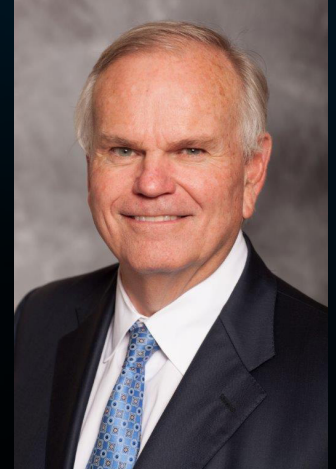




Medical Mutual Holdings



IMPORTANT MESSAGE FROM THE CEO

A. DALE JENKINS

I am pleased to report that we had strong financial results in 2015, that have continued into 2016, reinforcing our confidence and optimism about the years ahead. It is important to acknowledge the efforts and excellent leadership of our management team. They have set clear strategic priorities for your company, and have attained them – increasing our annual earnings and generating substantial value for our members. Hiring talented employees is a high priority. We are fortunate to have individuals on our teams in Raleigh, Philadelphia, and Harrisburg who have a clear sense of purpose in all that they do and who are thought leaders in their respective disciplines.

We celebrated 40 years of promoting the success of physicians in October, 2015. The anniversary marked a turning point in our history. We renewed our commitment to creating a value proposition that would transcend the parameters of our medical malpractice offerings. We were determined to become more than the typical insurance company, and we grew restless in our quest to think innovatively and to create long term enterprise value for many years to come.

The acquisition of Healthcare Providers Insurance Exchange (HPIX) policies in January, 2016 was step one, and has already begun to contribute to Medical Mutual's positive performance and to assure success in the future with the addition of approximately 2,300 physician members in Pennsylvania, New Jersey, Maryland, and Delaware. Our footprint and growth trajectory have continued to expand. We are now the 12th largest MPL company in the U.S.

Achieving success in the current economic and financial environment is challenging. The MPL industry is highly competitive – and uncertainty is inherent. While the economy continues to improve, ongoing risks, such as privacy and security exposures, continue to materialize. We are very conscious of these risks, and we consider risk assessment and risk management to be among our core competencies in our quest to protect physicians. We remain confident that our measured approach and strong tools, education and processes will allow us to make the most of the opportunities ahead as we continue to grow and strengthen the Medical Mutual platform. There are many opportunities in our future.

Our step two occurred in May, 2016, when Medical Mutual launched SharpVue Capital, an independent investment company managed by a diverse team of industry professionals. SharpVue's core investment strategies focus on multi-asset class portfolios, real estate properties, and private equity opportunities. We are excited to offer this new investment model to our physician members at discounted fees and we encourage you to take advantage of the opportunity.

The transformation and revitalization of our brand in the closing months of this year has captured the imagination of our employees and members alike. We are here to help make your life easier in any way that we can, which resonates with all of us in the ever-more-complex world of health care. This philosophy complements our commitment to delivering innovative solutions and creating a culture of service in which our employees' dedication and commitment to members continue to be driving forces in our performance.

In closing, I thank you for your continuing confidence in Medical Mutual and its future direction. It is our privilege to serve you. If you have questions or if you need additional information, please contact us at 800.662.7917.

Sincerely,



A. Dale Jenkins
Chief Executive Officer



Medical Mutual Holdings



BALANCE SHEET

Medical Mutual Holdings

DECEMBER 31, 2015

DECEMBER 31, 2014

ASSETS

Invested Assets	\$633,114,953	\$627,179,947
Accrued Investment Income	\$5,230,356	\$5,887,649
Premiums Receivable	32,599,292	30,682,467
Reinsurance Recoverables	60,188,649	40,471,898
Property and Equipment, net	385,594,829	300,852,277
Other Assets	21,971,887	15,619,283

TOTAL ASSETS	\$1,138,699,966	\$1,020,693,521
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LIABILITIES & POLICYHOLDERS' SURPLUS

LIABILITIES

Loss and Loss Adjustment Expense Reserves	\$236,179,317	\$216,706,873
Unearned Premium Reserves	57,670,875	52,238,462
Reinsurance Balances Payable	16,429,805	17,617,240
The Legacy Fund	27,700,000	26,300,000
Policyholder Dividends Payable	3,315,000	4,900,000
Long-term Debt	307,437,274	242,816,886
Other Liabilities	53,374,214	52,874,599

