

ever



VIGILANT

ever

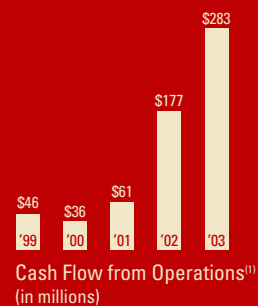
VIGILANT

Financial Highlights

(in thousands)	Fiscal Years Ended December 31				
	2003	2002	2001	2000	1999
Income Statement Highlights⁽¹⁾					
Gross premiums written ⁽¹⁾	\$ 740,110	\$ 636,156	\$ 388,983	\$ 223,871	\$ 201,593
Total revenues	709,640	555,767	382,555	222,589	208,029
Net income ⁽¹⁾⁽²⁾	38,703	12,207	12,450	24,300	46,700
Balance Sheet Highlights					
Total investments	\$2,055,672	\$1,679,497	\$1,521,279	\$ 796,526	\$ 761,918
Total assets	\$2,879,352	\$2,586,650	\$2,238,325	\$1,122,836	\$1,117,668
Reserve for losses and loss adjustment expenses	\$1,814,584	\$1,622,468	\$1,442,341	\$ 659,659	\$ 665,792
Long-term debt	\$ 104,789	\$ 72,500	\$ 82,500	\$ —	\$ —
Total liabilities	\$2,333,047	\$2,055,086	\$1,802,606	\$ 777,669	\$ 791,944

(1) Includes Professionals Group since the date of consolidation, June 27, 2001. See Note 2 to the Consolidated Financial Statements.

(2) Net income for the year ended December 31, 2002 was increased by \$1.7 million due to the adoption of SFAS 141 and 142. See Note 14 to our Consolidated Financial Statements. In accordance with SFAS 142, we wrote off the unamortized balance of deferred credits that related to business combinations completed prior to July 1, 2001. The cumulative effect increased net income per share (basic and diluted) by \$0.07 per share.



A painting of a man in a dark suit and red tie, seen in profile from the chest up. He is holding binoculars to his eyes. The background is a vibrant blue sky with white clouds and a sea of blue and white waves. The style is expressive with visible brushstrokes. The man's face is rendered in warm tones of orange and red, contrasting with the cool blues of the background. The overall mood is one of focus and vision.

About ProAssurance Corporation

ProAssurance Corporation is a specialty insurer with almost \$2.9 billion in assets and more than \$740 million in gross written premiums. Through its subsidiaries ProAssurance is the nation's fourth largest writer of medical professional liability insurance and is one of the top ten writers of personal auto coverage in Michigan.

TO MY FELLOW SHAREHOLDERS,



March 15, 2004

By every measure, 2003 was our most successful year since the creation of ProAssurance in 2001. We returned our Professional Liability segment to profitability and believe it to be poised to achieve the financial goals we've set for this line of business. Our Personal Lines segment again generated industry-leading returns. As we enter 2004, we are Ever Vigilant in running a customer-focused and financially strong insurance group that provides security for its policyholders and strong returns for its shareholders.

In Professional Liability, our largest business segment, the operational discipline that has been a hallmark of ProAssurance has allowed us to succeed in today's turbulent liability environment.

Our commitment to rate adequacy has not wavered, and we have already filed for increases in nine of our states so far in 2004. Now that rates are at what we believe are appropriate levels, we do expect to see some slowing in the rate of overall premium increases, which has been at 28% for the past two years. This certainly will be welcome news for our customers.

Because of our close ties to the medical community and the physician leaders in our management, we understand the effect our rate increases have had on our insureds. But the failure of more medical malpractice insurers in 2003 brought fresh lessons of the disastrous consequences of failing to properly operate a business. We have chosen to protect our balance sheet and ultimately, the financial well-being of those we insure.

The compounding effect of our rate increases and the continuing re-underwriting of our book has driven significant improvements in our combined ratio. The Professional Liability combined ratio

has declined from 124.5% in 2002 to 111.6% in 2003. We expect that ratio to continue to show improvement in the next few years as price increases work their way to our bottom line and we see claims for recent years reach maturity.

