

# Treated *Fairly*

**PROASSURANCE SELECTED FINANCIAL DATA (IN THOUSANDS)**
**FISCAL YEARS ENDED DECEMBER 31**

	2004	2005	2006	2007	2008
<b>Income Statement Highlights<sup>(1)</sup></b>					
Gross premiums written <sup>(2)</sup>	\$573,592	\$572,960	\$578,983	\$549,074	<b>\$471,482</b>
Total revenues <sup>(2)</sup>	607,557	647,950	737,598	706,068	<b>567,162</b>
Income (loss) from continuing operations, net of tax	43,043	80,026	126,984	168,186	<b>177,725</b>
Operating income <sup>(3)</sup>	38,379	79,580	129,459	172,406	<b>206,980</b>
Net income <sup>(4)</sup>	72,811	113,457	236,425	168,186	<b>177,725</b>
<b>Balance Sheet Highlights</b>					
Total investments <sup>(2)</sup>	\$2,145,609	\$2,614,319	\$3,492,098	\$3,639,395	<b>\$3,575,942</b>
Total assets, continuing operations	2,743,295	3,341,600	4,342,853	4,440,808	<b>4,280,938</b>
Total assets <sup>(5)</sup>	3,239,198	3,909,379	4,342,853	4,440,808	<b>4,280,938</b>
Reserve for losses and loss adjustment expenses <sup>(2)</sup>	1,818,636	2,224,436	2,607,148	2,559,707	<b>2,379,468</b>
Long-term debt <sup>(2)</sup>	151,480	167,240	179,177	164,158	<b>34,930</b>
Total liabilities, continuing operations	2,333,405	2,806,820	3,224,306	3,185,738	<b>2,857,353</b>

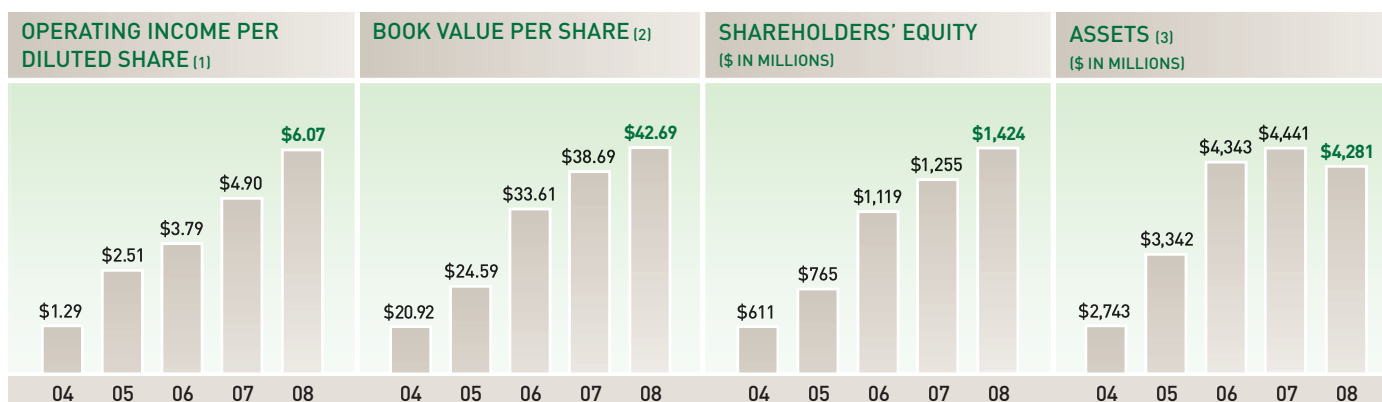
(1) Includes acquired entities since date of acquisition only. PRA Wisconsin was acquired on August 1, 2006. NCRIC Corporation was acquired on August 3, 2005.

(2) Excludes discontinued operations.

(3) See Page 134 for Reconciliation of Operating Measures to GAAP.

(4) Years 2006 and prior include discontinued operations.

(5) Years 2005 and prior include discontinued operations.


**FISCAL YEARS ENDED DECEMBER 31**

(1) See Page 134 for Reconciliation of Operating Measures to GAAP.

