

Best's Rating Report



PROASSURANCE[®]

Treated Fairly

PROASSURANCE GROUP

Birmingham, Alabama



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PROASSURANCE GROUP

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AMB#: 18559

BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the group's Financial Strength, it is assigned a Best's Financial Strength Rating of A (Excellent). The group's Financial Size Category is Class XII.

RATING UNIT MEMBERS

ProAssurance Group

(AMB# 18559):

AMB #	Company	Best's FSR
02698	ProAssurance Casualty Company	A g
03826	ProAssurance Indemnity Co Inc.	A g
11697	ProAssurance Specialty Ins Co	A r

RATING RATIONALE

Rating Rationale: The rating reflects ProAssurance Group's excellent risk-adjusted capitalization, strong operating performance, its speciality expertise and leading business position within the medical professional liability insurance sector, and the financial flexibility afforded by ProAssurance Corporation (PRA) [NYSE:PRA], its publicly traded parent. The rating also acknowledges the group's solid balance sheet, aggressive claims defense, risk management expertise, geographical diversification and localized knowledge within the various jurisdictions in which it operates. Partially offsetting these strengths are the

inherent market risks associated with the medical professional liability insurance sector as they relate to price competition, legislative (tort) reform, loss cost trends and regulatory challenges. Also a factor is the history of moderate fluctuations in the group's accident year reserve development in earlier accident years. The outlook is based upon the group's proven cycle management capabilities and pricing and underwriting discipline.

The rating recognizes the financial flexibility available to the operating companies that is derived from PRA. PRA's financial leverage, which was a modest 11.6% at year-end 2007 declined to 2.4% at year-end 2008, following the redemption of over \$107 million in convertible senior debentures in July and the reacquisition of \$23 million in outstanding notes in December. PRA's interest coverage is within bounds for its rating and it currently holds a significant amount of cash and short-term investments outside of its insurance subsidiaries that is available for use without regulatory approval. A.M. Best also recognizes PRA's successful growth strategy in expanding its geographic footprint via mergers and acquisitions. The acquisitions of NCRIC, Inc. in 2005 and Physicians Insurance Company of Wisconsin (PIC Wisconsin) in 2006 have been smoothly integrated into ProAssurance operations. In 2009, ProAssurance acquired The PICA Group, Georgia Lawyers Insurance Company and Mid-Continent General Agency. These transactions have further strengthened ProAssurance's business profile by expanding its reach into the medical professional liability, lawyer professional liability and ancillary healthcare lines, respectively.

The rating applies to ProAssurance Indemnity Company, Inc. (f/k/a The Medical Assurance Company, Inc.) and ProAssurance Casualty Company (f/k/a ProNational Insurance Company) as well as its reinsured affiliate, ProAssurance Specialty Insurance Company,

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Inc. (f/k/a Red Mountain Casualty Insurance Company, Inc.). The rating is based on the consolidation of the companies to which the rating applies, in addition to two separately rated affiliates, ProAssurance National Capital Insurance Company (f/k/a NCRIC, Inc.) and ProAssurance Wisconsin Insurance Company (f/k/a Physicians Insurance Company of Wisconsin, Inc.).

Best's Financial Strength Rating: A

Outlook: Stable

KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written	Pretax Operating Income	Total Admitted Assets	Policy- holders' Surplus	Comb. Ratio
2004	655,245	40,066	2,964,441	680,723	106.5
2005	613,718	87,041	3,334,116	784,288	100.6
2006	586,259	453,388	3,526,887	839,398	94.8
2007	496,435	236,748	3,690,370	1,001,122	84.8
2008	427,992	301,102	3,605,496	1,078,083	67.3

(*) Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings.

BUSINESS REVIEW

The ProAssurance Group is focused on the medical professional liability insurance market. The group has licenses in over 45 states with the majority of its business written in the Midwestern and Southeastern regions of the United States. The group actively writes business in 30 states and is the market leader in Alabama, Delaware, District of Columbia, Ohio and Wisconsin. All business in Alabama and Florida and a significant amount of business in the District of Columbia and Missouri is produced on a direct basis, while agencies and brokers are used in other territories. Companies within the group are engaged in the delivery of professional liability insurance to physicians and surgeons, dentists, hospitals and others involved in the delivery of health care. In addition, the group maintains a small, but growing lawyer professional liability book of business. The aforementioned acquisition of Georgia Lawyers Insurance Company, which insured 2,700 lawyers and wrote \$5.5 million in direct written premiums, will bolster this effort.