TOTAL LIABILITIES	\$702,106,485	\$613,454,060
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EQUITY

Total Member's Equity	\$377,211,343	\$362,049,630
Non-controlling Interest	\$59,382,138	\$45,189,831

TOTAL LIABILITIES & EQUITIES	\$1,138,699,966	\$1,020,693,521
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INCOME STATEMENT



Medical Mutual Holdings

	DECEMBER 31, 2015	DECEMBER 31, 2014
REVENUES	136,171,160	129,924,506
Losses and loss adjustment expenses incurred	(53,944,549)	(51,552,533)
Other underwriting expenses incurred	(67,349,621)	(57,122,963)
Net Operating Income	14,876,990	21,249,010
Net investment Income and Capital Gains	26,755,004	45,645,013
Dividends to policyholders	(6,704,936)	(6,346,619)
Federal income tax expense	(9,812,821)	(15,846,323)
Consolidated Net Income/(Loss)	25,114,237	44,701,081
Net Income/(Loss) Attributable to Non-controlling Interest	580,230	(7,723,594)
Net Income/(Loss) Attributable to Controlling Interest	25,694,467	36,977,487



BALANCE SHEET

	DECEMBER 31, 2015	DECEMBER 31, 2014
ASSETS		
Invested Assets	442,186,837	\$438,173,018
Accrued Investment Income	3,890,899	\$4,297,591
Premiums Receivable	30,501,740	29,568,047
Net Deferred Tax Assets	4,272,000	1,426,000
Other Assets	4,877,691	2,055,538
TOTAL ADMITTED ASSETS:	\$485,729,167	\$475,520,194
LIABILITIES & POLICYHOLDERS' SURPLUS		
LIABILITIES		
Loss and Loss Adjustment Expense Reserves	\$154,000,000	\$155,500,000
Unearned Premium Reserves	32,082,621	30,668,712
Reinsurance Balances Payable	25,845,661	27,620,765
Federal Income Taxes Payable	1,009,806	0
Policyholder Dividends Declared and Unpaid	3,315,000	4,900,000
Other Liabilities	40,437,864	35,512,667
TOTAL LIABILITIES	\$256,690,952	\$254,202,144
Policyholders' Surplus	\$229,038,215	\$221,318,050
TOTAL LIABILITIES & POLICYHOLDER'S SURPLUS:	\$485,729,167	\$475,520,194



INCOME STATEMENT

	DECEMBER 31, 2015	DECEMBER 31, 2014
Gross Written Premium	101,566,712	97,125,219
Net Earned Premiums	62,282,167	69,346,347
Losses and Loss Adjustment Expense Incurred	(35,642,792)	(38,146,576)
Other Underwriting Expenses Incurred	(8,324,048)	(7,976,813)
Net Investment Income	15,794,261	15,359,938
Net Income	\$21,791,671	\$30,273,716

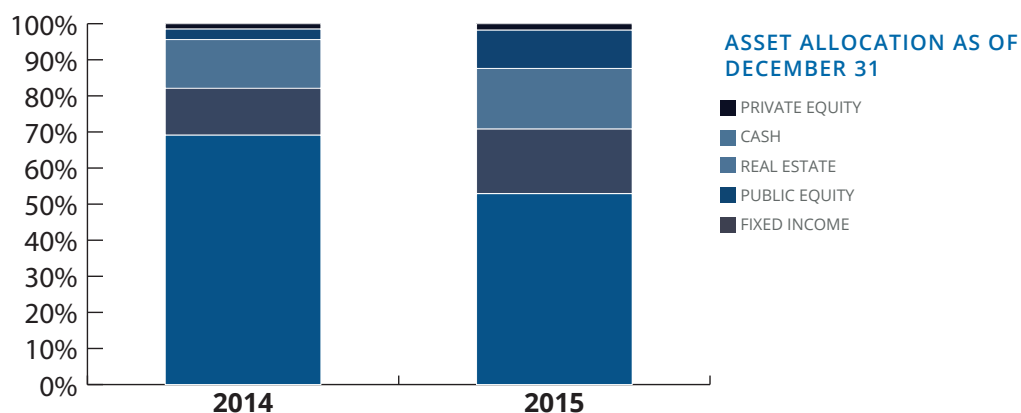
FIXED INCOME AND PRIVATE EQUITIES



Medical Mutual Holdings

In the second half of 2015, we selectively liquidated a sizable portion of both the fixed-income and our large-cap-stock portfolios, with proceeds reallocated to a diverse and carefully selected portfolio of four passive and six actively managed equity strategies. Due to market conditions, a considerable portion of the proceeds was held in cash as of December 31, 2015. As expected, a timely market correction in early 2016 provided an opportunity to deploy this capital into our revised corporate strategy at very favorable entry points.

