Medical Professional Mutual Insurance Company

Financial Statements and Related Material to Comply with Statutory Filing Requirements
December 31, 2004 and 2003

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Report of Independent Auditors

To the Board of Directors of
Medical Professional Mutual Insurance Company

We have audited the accompanying statutory statements of admitted assets, liabilities and accumulated surplus of Medical Professional Mutual Insurance Company (the "Company") as of December 31, 2004 and 2003, and the related statutory statements of income and accumulated surplus and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 2 to the financial statements, the Company prepares these financial statements using accounting practices prescribed or permitted by The Division of Insurance of The Commonwealth of Massachusetts, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America are material; they are described in Note 2.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2004 and 2003, or the results of its operations or its cash flows for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and accumulated surplus of the Company as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the basic statutory basis financial statements taken as a whole. The accompanying Supplemental Summary Investment Schedule and Investment Risk Interrogatories of the Company as of December 31, 2004, and for the year then ended are presented for purposes of additional analysis and are not a required part of the basic statutory basis

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financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic statutory basis financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic statutory basis financial statements taken as a whole.

PricewaterhouseCoopers LLP

April 4, 2005

Medical Professional Mutual Insurance Company
Statements of Admitted Assets, Liabilities and Accumulated Surplus (Statutory Basis)
December 31, 2004 and 2003

(in thousands)	2004	2003
Admitted Assets		
Cash and investments		
Bonds, at carrying value	$ 1,248,447	$ 1,182,700
Common and preferred stocks, at carrying value	208,805	186,001
Cash and short-term investments	76,248	30,257
Other invested assets	4,041	4,036
Receivable for investments sold	616	98
Total cash and investments	1,538,157	1,403,092
Premium receivable	52,811	42,187
Interest and dividends accrued	12,413	11,597
Receivable from subsidiaries and affiliates, net	28,951	22,977
Federal income tax recoverable	814	-
Net deferred tax asset	19,485	24,091
Electronic data processing equipment, net	543	575
Reinsurance recoverable on paid losses and loss adjustment expenses	4,946	225
Other assets	4,959	3,294
Total admitted assets	$ 1,663,079	$ 1,508,038
Liabilities and Accumulated Surplus		
Loss and loss adjustment expense reserves	$ 1,072,531	$ 991,964
Unearned premiums	139,158	108,138
Commissions payable	3,117	2,573
Policyholder dividends declared and unpaid	-	184
Ceded reinsurance premiums payable, net of ceding commissions	259	2,241
Funds held by Company under reinsurance treaties	58,842	52,745
Other liabilities	10,711	7,425
Total liabilities	1,284,618	1,165,270
Accumulated surplus	378,461	342,768
Total liabilities and accumulated surplus	$ 1,663,079	$ 1,508,038

The accompanying notes are an integral part of the financial statements.

Medical Professional Mutual Insurance Company
Statements of Income and Accumulated Surplus
(Statutory Basis)
Years Ended December 31, 2004 and 2003

(in thousands)	2004	2003
Premium written	$ 263,361	$ 190,865
Increase in unearned premiums	(31,020)	(8,314)
Premiums earned	232,341	182,551
Loss and loss adjustment expenses	220,798	234,638
Commissions	20,755	15,615
Taxes, licenses and fees	7,694	6,098
Other	16,980	17,020
	266,227	273,371
Underwriting loss	(33,886)	(90,820)
Net investment income (Note 3)	59,297	58,394
Net realized gains	5,348	53,163
Finance and service charge income	2,285	1,946
Other expense	(6,065)	(3,443)
Dividends to policyholders (Note 10)	(1,402)	(1,679)
Income before federal income taxes	25,577	17,561
Federal income tax expense (benefit) (Note 4)	310	(232)
Net income - statutory basis	$ 25,267	$ 17,793
Accumulated surplus at beginning of year	$ 342,768	$ 303,549
Net income - statutory basis	25,267	17,793
Net unrealized capital gains (Note 3)	9,147	6,814
Decrease in net deferred income tax	(8,131)	(4,187)
Decrease in nonadmitted assets (Note 7)	9,410	18,799
Accumulated surplus at end of year	$ 378,461	$ 342,768

The accompanying notes are an integral part of the financial statements.

Medical Professional Mutual Insurance Company
Statements of Cash Flows
(Statutory Basis)
Years Ended December 31, 2004 and 2003

(in thousands)	2004	2003
Operating activities		
Premiums collected, net of reinsurance	$ 251,593	$ 184,347
Investment income, net	65,995	62,517
Miscellaneous expenses	(3,469)	(1,937)
Benefits and loss related payments	(98,078)	(86,304)
Commissions and expenses paid	(89,323)	(84,327)
Dividends paid to policyholders	(1,586)	(3,076)
Federal income taxes (paid) recovered	(1,124)	10,257
Net cash provided by operating activities	124,008	81,477
Investing activities		
Proceeds from bonds sold, matured or repaid	477,042	1,173,397
Proceeds from stocks sold	107,838	150,250
Proceeds from other invested assets	54	24
Total investment proceeds	584,934	1,323,671
Cost of bonds acquired	(549,593)	(1,279,902)
Cost of stocks acquired	(112,307)	(154,500)
Cost of other investments acquired	-	(808)
Total investments acquired	(661,900)	(1,435,210)
Net cash used in investing activities	(76,966)	(111,539)
Total other cash (applied) provided	(1,051)	11,438
Net increase (decrease) in cash and short-term investments	45,991	(18,624)
Cash and short-term investments, beginning of year	30,257	48,881
Cash and short-term investments, end of year	$ 76,248	$ 30,257

The accompanying notes are an integral part of the financial statements.

