

**OFFER TO PURCHASE FOR CASH
OUTSTANDING SHARES OF COMMON STOCK
OF
NORCAL MUTUAL INSURANCE COMPANY
BY
PRA PROFESSIONAL LIABILITY GROUP, INC.
A SUBSIDIARY OF PROASSURANCE CORPORATION**

**THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M.,
PACIFIC TIME, ON APRIL 27, 2021, UNLESS EXTENDED.**

The number of shares subject to this offer represents all of the common stock (the “*Conversion Stock*”) to be issued according to an Amended and Restated Plan of Conversion adopted by NORCAL Mutual Insurance Company (“*NORCAL Mutual*”, after the Conversion, being referred to as “*NIC*”, and both before and after the Conversion, being referred to as “*NORCAL*”). As part of the Amended and Restated Plan of Conversion, NORCAL Mutual will be converted from a California domiciled mutual insurance company into a California domiciled stock insurance company under Section 4097 *et seq.* of the California Insurance Code (the “*Conversion*”). If all of the shares included in the offer are tendered, PRA Professional (defined below) will own 100% of the outstanding stock of NORCAL Mutual. This offer is contingent on a number of items, including (1) approval of the Amended and Restated Plan of Conversion, and the offer by the Insurance Commissioner of the California Department of Insurance (the “*Commissioner*”), and (2) the tender of at least 80% of the outstanding shares of Conversion Stock to PRA Professional.

This “Tender Offer Statement” has been prepared by ProAssurance Corporation (“*ProAssurance*”) and its wholly owned subsidiary, PRA Professional Liability Group, Inc. (“*PRA Professional*” and together with ProAssurance “*PRA*”). This statement accompanies the February 26, 2021 “Member Information Statement” that NORCAL Mutual provided to its Eligible Members to disclose their right to elect to receive one of four forms of consideration as part of the Conversion and the Offer. This Tender Offer Statement relates to Choice 1 which allows Eligible Member’s to receive Conversion Stock and immediately sell it to PRA Professional based on the terms and conditions of this offer (the “*Offer*”).

The NORCAL Mutual board of directors has unanimously approved this Offer and recommends that Eligible Members elect Choice 1.

To tender shares of Conversion Stock according to this Offer, you must complete and execute the enclosed Consideration Election Form and return it to Computershare Trust Company N.A. (the “*Exchange Agent*”) or submit your election online through the dedicated website.

February 17, 2021

TENDER OFFER STATEMENT

TO ELIGIBLE MEMBERS OF NORCAL MUTUAL INSURANCE COMPANY

Why am I receiving this Offer?

You are receiving this Offer as part of an Agreement and Plan of Acquisition (the “*Acquisition Agreement*”) by and among PRA and NORCAL Mutual, dated February 20, 2020. In accordance with the Acquisition Agreement, on February 18, 2020 the NORCAL Mutual board of directors adopted a Plan of Conversion, which was amended and restated on February 10, 2021. Conversion is the process by which a mutual insurance company converts from a company that is owned by its policyholders into a stock insurance company that is owned by its shareholders. Under the Acquisition Agreement, PRA has agreed to offer to purchase for cash all of the shares of NIC common stock (the “*Acquisition*”) to be issued to its members according to the Amended and Restated Plan of Conversion (the “*Conversion Stock*”). Under the terms of the Amended and Restated Plan of Conversion and the Acquisition Agreement, NORCAL Mutual will be converted to a stock insurance company and PRA Professional will purchase the shares of Conversion Stock *if* Eligible Members tender at least 80% of the shares of Conversion Stock to PRA Professional according to this Offer (the Conversion of NORCAL Mutual and PRA Professional’s Offer to purchase the Conversion Stock are referred to as the “*Proposed Transaction*”).

NORCAL Mutual has prepared the Member Information Statement dated February 26, 2021 in anticipation of the policyholders’ meeting to be held on April 12, 2021, to consider and vote upon the Amended and Restated Plan of Conversion. The Information Statement includes a description of the Conversion, the Acquisition, certain financial information with respect to NORCAL, and copies of the Amended and Restated Plan of Conversion and the Acquisition Agreement. The Member Information Statement describes the consideration the Eligible Members have the right to receive in exchange for the surrender of their Membership Interests and the procedure for electing to receive one of four forms of consideration in the Conversion.

The background and reasons considered by the NORCAL Mutual board of directors for the Conversion and Acquisition is included in the Information Statement, as well as in Article I of the Amended and Restated Plan of Conversion.

What are the Benefits of the Amended and Restated Plan of Conversion for Eligible Members?

