

Treated FairlySM

INTEGRITY

*The core value at the heart
of every decision we make*

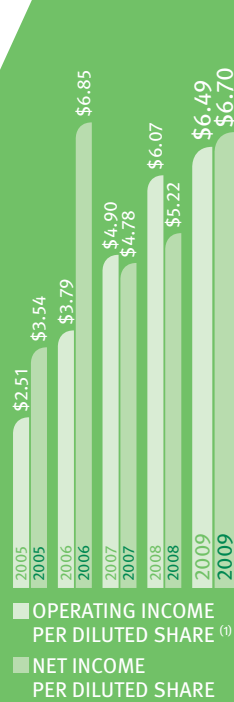
FORESIGHT

*The application of our experience
in an uncertain and evolving world*

DISCIPLINE

*The intense execution of a strategy
designed for long-term success*

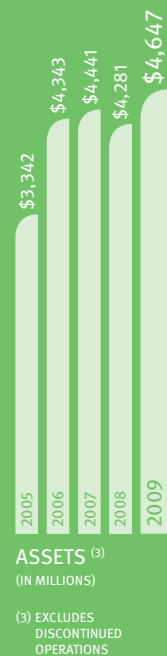
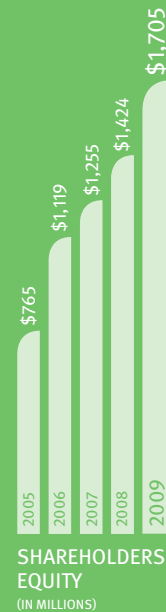




(1) SEE PAGE 138 FOR RECONCILIATION OF OPERATING MEASURES TO GAAP



(2) TOTAL CAPITAL PER SHARE OF COMMON STOCK OUTSTANDING



(3) EXCLUDES DISCONTINUED OPERATIONS

FINANCIAL HIGHLIGHTS

(in thousands)

	Fiscal Years Ended December 31				
	2005	2006	2007	2008	2009
Income Statement Highlights⁽¹⁾					
Gross premiums written ⁽²⁾	\$ 572,960	\$ 578,983	\$ 549,074	\$ 471,482	\$ 553,922
Total revenues ⁽²⁾	647,950	737,598	706,068	567,162	672,683
Income (loss) from continuing operations, net of tax	80,026	126,984	168,186	177,725	222,026
Operating income ⁽³⁾	79,580	129,459	172,406	206,980	215,210
Net income ⁽⁴⁾	113,457	236,425	168,186	177,725	222,026
Balance Sheet Highlights					
Total investments ⁽²⁾	\$ 2,614,319	\$3,492,098	\$ 3,639,395	\$ 3,575,942	\$3,838,222
Total assets, continuing operations	\$ 3,341,600	\$ 4,342,853	\$ 4,440,808	\$ 4,280,938	\$ 4,647,414
Total assets ⁽⁵⁾	\$ 3,909,379	\$ 4,342,853	\$ 4,440,808	\$ 4,280,938	\$ 4,647,414
Reserve for losses and loss adjustment expenses ⁽²⁾	\$ 2,224,436	\$ 2,607,148	\$ 2,559,707	\$ 2,379,468	\$ 2,422,230
Long-term debt ⁽²⁾	\$ 167,240	\$ 179,177	\$ 164,158	\$ 34,930	\$ 50,203
Total liabilities, continuing operations	\$ 2,806,820	\$ 3,224,306	\$ 3,185,738	\$ 2,857,353	\$ 2,942,819

(1) Includes acquired entities since date of acquisition only (PICA Group was acquired on April 1, 2009; PIC Wisconsin was acquired on August 1, 2006; NCRIC Corporation was acquired on August 3, 2005)

(2) Excludes discontinued operations

(3) See Page 138 for Reconciliation of Operating Measures to GAAP

(4) Years 2006 and prior include discontinued operations

(5) 2005 includes discontinued operations

Treated FairlySM



ProAssurance has proven the value of long-term results derived from the persistent and skillful execution of an effective, disciplined strategy. We each take great pride in our record of financial success and operational proficiency, attributes that define our Company and produce exceptional results for our insureds and our shareholders. Moreover, we take continuing pride in the role Treated Fairly plays in the achievement of our goals. Treated Fairly illuminates our path and serves as the yardstick by which we measure our every action.