(in thousands)

1. Business

Medical Professional Mutual Insurance Company ("ProMutual" or the "Company") is the largest writer of medical malpractice insurance in The Commonwealth of Massachusetts. 100% of the direct premiums written in 2004 and 2003 were from risks located in The Commonwealth of Massachusetts. The Company has a 100% interest in ProMutual Group, Inc. ProSelect Insurance Company ("ProSelect"), ProSelect National Insurance Company, Inc. ("ProSelect National") and ProMutual Insurance Agency, Inc. are wholly-owned subsidiaries of ProMutual Group, Inc. ProSelect is currently writing business in seven of the eight mid-Atlantic and New England states in which it is licensed. ProSelect National is licensed in twenty-seven states, but is not yet insuring risks.

2. Basis of Presentation and Significant Accounting Policies

Statutory Basis of Accounting
The financial statements of the Company have been prepared on a statutory basis in accordance with accounting practices prescribed or permitted by The Division of Insurance of The Commonwealth of Massachusetts.

Certain prior year balances have been reclassified to conform to the presentation of the current year.

Statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners ("NAIC") as well as state laws, regulations and general administrative rules. Statutory accounting practices differ in some respects from accounting principles generally accepted in the United States of America (GAAP). Significant differences include:

(a) Statutory accounting requires that policy acquisition costs (principally commissions and premium taxes) be charged to operations when incurred. Under GAAP, these expenses would be deferred and then amortized ratably over the policy period.

(b) Under statutory accounting, certain assets designated as "nonadmitted assets" (principally premiums over three months past due, application software, prepaid expenses and office furniture and equipment) are charged directly to accumulated surplus. Under GAAP, the Company would maintain a reserve for doubtful accounts based upon estimated collectibility, recognize an asset on the balance sheet for prepaid expenses and office furniture, and equipment and software would be capitalized and depreciated over their estimated useful lives.

(c) Ceded reinsurance balances relating to unpaid loss and loss adjustment expenses are presented as offsets to reserves; under GAAP, such amounts would be presented as reinsurance recoverable; moreover, under statutory accounting, a liability is established for recoverable balances from reinsurers which are not authorized and for overdue paid loss recoverables.

(d) Statutory accounting requires that certain debt securities be stated at amortized cost. Bonds with ratings of 3 or lower are stated at the lower of amortized cost or NAIC market value. Under GAAP, debt securities are classified as trading or available for sale, both of which are valued at fair value, or as held to maturity and valued at amortized cost.

(in thousands)

(e) Under statutory accounting, classification of certain items on the statement of cash flows differs from GAAP. Additionally, certain long-term certificates of deposit are classified as cash and short-term investments rather than investments.

(f) Under statutory accounting, majority owned insurance and noninsurance subsidiaries are not consolidated. Under GAAP, such subsidiaries would be consolidated.

(g) The Company accounts for income taxes under the asset and liability method. Deferred federal income taxes are generally recognized when assets and liabilities have different values for financial statement carrying amounts and their respective tax bases. However, the realization on any resulting deferred tax asset is subject to certain criteria in accordance with SSAP 10, *Income Taxes*.

The following is a reconciliation of policyholders' surplus on a statutory basis to policyholders' surplus presented on a GAAP basis for the Company:

	2004	2003
Policyholders' surplus, statutory basis	$ 378,461	$ 342,768
Valuation adjustments on investments	18,027	21,430
Deferred policy acquisition costs	18,405	15,155
Deferred federal income taxes	42,454	50,715
Valuation allowance related to deferred federal income tax	(63,516)	(75,171)
Other, net	1,240	991
Nonadmitted assets	3,726	4,515
Policyholders' surplus, GAAP	$ 398,797	$ 360,403

The net income for the Company determined in accordance with GAAP for the years ended December 31, 2004 and 2003 was $31,224 and $3,348, respectively.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Short-Term Investments

For financial statement purposes, the Company considers all cash and short-term investments with maturities of less than one year at the time of their acquisition to be cash and short-term investments. Short-term investments, consisting primarily of money market funds, are stated at cost, which approximates fair value.

(in thousands)

Investments
The Company employed New England Asset Management, Inc., Wellington Management Co., L.L.P., Advent Capital Management, L.L.C., and NISA Investment Advisors L.L.C. to furnish investment management services. These investment fund managers, subject to the supervision of the Board of Directors, direct the investments of the Company in accordance with established investment objectives, policies and limitations. For their services under their respective contracts, the fund managers receive a monthly management fee calculated based on market values. During 2004 and 2003, the Company incurred aggregate management fees of approximately $1,806 and $1,576, respectively.

