAA from the actuarial consulting firm, Lewis & Ellis, Inc. was retained by the Department to evaluate the Company's loss and loss related reserves. His evaluation reached the following conclusions regarding those reserves:

- The Company's overall reserves are within a reasonable range of results.

- Lewis & Ellis, Inc.'s independent estimate of direct reserves concluded that the range of direct reserves was $39,179,695 - $59,964,695, with a best estimate of $50,155,695. The direct reserves reported in MPM's 2011 Annual Statement were within the range of reasonable results.

- Lewis & Ellis, Inc.'s independent estimate of net reserves concluded that the range of net reserves was $18,677,809 - $31,102,102, with a best estimate of $24,187,952. The net reserves reported in MPM's 2011 Annual Statement were within the range of reasonable results.

- Reserves are consistent with amounts computed in accordance with the Casualty Actuarial Society's Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves and relevant standards of practice promulgated by the Actuarial Standards Board.

- Reserves meet the requirements of the insurance laws of Missouri.

- Reserves make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its policies and agreements.

REINSURANCE

General

As stated previously, the primary concern for this examination was the reinsurance transaction entered into in December, 2011. That transaction involved multiple reinsurers and resulted in a large reduction in the Company's surplus.

Because of the complex nature of this transaction, the Department asked the consulting actuary, Gregory S. Wilson, to evaluate the reinsurance agreement. He determined that the prospective portion of the reinsurance agreement had met the risk transfer requirements of SSAP 62. The retrospective portion was appropriately reported under deposit accounting rules.

Premiums written by Missouri Professionals Mutual during the examination period were as follows:

	2009	2010	2011
Direct Written	$40,216,180	$ 37,369,085	$ 31,104,847
Reinsurance Assumed	0	0	0
Reinsurance Ceded	(730,628)	(725,000)	(40,323,186)
Net Written Premiums	$39,485,552	$ 36,644,085	($9,218,339)

Net written premiums were negative in 2011 since more reserves (2011 and prior years) were transferred than direct writings for the year.

Assumed

The Company had no assumed reinsurance as of December 31, 2011.

Ceded

Effective January 1, 2011, Missouri Professionals Mutual (the ceding company) entered into a reinsurance contract with MPM Insurance Company of Kansas (the reinsurer), an entity affiliated with Missouri Professionals Mutual through operational control. This reinsurance agreement is a Medical Professional Liability Reinsurance Agreement that cedes both retrospective liability and prospective liability to the reinsurer. The retrospective portion applies to policies in force on or before December 31, 2010, while the prospective portion applies to policies in force on or after January 1, 2011. The prospective business is written on a 100% quota share basis with yearly renewable contracts extending through December 31, 2014.

The retrospective liabilities are retroceded by MPM Insurance Company of Kansas to Ironshore Indemnity, Inc., and the prospective liabilities are retroceded to Aspen Insurance UK Ltd. The Company's Managing Director stated the current climate in the reinsurance market made it very difficult for traditional reinsurers to provide this extensive coverage to a Missouri Chapter 383 company at an affordable rate, which is why the business was first reinsured through MPM Insurance Company of Kansas, a stock company.

This reinsurance treaty ceded $41,126,243 in reserves for total consideration of $45,000,000 with special surplus of $1,377,229. This will be paid in two equal installments of $22,500,000 each. The first installment was paid in February, 2012 while the second installment is due on December 31, 2012.

ACCOUNTS AND RECORDS

General

The Company's financial statements are prepared based on statutory accounting principles. Accounting entries are recorded on a non-interfaced QuickBooks software program. The Company uses a customized application developed for the Company by Ravello that includes all underwriting, policy administration, premiums and claims management functions.

Independent Auditor

The Company is audited by the accounting firm of Kerber Eck & Braeckel, LLP. A review was made of the workpapers of the most recent audit. These workpapers and reports were used in the course of this examination as deemed appropriate.

Independent Actuaries

Reserves and related actuarial items reported in the financial statements were certified by James P. Streff, FCAS, MAAA, of Streff Insurance Services.