To My Fellow Shareholders

How do *you* measure success?

I ask because 2009 was, by virtually every measure, another successful year for ProAssurance. You and I, as shareholders, have much to be proud of in our results for this year, but I believe we can achieve more in the years ahead.

As I review the results produced by our disciplined operating strategy, I want to share with you our vision of the future—the foresight we believe will allow ProAssurance to be ever more successful in the future.

2009

Your management team believes the highest measure of success in a long-term enterprise such as ours is the overall worth of the enterprise, for that ensures our ability to make—and keep—promises of value and security to our insureds, our shareholders and those agents and employees who depend upon us for their livelihood. No matter how you choose to measure the worth of ProAssurance, 2009 was an especially successful year:

- Book Value per Share is the measurement of choice for your management team because it encapsulates the bottom line effects of all we do in one easily defined and calculated number. In 2009, we grew Book Value per Share to \$52.59, a 23% increase over 2008. In the past two years, arguably the most financially challenging years in most of our lifetimes, we've grown Book Value per Share by 36%.
- Shareholders' Equity broadly defines the net worth of ProAssurance. At the end of 2009, Shareholders' Equity stood at a record \$1.7 billion, an increase of almost 20% over 2008.

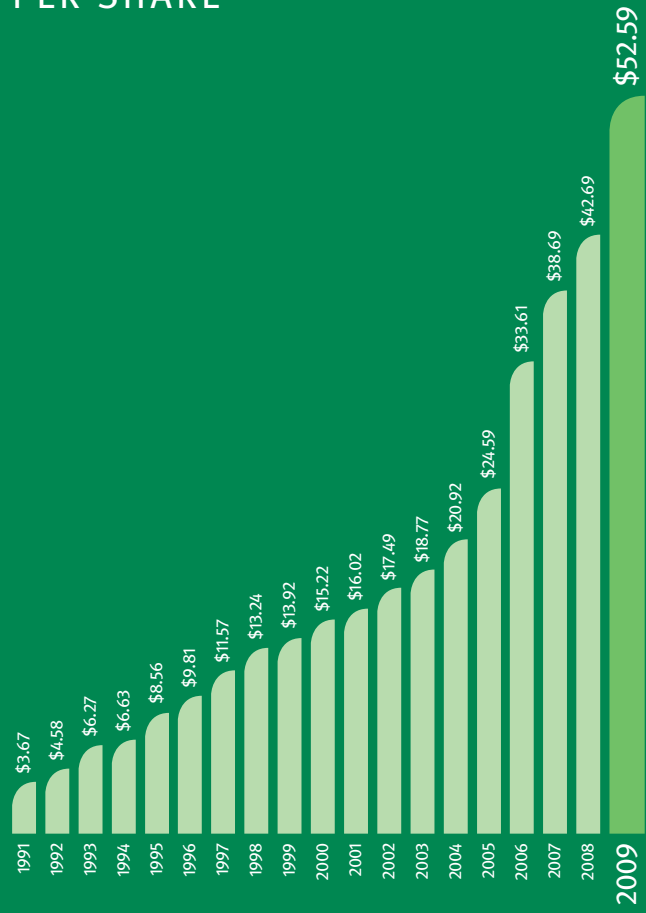


W. Stancil Starnes
Chief Executive Officer

THERE IS NO SUBSTITUTE FOR
THE **DISCIPLINED** EXECUTION
OF A LONG-TERM **STRATEGY** IN
OUR BUSINESS. TO KEEP THE
PROMISES WE MAKE
TO INSUREDS AND BUILD
SHAREHOLDER VALUE, WE
MUST BE STRONGER TODAY
THAN YESTERDAY, AND
TOMORROW WE MUST BE
STRONGER STILL. WE ACHIEVE
THAT GOAL BY PATIENTLY
BUILDING **FINANCIAL STRENGTH**
YEAR AFTER YEAR.