Valuation of investments is determined in accordance with the requirements, methods and values adopted by the NAIC, which provide that bonds, so qualified, be carried at amortized cost, preferred stock, so qualified, be carried at amortized cost and other preferred and common stocks and other bonds at fair values established by the NAIC. The Company has elected to use the retrospective adjustment method on loan-backed securities. The Company uses the scientific method for amortizing its debt securities.

The Company values its investment in its subsidiary pursuant to the equity method using the statutory basis of accounting, which basis is required under the rules promulgated by the NAIC.

Realized capital gains and losses on the sale of investments are included in net income and are determined on a first-in, first-out basis. Where declines in securities values are deemed other than temporary, the securities are reported at market value and the loss is reported as a component of net realized losses. Unrealized capital gains and losses from the valuation of nonqualified bonds and equity investments at market are credited or charged directly to accumulated surplus.

The Companies participate in a securities lending program to maximize investment income. Certain investment securities are exchanged for collateral, consisting of cash or U.S. Government securities, equal to at least 102% of the fair value of the investment securities on loan. The fair value of the loaned investment securities is monitored on a daily basis, with additional collateral obtained or refunded as the fair value of the loaned investment securities fluctuates. The collateral is deposited with a custodian, and invested by the custodian according to investment guidelines to generate additional investment income.

Reinsurance
In the normal course of business, the Company seeks to reduce the losses that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsurance contract.

Premiums Earned and Unearned
Premiums are recorded as earned on a daily pro rata basis over the terms of the policies. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of the policies in force. A statutory premium deficiency reserve relating to insurance contracts is recognized if the sum of the expected loss and loss adjustment expenses, dividends to policyholders, and maintenance costs exceed the related unearned premiums. The Company anticipates investment income in determining the need for a premium deficiency reserve.

(in thousands)

Loss and Loss Adjustment Expense Reserves
Liabilities for losses and loss adjustment expenses represent the estimated ultimate net cost of all unpaid reported and unreported claims. These estimates are continuously reviewed and modified to reflect current conditions and any adjustments are reflected in current operating results. The Company does not anticipate any salvage and subrogation in recording its loss and loss adjustment expense reserves. The Company does not discount its loss and loss adjustment expense reserves (Note 5).

Depreciation
The provision for depreciation on electronic data processing equipment is computed on the straight-line method over the assets' estimated useful lives of three years.

3. Investments

At December 31, 2004 and 2003, the amortized cost, NAIC market values and gross unrealized gains and losses of investments in securities are as follows:

	2004			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	NAIC Market Value
U.S. Treasury and obligations of U.S. Government, corporations and agencies	$ 265,643	$ 2,004	$ (1,259)	$ 266,388
Obligations of states and political subdivisions	21,795	1,043	(132)	22,706
Industrial and miscellaneous	398,945	13,500	(2,820)	409,625
Asset-backed securities	562,094	6,179	(1,824)	566,449
Total bonds	$ 1,248,477	$ 22,726	$ (6,035)	$ 1,265,168

	2004			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	NAIC Market Value
Preferred stock	$ 20,443	$ 1,724	$ (1,358)	$ 20,809
Common stock	127,300	29,424	(207)	156,517
Investment in subsidiary	37,500	-	(6,781)	30,719
Total stocks	$ 185,243	$ 31,148	$ (8,346)	$ 208,045

(in thousands)

	2003			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	NAIC Market Value
U.S. Treasury and obligations of U.S. Government, corporations and agencies	$ 247,135	$ 214	$ (2,070)	$ 245,279
Obligations of states and political subdivisions	9,193	411	(89)	9,515
Industrial and miscellaneous	362,230	15,234	(1,753)	375,711
Asset-backed securities	564,170	-	-	564,170
Total bonds	$ 1,182,728	$ 15,859	$ (3,912)	$ 1,194,675

	2003			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	NAIC Market Value
Preferred stock	$ 18,958	$ 2,726	$ (43)	$ 21,641
Common stock	120,179	16,284	(795)	135,668
Investment in subsidiary	37,500	-	(6,547)	30,953
Total stocks	$ 176,637	$ 19,010	$ (7,385)	$ 188,262

The amortized cost and NAIC market value of debt securities at December 31, 2004, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2004	
	Amortized Cost	NAIC Market Value
Due in one year or less	$ 31,304	$ 31,573
Due after one year through five years	212,838	214,094
Due after five years through ten years	321,247	326,188
Due after ten years	120,994	126,863
Asset-backed securities	562,094	566,450
Totals	$ 1,248,477	$ 1,265,168

At December 31, 2004 and 2003, the Company held investments in certain bonds with an NAIC rating of 3 or lower. This resulted in a $30 and $28 reduction to the investment balance at December 31, 2004 and 2003, respectively, which was reflected as an unrealized loss for statutory reporting purposes.

