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Dear Policyholder,

Many of us would agree that 2010 was a year of recovery following a financial challenge that was unprecedented in our lifetime. While that recovery seemed sluggish and even stalled at times, the year ended with most of us having a better outlook than we had a year earlier. At the MEMIC Group, we saw a 2010 that gained positive momentum as the year developed and we again finished in a very strong position. But, of course, for those who have been following MEMIC over these many years, you would expect this to be the case. In fact, since our inception, nearly every year has been one of increasing financial strength, with stability and the scope of our products and services increasing and improving in significant ways.

Overall, our group premium dipped slightly, but when juxtaposed against decreases in workers' comp costs through pure rate reductions, particularly in our home state of Maine where rates had dropped by 14.6 percent in two years, our direct written premium of \$165 million clearly reflects the support provided by our customer base. Improvement in the stock market, our success in managing claims costs, and our overall conservative management of expenses helped to make 2010 a year of success. With total assets now exceeding \$800 million, our financial position is solid, generating an "A" rating once again from A.M. Best. This strength allowed for an \$11 million dividend to policyholders of our mutual company. With that payout to more than 18,000 customers, we have now returned more than \$121 million since 1998.

Beyond Maine, the MEMIC Group continues to grow, as we reach further into the Northeast and mid-Atlantic area, with New York now becoming our fastest growing territory. We are developing opportunities to open additional markets for small business owners in a selected number of states. All of these efforts will continue to support our growth in the years ahead.

I believe that our success in 2010 was once again reflective of the unique relationship between our company and customers who value the special commitment we share toward workplace safety, superior claims services, and strong concern for the best interests of employees protected by the MEMIC brand. We continue to bring forward customer focused improvements, such as our training webinars and a new website that was introduced in September. These efforts will continue to grow along with other features such as full-service online billing and payment that will be introduced in 2011.

Our strong belief in customer service has been with us since we opened for business 18 years ago, but 2010 was particularly special. Last fall, an independent research company called Deep Customer Connections conducted a survey of 8,000 insurance agents from around the US and determined that MEMIC was #1 among a list of the top 200 insurance carriers when evaluated on a series of customer service measures. We are proud of that recognition and we thank our employees for the care and concern they display in serving our agents and policyholders alike. You are the customer who makes all of this possible and we thank you for your support and business. We pledge to deliver on our promise of exemplary service once again through 2011.

Sincerely,

John T. Leonard
President and Chief Executive Officer