Our success in Professional Liability is based upon our experienced staff and regional operating model. Our regional approach to underwriting ensures that our coverage decisions reflect the latest developments in each state. We are confident that market conditions in 2004 will allow us to begin adding well-underwritten business to our book at advantageous pricing, thus further enhancing our ability to meet our underwriting and profitability targets.

Our hands-on, local approach is also vital to our claims success. Our edge is in the venue-specific knowledge that allows us to conclude over 90% of all claims filed against our insureds with a favorable outcome. We recognize the upfront costs expended in defending a claim. However, our success helps us control our ultimate loss *and* legal costs and produces tremendous policyholder loyalty. We believe this localized approach to basic insurance decisions is one of the reasons we have succeeded where other companies have failed.

In 2003, we also saw great progress toward our goal of becoming a key player in the Excess & Surplus Lines market for professional liability risks. Many of the risks that have fallen outside the standard market have found a home with our new company, Red Mountain Casualty. Red Mountain allows us to customize our pricing and coverage terms to meet the needs of these unique, yet potentially insurable risks. Red Mountain generated \$20 million in premium in 2003 and could easily build to \$30 million in 2004.

The success we've enjoyed in our operations gives us confidence in our ability to raise capital as needed to support our organic growth as well as potential mergers or acquisitions opportunities. As an example, our sale of convertible debentures last summer allowed us to eliminate variable rate debt and a variety of restrictive covenants imposed by our lenders, thus giving us additional financial flexibility at attractive terms.

Looking toward growth and future capital needs, we have filed a \$250 million universal shelf offering that gives us the flexibility to move quickly to raise capital through an offering of equity, debt, or a combination of both. The ability to obtain capital will allow us to take advantage of any opportunities that may present themselves to us. Our recent renewal rights transaction with the OHIC Insurance Company is one such

example. We believe that the capacity crunch in our sector, and the inability of competitors to effectively raise capital, will provide us with additional opportunities to grow our business within our established business footprint.

The issue of capacity, whether to support growth or to fund an acquisition, is something we are constantly and carefully evaluating. Should we see that our new business and premium growth are straining our capacity, we likely would move to obtain enough capital to give us room to grow and assure the rating agencies of our commitment to balance sheet strength. We would also pursue additional capital, if needed, to fund an acquisition.

While we are committed to a strong balance sheet with growth, we do not intend to seek additional capital unless we have a justified need. We will not burden the Company with debt for which we have no use, nor will we issue equity that would have a long-term dilutive effect on our current shareholders.

But often the most important transactions are the ones that are not executed. Rest assured that we will apply the same diligence and skill to our evaluation of mergers and acquisitions that we apply to our underwriting and claims efforts. Our goal is to write profitable business that will allow us to achieve our financial targets. We will not acquire simply for the sake of acquisition, nor will we commit blindly to top-line growth at the expense of profitability.

We will learn much about the future of Tort Reform in the coming year. Tort reforms failed twice at the federal level in 2003 and will likely be a key campaign issue in this fall's election. At the state level, the past 18 months have been fruitful for those supporting Tort Reform as a way to balance the scales of justice. We are waiting to learn if the Supreme Courts in those states will uphold those reforms. If the reforms are upheld, we could see a new era of stability in medical liability rates. If they are overturned, rates are likely to resume their rapid ascent toward unaffordability.

We expect to succeed no matter what the outcome of the Tort Reform fight. Opportunities will abound for a strong, responsive medical liability insurer. We are equipped and ready to capitalize on those opportunities, no matter how the business environment evolves.

Along with our excitement regarding Professional Liability, we are equally enthusiastic about the ability of our Personal Lines segment to bolster our earnings.

In 2003, MEEMIC Insurance Company's combined ratio was a stellar 87.9%, marking the ninth consecutive year that MEEMIC has earned an underwriting profit. We see no reason that MEEMIC's success should end, absent an unpredictable weather-related catastrophe loss.

I do want to compliment MEEMIC's management and employees for the high quality execution of MEEMIC's business plan. At MEEMIC, we focus on the best risks from a preferred market, Michigan educators and their families. Our ability to select the best risks from that pool and then efficiently handle their claims allows MEEMIC to be an integral part of the profit picture at ProAssurance.