(in thousands)

Management believes that the gross unrealized losses reflected on ProMutual's fixed income portfolio as of December 31, 2004 were primarily the result of increases in market interest rates from the time of acquisition to the current period. These decreases in value are viewed as being temporary as ProMutual has the intent and ability to retain such investments for a period of time sufficient to allow for any anticipated recovery in market value. The majority of the debt securities that are in an unrealized loss position are highly rated by the Securities Valuation Office (SVO) of the NAIC and are therefore not required to be written down under NAIC guidelines. Management also believes that the gross unrealized losses recorded on ProMutual's domestic equity portfolio as of December 31, 2004 were primarily the result of routine fluctuations in market prices as opposed to the issuer's financial condition. Therefore, these decreases in value are also viewed as being temporary. In compliance with statutory regulations, the Company obtains its market prices and NAIC designations from the SVO of the NAIC. All statutory unrealized losses have a direct impact on this Company's policyholder surplus.

December 31, 2004	**Under 12 Months**	**Over 12 Months**	**Totals**
Debt securities			
Number of positions	228	24	252
NAIC market value	$ 342,379	$ 108,059	$ 450,438
Amortized cost	346,671	109,802	456,473
Unrealized loss	(4,292)	(1,743)	(6,035)
Equity securities			
Number of positions	18	1	19
NAIC market value	10,836	30,719	41,555
Cost	12,401	37,500	49,901
Unrealized loss	(1,565)	(6,781)	(8,346)
Total			
Number of positions	246	25	271
Carrying value	353,215	138,778	491,993
Cost	359,072	147,302	506,374
Unrealized loss	$ (5,857)	$ (8,524)	$ (14,381)

Proceeds from the sale of investments during 2004 and 2003 were $585,399 and $1,323,623. Gross gains of $7,111 and $43,313 and gross losses of $5,954 and $3,444 were realized on sales of debt securities during 2004 and 2003, respectively. Gross gains of $7,458 and $23,724 and gross losses of $3,320 and $6,271 were realized on sales of equity securities during 2004 and 2003, respectively. The calculation of the gain or loss on the sale of marketable securities is based on specific identification at the time of sale. In addition, the Company realized losses of $0 and $4,184 in 2004 and 2003, respectively, due to other than temporary declines in securities' market value. Distributions from The Property and Casualty Initiative, LLC, were included in realized gains in 2004 and 2003, in the amounts of $54 and $25, respectively.

(in thousands)

Net investment income for 2004 and 2003 consisted of the following:

	2004	2003
Interest and dividend income	$ 61,341	$ 60,099
Investment expenses	(2,044)	(1,705)
Net investment income	59,297	58,394
Net realized gains	5,348	53,163
	$ 64,645	$ 111,557

The Companies participate in a securities lending program where they loan certain investment securities in exchange for collateral, consisting of cash or U.S. Government securities, equal to at least 102% of the fair value of the investment securities on loan. As of December 31, 2004 and 2003, investment securities with a fair value of $318,895 and $264,754, respectively, were on loan. Investment income earned on securities lending transactions for 2004 and 2003 was $344 and $354, respectively.

4. Federal Income Taxes

The main components of the Company's deferred tax asset and deferred tax liability as of December 31, 2004 and 2003 are as follows:

	2004	2003
Total of gross deferred tax assets	$ 84,676	$ 92,774
Total of deferred tax liabilities	10,780	5,695
Net deferred tax asset	73,896	87,079
Deferred tax asset nonadmitted	(54,411)	(62,988)
Net admitted deferred tax asset	19,485	24,091
Decrease in nonadmitted asset	$ (8,577)	$ (17,886)

The Company has no unrecognized deferred tax liabilities.

Current income taxes incurred consist of the following major components:

	2004	2003
Current income tax expense	$ 310	$ -
Prior year overaccrual	-	(232)
Total income tax expense (benefit)	$ 310	$ (232)

(in thousands)

Changes in the main components of the Company's deferred tax asset ("DTA") and deferred tax liability ("DTL") are as follows:

		2004		2003		Change
Deferred tax assets						
Loss and LAE reserves	$	59,267	$	60,685	$	(1,418)
Unrealized capital losses		10		11		(1)
Impairments on investment securities		1,116		3,222		(2,106)
Unearned premium		9,741		7,570		2,171
Deferred comp plans		1,184		1,121		63
Nonadmitted assets		1,139		1,426		(287)
Other		940		1,381		(441)
Loss carryforward		11,279		17,358		(6,079)
Total DTA		84,676		92,774		(8,098)
Nonadmitted DTA		(54,411)		(62,988)		(8,577)
Admitted DTA	$	30,265	$	29,786	$	479
Deferred tax liabilities						
Unrealized capital gains	$	10,621	$	5,569	$	5,052
Other		159		126		33
Total DTL	$	10,780	$	5,695	$	5,085
Net admitted DTA	$	19,485	$	24,091	$	(4,606)

The change in net deferred income taxes is comprised of the following:

		2004		2003		Change
Total deferred tax assets	$	84,676	$	92,774	$	(8,098)
Total deferred tax liabilities		10,780		5,695		5,085
Net deferred tax asset	$	73,896	$	87,079	$	(13,183)
Tax effect of unrealized gains (losses)						5,052
Change in net deferred income tax					$	(8,131)

In accordance with SSAP 10, the Company has nonadmitted that portion of the deferred tax asset that is not expected to be realized in the next year.