Under the Amended and Restated Plan of Conversion, Eligible Members of NORCAL Mutual have been allocated a share of the Equity of NORCAL, known as their Allocable Equity. Eligible Members are policyholders with NORCAL Mutual policies in effect as of February 18, 2020 and as of the date of the closing of the Proposed Transaction, including policyholders holding any successor policy to a policy in effect as of February 18, 2020 that is rewritten under a new policy, resulting in uninterrupted, continuous coverage through and including the date of the closing of the Proposed Transaction. In connection with the proposed conversion, Eligible Members may elect to **RECEIVE AND IMMEDIATELY SELL CONVERSION STOCK TO PRA PROFESSIONAL** (*Recommended*) for a cash amount equal to \$51.14 per share of Fixed PRA Consideration and up to \$17.04 per share of Contingent PRA Consideration. Those Eligible Members who make this election will exchange the value of their Allocable Equity for common stock of NIC (*i.e.*, the Conversion Stock) at the Subscription Price (\$50.00 per share) and will

immediately sell the Conversion Stock to PRA for the PRA Consideration (consisting of a combination of a fixed cash price per share of \$51.14 and contingent cash consideration in an amount up to \$17.04 per share). NIC will transfer the Conversion Stock on behalf of Eligible Members electing this choice to PRA Professional upon payment of the PRA Consideration to the Exchange Agent pursuant to the terms of the Acquisition Agreement and the Offer.

Eligible Members are urged to read this Tender Offer Statement and the Information Statement carefully before making their election to receive Conversion Consideration. This Tender Offer Statement only relates to the choice to receive Conversion Stock pursuant to the Conversion and to sell the shares of Conversion Stock to PRA Professional on the terms and conditions of this Offer. The board of directors of NORCAL Mutual has unanimously approved this Offer and has recommended that Eligible Members elect to receive Conversion Stock and sell it to PRA Professional pursuant to this Offer.

What are the terms for the purchase of Conversion Stock?

PRA Professional has offered to purchase all of the outstanding shares of common stock of NIC as explained in this Offer and in accordance with Section 14(e) of the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder (“*Exchange Act*”). The shares in this Offer represent all issued and outstanding shares of Conversion Stock to be issued upon the Conversion of NORCAL Mutual. If all of the shares of Conversion Stock are purchased by PRA Professional, PRA Professional will own 100% of the common stock of NIC. PRA will indirectly own all of the shares of Conversion Stock acquired pursuant to the Offer through its subsidiary PRA Professional.

The NORCAL Mutual board of directors determined the fair value of the Members’ equity in NORCAL Mutual to be \$440,000,000 (the “*Equity*”). This finding was supported by a revised and restated appraisal by Boenning & Scattergood, Inc., an independent appraisal firm selected by NORCAL Mutual’s board with the approval of the Commissioner. NORCAL Mutual has authorized 8,800,000 shares of Conversion Stock available for issuance in the Conversion (“*Authorized Conversion Shares*”). The nominal per share price of the Conversion Stock to be issued in the Conversion is \$50.00 per share (the “*Subscription Price*”).

(\$440,000,000 of Equity divided by 8,800,000 Authorized Conversion Shares =
Subscription Price of \$50.00 per share)

PRA Professional offers to purchase all shares of the Conversion Stock to be issued to Eligible Members in exchange for payment of the PRA Consideration according to the Acquisition Agreement. The “*PRA Consideration*” will be, in the aggregate, an amount payable in cash at closing, \$450,000,000 (the “*Fixed PRA Consideration*”) and the right to receive future contingent cash consideration, in the aggregate, in an amount up to \$150,000,000 (the “*Contingent PRA Consideration*”). The per share price that PRA Professional will pay for a share of Conversion Stock will be determined by separately dividing the amount of each of the Fixed PRA Consideration (\$450,000,000) and Contingent PRA Consideration (up to \$150,000,000) by the total number of Authorized Conversion Shares (8,800,000 shares) . The holder of a share of the Conversion Stock who sells their stock to PRA Professional according to the Offer will receive \$51.14 per share at closing and up to \$17.04 per share of future contingent consideration.

Prior to the closing of the Proposed Transaction, the Exchange Agent will provide PRA with a list of the Eligible Members who decided to sell their shares to PRA Professional (“**Selling Stockholder**”) and the number of shares of Conversion Stock tendered by each (the “**Selling Stockholder Distribution List**”). PRA Professional will then deliver cash to the Exchange Agent in the amount of the Fixed PRA Consideration due to Eligible Members according to the Selling Stockholder Distribution List. As promptly as practicable after the closing, the Exchange Agent will accept the delivery of the shares of Conversion Stock to be purchased in the Offer and will send each Selling Stockholder a check for the price of their tendered shares.