In 2004, we expect MEEMIC to produce solid earnings and generate the capital required to support its planned growth in Michigan's parochial schools, colleges and universities. We also expect MEEMIC to expand beyond its Michigan base in 2004. Peer-to-peer selling plays a key role in our policy persistency and overall success in Michigan, so we are identifying qualified educators outside of Michigan to serve as our sales arm. Our growth outside of Michigan won't be explosive or immediate, but our success in Michigan allows us the luxury of moving deliberately in this expansion, thus creating a model for successful expansion for the future.

While we are pleased to tell you about our 2003 results in both Professional Liability and Personal Lines, we believe the best is yet to come. With our merger solidly behind us and the effects of price increases being realized in our income statement, we expect a combined ratio of approximately 100% for 2004, and foresee further improvement in 2005. We are thus confident in our ability to reach our ultimate goal of a Return on Equity of between 12% and 14%. In reaching those financial goals we will also meet the equally important goal of maintaining a balance sheet whose strength is beyond question.

Every employee at ProAssurance is working each day to meet this goal while exceeding our customers' expectations. Our success is due to their diligence and dedication; I am grateful for their efforts.

I am equally grateful to the agents and defense attorneys who represent us and our insureds with honest, effective advocacy. I would also like to thank the insureds who serve on our advisory committees; they really make the difference in keeping us

up-to-date with the emerging changes in medicine and dentistry as well as the insurance needs of our clients.

Finally, I am most grateful to those of you who join with us as investors in ProAssurance. I hope you'll continue to share in our success in the years ahead.



A. Derrill Crowe

A. Derrill Crowe, M.D.
Chairman and CEO

Looking out FOR OUR CUSTOMERS

Ever Vigilant

ProAssurance's financial strength is now more important—and more evident—than ever before. The power of our balance sheet allows us to respond when other insurers can't, and gives our customers the confidence that we can keep our promise of insurance protection.

As one of America's leading specialty insurance groups, our singular focus is on uncompromising financial stability that supports our dedication to excellence.

Our commitment to responsive service enhances our position as an industry leader and enables us to deliver the performance that our insureds and investors have come to expect.

MARKET CAPITALIZATION SINCE INCEPTION

(in millions)



Professional Liability

The Professional Liability market has been shaken by significant contractions in the past few years. While thousands of American physicians face the specter of bankrupt companies, abandoned markets or restricted coverage, ProAssurance's insureds have learned not to fear because they know our firm financial foundation is their assurance that we remain solidly behind them.