(in thousands)

The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before taxes. The significant items causing this difference are as follows:

	2004	Effective Tax Rate
Provision computed at statutory rate	$ 8,952	35.0%
Tax-exempt income deduction	(221)	(0.9%)
Dividends received deduction	(1,385)	(5.4%)
Other	1,095	4.3%
	$ 8,441	33.0%
Federal and foreign income taxes incurred	$ 310	1.2%
Change in net deferred income taxes	8,131	31.8%
Total statutory income taxes	$ 8,441	33.0%

At December 31, 2004, the Company had operating loss carryforwards originating in 2002 and 2003 in the amounts of $13,754 and $17,748, respectively, which will expire, if unused, in years 2022 and 2023, respectively. In addition, the Company had a capital loss carryforward originating in 2004 in the amount of $722 which will expire, if unused, in 2009. The Company also has AMT credits of $969 that do not expire.

The Company has $310 and $0 income taxes incurred in the current or prior years, respectively, that are available for recoupment in the event of future net losses.

The Company files a consolidated federal income tax return with its subsidiaries, which include ProSelect Insurance Company, ProSelect National Insurance Company, Inc., ProMutual Group, Inc., and ProMutual Insurance Agency, Inc.

The method of allocation between the Companies is subject to written agreement, approved by the Board of Directors. The consolidated tax liability is allocated to the Member Companies in accordance with Reg. Section 1.1502-33(d)(2)(ii) in conjunction with the method provided by Reg. Section 1.1552-1(a)(2) of the Internal Revenue Code whereby the tax is computed on an "as if separate return" basis. This is computed by applying the effective tax rate of the Affiliated Group to each Member Company's taxable income or loss. Intercompany tax balances are settled annually.

(in thousands)

5. Loss and Loss Adjustment Expense Reserves

The loss and loss adjustment expense reserves at December 31, 2004 and 2003 consisted of the following:

	2004	2003
Reported claims		
Losses	$ 485,659	$ 483,736
Loss adjustment expenses	1,321	1,486
	486,980	485,222
Claims incurred but not yet reported		
Losses	332,488	289,379
Loss adjustment expenses	253,063	217,363
	585,551	506,742
Loss and loss adjustment expense reserves	$ 1,072,531	$ 991,964

The activity in the liability for unpaid loss and loss adjustment expenses is summarized as follows:

	2004	2003
Balance at January 1	$ 991,964	$ 889,111
Payments made on claims existing at January 1	(136,984)	(129,060)
Decrease in liability on claims existing at January 1	(22,696)	(3,306)
Balance at December 31 on prior year claims	832,284	756,745
Estimated loss cost on new claims	243,493	237,944
Payments made on new claims	(3,246)	(2,725)
Balance at December 31 on current year claims	240,247	235,219
Total loss and loss adjustment expense reserves at December 31	$ 1,072,531	$ 991,964

These liabilities include estimates of expected trends in claim severity, frequency and other factors which could vary as the claims are ultimately settled. In establishing the reserve for losses and loss adjustment expenses, the Company has relied upon its independent actuaries to review the reasonableness of management's best estimates. These recommendations are based principally upon the historical experience of the Company in writing medical malpractice insurance in Massachusetts. As a result of changes in estimates of insured events in prior years, the liability on claims existing at January 1, 2004 and 2003, respectively, decreased $22,696 and $3,306 for the years ended December 31, 2004 and 2003, respectively, primarily related to coverage years 1999 and prior predominantly in Massachusetts physicians and surgeons line of business.

(in thousands)

Claims in the medical malpractice line of insurance have traditionally been characterized by delayed discovery and reporting and, in many cases, the final payment of claims is dependent upon the outcome of litigation. As a result, the total of claims paid from the premiums earned in any policy year will not be known for many years.

6. Leases

The Company occupies office facilities under an operating lease agreement which expires on February 29, 2016. Total rent expense was $1,627 and $1,601 for 2004 and 2003, respectively.

Minimum annual rental commitments as of December 31, 2004 under the operating lease are as follows:

Fiscal Year		
2005	$	1,168
2006		1,458
2007		1,509
2008		1,556
2009		1,604
Thereafter		10,617

7. Nonadmitted Assets

Certain assets, designated as nonadmitted by The Division of Insurance of The Commonwealth of Massachusetts, were directly charged to accumulated surplus as follows:

		2004		**2003**
Premiums receivable over three months due	$	366	$	498
Funds held by reinsured companies		34		-
Nonadmitted deferred income tax		54,411		62,988
Equipment, furniture and application software		1,704		2,431
Accounts receivable		20		25
Prepaid expenses and deposits		1,082		1,120
Amounts receivable under high deductible policies		50		15
	$	57,667	$	67,077

(in thousands)

8. EDP Equipment

EDP equipment at December 31, 2004 and 2003 consisted of the following:

	2004	2003
EDP equipment	$ 2,994	$ 2,670
Less: Accumulated depreciation	(2,451)	(2,095)
	$ 543	$ 575

Depreciation expense was $356 and $410 during 2004 and 2003, respectively.

