

KEEPING MISSOURI WORKPLACES SAFE



*"MEM goes above and beyond for their customers.
Your company amazes me and continues to exceed my expectations."*

Cynthia Young
J.W. Terrill, St. Louis

The MEM Difference

MEM
2010 ANNUAL REPORT
www.mem-ins.com

Financial Summary—2010

For workers compensation insurance companies in Missouri, market and economic pressures in 2010 were relentless. While Missouri Employers Mutual wasn't immune, our unwavering commitment to Missouri employers helped us realize success for our policyholders.

2010 Market Conditions: A Tough Competitor

Throughout 2010, tough economic conditions plagued businesses and unemployment didn't improve. Payroll—the basis for workers compensation premium—shrank in Missouri and across the nation while work comp rates in the state declined: a one-two punch to carriers' top lines.

MEM's service difference helped us come out unscathed. Our premium held steady and market share grew from 14.8 percent in 2009 to 16.2 percent in 2010.

Changing Market, Unchanged Commitment and Success

While MEM was created in a much different market to increase competition, stimulate economic development and bring safety to Missouri workplaces, we still serve the same purpose in today's market—and with great success.

In the worst employment market in decades, MEM partners entrusted us with more than \$26 million in new premium and renewed 79 percent of expiring premium. True to our legislative mandate, MEM also continued to give preference to small policyholders; 83 percent of MEM policies in 2010 had premium \$10,000 and less.

Serving Missouri employers and keeping a watchful eye on expenses allowed MEM to continue to invest in initiatives that are most important to our policyholders and our mission, vision and values.

A replacement of our core policy and billing systems that began in 2010 positions MEM well to continue to provide unmatched service and products Missouri employers want available.

MEM also purchased a new company—a wholly owned, unaffiliated subsidiary—that will allow more Missouri businesses to experience

the MEM difference. By statute, MEM is limited to covering Missouri work comp risks only. This investment provides the opportunity to offer Missouri businesses with exposure in other states the beneficial services currently available from MEM.

In the end, we closed 2010 with net income greater than planned, allowing us to increase policyholder surplus by nearly \$9 million to \$163.1 million.

Safety as the No. 1 Strategy

Through it all, MEM was intensely focused on our vision of safe, healthy and injury-free workplaces. For yet another year, more than 80 percent of our policyholders remained injury free.

This isn't happenstance. For MEM, safety is a passionate commitment. Our robust safety resources include workplace consultations, free regional education, customized seminars and partnerships with organizations that reach employers throughout the state.

In 2010, we launched a new website—www.worksafecenter.com—devoted to workplace safety and risk management. Employers and employees everywhere, not just MEM policyholders, have access to WorkSAFE Center, including a timely blog, step-by-step safety materials and downloadable files they can put to use immediately.

The market and economy continue to be difficult, and according to the experts, there's no change in sight. At MEM, our priority continues to be scoring a win for our policyholders: profitable operations focused on the most successful strategy of all—safe workplaces.

All of us at Missouri Employers Mutual look forward to the future and strengthening our partnerships with Missouri businesses.



2010 FINANCIAL HIGHLIGHTS

(Dollars in millions)

	2010	2009	2008
Underwriting Operations			
Gross Premium Revenue	114.3	116.6	136.1
Net Premium Revenue	107.8	109.9	128.9
Net Losses and Loss Adjustment Expense	78.3	71.0	79.4
Net Income (Loss)	10.0	12.9	13.9
Investment Operations			
Net Investment Revenue	14.3	14.2	13.4
Realized Investment Gains (Losses)	2.1	(0.9)	(2.6)
Cash and Investments	350.7	336.9	323.4
Financial Position			
Total Assets	364.0	350.8	339.8
Unpaid Losses (Reserves)	158.3	153.1	154.9
Policyholders' Equity	163.1	154.4	134.7
Ratios			
Loss Ratio	72.6	64.6	61.6
Expense Ratio	32.6	35.3	35.3
Combined Ratio	105.2	99.9	96.9

If you would like a copy of MEM's audited financial report, please contact us at:

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2010: AT A GLANCE

Making Safety Accessible

MEM made safety more accessible by launching worksafecenter.com. Everyone can access MEM's practical safety resources to prevent injuries in the workplace.

Educating for Outcomes

Believing education helps prevent injuries, MEM reached more than 5,000 policyholders, producers, employers and employees at classroom and custom onsite training sessions, association meetings and conferences across the state.

Managing Medical Costs

MEM continued to help policyholders manage expenses for the best outcomes by implementing programs and processes that realized a 50 percent savings off of billed medical charges.

Working Together

Great partners helped MEM realize great success. MEM was honored to work with more than 1,800 independent insurance agencies—more than 100 of which earned the Signature Partner designation—and added new producers each week.

Giving Back

Continuing to care for our communities, MEM's 200 employees donated more than \$60,000 and 2,700 hours to charitable causes across the state.