Consulting actuary Gregory S. Wilson, FCAS, MAAA, with the actuarial firm of Lewis & Ellis, Inc. was retained by the Department to review the adequacy of reserves and other related liabilities. His report concluded that the Company's reserves, as of the examination date, were adequate.

Information Systems

In conjunction with this examination, Andrew Balas, Information Systems Financial Examiner with the Department, conducted a review of the Company's information systems. His evaluation did not identify any significant weaknesses.

STATUTORY DEPOSITS

The Company is not required to maintain any statutory deposits.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2011, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

BALANCE SHEET
As of December 31, 2011

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$16,491,101	$0	$16,491,101
Properties occupied by the company	2,624,217	0	2,624,217
Cash	39,916,494	0	39,916,494
Investment income due and accrued	186,881	0	186,881
Uncollected premiums	7,229,910	0	7,229,910
Current federal income tax recoverable	2,352,440	0	2,352,440
Net deferred tax asset	1,010,975	133,904	877,071
EDP equipment and software	36,709	739	35,970
Furniture and equipment	179,667	179,667	0
Health care and other amounts receivable	103,590	103,590	0
Prepaid Expenses	322,454	322,454	0
Life Insurance Policy	819,053	0	819,053
Totals	$71,273,491	$740,354	$70,533,137

Losses	$16,089,355
Loss adjustment expenses	6,550,163
Commissions payable	1,369,466
Other expenses	700,822
Unearned premiums	12,897,954
Advance premium	(2,289)
Ceded reinsurance premiums payable	53,736,571
Payable to parent, subsidiaries and affiliates	244,303
Retroactive reinsurance reserve	(22,639,518)
Total liabilities	68,946,828
Special surplus from retroactive reinsurance	1,377,229
Unassigned funds (surplus)	209,080
Surplus as regards policyholders	1,586,309
Totals	$70,533,137

INCOME STATEMENT
For Year Ending December 31, 2011

Premiums earned		($5,000,000)
Losses incurred	$2,915,743	
Loss adjustment expenses incurred	1,694,435	
Other underwriting expenses incurred	9,419,884	
Total underwriting deductions		14,030,062
Net underwriting gain (loss)		(19,030,062)
Net investment income earned	484,928	
Net realized capital gains (losses)	0	
Net investment gain (loss)		484,928
Aggregate write-ins for miscellaneous income		1,377,229
Net income before federal income taxes		(17,167,905)
Federal income taxes incurred (benefit)		(2,127,056)
Net income		($15,040,849)

RECONCILIATION OF SURPLUS
Changes from December 31, 2008 to December 31, 2011

	2008	2009	2010	2011
Policyholder surplus, December 31 prior year	$9,064,620	$13,717,531	$17,214,866	$17,782,204
Net income	4,712,714	3,602,188	668,165	(15,040,849)
Change in net unrealized capital gains or (losses)	(19,934)	20,068	0	0
Change in net deferred income tax	(62,094)	(155,854)	(50,500)	(1,328,881)
Change in nonadmitted assets	22,225	30,933	(50,327)	173,836
Change in surplus per examination	0	0	0	0
Change in policyholder surplus for the year	4,652,911	3,497,335	567,338	(16,195,894)
Policyholder surplus, December 31 current year	$13,717,531	$17,214,866	$17,782,204	$1,586,310

EXAMINATION CHANGES

There are no changes in the financial statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENTS

There are no comments on the Company's financial statements.

SUMMARY OF RECOMMENDATIONS

Expense Monitoring

The Company should continue efforts to ensure that operating expenses are controlled in relation to premiums written. The Company experienced a significant decline in written premiums during the examination period and needs to maintain measures to ensure that expenses stay in line in with those premiums. This will help ensure adequate policyholder surplus is maintained.