The aggregate amount of Contingent PRA Consideration will be an amount that is equal to the product determined by multiplying (X) the after tax percentage and (Y) the amount by which PRA’s current estimate of NORCAL’s ultimate losses as of December 31, 2020 exceeds the estimate of ultimate losses as of said date as determined by an independent actuarial consultant at December 31, 2023. However, in no event will the total amount of the Contingent PRA Consideration exceed \$150,000,000. If the amount determined in (Y) is zero or a negative number, the Contingent PRA Consideration will be zero. If the sum of the face amount of the Contribution Certificates to be issued to Eligible Members, the cash to be paid to Eligible Members and the value of the Fixed PRA Consideration allocable to the shares of Conversion Stock to be issued to Eligible Members exceeds \$450,000,000 (the “**Excess Amount**”), PRA will only pay Contingent PRA Consideration in excess of the Excess Amount, and the total possible Contingent PRA Consideration of \$150,000,000 will be reduced dollar-for-dollar by an amount equal to the Excess Amount.

The after tax percentage will be determined by using 100% and subtracting the maximum federal income tax marginal rate for corporations for the 2023 taxable year. However, if any reserves of NIC or any of its subsidiaries are released in the 2020, 2021, or 2022 taxable years, the after tax percentage will be adjusted to reflect (on a proportional basis) the maximum federal income tax for corporations during the taxable year in which the reserves are released.

PRA’s current estimate of NORCAL’s ultimate losses as of December 31, 2020 is equal to the sum of:

- (1) \$3,627,000,000 (representing PRA’s estimate of consolidated ultimate losses and loss adjustment expenses net of reinsurance of NORCAL and its subsidiaries for the accident years ending on or before December 31, 2018), plus
- (2) 102% of the consolidated net earned premium of NORCAL and its subsidiaries for 2019 (representing PRA’s estimated loss ratio for the 2019 accident year), plus
- (3) 98% of the consolidated net earned premium of NORCAL and its subsidiaries for 2020 (representing PRA’s estimated loss ratio for the 2020 accident year).

How and when will the final estimate of ultimate losses be determined?

The estimate of ultimate losses as of December 31, 2023 will be determined by an independent actuarial consultant and be based on the ultimate consolidated losses and loss adjustment expenses of NORCAL and its subsidiaries as of December 31, 2020 net of reinsurance. The estimate of ultimate losses will be completed on or before June 30, 2024.

A “*NORCAL Committee*” consisting of three persons appointed by NORCAL Mutual prior to closing, will review the actuarial report of the independent actuarial consultant. If either PRA or the NORCAL Committee disputes the actuarial report, the parties will select a second independent actuarial consultant and resolve the dispute according to the terms of the Acquisition Agreement. The NORCAL Committee expenses, including expenses incurred in connection with any dispute, will reduce any Contingent PRA Consideration. If the Contingent PRA Consideration is less than the expenses, it will be paid by PRA by first applying the Contingent PRA Consideration to cover the expenses, with any remaining balance to be paid directly by PRA.

Promptly after determining the estimate of ultimate losses, resolving any disputes regarding the actuarial report, and calculating the amount of the Contingent PRA Consideration to be paid to the Selling Stockholders after deducting payment of applicable expenses, PRA will deposit with the Exchange Agent cash in an amount equal to the Contingent PRA Consideration. The Exchange Agent will pay any costs incurred by the NORCAL Committee in the determination of the Contingent PRA Consideration from the amount deposited by PRA and the amount of the Contingent PRA Consideration to be paid for the Conversion Stock sold to PRA will be reduced by that amount. Promptly after receipt of these deliverables from PRA, the Exchange Agent will then distribute payment of the amount of Contingent PRA Consideration to each of the Selling Stockholders.

PRA will pay all charges and expenses incurred in connection with this Offer. Tendering shareholders will not be obligated to pay brokerage commissions, fees, or transfer taxes.

THE BOARD OF DIRECTORS OF NORCAL MUTUAL HAS UNANIMOUSLY APPROVED THE AMENDED AND RESTATED PLAN OF CONVERSION AND RECOMMENDS THAT ELIGIBLE MEMBERS ELECT TO RECEIVE CONVERSION STOCK AND SELL IT TO PRA PURSUANT TO THE OFFER.

Are there Conditions to this Offer?

Yes, PRA’s obligation to purchase the shares of Conversion Stock is conditioned on the following:

(i) NORCAL Mutual has been converted from a mutual insurance company to a stock insurance company according to the Amended and Restated Plan of Conversion and the applicable laws of the State of California;

(ii) the sum of the face amount of the Contribution Certificates to be issued to Eligible Members in the Conversion does not exceed \$200,000,000;

(iii) the holders of at least 80% of the shares of Conversion Stock validly tender their shares for purchase by PRA Professional; and

(iv) the satisfaction, or permitted waiver, of the conditions set forth in Article 9 of the Acquisition Agreement (clauses (i) through (iv), together, the “*Offer Conditions*”).