DISCIPLINE

BOOK VALUE PER SHARE



Book Value per Share is the measurement of choice for your management team because it encapsulates the bottom line effects of all we do in one easily defined and calculated number.

BOOK VALUE GROWTH

	Cumulative	CAGR
10 year	278%	14%
5 year	151%	20%
1 year	23%	23%

Measured through Year-End 2009

- Return on Equity may be the measure that investors focus on the most, after the absolute price per share. Our Return on Equity reached 14.2% in 2009, almost a full point higher than in 2008.

These results should come as no surprise to those shareholders who have owned a portion of our company for a number of years. The disciplined strategy we execute on a daily basis demands our full attention to enhancing the strength of our balance sheet.

We are also dedicated to enhancing the profitability of the company, for it's those profits that help us build the balance sheet as the foundation for the security we provide our insureds and the value we create for our shareholders. In 2009, we grew Net Income by 25%.

There are few businesses in the world that must set a price for their product years before they know the actual cost, yet that is our daily challenge. Thus we approach top line growth with an equal measure of discipline and dedication to strict underwriting standards and adequate pricing. Taking shortcuts to bolster the top line is a sure ticket to financial disaster, as we've seen many times over in our industry. That said, we did achieve 17% top line growth in 2009 through a careful mixture of prudent organic growth and the addition of high quality premium from thoughtfully executed M&A transactions. This growth came at a time when almost every other property casualty writer was experiencing a marked decline in Gross Premiums Written.

We wrote \$28 million of new premium in the book of business that existed in ProAssurance prior to our 2009 acquisitions—what we term our “historical” book of business. The majority of that business, \$22 million, was in our core physician business. This increase was the result of carefully executed strategies that utilized every operational department in the company and our agents and representatives in a team selling approach stressing the advantages that make ProAssurance’s coverage and commitment so much more valuable than that of our competitors. Our demonstrated willingness to offer insureds an unfettered defense of their claims, to the extent allowed by law, is a key selling point. So too is our vast, effective repertoire of print, on-line and in-person risk management offerings. These advantages, encapsulated in the company-wide commitment to *Treated Fairly* as the touchstone for every encounter within and without the organization, have truly become difference makers in the market for ProAssurance.

Our acquisitions of The PICA Group, Mid-Continent General Agency (now ProAssurance Mid-Continent Underwriters) and Georgia Lawyers Insurance Company brought in \$95 million of new, high quality premium.

The premium from The PICA Group represented the largest contribution, \$77 million. ProAssurance Mid-Continent Underwriters was responsible for \$14 million of new premium, and Georgia Lawyers, which was folded into our existing legal professional liability book within ProAssurance Casualty, brought us an additional \$4 million.