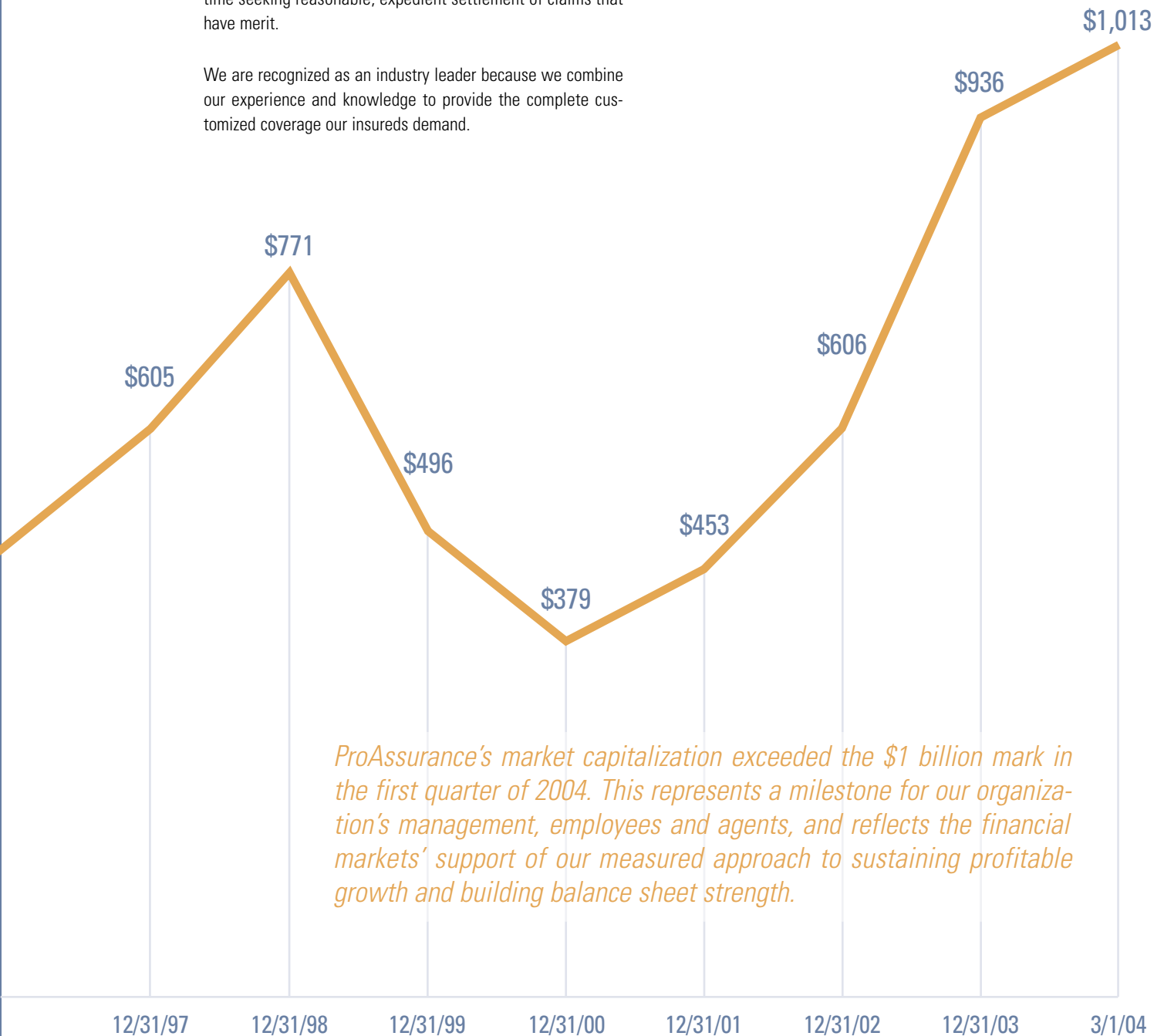
This unquestioned dedication to financial strength goes hand-in-hand with our unparalleled commitment to the defense of non-meritorious claims. We understand our insureds' desire to protect their hard-won reputation, and we are committed to the strongest advocacy on their behalf, while at the same time seeking reasonable, expedient settlement of claims that have merit.

We are recognized as an industry leader because we combine our experience and knowledge to provide the complete customized coverage our insureds demand.

Personal Lines

For more than fifty years MEEMIC Insurance Company has provided security and value to educators and their families in Michigan. We offer a full range of auto and home insurance products tailored to meet the budgets and lifestyles of the people we serve. Our representatives are a part of the educational communities they serve, which ensures that we maintain our reputation for integrity and unmatched service.

As MEEMIC expands beyond Michigan, we remain dedicated to the premise that educators deserve a specialized insurance company that understands their unique and evolving needs.



ProAssurance's market capitalization exceeded the \$1 billion mark in the first quarter of 2004. This represents a milestone for our organization's management, employees and agents, and reflects the financial markets' support of our measured approach to sustaining profitable growth and building balance sheet strength.

Directors

A. Derrill Crowe, MD⁽⁴⁾
Chairman & Chief Executive Officer

Victor T. Adamo, Esq., CPCU⁽⁴⁾
Vice-Chairman & Chief Operating Officer

Paul R. Butrus⁽⁴⁾
Vice-Chairman

Lucian Bloodworth⁽¹⁾⁽²⁾
Chairman, Cain Manufacturing Company, Inc.