(2) Total capital per share of common stock outstanding.

(3) Excludes discontinued operations.

## **Treating people fairly. It's a simple principle, really.**

“Treated Fairly” is the promise from everyone at ProAssurance that all of our actions will deliver fair treatment, informed by the core values that guide our organization: integrity, respect, doctor involvement, collaboration, communication, and enthusiasm. From our founding by physician policyholders over three decades ago, these values have been at the heart of our company’s existence. We recognize that we may not agree on every outcome, but we are committed to ensuring everyone who deals with ProAssurance is “Treated Fairly.”

# There has never been a time when the discipline and dedication of ProAssurance has been more important to both our investors and our insureds

## *To my fellow Shareholders:*

There has never been a time when the discipline and dedication of ProAssurance has been more important to both our investors and our insureds. With "Treated Fairly" as our touchstone, our disciplined operating strategy and dedication to unwavering balance sheet strength propelled ProAssurance to one of



**W. STANCIL STARNES**

*Chief Executive Officer*

the strongest years in our history, despite the tumult of 2008. We are confident that the best way forward lies along the same path that has allowed ProAssurance to succeed in a line of business in which so many have failed, especially with 2009 off to another turbulent start.

The very nature of our professional liability coverages requires that we have the financial strength to respond on behalf of our insureds, even when that response must come many years into an unknowable future. Thus, our strategy compels us to avoid undue risks in our investment portfolio and adhere to a proven operational strategy designed to ensure our long-term ability to protect our insureds.

Our consistent approach has allowed us to avoid much of the damage done to the investment portfolios of so many insurance companies and financial institutions in 2008. The fact that we were able to grow Book Value per Diluted Share by 10% and Shareholders' Equity by 13% in 2008, even though we did have investment losses, speaks volumes about the wisdom of our approach. These results continue to strengthen ProAssurance, and they say to our insureds that we are as serious about protecting their long-term interests as we are about building shareholder value.



perceive big opportunities. As health care reforms move the provision of care into the hands of non-physicians, we think the market for insuring these ancillary providers will expand. Mid-Continent has a proven track record producing profitable business in this growing segment, much of which will now be moved to ProAssurance.

Equally complementary is our transaction with Georgia Lawyers Insurance Company. With that transaction, we have taken the first steps toward opening the southeast to our

*“Treated Fairly” sets the bar for our commitment to transparency and drives our focus on building shareholder value.*

lawyers professional liability program. We have historically written this business in Indiana, Michigan and Ohio, and have set a goal of

doubling our premium, to approximately \$20 million per year, in this line. Georgia Lawyers gets us halfway to that goal and demonstrates our commitment to the legal professional liability line.

Overarching all of these accomplishments, and undergirding our plans for 2009 and beyond, is our broad restatement of the principle that has guided ProAssurance since its founding. We unveiled “Treated Fairly” in the fourth quarter of 2008 after a year of intensive research into the needs and wants of our insureds and agents.

We think the long-term benefit of this public reaffirmation of our core beliefs will be enormous. We are defining the honest, open manner in which we deal with our customers, and as you’ll read elsewhere in this report, “Treated Fairly” is already resonating with our insureds.

“Treated Fairly” is also the standard that guides our interactions with our agent partners, and, for our investors, “Treated Fairly” sets the bar for our commitment to transparency and drives our focus on building shareholder value. For our employees, “Treated Fairly” sets the stage for how we work with and for each other—and you. In short, “Treated Fairly” illuminates the day-to-day excellence we expect from everyone here. And it is on behalf of those employees, our dedicated senior management team and our Board that I thank you for your confidence and investment in ProAssurance.