The Offer Conditions provided in Article 9 of the Acquisition Agreement include, but are not limited, to:

(a) the Amended and Restated Plan of Conversion, including the Amended and Restated Articles of Incorporation and Amended and Restated Bylaws of NIC and the issuance of the shares of the Conversion Stock, have been approved and adopted by at least two-thirds of the NORCAL Mutual board of directors and by the affirmative vote of at least two-thirds of the Members of NORCAL Mutual entitled to vote at a special meeting of the Members, with at least 10% of the Eligible Members present virtually or by proxy so as to constitute a quorum; and

(b) all approvals, including governmental approvals, required under the Acquisition Agreement have been obtained, including: approval of the Amended and Restated Plan of Conversion by the Commissioner; and approval of PRA's Offer by the insurance regulators in California, Florida, Missouri and Texas; and filing of a notice of the Pre-Acquisition Notification statement with various insurance regulators and the approval of such insurance regulators or the expiration of the required waiting period.

If either (ii) or (iii) are not satisfied or waived by PRA, PRA is required to solicit Eligible Members who did not elect to sell their shares of Conversion Stock to change their election and to elect to sell Conversion Stock to PRA Professional pursuant to the Offer. If this occurs, the Offer will be extended for a 30 day period that starts on the date the Exchange Agent delivers the Selling Stockholder Distribution List to PRA (the "***Solicitation Period***").

Can PRA adjust the PRA Consideration or waive conditions?

Yes, PRA may waive all or part of any Offer Condition, increase the PRA Consideration, or make any other changes in the terms and conditions of the Offer provided it is permissible under the Acquisition Agreement. However, NORCAL must give consent for PRA to: (i) reduce the number of shares of Conversion Stock subject to the Offer; (ii) reduce the PRA Consideration; (iii) add, amend or modify any Offer Condition that would negatively affect holders of shares of Conversion Stock; (iv) extend or change the expiration date of this Offer (except as discussed below); (v) change the form of consideration payable in this Offer; or (vi) amend, modify, or supplement any of the terms of this Offer in a way that would negatively affect holders of shares of Conversion Stock.

How long do I have to elect to sell my Conversion Stock?

This Offer expires at 5:00 p.m. Pacific Time on April 27, 2021 (the "***Offer Initial Expiration Time***") unless the Offer Initial Expiration Time is extended in accordance with the Acquisition Agreement, including an extension through the end of the Solicitation Period. The Offer Initial Expiration Time or extended date and time in accordance with the Acquisition Agreement, is referred to as the "***Offer Expiration Time***". If the Commissioner does not enter an order approving the Amended and Restated Plan of Conversion by the Offer Initial Expiration Time, PRA is required to extend this Offer until the first business day following the issuance of the Commissioner's order. PRA is also required to extend this Offer for any period required by applicable law. However, PRA is not required to extend this Offer if PRA is permitted to terminate the Acquisition Agreement under Article 10 of the Acquisition Agreement.

Can PRA terminate this Offer?

Unless the Acquisition Agreement is terminated in accordance with its terms, PRA may not terminate or withdraw this Offer prior to the Offer Expiration Time without the consent of NORCAL Mutual. If PRA terminates or withdraws this Offer or the Acquisition Agreement is terminated before PRA Professional accepts the tendered shares of Conversion Stock for payment, the Amended and Restated Plan of Conversion will not be effective and Eligible Members will continue to be members of NORCAL Mutual as a mutual insurance company.

What happens if an Eligible Member fails or refuses to tender shares of Conversion Stock received in the Conversion?

If Eligible Members receiving more than 20% of the shares of Conversion Stock do not tender their shares to PRA Professional according to the Offer, the Conversion will not be completed. No Conversion Stock will be issued, and PRA will have no obligation to complete the transactions contemplated by the Acquisition Agreement, including the acquisition of NORCAL.

