

ProMutual Group

REPORT TO MANAGEMENT

For the year ended December 31, 2007

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April 18, 2008

To the Audit Committee of the ProMutual Group:

In planning and performing our audit of the financial statements of the Medical Professional Mutual Insurance Company, ProSelect Insurance Company, ProSelect National Insurance Company and ProMutual Group, Inc. (collectively, "ProMutual Group" or the "Company") for the year ended December 31, 2007, we considered the internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Although our audit was not designed to provide assurance on the internal control structure, we noted certain matters involving the internal control structure and its operations, and are submitting for management's consideration, related recommendations designed to help the Company make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to the Company.

The accompanying comments and recommendations are intended solely for the information and use of management, the Audit Committee, the Board of Directors, and others within the organization.

Very truly yours,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

**ProMutual Group
Report to Management
Table of Contents**

I. Current Year Recommendations

1. Consider further strengthening the financial accounting department to meet future complex reporting requirements

Current Year Comments:

1. **Consider further strengthening the financial accounting department to meet future complex reporting requirements**

Issue:

During the audit of the ProMutual Group's GAAP consolidated financial statements, we had several discussions with management relating to new and evolving technical guidance, such as FAS 155, *Accounting for Certain Hybrid Financial Instruments*. It was noted that the primary focus of the current financial accounting department relates to its statutory financial reporting requirements, and that due to resource constraints, monitoring the changing technical accounting environment is challenging. GAAP financial reporting continues to become more complex and over the next year intricate accounting standards, such as FAS 157, *Fair Value Measurements*, are scheduled to be adopted. Additionally, the NAIC is considering recent changes in GAAP reporting which ultimately may impact statutory accounting principles.

Recommendation:

We encourage management to pursue strengthening the resources within its financial accounting department that could focus their efforts on the significant changes in GAAP reporting and the relevant statutory accounting pronouncements. This will allow the Company to have a more comprehensive understanding of and have the resources necessary to adopt these complex accounting standards as they become applicable.

Management Response:

Management agrees that more complex accounting is rapidly evolving and that at certain times current resources are being overwhelmed. Initially, we believe that this can be addressed most efficiently by upgrading vacant positions as they emerge and hiring more experienced personnel. We will closely assess the impact of new GAAP and statutory requirements to ensure we remain abreast and subsequently compliant with these standards. Should this accelerate and require more substantial analysis than anticipated, it may involve additional headcount.