Sincerely,



W. Stancil Starnes  
Chief Executive Officer

**we listen**  
*that's only fair*

*I've watched ProAssurance live up to its promise of "Treated Fairly" from almost every aspect of medicine. ProAssurance has been a dedicated supporter of medicine and physicians in Ohio and has never wavered in doing the right thing for its physicians. As a member of a Claims and Underwriting review committee, I've seen first hand how they involve their physicians in their decision-making and work to understand each unique practice situation. As a practicing physician, I've seen how they stand by their insured physicians by doing important things such as organizing support groups for physicians facing a malpractice lawsuit. As a leader in organized medicine, I've seen how seriously each employee at ProAssurance, from the Chairman on down, takes their commitment to treat everyone with fairness and respect.*

**CRAIG W. ANDERSON, M.D.**

*Neonatology  
Columbus, Ohio*



*To me, “Treated Fairly” means keeping your promises. After all, an insurance policy is simply a piece of paper until you need it, and that’s where ProAssurance excels. In our Regional Advisory Board meetings we see how ProAssurance lives up to their promise to offer insured physicians an unfettered defense of their malpractice claim if there’s no negligence involved. They work with their insureds to understand every aspect of the case and the desires of the defendant physician. And in these uncertain financial times, it’s especially important to know that ProAssurance has the financial strength to be there when they’re needed. That’s the real message of “Treated Fairly.”*

**EVA V. ALLEN, M.D.**

*Pediatrics*

*Birmingham, Alabama*



*ProAssurance has deep roots in Florida and, to me, their long-term commitment is a tremendous example of the concepts behind “Treated Fairly.” When other companies withdrew from the state or refused to write new policies because of financial difficulties, ProAssurance put its financial strength to work to respond to the needs of Florida doctors. In my mind, the message of “Treated Fairly” is that ProAssurance keeps the long-term interests of its insured physicians at the heart of every decision, and they actively involve their insureds in the process.*

**MARY E. RAUM, M.D.**

*Gynecology*

*Ocala, Florida*



## BOARD OF DIRECTORS

DIRECTORS	POSITION	DIRECTORS	COMMITTEE(S)
W. Stancil Starnes, Esq.	Chairman & Chief Executive Officer, ProAssurance	M	1C
Victor T. Adamo, Esq., C.P.C.U.	President, ProAssurance	M	1
Lucian F. Bloodworth	Chairman, Cain Manufacturing Company, Inc.	I	2, 4
Robert E. Flowers, M.D.	Retired Physician	I	3
William J. Listwan, M.D.	Practicing Physician & Clinical Professor	I	3
John J. McMahon, Jr.	Chairman, Ligon Industries	I	3, 3C
Drayton Nabers, Jr., Esq.	Attorney	I	2
John P. North, Jr., C.P.A.	Retired Accounting Firm Partner	I	2CE
Ann F. Putallaz, Ph.D.	Vice-President, Munder Capital Management	I	2
William H. Woodhams, M.D.	Practicing Physician	I	4
Wilfred W. Yeargan, M.D.	Practicing Physician	I	1, 3C

M = Management, Non-Independent  
I = Independent

1 = Executive Committee  
2 = Audit Committee  
3 = Compensation Committee  
4 = Nominating and Corporate Governance Committee

