



**2005 Summary Financial Report**

MedAmerica  
RISK RETENTION GROUP, INC  
**MUTUAL**



Dear MedAmerica Mutual Insured:

MedAmerica Mutual's Board of Directors and Management Team are pleased to announce our 2005 operating results. Our solid financial performance is attributable to the trust and long-term commitment our insureds placed in us.

MedAmerica Mutual ended 2005 with \$25.6 million in assets, an increase of \$3.2 million from 2004, and net income of \$982,000 that contributed to a surplus of \$9.8 million. Operating expenses, a key component for measuring efficiency, were 9.7% of net written premium compared to the 2005 industry's average of 16%. Our results reflect 95% of claims closing without an indemnity payment. This is attributable to our insureds practicing good medicine, with the Mutual's staff proactively managing the claims' defense process. All of us can be proud of these mutually achieved results.

As evidenced by the 2005 results and activities, we have succeeded in many aspects but now need to plan for the future. Our strategy remains to continue to explore ways of managing losses, controlling expenses, and building surplus (required working capital). Last year, we informed members that surplus is critical for our continued success as it allows for expansion while providing financial stability. Therefore, to grow the Company further, increasing surplus is vital. The issue that faces us is that it takes time to build surplus. Steady progress has been made but we need to be more proactive in our efforts to raise surplus. The Board of Directors approved placement of year-end 2005 net income into unallocated surplus to increase our surplus to grow the company and also endorsed a newly developed capitalization and voting equalization plan for membership ratification in the fall of 2006. Details of this proposed plan will be provided to our members in the near future when their support will be sought to affirmatively vote for the implementation of this strategic initiative.

In May 2006, as part of the Board of Directors' succession policy, the responsibilities for Chair of the Board smoothly transitioned from Dr. John Osborne (Chair of the Board since 2000) to Dr. Martin Ogle (Director since 1992).

Your Mutual Directors are committed to keeping insureds at the center of every decision with a vision of ensuring that professional liability insurance solutions are available to sustain and benefit your practice in the years to come. To this end, we diligently oversee MedAmerica Mutual's Management Team in guiding the company for our mutual success.

Thank you for your trust.

A handwritten signature in black ink that reads "Martin E. Ogle MD".

Martin E. Ogle, MD, FACEP  
Chair of the Board

A handwritten signature in black ink that reads "Gloria H. Everett".

Gloria H. Everett  
President & Chief Executive Officer

**MedAmerica Mutual Risk Retention Group, Inc.**Summary Statement of Admitted Assets, Liabilities, and Surplus  
December 31, 2005 and 2004Admitted Assets

	<u>2005</u>	<u>2004</u>
Cash and investments	\$ 24,200,704	\$ 21,227,035
Other assets	<u>1,379,688</u>	<u>1,097,031</u>
Total admitted assets	<u>\$ 25,580,392</u>	<u>\$ 22,324,066</u>

Liabilities and Surplus

	<u>2005</u>	<u>2004</u>
Loss reserves	\$ 12,823,576	\$ 11,681,386
Other liabilities	<u>2,907,462</u>	<u>1,819,957</u>
Total liabilities	\$ 15,731,038	\$ 13,501,343
Surplus	<u>\$ 9,849,354</u>	<u>\$ 8,822,723</u>
Total liabilities and surplus	<u>\$ 25,580,392</u>	<u>\$ 22,324,066</u>

**MedAmerica Mutual Risk Retention Group, Inc.**Summary Statement of Income  
For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Premiums earned	\$ 8,926,526	\$ 8,714,653
Losses and loss adjustment expense	(7,141,219)	(6,971,723)
Other underwriting expense	<u>(905,367)</u>	<u>(1,258,478)</u>
Net underwriting income	879,940	484,452
Investment income	692,761	585,804
Dividends to Policyholders	<u>(66,837)</u>	<u>(59,074)</u>
Income before federal income taxes	1,505,864	1,011,182
Federal income tax expense	<u>(524,096)</u>	<u>(347,008)</u>
Net income	<u>\$ 981,768</u>	<u>\$ 664,174</u>