Robert E. Flowers, MD⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾
Retired Physician

Wilfred W. Yeargan, MD⁽¹⁾⁽³⁾
Physician

John J. McMahon, Jr.⁽¹⁾⁽³⁾⁽⁵⁾
Chairman, Ligon Industries

John P. North, Jr., CPA⁽¹⁾⁽²⁾
Retired Accounting Firm Partner

Ann F. Putallaz, Ph.D.⁽¹⁾⁽²⁾
Vice-President, Munder Capital Management

William H. Woodhams, MD⁽¹⁾⁽⁵⁾
Physician

Committees

(1) Independent (4) Executive
(2) Audit (5) Nominating & Corporate Governance
(3) Compensation *Chair

Senior Officers

Jeffrey L. Bowlby, ARM
Senior Vice-President, Marketing & Sales
Professional Liability Group

Robert D. Francis
Senior Vice-President
Managing Director
Red Mountain Casualty Insurance Company, Inc.

Howard H. Friedman, ACAS, MAAA
Chief Financial Officer & Secretary
Senior Vice-President
ProAssurance Corporation

Lynn Kalinowski
President
MEEMIC Insurance Company

James J. Morello, CPA
Chief Accounting Officer & Treasurer
Senior Vice-President
ProAssurance Corporation

Frank B. O'Neil
Investor Relations Officer
Senior Vice-President
Corporate Communications
ProAssurance Corporation

Christine C. Schmitt, CPA
Chief Financial Officer & Treasurer
MEEMIC Insurance Company

Darryl K. Thomas, Esq.
Senior Vice-President, Claims
Professional Liability Group

Investor Information

There were 29,105,971 shares of ProAssurance Corporation common stock outstanding at March 1, 2004. On that date, we had 3,605 shareholders of record. Our common stock trades on The New York Stock Exchange under the symbol PRA. Our stock is listed as ProAsr in the stock section of *USA Today* and many major newspapers, and as ProAssurance in *The Wall Street Journal*. We also post the price of our stock on our website, www.ProAssurance.com.

Our Transfer Agent is Mellon Investor Services, LLC. You may phone them at (800) 851-4218, and you may access their website at www.melloninvestor.com. If you hold shares in certificate form, you may learn more about your shareholdings by using Mellon Investor Services' dedicated website, <https://vault.melloninvestor.com/isd/>. This website will allow you to verify your shareholdings and report address changes.

You also may report address changes by mail by writing to:

Mellon Investor Services, LLC
P. O. Box 3338
South Hackensack, NJ 07606-1916

If you have a certificate to transfer, you should obtain forms and instructions from Mellon

Investor Services by phone or through their website. Send the certificate(s) and required form by insured, registered mail to:

Mellon Investor Services, LLC
Stock Transfer Department
P. O. Box 3312
South Hackensack, NJ 07606-1912

If you need to report lost or stolen stock certificates, please phone (800) 851-4218 or send a registered letter to:

Mellon Investor Services, LLC
Estoppel Department
P. O. Box 3317
South Hackensack, NJ 07606-1917

How to learn about our Corporate Governance

We post detailed information in the Corporate Governance section of our website, www.ProAssurance.com. If you prefer, you may request the information by mail or phone.

How to obtain financial information

We post detailed financial information, and maintain archives of that information, along with prior presentations and conference calls on the Investor Relations section of our website,

www.ProAssurance.com. If you prefer, you may request the same information by mail or phone by contacting:

Frank B. O'Neil
Senior Vice President, Corporate
Communications & Investor Relations
Investor@ProAssurance.com
(205) 877-4461

How to contact us

You may write to us at:

ProAssurance Corporation
P. O. Box 590009
Birmingham, AL 35259-0009

We also can be reached by phone, fax or through our website:

Phone: (205) 877-4400 • (800) 282-6242
Fax: (205) 802-4799
www.ProAssurance.com

Annual Meeting

The 2004 Annual Meeting is scheduled for 10:30 a.m. on May 19, 2004 at the Harbert Center, 2019 4th Avenue North, Birmingham, AL.

ProAssurance's Professional Liability advertising focuses on our financial strength and market leadership.



ever vigilant

In a volatile malpractice environment, you need a partner on the lookout—one who can keep trouble at bay or jump in to help if needed.

With ProAssurance professional liability companies, you get decades of experience and a commitment to the strongest defense out there.

We continue to watch for ways to support medical professionals as they deliver healthcare excellence in challenging times.



ProAssurance[®]

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