Policies are written on claims made forms in all states except Wisconsin, where a small amount of occurrence coverage remains in force. Prior to the 2006 acquisition of PIC Wisconsin, ProAssurance had made an active decision to end occurrence coverage and its last occurrence coverage expired in the third quarter of 2004. However, the reporting pattern in Wisconsin and the presence of a state-run fund for losses above \$1 million mitigates the risk of occurrence exposure in Wisconsin. Thus, the company's significant occurrence exposure will be to a declining number of policies that are in runoff. Policy limits range from \$250,000 up to \$16 million per occurrence. Additional insurance products, such as professional office package, workers' compensation and accident and health coverage, have been developed to enhance the insurance package available to certain classes of health care providers and are written on a limited basis.

ProAssurance Indemnity Company, Inc. (ProAssurance Indemnity) writes medical professional liability insurance for physicians, surgeons, dentists, hospitals clinics and other health care providers principally in the East, South and Midwest. Commercial general liability policies are issued to hospitals. Currently, it is the leading provider of medical professional liability insurance in its home state of Alabama,

with an estimated 65% market share. ProAssurance Indemnity is endorsed by the Medical Association of the State of Alabama, the Alabama Dental Association, the Indiana State Medical Association and the Indiana Dental Association. The company was formed as a mutual insurance company, Mutual Assurance, Inc., in 1976 to write professional liability insurance for Alabama physicians. It demutualized in 1991 and later became a subsidiary of Medical Assurance, Inc., an insurance holding company formed in 1996. Woodbrook Casualty, a West Virginia medical professional liability writer in the ProAssurance Group, was merged into ProAssurance Indemnity effective December 31, 2008.

ProAssurance Casualty Company (ProAssurance Casualty) provides professional liability coverage for physicians, dentists, hospitals, health care groups, healthcare facilities and other professionals, including lawyers and law firms, primarily in Michigan, other Midwestern and Mid-Atlantic states and Florida. While the lawyer professional liability book is growing, most premium volume continues to be generated from the physician book of business. Between 1999 and 2005, the company also provided personal lines coverage through its ownership stake in MEEMIC. The company was formed in 1980 and known as Physicians Insurance Company of Michigan before changing its name first to ProNational, and then to ProAssurance Casualty. It is currently among Michigan's leading providers of medical professional liability insurance, with a greater than 20% share of direct premiums written. The company is also well represented in Florida as a result of a 1998 merger with Physicians Protective Trust Fund (PPTF). ProAssurance Casualty is currently endorsed by various county medical societies and specialty organizations in Illinois, Florida and Michigan.

ProAssurance Specialty Insurance Company, Inc.'s (ProAssurance Specialty) origins date back to 1994, when ProNational formed a wholly owned subsidiary, PICOM Insurance Company of Illinois to renew a book of physician professional liability insurance formerly written by a physician-owned carrier in that state. This gave the group a significant entry into the Illinois market and broadening the group's spread of underwriting risk. In September 2002, the subsidiary adopted the name of Red Mountain Casualty Insurance Company, Inc., re-domesticated to Alabama and began writing business in several states on an excess and surplus lines basis. It is currently authorized in virtually every state, and is active as an excess and surplus lines medical professional liability insurer in a number of jurisdictions. The company maintains a 100% quota share agreement with ProAssurance Casualty, its former parent and current affiliate, which enables it to carry ProAssurance Casualty's rating.

On July 1, 1996 ProNational acquired American Insurance Management Corporation (AIMC), of Indiana. AIMC is the attorney-in-fact for American Medical Insurance Exchange (AMIE). ProNational then renewed AMIE insureds into its own book as part of the acquisition agreement. AMIE ceased writing business and became inactive in 1997. Presently, AMIE's claims are in run-off.