In 2016, we expect additional reductions to our fixed-income exposure due to natural maturities, which will be reallocated into asset classes that offer greater opportunity for capital appreciation.



INCOME STATEMENT



Medical Mutual Holdings

	DECEMBER 31, 2015	DECEMBER 31, 2014
REVENUES	134,868,430	129,924,506
Losses and loss adjustment expenses incurred	(53,944,549)	(51,552,533)
Other underwriting expenses incurred	(66,028,206)	(57,122,963)
Net Operating Income	14,895,675	21,249,010
Net investment Income and Capital Gains	26,755,003	45,645,013
Dividends to policyholders	(6,704,936)	(6,346,619)
Federal income tax expense	(6,465,377)	(15,846,323)
Consolidated Net Income/(Loss)	28,480,365	44,701,081
Less Net Income Attributable to Non-controlling Interest	566,287	(7,723,594)
Net Income/(Loss) Attributable to Controlling Interest	29,046,652	36,977,487



COMMERCIAL REAL ESTATE

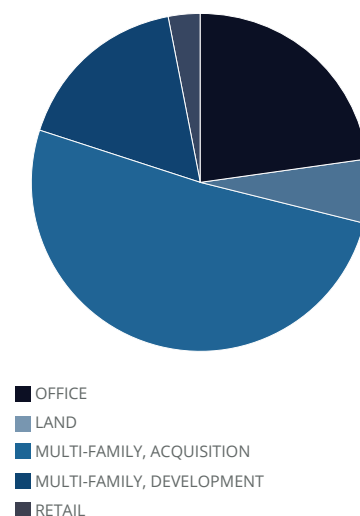
Medical Mutual Holdings

Real estate investments continue to be a significant and successful component of the overall investment portfolio. Demographics, economics and fundamentals within the Southeast real estate market continue to support this strategy. All exposure continues to be achieved by way of direct, private placement investments.

HERE ARE JUST A FEW OF THE HIGHLIGHTS FROM 2015:

- Nine new investments were made across multifamily, commercial office and retail properties, deploying over \$25 million of Medical Mutual's capital.
- Five assets were sold or placed under contract, netting impressive returns.
- Since 2014, nine properties have been sold, yielding approximately a 2-times multiple of invested capital.
- At the end of 2015, the portfolio was comprised of 31 properties with a heavy concentration in North Carolina, but also spanning across contiguous states.

REAL ESTATE COMPOSITION BY PROPERTY TYPE



Looking forward, Medical Mutual will take advantage of the newly created SharpVue Capital to satisfy the bulk of our commercial real estate investment. We believe this fund will allow us to most effectively implement our real estate investment strategy by leveraging the fund's robust underwriting capabilities and a broader suite of asset types while continuing to diversify the portfolio, both geographically and across property types. SharpVue will help us navigate the challenging investment environment.

PRIVATE EQUITY AND ALTERNATIVES



Medical Mutual Holdings

With our pursuit of robust capital appreciation, Medical Mutual continues to selectively place meaningful investments in the most promising private equity venture funds and companies. Products range from innovate biotechnology and pharma to manufacturing companies and clean energy. In 2015, we placed over \$9 million into private equity investments with commitments to follow on investments of more than \$6 million. This portion of our portfolio, if methodically constructed, will be a strong contributor to our overall investment objectives.

PRIVATE EQUITY INVESTMENTS (INCEPTION THROUGH 12/15)

TYPE	NO.	COMMITTED	INVESTED
Venture funds	3	\$3,000,000	\$926,000
Direct investments	9	\$15,060,000	\$9,310,000
Other funds	4	\$1,750,000	\$1,357,000
TOTALS	16	\$19,810,000	\$11,593,000