17%

Growth in Gross Written Premium in 2009

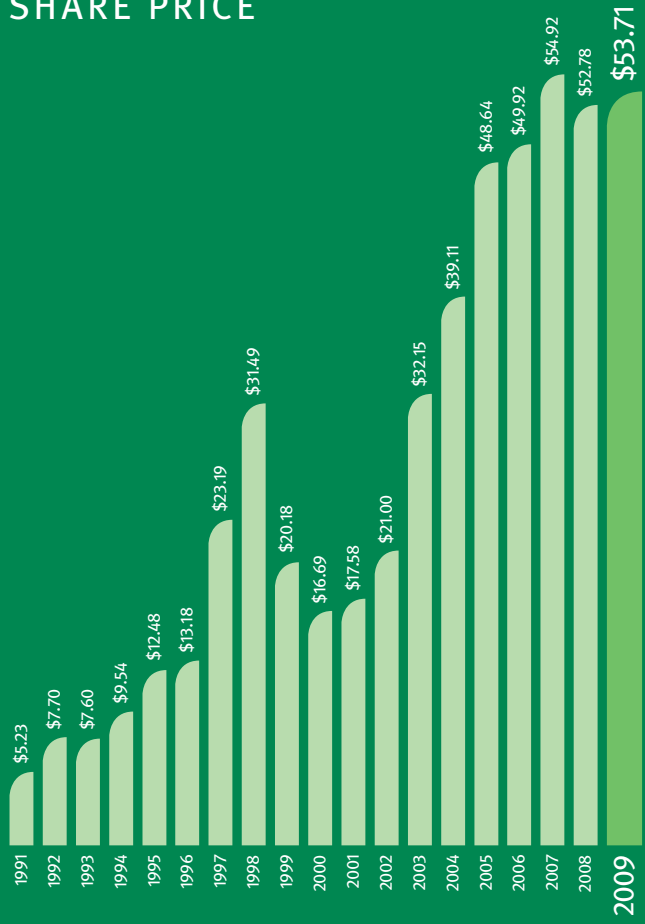
25%

Increase in Net Income in 2009

OUR UNIQUE **KNOWLEDGE** OF
THE MARKETS WE SERVE
ALLOWS US TO DEVELOP
INNOVATIVE INSURANCE
SOLUTIONS, PROVIDE
EFFECTIVE CLAIMS HANDLING
AND CREATE MEANINGFUL
RISK MANAGEMENT
PROGRAMS. BY ANTICIPATING
THE NEEDS OF THOSE WE
SERVE, WE DELIVER
INSURANCE SOLUTIONS THAT
WORK HAND-IN-HAND WITH OUR
UNWAVERING COMMITMENT TO
TREATED FAIRLY. THE RESULT
IS A COMPANY THAT
CREATES VALUE FOR INSUREDS
AND INVESTORS ALIKE.

FORESIGHT

YEAR-END SHARE PRICE



We are focused on long-term success, but it's remarkable how much success we achieve every year when we do the right thing to ensure long-term strength and stability.

SHARE PRICES SINCE INCEPTION

	Cumulative	CAGR
10 year	166%	10%
5 year	37%	7%
1 year	2%	2%

Measured through Year-End 2009

We were also able to retain a remarkable 89% of all expiring risks in our historical book of business in 2009. Retention at PICA was even higher, with 93% of their expiring risks renewing. This is an outstanding achievement, given the year of successful transition at PICA, as they came into ProAssurance in a sponsored demutualization in April, 2009.

Our unmatched dedication to courtroom advocacy on behalf of our insureds continued in 2009. Loss trends of the past few years have been manageable in our historical book of business, with lower frequency in virtually every jurisdiction. Our inventory of open claims has fallen from a high of 14,600 in 2005 to 8,171 at year-end 2009 (both numbers include PICA). This lower frequency, offset by a 4%–5% annual increase in the *overall* severity of claims, has allowed us to reflect the improved loss climate in responsively lower premiums over the past three years. Yet even as we reflect loss trends in our pricing, we never forgo the discipline that ensures each risk is priced in a manner that supports our Return on Equity objectives and ensures the future financial strength of the company. In other words, we will never sacrifice the safety and security of ProAssurance on the altar of market share.

The *Treated Fairly* philosophy, which we unveiled late in 2008, has, as I mentioned earlier, been a measure of excellence for us. By saying to everyone we encounter, but especially to our insureds, that we affirm their right to be carefully heard and thoughtfully engaged in an open, transparent fashion, we are reinforcing the values already present in our relationship with our insureds. As you saw in last

year's report, *Treated Fairly* means different things to different insureds, but meeting those disparate expectations ensures that we are the carrier of choice for approximately 57,000 policyholders nationwide.