If the conditions to the Conversion are satisfied, PRA Professional will own at least 80% of the equity and voting stock of NIC. PRA Professional will have the right to elect all of the directors on NIC's board and will control the management of NIC. Eligible Members who elect to receive Conversion Stock and do not sell their shares to PRA Professional as part of this Offer will continue to own equity in NIC in the form of the shares of Conversion Stock issued to them in the Conversion. **These shares will not be registered under the federal and state securities laws and will have substantial restrictions on transfer. In addition, Eligible Members who continue to hold shares of Conversion Stock will have to bear the risk of an investment in the Conversion Stock for an indefinite period of time because there is no public market for this Conversion Stock and it is unlikely that one will develop.**

The purpose of the Acquisition is for ProAssurance through PRA Professional to purchase all of the outstanding stock of NIC. If less than 100% of the shares of Conversion Stock are purchased by PRA Professional in this Offer, PRA intends to develop a plan for the recapitalization or reorganization of NIC that will result in the acquisition of shares of Conversion Stock held by persons other than PRA at a price on terms comparable to this Offer. If PRA Professional acquires at least 90% of the shares of Conversion Stock, PRA Professional may vote its NIC shares to effect a reverse stock split or other corporate transaction where all shares of NIC stock not held by PRA Professional will be converted to cash (and the right to receive cash) in an amount of the PRA Consideration.

In the event that PRA Professional does not acquire 90% of the outstanding stock of NIC according to the Offer, PRA Professional may seek to reach the 90% threshold through privately negotiated purchases of NIC stock or other permissible transactions. Alternatively, subject to the approval of the Commissioner, PRA may elect to pursue other reorganizations, restructurings and/or recapitalizations, such as the merger of NIC with one of its subsidiaries and exchange of PRA's publicly traded shares for NIC shares held by persons other than PRA or other alternatives. If PRA Professional does not acquire 90% of the shares of Conversion Stock in the Offer, its ability to acquire the minority shares of NIC will be limited by the provisions of Section 1101(e) of the California General Corporation Law (the "**50/90 Rule**"). Under the 50/90 Rule, if PRA Professional acquires more than 50% but less than 90% of the shares of Conversion Stock in the Offer, it will not be able to acquire the remaining shares in a cash transaction unless all of the minority shareholders of NIC consent to the terms of the plan to force the NIC minority

stockholders to exchange their NIC stock for cash or the Commissioner of the California Department of Business Oversight approves the terms and conditions of the transaction and the fairness of those terms and conditions, in addition to any required approval by the Commissioner (*i.e.*, the Insurance Commissioner of the California Department of Insurance).

How do I elect to receive Conversion Stock and sell my shares to PRA Professional?

If you are an Eligible Member, you may elect to receive Conversion Stock in the Conversion and to sell your shares to PRA Professional by completing and submitting the Consideration Election Form that accompanies the Member Information Statement. You may submit a paper Consideration Election form by returning it to the Exchange Agent using the enclosed envelope. Alternatively, you may submit a Consideration Election Form online at <https://nocalconversion.com> using your control number and your account number sent to you by NORCAL Mutual.

You may change your election to receive Conversion Consideration at any time before Offer Expiration Time by submitting a properly executed Consideration Election Form bearing a later date; or submitting a new Consideration Election Form online. Contact Georgeson LLC (the “*Information Agent*”) at (888) 206-5970 to obtain a new Consideration Election Form.

You must make or change your election on or before the Offer Expiration Time of 5:00 p.m. Pacific Time on April 27, 2021. If the Offer is extended to a later date as permitted in the Acquisition Agreement, you will receive notice of the extension of the Offer Initial Expiration Time. You bear the risk for the method of delivery of the Consideration Election Form and other required documents and ensuring that it is received by the applicable deadline. Be sure to allow sufficient time to ensure timely delivery.

As required by Section 4097.04(c) of the California Insurance Code, any Eligible Member not making a valid election prior to the Offer Expiration Time shall be deemed to have made an election to receive a Contribution Certificate.

Will I be subject to any backup income tax withholding?

Under the U.S. federal backup withholding rules the Exchange Agent is required to withhold 24% of the gross proceeds payable to an Eligible Member in conjunction with this Offer unless the Eligible Member provides their taxpayer identification number, employer identification number or social security number, and certifies that the number is correct and that they are not subject to backup withholding. In addition, under the California backup withholding rules, the Exchange Agent is required to withhold 7% of gross proceeds payable to an Eligible Member who is subject to California backup withholding (with certain limited exceptions). Unless an exception exists and is proved in a manner that satisfies the Exchange Agent, each Eligible Member should complete and sign the substitute Form W-9 provided by the Exchange Agent, to provide the necessary information and certification to avoid backup withholding. If funds are withheld for backup withholding, Eligible Members will be required to seek a refund of backup withholding from the IRS, and if applicable the state of California.

Certain Eligible Members (including all corporations and certain foreign individuals) are exempt from these back-up withholding and reporting requirements. Eligible Members that are

exempt United States persons should indicate their exempt status on the Form W-9. In order for a foreign individual to qualify as an exempt recipient, that Eligible Member must submit a statement, signed under penalty of perjury, attesting to their exempt status. The Exchange Agent can provide Eligible Members with a form for these statements. Eligible Members (or other payees) should consult their tax advisors about qualification for exemption and the procedure for obtaining it.