Consideration of Changing Tort Law Situation

The Company should monitor the recent Supreme Court decision regarding tort reform and changing proposals for future remedial measures to address the potential impact, if any, these changes may have on current and future claim liabilities. Careful analysis will help ensure that reserve calculations make adequate provisions for possible effected claim costs.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and staff of Missouri Professionals Mutual during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Rick Stamper, CFE, and Andy Balas, CFE, CPA, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration, and Gregory S. Wilson, FCAS, MAAA of the actuarial firm, Lewis & Ellis, Inc., participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I, Robert P. Jordan, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

MAGDA OTTO-LYNCH
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis City
My Commission Expires: Oct. 18, 2014
Commission # 10031364

Robert P. Jordan
Robert P. Jordan, CFE
Examiner-in-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 27 day of December 2012
My commission expires:
Oct. 18, 2014

Magda Otto-Lynch
Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Michael M. Shadowens
Michael Shadowens, CFE
Audit Manager, St. Louis
Missouri Department of Insurance, Financial Institutions and Professional Registration

MPM | Missouri Professionals Mutual

RE-EMPOWERING MISSOURI PHYSICIANS

RECEIVED
FEB 14 2013
MO. DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

February 11, 2013

Sent via email (tammy.rodieck@insurance.mo.gov and U.S. Mail

Frederick G. Heese, CFE, CPA, MBA
Chief Financial Examiner & Division Director
301 West High Street, Room 530
P.O. Box 690
Jefferson City, Missouri 65102-0690

Dear Mr. Heese:

This letter is written in response to the Report of Financial Examination of Missouri Professionals Mutual ("the Report") for the period ending December 31, 2011 and would request this response be included with the report as a public document.

I wish to extend my sincere appreciation to you, Robert Jordan, Rick Stampler, Andy Balas, Mike Shadowens and other members of your staff for their professionalism while conducting a full scope comprehensive examination of MPM.

I am grateful that the Department performed a full scope examination during which the MDOI specifically reviewed several matters, such as the retrocessional reinsurance purchased by MPM, and concluded that MPM's strategy was sound and MPM's objectives were achieved.
In particular, the acknowledgment that MPM has consistently maintained:

- The reinsurance ensures that the past and present claims are 100% reinsured. (Page 2 of the Report)
- It was always MPM's intention to purchase MPM-Kansas after the reinsurance was secured, as reflected in the June 29, 2010 board meeting minutes. (Page 2 of the Report)
- "purchasing MPM-Kansas for a cost below its book value has returned much of the surplus that was expended under the initial reinsurance transaction." (Page 2 of the Report). **On 12/21/2012, MPM closed on the purchase of 100% of MPM-Kansas. Accordingly, we are pleased to report a $13,082,679.00 surplus of the now combined companies as of 12/31/2012.**

office: 314 587-8000 | facsimile: 314 587-8001 | 287 N. Lindbergh Blvd. | St. Louis, Missouri 63141 | www.mpmins.com

MPM | Missouri Professionals Mutual

- MPM acquired MPM-Kansas as planned for an amount equal to the capital investment in MPM-Kansas by Timothy Trout, meaning that Timothy Trout did not and did not attempt to profit at all from the transaction. (pages 2 and 3 of the Report)

- All former concerns associated with any management agreements have been addressed and, therefore, there are no concerns with those agreements. (Pages 5-6 of the Report) MPM believes that anyone that took any time to review these issues objectively would have come to the same conclusion as the facts leave no room for debate.

With respect to the "Summary of Recommendations" set out in the Report, MPM offers the following comments and response:

Comment: "The Company should continue efforts to ensure that operating expenses are controlled in relation to premiums written."

Response: MPM agrees and appreciates that the Department acknowledges that MPM has proactively taken steps to reduce operating expenses. MPM has chosen to not participate in the current frenzy created by those companies whose singular focus seems to be increased market share by offering actuarially unsound and financially unsustainable premiums.

Comment: "The Company should monitor the recent Supreme Court decision regarding tort reform and changing proposals for future remedial measures to address the potential impact, if any, these changes may have on current and future claim liabilities."

Response: MPM agrees and will continue to monitor the results of the decision. MPM appreciates that the Department has recognized that MPM took a forward-thinking approach to managing claim liabilities, irrespective of tort reform, by purchasing reinsurance that provides that all past claims are 100% reinsured" and "claims-made policies are also 100% reinsured going forward."

Best Regards,

Timothy H. Trout