9. Employee Benefit Plans

The Company's employees are covered by a qualified defined contribution pension plan sponsored by the Company. A contribution was made in 2004 in the amount of $485 for 2003 that was based on the employee's age and average salary over the most recent five years to meet a target benefit. A contribution of approximately $625 will be made for 2004 in 2005.

Through December 31, 1998, the Company participated in the Insurance Organizations Employee's Retirement Plan (the "Plan"), a multi-employer, noncontributory, defined benefit pension plan sponsored by the Insurance Organizations Pension Trust (IOPT). During 2001, the Company paid $166 to satisfy all obligations related to the Plan, and the Plan retained the obligation to pay benefits to all vested participants.

The Company sponsors a 401k Employee Savings Plan. Substantially all employees of the Company are eligible to participate in the Company's Employee Savings Plan under which a portion of employee contributions are matched by the Company. The match by the Company was $463 and $428 in 2004 and 2003, respectively.

The Company's executives and members of the Board of Directors are also eligible to participate in a deferred compensation plan.

10. Dividends to Policyholders

On January 9, 2002, the Board of Directors voted to reduce dividends for physicians and surgeons to 5% to be distributed as a credit upon renewal. These dividends apply to the July 1, 2002 through June 30, 2003 rate year.

The Board of Directors did not vote to continue dividends to policyholders beyond June 30, 2003.

On June 2, 2004, the Board of Directors voted to pay a dividend of $1,400 related to the experience of the dental line of business for calendar years 1986 through 1997 allocated to dentists based on their respective premiums earned by the Company during the period. The dividends were paid in November, 2004.

(in thousands)

11. Reinsurance

Reinsurance is obtained to reduce exposure to large claims. Such ceded reinsurance includes quota share and excess of loss contracts on all lines of insurance. These reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company.

In 2000, the Company and ProSelect purchased a five-year aggregate excess of loss reinsurance contract from Swiss Reinsurance America Corporation. This agreement attached at a loss ratio of 100% and 115% in 2004 and 2003, respectively, subject to an aggregate limit of $210 million to date. 2004 was the final year of this contract.

The Company participates in the Massachusetts Medical Malpractice Reinsurance Plan (MMMRP), a residual market pool. The Company cedes policies into the pool on a facultative basis. The MMMRP assesses the Company an amount based on the profitability of the pool, including cessions from other insurance companies and their respective market share.

As of December 31, 2004 and 2003, no provision for reinsurance has been established as no amounts reflected as recoverable from reinsurers have been determined to be uncollectible. Irrespective of the protection afforded against claim exposure by the above reinsurance agreements, the Company remains liable as the direct insurer to the insured.

The amounts by which unearned premiums, premiums earned, loss reserves, loss adjustment expense reserves, and losses and loss adjustment expenses incurred have been decreased for amounts ceded to unaffiliated reinsurers are as follows:

	2004	2003
Unearned premiums	$ 3,913	$ 5,204
Premiums earned	11,221	22,028
Loss reserves	99,305	108,131
Loss adjustment expense reserves	26,478	29,552
Loss and loss adjustment expenses incurred	(3,969)	21,279
Commission equity	-	-

The effect of assumed reinsurance from unaffiliated insurers is as follows:

	2004	2003
Unearned premiums	$ -	$ -
Premiums earned	6,975	6,042
Loss reserves	38,386	32,676
Loss adjustment expense reserves	9,358	8,001
Loss and loss adjustment expenses incurred	13,695	28,838
Commission equity	-	-

(in thousands)

The Company has a 90% quota share reinsurance agreement with ProSelect Insurance Company. Under this agreement, the Company assumes 90% of the ProSelect net liability under all direct insurance business written. In turn, ProSelect pays the Company 90% of the premiums received on all direct insurance business written by ProSelect after deducting return premiums payable, reinsurance, and 90% of the net underwriting and claims expense. The terms of the agreement are automatically extended for additional one-year terms. This agreement may be terminated at any time a) by the mutual written consent of the parties or, b) by either party upon 60 days' prior written notice. The amounts assumed under this treaty are as follows:

	2004	2003
Unearned premiums	$ 66,578	$ 45,743
Premiums earned	113,576	81,896
Loss reserves	229,739	169,663
Loss adjustment expense reserves	85,456	52,611
Loss and loss adjustment expenses incurred	118,419	111,626

12. Commitments and Contingencies

Various legal claims arise from time to time in the ordinary course of business. In the opinion of management, these claims should not result in judgments or settlements which, in the aggregate, would have a material effect on the Company's results of operations or financial condition.

13. Related Parties

Total assets of the Company include net receivables from ProMutual Group, Inc., ProSelect, ProSelect National and ProMutual Insurance Agency, Inc. of $28,951 and $22,977 at December 31, 2004 and 2003, respectively. ProSelect had assets of $101,223 and $79,335, and liabilities of $83,436 and $61,107 at December 31, 2004 and 2003, respectively. ProSelect National had assets of $10,850 and $10,400, and liabilities of $115 and $165 at December 31, 2004 and 2003, respectively.