What happens if I sell my share of Conversion Stock to PRA?

If you elect to sell your shares of Conversion Stock to PRA, NIC will transfer your shares of Conversion Stock on your behalf to PRA Professional upon payment of the PRA Consideration to the Exchange Agent pursuant to the terms of the Acquisition Agreement and the Offer. As a result, you will not have any voting or other rights with respect to your Conversion Stock as such rights would best upon transfer in PRA Professional (including, without limitation, any and all rights with respect to dividends, distributions, rights, other shares and other securities issued or issuable in respect of such shares on or after the acceptance of such shares for payment). Following such transfer by NIC on your behalf, PRA Professional's designees will be empowered, among other things, to exercise all voting and other rights of Eligible Members with respect to tendered shares of Conversion Stock as they, in their sole discretion, may deem proper at any annual, special, adjourned or postponed meeting of the shareholders of NIC, by written consent or otherwise. PRA Professional reserves the right to require that, in order for the shares of Conversion Stock to be deemed validly tendered, immediately upon PRA's acceptance for payment of the shares, PRA Professional must be able to exercise full voting and other rights of a record and beneficial owner, including acting by written consent, with respect to the shares.

Who will determine the validity of the elections to receive Conversion Consideration?

All questions regarding the form of all documents and the validity and eligibility (including time of receipt) of the elections made on the Consideration Election Forms submitted by Eligible Members will be determined by NORCAL. PRA Professional reserves the absolute right to reject any and all tenders of any particular shares of Conversion Stock that are not in proper form or do not meet the terms of this Offer or may in the opinion of PRA's counsel, be unlawful. PRA also reserves the absolute right to waive any of the conditions of this Offer or any defect or irregularity in the tender with regard to any particular shares of Conversion Stock or particular Selling Stockholder. PRA's interpretation of the terms and conditions of this Offer will be final and binding. Neither PRA nor the Exchange Agent nor any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give notification. No tender of shares of Conversion Stock will be deemed to have been properly made until any irregularities have been cured or waived to PRA's satisfaction.

The tender of shares of Conversion Stock according to the procedures described above will constitute Eligible Member's acceptance of the terms and conditions of this Offer as well as Eligible Member's representation and warranty that (i) the Eligible Member owns the shares of Conversion Stock being tendered within the meaning of Rule 14e-4 promulgated under the Exchange Act and (ii) the tender of the shares is in compliance with Rule 14e-4. The acceptance for payment by PRA Professional of a tender of shares of Conversion Stock by any of the procedures above will constitute a binding agreement between the Eligible Member and PRA in accordance with the Offer.

When will PRA Professional pay for the shares of Conversion Stock to be purchased?

The Proposed Transaction will be completed when the conditions to the Acquisition are satisfied or waived in accordance with their terms. See “*Are there Conditions to this Offer?*” above. Assuming timely satisfaction of the closing conditions, we anticipate that the Proposed Transaction will be completed in the fourth quarter of 2020 or first quarter of 2021. There can be no assurance, however, that the Proposed Transaction will be completed.

Prior to closing, the Exchange Agent will provide PRA a list of the Selling Stockholders and the Selling Stockholder Distribution List, and PRA Professional will deposit good funds with the Exchange Agent in an amount equal to the Fixed PRA Consideration (the “*Exchange Fund*”) to be paid to the Selling Stockholders. As promptly as practicable after the closing of the Acquisition, the Exchange Agent will distribute a check or wire transfer to each Selling Stockholder for funds in an amount equal to the Fixed PRA Consideration payable to the Selling Stockholder in exchange for the sale of the Selling Stockholder’s Conversion Stock, as provided on the Selling Stockholder Distribution List.

Within ten (10) business days after any Contingent PRA Consideration has been calculated, including any reductions to the amount for expenses incurred by the NORCAL Committee in connection with the calculation, PRA will deposit the amount of Contingent PRA Consideration payable to the Selling Stockholders with the Exchange Agent. PRA will not pay any interest on the Contingent PRA Consideration.

Payment for shares of Conversion Stock purchased according to this Offer will only be made after the Exchange Agent has received your properly completed and duly executed Consideration Election Form, and any other required documents.

What happens to undistributed funds?

Any portion of the funds deposited with the Exchange Agent for the Fixed PRA Consideration that remain undistributed for 12 months after the closing of the Acquisition will be returned to PRA. Each Selling Stockholder that has not yet received a distribution that the Selling Stockholder is entitled to must contact PRA for payment.