C = Chairman  
E = Financial Expert

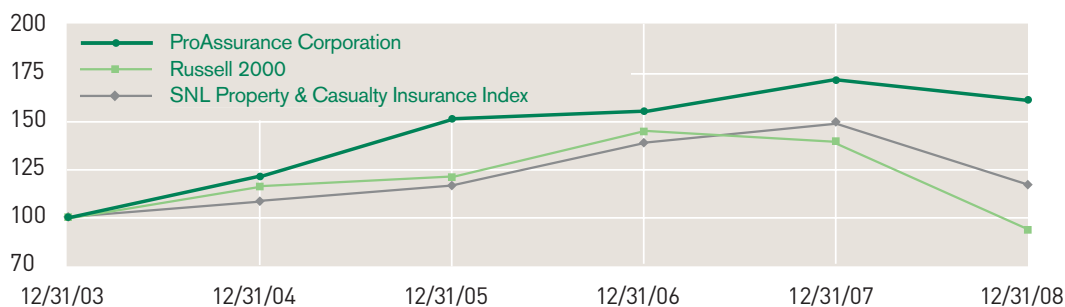
## SENIOR OFFICERS

Jeffrey L. Bowlby, A.R.M.	Chief Marketing Officer & Senior Vice-President, Professional Liability Group
Howard H. Friedman, A.C.A.S., M.A.A.A.	Co-President & Chief Underwriting Officer, Professional Liability Group; Senior Vice-President, ProAssurance
Jeffrey P. Lisenby, Esq.	Corporate Secretary, General Counsel & Senior Vice-President, ProAssurance
Frank B. O'Neil	Communications Officer & Senior Vice-President, ProAssurance
Edward L. Rand, Jr., C.P.A.	Chief Financial Officer & Senior Vice-President, ProAssurance
Darryl K. Thomas, Esq.	Co-President & Chief Claims Officer, Professional Liability Group; Senior Vice-President, ProAssurance
Hayes V. Whiteside, M.D.	Chief Medical Officer & Senior Vice-President, Professional Liability Group

## STOCK PRICE PERFORMANCE

You may use the following information to compare the market value of our Common Stock with other public companies and public companies in the insurance industry. The graph sets forth the cumulative total shareholder return of our stock during the five years ended December 31, 2008, as well as the cumulative total shareholder return of overall stock market index (the Russell 2000) and a peer group index (the SNL Property & Casualty Insurance Index) for the five years ended December 31, 2008. All cumulative return data assumes the reinvestment of dividends.

### TOTAL RETURN PERFORMANCE



YEAR	PERIOD ENDING					
	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08
ProAssurance Corporation	100.00	121.65	151.29	155.27	170.82	164.17
Russell 2000	100.00	118.33	123.72	146.44	144.15	95.44
SNL Property & Casualty Insurance Index	100.00	109.61	119.82	139.67	150.81	116.73

## Annual Report Appendix A

### Non-GAAP Financial Measures

Operating Income is a "Non-GAAP" financial measure that is widely used in our industry to evaluate the performance of underwriting operations. Operating Income excludes the after-tax effects of realized investment gains or losses, gains or losses on the extinguishment of debt, and guaranty fund assessment or recoupments. We believe Operating Income presents a meaningful view of the performance of our insurance operations. While we believe disclosure of certain Non-GAAP information is appropriate, you should not consider this information without also considering the information we present in accordance with GAAP, which includes the effect of net realized investment losses incurred in 2008, 2007 and 2006. The following table is a reconciliation of Income from Continuing Operations to Operating Income for the years covered in tables and charts in this report:

#### Reconciliation of Income from Continuing Operations to Operating Income:

(in thousands except per share data)	Year Ended December 31				
	2008	2007	2006	2005	2004
Income from Continuing Operations	<b>\$ 177,725</b>	\$ 168,186	\$ 126,984	\$ 80,026	\$ 43,043
Adjustments, net of tax effects:					
Add:					
Net realized investment losses	<b>33,093</b>	3,860	779	-	-
Guaranty fund assessments	-	360	1,696	147	258
Subtract:					
Net realized investment gains	-	-	-	593	4,922
Guaranty fund recoupments	<b>867</b>	-	-	-	-
Gain on extinguishment of debt	<b>2,971</b>	-	-	-	-
Operating Income	<b>\$ 206,980</b>	\$ 172,406	\$ 129,459	\$ 79,580	\$ 38,379
Per diluted common share:					
Income from Continuing Operations	<b>\$ 5.22</b>	\$ 4.78	\$ 3.72	\$ 2.52	\$ 1.44
Effect of adjustments	<b>\$ 0.85</b>	\$ 0.12	\$ 0.07	\$ (0.01)	\$ (0.15)
Operating Income per diluted common share	<b>\$ 6.07</b>	\$ 4.90	\$ 3.79	\$ 2.51	\$ 1.29

This page is not a part of ProAssurance's Annual Report on Form 10K, and was not filed with the Securities & Exchange Commission.

## INVESTOR INFORMATION

There were 33,083,968 shares of ProAssurance Corporation common stock outstanding at March 15, 2009. On that date, we had 3,816 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](http://www.ProAssurance.com).

### YOUR SHARES

If you hold your shares through a brokerage account, your broker or a customer service representative at that firm should be able to answer questions about your holdings.

If you hold your shares in certificate form, or have shares held in direct registration (DRS), you may contact our transfer agent, BNYMellon Shareowner Services, for address changes, transfer of certificates, and replacement of share certificates that have been lost or stolen.