ProAssurance National Capital Insurance Company (ProAssurance National) provides medical professional liability coverage for physicians in the District of Columbia, the majority of whom practice individually or in small groups. Historically, the company wrote medical professional liability business in Washington,

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D.C., Delaware, Maryland, Virginia and West Virginia. However, since 2006, all policies renewed outside the district have been written by other ProAssurance affiliates, making ProAssurance National Capital a Washington, D.C.-only insurer, including the renewal of Washington, D.C. business that was formerly written by other ProAssurance affiliates. The company's sells most of the District of Columbia business on a direct basis. The Medical Society of the District of Columbia endorses ProAssurance National.

ProAssurance Wisconsin Insurance Company (ProAssurance Wisconsin), specializes in writing professional liability insurance for healthcare professionals. The company focuses on physician professional liability insurance in its home state but has expanded into seven additional states, primarily Iowa and Nevada. The company is offering professional liability insurance to other healthcare providers, including dentists and community-based hospitals. The company utilizes agency distribution to market its products and services.

2008 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
	Direct	Net			
Med Prof Liab CM . . .	425,848	386,723	90.4	18.4	1,580,930
Med Prof Liab Occur . .	29,734	28,752	6.7	58.2	422,040
Oth Liab CM	10,979	7,673	1.8	107.4	39,624
All Other	5,831	4,844	1.1	60.9	27,233
Totals	472,392	427,992	100.0	23.1	2,069,828

Consolidated Balance Sheet Admitted Assets (\$000)

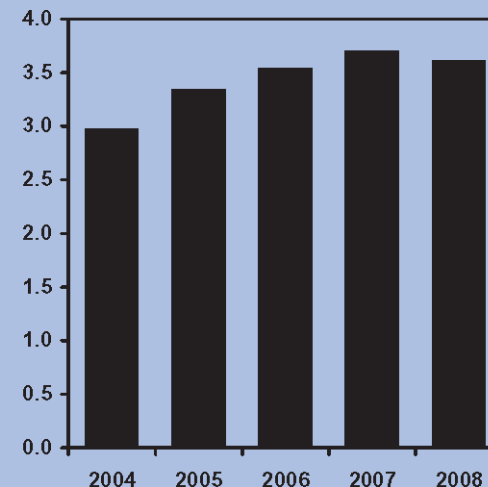
	12/31/2008	%
Bonds	\$2,978,146	82.6
Preferred stock	1,925	0.1
Cash & short-term invest	260,902	7.2
Real estate, investment	540	0.0
Other non-affil inv asset	41,794	1.2
Investments in affiliates	22,327	0.6
Real estate, offices	18,376	0.5
Total invested assets	\$3,324,010	92.2
Premium balances	87,898	2.4
Accrued interest	33,500	0.9
All other assets	160,088	4.4
Total assets	\$3,605,496	100.0

Liabilities & Surplus (\$000)

Loss & LAE reserves	\$2,069,828	57.4
Unearned premiums	206,192	5.7
Conditional reserve funds	3,649	0.1
All other liabilities	247,745	6.9
Total liabilities	\$2,527,414	70.1
Surplus notes	22,094	0.6
Total policyholders' surplus	\$1,078,083	29.9
Total liabilities & surplus	\$3,605,496	100.0

PROASSURANCE GROUP

Total Admitted Assets



in billions
of dollars

Years

FINANCIAL SUMMARY (\$000) as of 12/31/2008

Policyholders' Surplus	\$ 1,078,083
Direct Premiums Written	\$ 472,392
Combined Ratio	67.3
Net Underwriting Income	\$ 151,980
Net Investment Income	\$ 145,221

Best's Rating Report

Why is this *Best's*® Rating Report important to you?

A Rating Report from the A.M. Best Company represents an independent opinion from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899. The Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is **not a recommendation** to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company.

A Best's Rating is assigned after an extensive quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile.

Best's Ratings are assigned according to the following scale:

Secure Best's Ratings

A++ and A+Superior
A and A-Excellent
B++ and B+Good

Vulnerable Best's Ratings

B and B-Fair
C++ and C+Marginal
C and C-Weak
DPoor
EUnder Regulatory Supervision
FIn Liquidation
SRating Suspended

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