Any portion of the funds deposited with the Exchange Agent for the Contingent PRA Consideration that remain undistributed for 12 months after December 31, 2023 will be returned to PRA. Each Selling Stockholder that has not yet received a distribution that the Selling Stockholder is entitled to must contact PRA for payment.

NORCAL, PRA and the Exchange Agent are entitled to deduct and withhold any amounts as required under applicable tax laws from any payments made to Selling Stockholders.

Do I have the right to withdraw tendered Conversion Stock?

You may not revoke your election to sell your shares of Conversion Stock *unless* you withdraw your election prior to the Offer Expiration Time. If PRA extends this Offer, is delayed in its purchase of the shares of Conversion Stock, or is unable to purchase the shares of Conversion Stock according to this Offer for any reason, then, without prejudice to PRA’s rights under this

Offer, the Exchange Agent may, subject to Rule 14e-1(c) under the Exchange Act, retain the tendered shares of Conversion Stock on behalf of PRA Professional and the shares may not be withdrawn except to the extent that the Selling Stockholders are entitled to withdrawal rights.

How do I withdraw tendered Conversion Stock?

You must change your election of the Conversion Consideration to be received as described under “**How do I elect to receive Conversion Stock and sell my shares to PRA?**” above. Any shares of Conversion Stock properly withdrawn will be deemed not to have been tendered for purposes of this Offer, but may be retendered at a later time at or before the Offer Expiration Time by re-submitting the Consideration Election Form and any other required documents.

When will PRA Professional accept for payment shares of Conversion Stock?

PRA Professional will accept for payment and pay the purchase price for all shares of Conversion Stock validly tendered and not validly withdrawn as promptly as practicable after the closing of the Acquisition. PRA Professional will be deemed to have accepted for payment, and thereby purchased, tendered shares of Conversion Stock, if, as and when PRA Professional gives oral or written notice to the Exchange Agent of its acceptance for payment of the shares of Conversion Stock.

Payment for purchased shares of Conversion Stock will be made by the deposit of the Fixed PRA Consideration with the Exchange Agent, which will act as agent for Selling Stockholders for purposes of receiving payment from PRA Professional and transmitting payment to the Selling Stockholders. If acceptance for payment of any shares of Conversion Stock is delayed, or PRA Professional is unable to accept for payment shares tendered according to this Offer, then without prejudice to PRA’s rights under this Offer, the Exchange Agent may, subject to Rule 14e-1(c) under the Exchange Act, and on behalf of PRA Professional, retain tendered shares of Conversion Stock. These shares may not be withdrawn except to the extent that the Selling Stockholders are entitled to withdrawal rights.

The ability of PRA Professional to delay the payment for shares that PRA Professional has accepted for payment is limited by Rule 14e-1 under the Exchange Act, which requires that a bidder must pay the consideration offered or return the securities deposited by or on behalf of the holders of securities promptly after the termination or withdrawal of this Offer.

What are my federal income tax consequences to if I accept the Offer?

You should consult a tax adviser to determine how your acceptance of the Offer will affect you. The following summary is for general information only. It is not intended to be a complete discussion of all potentially relevant tax consequences. This summary does not address federal estate, gift, or alternative minimum tax consequences, or any state, local, or non- U.S. tax consequences of the Proposed Transaction or any other transaction. Information regarding the U.S. federal income tax consequences of the Conversion, including tax consequences for Eligible Members that do not elect to receive Conversion Stock in the Conversion or that do not elect to

sell Conversion Stock pursuant to the Offer, is set forth in the Information Statement under the caption “*U.S. Federal Income Tax Considerations.*”

For purposes of this summary, the term “*U.S. Member*” means an Eligible Member who is, for U.S. federal income tax purposes:

- (i) an individual who is a citizen or resident of the United States; or
- (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof, or the District of Columbia.

This is a summary of the material U.S. federal income tax consequences of the receipt and sale of Conversion Stock in the Proposed Transaction by Eligible Members who are U.S. Members and who hold their Membership Interests as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, U.S. Treasury regulations promulgated thereunder, judicial authorities, and administrative rulings, all of which are subject to change, possibly with retroactive effect. No ruling has been sought from the IRS with respect to any U.S. federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position.

This summary (1) does not apply to Eligible Members who may be subject to special treatment under U.S. federal income tax law (including, without limitation, insurance companies, retirement plans, certain former citizens or residents of the United States, partnerships or other pass-through entities, trusts, and tax-exempt organizations); (2) does not address the U.S. tax consequences of any Eligible Member who is not a U.S. Member, such as a non-resident alien individual, foreign corporation, foreign partnership, or foreign estate or trust; and (3) assumes that a U.S. Member’s tax basis in their Membership Interest is zero.