2010 and Beyond

Paraphrasing Disraeli, "The secret of success is to be ready for opportunity when it comes." ProAssurance has always had the foresight and financial strength to allow us to be successful by taking advantage of opportunities as they arise. In many cases, our expertise and capital allow us to create those opportunities. We intend this to be the case as we move forward this year and in the years ahead.

That preparation and foresight will require knowledge, and we are well positioned with what I believe to be the most experienced and effective management team amongst the specialty property casualty companies in America. Our average tenure in the insurance industry is over two decades; we average a dozen years working here at ProAssurance. That experience has seen us successfully through several insurance cycles and will see us successfully through the cycle changes to come.

In addition to our human capital, we know the future will also require monetary capital and we have not hesitated to put that capital to work when the right opportunities presented themselves. For example, during the first half of 2009, with the capital markets frozen, we were able to successfully consummate our transactions with PICA, ProAssurance Mid-Continent and Georgia Lawyers. The certainty of cash on hand enabled us to complete these important additions to our company.

57,000

Policyholders Nationwide

\$95 MILLION

New Premiums from
Acquisitions in 2009

INTEGRITY IS THE **CORE VALUE**
AT PROASSURANCE THAT
STANDS ABOVE ALL OTHERS—
INTEGRITY IS A ONE-STRIKE
ISSUE AT PROASSURANCE. OUR
STEADFAST COMMITMENT TO
INTEGRITY GOES HAND-IN-HAND
WITH THE DIRECT PROMISE OF
TREATED FAIRLY. ENGAGING
EVERYONE WE ENCOUNTER IN A
FAIR, TRANSPARENT FASHION
ENSURES THAT PROASSURANCE
IS THE PARTNER OUR INSUREDS
AND INVESTORS WILL VALUE
FOR THE **LONG TERM**.

INTEGRITY



2007 • 2008 • 2009

Operating with integrity and informed by the principles of *Treated Fairly*, ProAssurance delivers the kind of performance that gets noticed by more than investors and insureds. For the third year in a row, The Ward Group, a top independent benchmarking firm, named ProAssurance as one of the 50 top performing property/casualty insurance companies in America. The Ward's 50 identifies superior companies that exceed Ward's strict financial stability requirements while growing their business, achieving solid underwriting results and maintaining a strong capital position.



Our commitment to the principles of *Treated Fairly* extends throughout ProAssurance, affirming our employees' dedication to treating each other with respect and dignity, and serving as the basis of our commitment to their personal well-being and professional growth. This commitment to, and between, our employees enables the extension of *Treated Fairly* to our customers, our agents and our shareholders and allows us to attract and keep the top talent in our industry. That's why we're proud to have been selected as America's Best Mid-Sized Insurance Employer by *Business Insurance*, and just as proud to note that our employees' survey responses were a crucial part of the selection criteria.

In the current investment climate, cash is often preferable to stock, but we also have that currency available for the right transaction. We have and will continue to deploy our capital in other ways to maximize shareholder value. For example, we expect to continue to buy back shares in a prudent manner, neither jeopardizing our ability to build Book Value per Share nor hampering our ability to execute transactions or deploy capital to write new business. The Board has been actively considering capital management strategies and will continue to evaluate the best way to balance our dedication to shareholder value and our need to be positioned to take advantage of future opportunities sure to come.

On the subject of acquisitions, long-term investors are aware that ProAssurance and its subsidiaries are built on the foundation of 19 successful M & A transactions. We expect and intend to continue using our capital to fund carefully selected acquisitions, primarily in the area of healthcare professional liability. Our vision is that we intend to maintain our healthcare-centric focus on professional liability. It's proven to be an area of insurance where we have a demonstrated expertise and see enormous potential. At the same time, the volatile nature of the business seems unfriendly to most potential competitors, thus leaving opportunities for successful, experienced companies such as ProAssurance.