You may reach BNYMellon Shareowner Services in a variety of ways:

#### PHONE

(800) 851-9677

(201) 680-6578

#### HEARING IMPAIRED

(800) 231-5469

(201) 680-6610

#### INTERNET INFORMATION ABOUT

##### YOUR ACCOUNT

[www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd)

##### GENERAL INFORMATION ABOUT MELLON

[www.bnymellon.com](http://www.bnymellon.com)

#### MAIL

BNYMellon Shareowner Services

480 Washington Boulevard P.O. Box 358015

Jersey City, NJ 07310-1900 Pittsburgh, PA 15252-8015

### IF YOU STILL HOLD SHARES OF PHYSICIANS INSURANCE

**COMPANY OF WISCONSIN (PIC Wisconsin)** stock, you should act quickly to convert your PIC Wisconsin shares into shares of ProAssurance. For assistance, please phone our Investor Relations department at (800) 282-6242.

### CORPORATE GOVERNANCE AND COMPLIANCE WITH REGULATORY AND NEW YORK STOCK EXCHANGE REQUIREMENTS

We post detailed information in the Corporate Governance and Investor Relations sections of our website, [www.ProAssurance.com](http://www.ProAssurance.com).

Our Board of Directors has adopted a policy regarding determination of director independence, including categorical standards to assist in determining independence. These are published in our proxy statement which is mailed to shareholders

and filed with the Securities and Exchange Commission (the "SEC"). Our filings with the SEC are available in the Investor Relations section of our website, and from the EDGAR section of the SEC's website, [www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml).

Our Board of Directors has adopted charters for our Audit, Compensation, and Nominating/Corporate Governance Committees. In addition the Board has established and adopted Corporate Governance Principles and a Code of Ethics and Conduct. We make these documents, and other information such as committee composition and leadership, director independence and stock ownership guidelines available in the Governance section of our website.

W. Stencil Starnes, our Chief Executive Officer, submitted the required Section 12(a) CEO Certification to the New York Stock Exchange in a timely manner on June 20, 2008. Additionally, we have been timely in the filing of CEO/CFO certifications as required by Section 302 of the Sarbanes-Oxley Act. These certifications are published as exhibits in our Form 10K filed with the SEC on February 25, 2009.

### INVESTOR RELATIONS

The Investor Relations section of our website also contains detailed financial information, SEC filings, the latest news releases about the Company and our latest presentation materials. We also maintain an archive of this material, although you should realize that archived information, by its very nature, may no longer be accurate.

### OBTAINING INFORMATION DIRECTLY FROM PROASSURANCE

Any of the documents mentioned above may be obtained from our Communications and Investor Relations Department using one of the contact methods below:

#### E-MAIL

[Investor@ProAssurance.com](mailto:Investor@ProAssurance.com)

#### PHONE OR FAX

Phone: (205) 877-4400

(800) 282-6242

Fax: (205) 802-4799

#### U. S. POSTAL SERVICE

ProAssurance Corporation

Investor Relations & Communications

P.O. Box 590009

Birmingham, AL 35259-0009







### ANNUAL MEETING

The 2009 Annual Meeting is scheduled for 10:00 AM CDT on Wednesday, May 20, 2009 at the headquarters of ProAssurance Corporation, 100 Brookwood Place, Birmingham, Alabama 35209.



The cover and narrative of this report are printed on Mohawk Options PC White, which is manufactured entirely with Green e-certified wind generated electricity on 100% post-consumer waste. Using this paper eliminates 118 lbs of ghg emissions and saves 980 cubic feet of natural gas.

We are distributing our materials for our annual meeting in compliance with the SEC's e-Proxy rules for Notice & Access. This eliminates the printing of approximately 12,500 sets of material resulting in the following:

-  27 trees preserved for the future
-  76 lbs. waterborne waste not created
-  11,284 gallons of wastewater flow saved
-  1,248 lbs. solid waste not generated
-  2,458 lbs. net greenhouse gases prevented
-  18,815,600 BTUs energy not consumed