The legal precedents regarding whether a policyholder has a tax basis in membership rights are complex and conflicting, and may depend upon the facts applicable to the particular situation. U.S. Members should consult with their tax advisers regarding their ability to reflect a basis in their Membership Interests in calculating the amount of their gain or loss upon receipt of the PRA Consideration.

The receipt of Conversion Stock by a U.S. Member should not be a taxable transaction for U.S. federal income tax purposes. Such U.S. Member’s adjusted tax basis in such Conversion Stock should be zero, and the U.S. Member’s holding period for such Conversion Stock should include the U.S. Member’s holding period for the extinguished Membership Interest. This period includes the period during which a U.S. Member held the Membership Interest prior to the Conversion.

A U.S. Member that sells or otherwise disposes of the Conversion Stock (including in exchange for the PRA Consideration pursuant to the Offer) should generally be taxed on the full amount of the proceeds of that sale or other disposition. The proceeds should generally be taxed as capital gain, which will be long-term capital gain if the U.S. Member’s holding period in its extinguished Membership Interest exceeds one year. Long-term capital gains of non-corporate

U.S. Members are eligible for reduced rates of taxation. Short-term capital gains are subject to U.S. federal income tax at the same rates as ordinary income. Each U.S. Member should consult with such U.S. Member's tax adviser as to the proper treatment of the gain based on such U.S. Member's particular situation.

A U.S. Member that tenders shares of Conversion Stock to PRA Professional pursuant to the Offer may report gain under the installment sale rules. Under those rules, the U.S. Member should recognize capital gain in the year of receipt of a payment (which is not treated as interest) of the Fixed PRA Consideration and Contingent PRA Consideration equal to the amount of such payment. Additional annual interest charges might also be imposed on the portion of a U.S. Member's tax liability that is deferred by the installment method.

A U.S. Member that tenders their shares of Conversion Stock to PRA Professional pursuant to the Offer may affirmatively elect to not use the installment sale rules. In such event, or if the holder of such Conversion Stock is not otherwise permitted to utilize the installment sale rules, the U.S. Member should generally recognize capital gain or loss in the taxable year of the Acquisition in an amount equal to the amount realized (including the value of the right to receive the Contingent PRA Consideration) in the disposition. In that event, the U.S. Member will recognize gain or loss in a subsequent taxable year to the extent the amount the U.S. Member actually receives with respect to the Contingent PRA Consideration (and not treated as interest) differs from the amount used to determine the amount of gain recognized by the U.S. Member in the taxable year in which the Acquisition occurs.

Each U.S. Member should consult with such U.S. Member's tax adviser as to the proper treatment of the receipt and disposition of Conversion Stock, including the application of the installment sale rules and the potential for having to pay interest to the IRS on any gain deferred under the installment sale rules. Each U.S. Member should also consult with its tax adviser regarding the advisability of electing out of the installment sale rules and the tax consequences if such election is made or if the installment sale rules do not apply.

An Eligible Member also may be subject to backup withholding in connection with the Proposed Transaction unless such Eligible Member provides his taxpayer identification number, employer identification number or social security number and certifies that such number is correct and that he is not subject to backup withholding, or otherwise establishes an exemption from backup withholding. See "*Will I be subject to any backup tax withholding?*" above for additional information.

Where can I obtain additional information?

In order to avoid duplication and additional paperwork, we have not attached to this Tender Offer Statement any documents that are already included with the Information Statement sent to you by or on behalf of NORCAL, such as copies of the Amended and Restated Plan of Conversion and the Acquisition Agreement. The Information Statement includes the following information and attachments:

- a description of the terms of the Conversion and a copy of the Amended and Restated Plan of Conversion;

- a description of the terms of the Acquisition and the Acquisition Agreement, and a copy of the Acquisition Agreement;
- the Consideration Election Form and Instructions;
- the background of the Acquisition and the reasons that the board of directors of NORCAL Mutual has recommended that its policyholders approve the Amended and Restated Plan of Conversion;
- the Federal income tax considerations for Eligible Members;
- Amended and Restated Articles of Incorporation and Amended and Restated Bylaws of NIC;
- list of officers and directors of NIC following the Conversion;
- the Revised and Restated Appraisal Report; and
- summary financial information regarding NORCAL.

If you have questions about this Offer and the Acquisition contact the Information Agent at (888) 206-5970.

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No person has been authorized to give any information or make any representation on behalf of PRA not contained in this offer to purchase or in the letter of transmittal and, if given or made, such information or representation must not be relied upon as having been authorized.

PRA PROFESSIONAL LIABILITY GROUP, INC.

By:  _____

Michael L. Boguski
President

PROASSURANCE CORPORATION

By:  _____

Edward L. Rand, Jr.
President and CEO