We will also leverage our expertise and the benefits of *Treated Fairly* when and where we are able to identify good business in our existing markets. We are the largest writer in just four of the 49 jurisdictions in which we actively write business, Alabama, Delaware, the District of Columbia and Wisconsin, and we are a top five writer in just eleven of those 49 jurisdictions.

This means there are plenty of areas in which we can foresee potential growth, but not every one of those jurisdictions meets our carefully established criteria for writing additional policies. Business retention and new, well underwritten business remain key parts of our long-term goals.

We expect the transactions we completed in 2009 to allow us to take advantage of the changing healthcare landscape. As I write this, the future of healthcare reform is uncertain at best, but we are certain that changes are coming in the delivery of healthcare. As cost containment efforts push the delivery of healthcare further out of facilities and physicians' practices and into home settings and the like, experts expect a growing demand for allied healthcare employees such as physician extenders, home health providers and others whose professional liability needs will provide avenues of growth for us.

These policies are lower cost, higher volume than the traditional policies sold in our historical book of business. Thus we are excited about the capabilities brought into the organization with the expertise and systems at ProAssurance Mid-Continent, which focuses on liability policies for allied healthcare personnel, among others, and at PICA, where a subsidiary has built exceptional expertise in writing higher volume, lower cost business. With these capabilities, we believe we are well positioned to take advantage of any changes ahead in our core markets.

As I look ahead, I don't want to underestimate the challenges we face in 2010 and the years beyond. For example, we, like other insurance companies, face a decline in investment income due to the low interest rate environment in the current economy. We do not intend to endanger our secure investment portfolio

by chasing higher yields or seeking risky investments. Instead, we intend to bring sharper focus to our underwriting and claims operations.

As I mentioned earlier, we have an exceptional management team that is well invested alongside each of you, and an employee base that has a significant level of share ownership as well. Thus, each of us approaches our business every day as owners, not merely managers. We are focused on long-term success, but it's remarkable how much success we achieve every year when we do the right thing to ensure long-term strength and stability.

Sincerely,



W. Stancil Starnes

Chief Executive Officer



Treated Fairly

DIRECTORS AND OFFICERS

Board of Directors

Directors	Position	Independence	Committees			Nominating & Corporate Governance
			Audit	Compensation	Executive	
W. Stancil Starnes, Esq.	Chairman and Chief Executive Officer, ProAssurance	M			X C	
Victor T. Adamo, Esq., C.P.C.U.	President, ProAssurance	M			X	
Lucian Bloodworth	Chairman, Cain Manufacturing Company, Inc.	I	X			X
Jerry D. Brant, D.P.M.	President and Chief Executive Officer, The PICA Group	M				
Robert E. Flowers, M.D.	Retired Physician	I		X		
William J. Listwan, M.D.	Practicing Physician and Assistant Clinical Professor of Internal Medicine	I				
John J. McMahon, Jr.	Chairman, Ligon Industries	I		X		X C
Drayton Nabers, Jr., Esq.	Attorney	I	C, E			
Ann F. Putallaz, Ph.D.	Vice-President, Munder Capital Management	I	X			
William H. Woodhams, M.D.	Practicing Physician	I				X
Wilfred W. Yeargan, M.D.	Practicing Physician	I		X C	X	