The Company has an Administration and Management Services Agreement (the "Agreement") with ProSelect. Under this agreement, ProMutual agrees to provide various services in connection with the underwriting and management of ProSelect. These include underwriting, policy issuance, billing and premium collection, claims handling, policy administration, actuarial, risk management, investment advisory and all general administrative services relating to the business of ProSelect. ProSelect and the Company further agree that, subject to certain limitations set forth in the Agreement, the Company shall be the sole and exclusive provider of these services and that ProSelect shall not accept applications for insurance except through the Company.

(in thousands)

The terms of the agreement are automatically extended for additional one-year terms. The agreement may be terminated at any time (a) by the mutual written consent of the parties or (b) by either party on sixty days prior written notice. Management fees for these services are paid based on a formula calculated on a pro rata basis of the direct premium written, direct losses paid, change in direct case loss reserves and direct paid ALAE, as set out in the Agreement. The management fee was $12,690 and $9,676 for 2004 and 2003, respectively. The Company has a receivable at year-end attributable to unsettled balances under this agreement, federal income taxes, and intercompany reinsurance balances.

14. Reconciliation to Statutory Annual Statement

Certain items in this report differ from corresponding items reflected in the statutory annual statement for 2003 and are presented in the table below. These differences are due to estimates made within the tax balances at the prior year-end which differed from the Company's actual experience and to an adjustment relating to the Company's carryback period.

	2003
Accumulated surplus as reported in the statutory annual statement	$ 342,768
Accumulated surplus as reported in the audited financial statements	$ 342,768
Net income as reported in the statutory annual statements	$ 21,541
Decrease to federal income tax benefit	(3,748)
Net income as reported in the audited financial statements	$ 17,793

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. Treasury securities	87,011,238	5.657	87,011,238	5.657
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	0	0.000	0	0.000
1.22 Issued by U.S. government sponsored agencies	178,632,200	11.613	178,632,200	11.613
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)	2,106,393	0.137	2,106,393	0.137
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	21,794,593	1.417	21,794,593	1.417
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	0	0.000	0	0.000
1.43 Revenue and assessment obligations	0	0.000	0	0.000
1.44 Industrial development and similar obligations	0	0.000	0	0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	121,563,897	7.903	121,563,897	7.903
1.512 Issued or guaranteed by FNMA and FHLMC	290,747,623	18.902	290,747,623	18.902
1.513 All other	0	0.000	0	0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	0	0.000	0	0.000
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	149,782,890	9.738	149,782,890	9.738
1.523 All other	0	0.000	0	0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	393,146,482	25.560	393,146,482	25.560
2.2 Unaffiliated foreign securities	3,662,118	0.238	3,662,118	0.238
2.3 Affiliated securities	0	0.000	0	0.000
3. Equity interests:				
3.1 Investments in mutual funds	0	0.000	0	0.000
3.2 Preferred stocks:				
3.21 Affiliated	0	0.000	0	0.000
3.22 Unaffiliated	21,568,205	1.402	21,568,205	1.402
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	0	0.000	0	0.000
3.32 Unaffiliated	156,517,501	10.176	156,517,501	10.176
3.4 Other equity securities:				
3.41 Affiliated	30,718,995	1.997	30,718,995	1.997
3.42 Unaffiliated	0	0.000	0	0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated	0	0.000	0	0.000
3.52 Unaffiliated	0	0.000	0	0.000
4. Mortgage loans:				
4.1 Construction and land development	0	0.000	0	0.000
4.2 Agricultural	0	0.000	0	0.000
4.3 Single family residential properties	0	0.000	0	0.000
4.4 Multifamily residential properties	0	0.000	0	0.000
4.5 Commercial loans	0	0.000	0	0.000
4.6 Mezzanine real estate loans	0	0.000	0	0.000
5. Real estate investments:				
5.1 Property occupied by the company	0	0.000	0	0.000
5.2 Property held for the production of income (includes $ 0 of property acquired in satisfaction of debt)	0	0.000	0	0.000
5.3 Property held for sale ($ 0 including property acquired in satisfaction of debt)	0	0.000	0	0.000
6. Policy loans	0	0.000	0	0.000
7. Receivables for securities	616,415	0.040	616,415	0.040
8. Cash, cash equivalents and short-term investments	76,247,524	4.957	76,247,524	4.957
9. Other invested assets	4,041,100	0.263	4,041,100	0.263
10. Total invested assets	1,538,157,174	100.000	1,538,157,174	100.000

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2004 OF THE Medical Professional Mutual Insurance Company

