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**DEAR POLICYHOLDER**

A review of any single year at MEMIC should always produce a list of successes and accomplishments. Not surprisingly, our 2011 annual report shares these as well.

In this report, I think it's important to note that these accomplishments do not arrive in a vacuum. In fact, they are part of a continuous cycle of achievement. When viewed over a period of almost 20 years, you see an organization that is operating at a high level, growing responsibly, and poised to be even better in the future. The MEMIC Group is truly operating in a continuum of success.

In 2011, we wrote more premium in more jurisdictions, increased our annual dividend to policyholders of our mutual company, and grew our surplus by 5.2 percent and total assets by 4.9 percent. We once again earned an A (Excellent) from A.M. Best and we continued to develop our leading reputation across the region.

Our 2011 growth was driven both by our mutual company in Maine, which enjoyed a 5 percent increase in business, as well as our efforts throughout the Northeast that drove growth of 24 percent at MEMIC Indemnity Company. In total, written premiums reached pre-recession levels of more than \$180 million. New York, now our second largest state in terms of premium, was our fastest growing jurisdiction, with potential customers responding positively to the brand of service we bring to every market we enter.

Ultimately, our growth is a reflection of the safety and claims service that MEMIC has always delivered. Our independent agency partners tell us that we bring a unique and attentive service model to their customers.

Workplace safety continues to be our hallmark. Since our inception, we've provided our customers with hands-on safety experts who come from the industries they now serve. This expertise makes a difference each and every day and when paired with judicious use of technology through webinars and our online safety director, our approach to safety is hard to beat.

Claims service is another fundamental at MEMIC. While so many underwriters of workers' compensation try to cut corners when it comes to providing claims service, we train, develop and deploy our own in-house team. These professionals provide our customers with fast, efficient and comprehensive service. Our team approach means that our claims handlers have resources at their fingertips, or often just a seat or two away. Whether the claim calls for a registered nurse to provide more complex case management or vocational rehabilitation to spur return to work or the special investigations unit, all of these are part of your MEMIC claims team. This teamwork means that no problem should go unsolved and nothing falls through the cracks.

From a financial standpoint in 2011, we continued to earn high marks from the ratings agencies. We also received affirmation of more-than-adequate claim reserves and were able to further strengthen an already-strong overall balance sheet. All of this was accomplished while also paying a \$12 million dividend to our mutual company policyholders. Finally, late in the year, we completed the acquisition of what we now know as MEMIC Casualty Company. Coupled with our 2012 plan for offices in Pennsylvania and New Jersey, this acquisition opens even more avenues for growth of The MEMIC Group.

Reflecting over nearly 20 full years of growth and success, we see themes that we share with many of you—our customers. Hard work, attention to detail and serving the needs of customers are the elements of the virtuous cycle that we have experienced. We will continue putting those elements to work and look forward to the mutual success that is sure to follow.

Thank you for being a MEMIC partner and policyholder. We pledge to continue to work hard on your behalf and look forward to continuing the cycle of success and seeing the benefits that accrue for our customers and our company.



John T. Leonard  
President and Chief Executive Officer