

The impact of recent Wall Street events on Medmarc Insurance Group

The recent failures of prominent financial institutions will not significantly impact the financial strength of Medmarc Insurance Group (Medmarc).

Medmarc has invested assets of \$336 million in a well-diversified portfolio comprising 92% bonds and only 8% stocks. Medmarc has no derivatives, CDO's, auction rate notes or other more exotic investments. Medmarc adheres to strict investment guidelines that limit investments in a single issuer thereby minimizing the impact any corporate failure will have on the portfolio value.

To date, the collapses of Bear Stearns, Lehman Brothers and Washington Mutual are estimated to have a combined after-tax impact on the Medmarc's surplus of only \$1.1 million. Medmarc's current surplus is approximately \$120 million.

In addition, Medmarc holds only \$2 million of securities that are classified as subprime representing 0.6% of the investment portfolio. These securities are performing and are not expected to require any write-offs.

Overall, Medmarc has benefited from a cautious investment policy, which concentrates on simple, well-diversified, high-quality investments.

If you have any further questions regarding Medmarc's financial strength, please call me at 703-652-1369.

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