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

Due April 1

FOR THE YEAR ENDED DECEMBER 31, 2004

OF The Medical Professional Mutual Insurance Company

Address (City, State and Zip Code) Boston, MA 02110-1129

NAIC Group Code 1154 NAIC Company Code 10206 Employer's ID Number 04-2595783

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 1,663,278,789

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	J.P.MORGAN CHASE & CO	BOND / COMMON STOCK	$ 14,048,604	0.8 %
2.02	BANK AMERICA CORP	BOND / COMMON STOCK	$ 11,947,128	0.7 %
2.03	GENERAL DYNAMICS CORP	BOND / COMMON STOCK	$ 10,092,548	0.6 %
2.04	CONSOLIDATED EDISON CO NY , INC	BOND / COMMON STOCK	$ 10,025,403	0.6 %
2.05	ARGENT SECS, INC. 2003-W5	CMO	$ 9,535,872	0.6 %
2.06	MORGAN STANLEY GLOBAL	BOND / COMMON STOCK	$ 9,495,987	0.6 %
2.07	VIACOM INC	BOND / COMMON STOCK	$ 9,383,898	0.6 %
2.08	FIRST UNION	CMO	$ 8,810,236	0.5 %
2.09	MERCK & CO INC	BOND / COMMON STOCK	$ 8,726,760	0.5 %
2.10	PACIFIC CORP	BOND / COMMON STOCK	$ 8,519,895	0.5 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 1,205,312,393	72.5 %	3.07	P/RP-1	$ 0	13,180,370.0 %
3.02	NAIC-2	$ 102,398,880	6.2 %	3.08	P/RP-2	$ 0	6,767,152.0 %
3.03	NAIC-3	$ 5,902,750	0.4 %	3.09	P/RP-3	$ 0	679,530.0 %
3.04	NAIC-4	$ 8,239,749	0.5 %	3.10	P/RP-4	$ 0	941,153.0 %
3.05	NAIC-5	$ 862,500	0.1 %	3.11	P/RP-5	$ 0	0.0 %
3.06	NAIC-6	$ 0	0.0 %	3.12	P/RP-6	$ 0	0.0 %

4. Assets held in foreign investments:

4.01	Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?	Yes [X] No [ ]	
4.02	Total admitted assets held in foreign investments	$ 2,106,393	0.1 %
4.03	Foreign-currency-denominated investments	$ 0	0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$ 0	0.0 %

If response to 4.01 above is yes, responses are not required for interrogatories 5 – 10.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

6. Two largest foreign investment exposures in a single country, categorized by NAIC sovereign rating:

	1	2
7. Aggregate unhedged foreign currency exposure	$ 0	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:

9. Two largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure.

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

13. Amounts and percentages of admitted assets held in the largest 10 equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets Yes [ ] No [X]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Name of Issuer	2	3
13.02	EXXON MOBIL CORP.		
	EXXON MOBIL CORP.	$ 7,689,000	0.5 %
13.03	GENERAL ELECTRIC CO	$ 5,110,000	0.3 %
13.04	CITIGROUP INC	$ 4,816,699	0.3 %
13.05	BANK OF AMERICA CORP	$ 4,720,709	0.3 %
13.06	J.P.MORGAN CHASE & CO	$ 4,011,788	0.2 %
13.07	VERIZON COMMUNICATIONS	$ 3,240,800	0.2 %
13.08	ALTRIA GROUP INC	$ 3,055,000	0.2 %
13.09	SBC COMMUNICATIONS INC	$ 2,669,978	0.2 %
13.10	WALLS FARGO & CO	$ 2,486,000	0.1 %
13.11	CHEVRONTEXACO CORP	$ 2,446,966	0.1 %

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

19. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-end			At End of Each Quarter		
				1st Quarter	2nd Quarter	3rd Quarter
	1	2		3	4	5
19.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$318,895,081	19.2	%	$282,041,691	$293,194,032	$305,360,573
19.02 Repurchase agreements	$25,293,972	1.5	%	$12,428,656	$16,450,381	$15,197,618
19.03 Reverse repurchase agreements	$0	0.0	%	$0	$0	$0
19.04 Dollar repurchase agreements	$0	0.0	%	$0	$0	$0
19.05 Dollar reverse repurchase agreements	$0	0.0	%	$0	$0	$0

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

20. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned 1	Owned 2	Written 3	Written 4
20.01 Hedging	$ 0	0.0 %	$ 0	0.0 %
20.02 Income generation	$ 0	0.0 %	$ 0	0.0 %
20.03 Other	$ 0	0.0 %	$ 0	0.0 %

21. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end 1	At Year-end 2	At End of Each Quarter: 1st Quarter 3	2nd Quarter 4	3rd Quarter 5
21.01 Hedging	$ 0	0.0 %	$ 0	$ 0	$ 0
21.02 Income generation	$ 0	0.0 %	$ 0	$ 0	$ 0
21.03 Replications	$ 0	0.0 %	$ 0	$ 0	$ 0
21.04 Other	$ 0	0.0 %	$ 0	$ 0	$ 0

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-end 1	At Year-end 2	At End of Each Quarter: 1st Qtr 3	2nd Qtr 4	3rd Qtr 5
22.01 Hedging	$ 0	0.0 %	$ 0	$ 0	$ 0
22.02 Income generation	$ 0	0.0 %	$ 0	$ 0	$ 0
22.03 Replications	$ 0	0.0 %	$ 0	$ 0	$ 0
22.04 Other	$ 0	0.0 %	$ 0	$ 0	$ 0