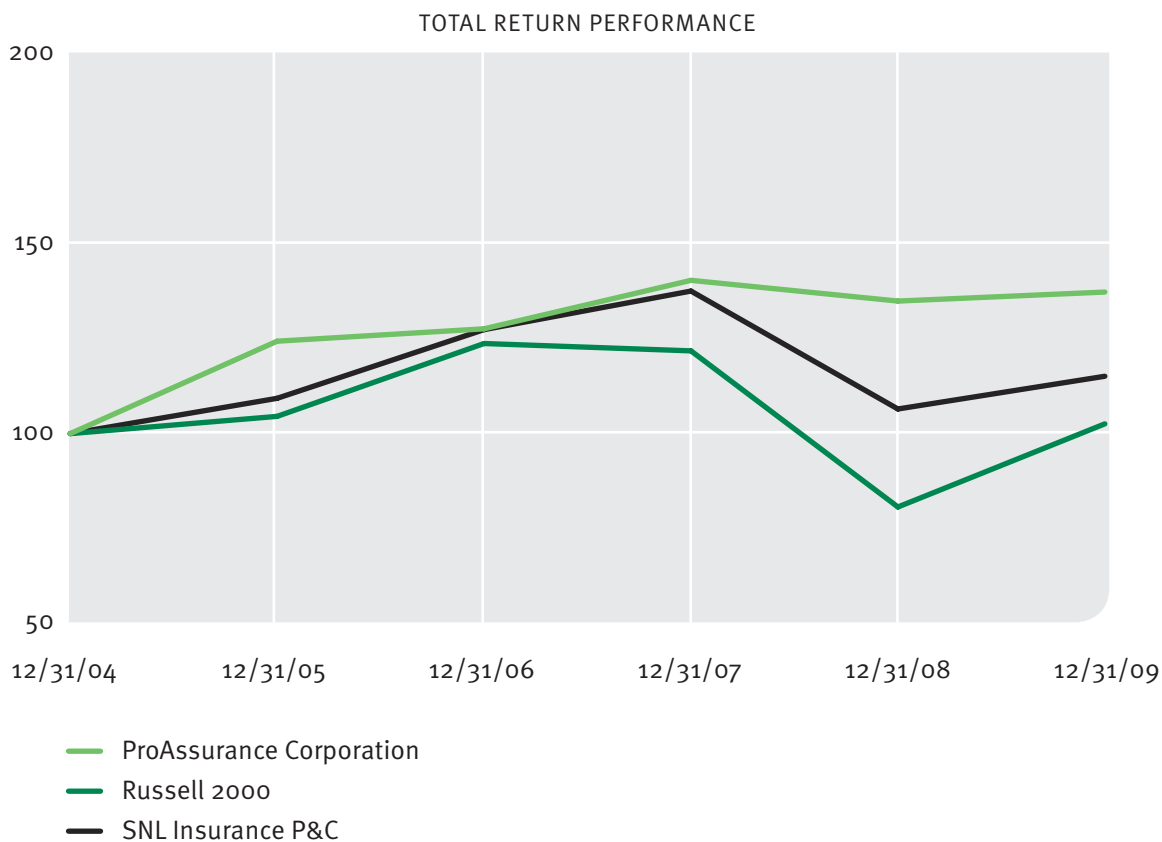
M = Management, Non-Independent C = Chairman I = Independent E = Financial Expert X = Member

Senior Officers

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

STOCK PERFORMANCE CHART

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, 2009, 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, 2009. All cumulative return data assumes the reinvestment of dividends.



Index	Period Ending					
	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09
ProAssurance Corporation	100.00	124.37	127.64	140.42	134.95	137.33
Russell 2000	100.00	104.55	123.76	121.82	80.66	102.58
SNL Insurance P&C	100.00	109.31	127.42	137.59	106.50	115.13

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 net realized gains or losses, guaranty fund assessments or recoupments and debt retirement gains or losses, and we believe it presents a useful 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 gains or losses, guaranty fund assessments or recoupments and debt retirement gains or losses incurred during the years presented below. The following table reconciles Income from Continuing Operations to Operating Income:

Reconciliation of Income from Continuing Operations to Operating Income:

<i>(in thousands, except per share amounts)</i>	Year Ended December 31,				
	2009	2008	2007	2006	2005
Income from Continuing Operations	\$ 222,026	\$ 177,725	\$ 168,186	\$ 126,984	\$ 80,026
Items excluded in the calculation of operating income:					
(Gain) loss on the extinguishment of debt	\$ 2,839	\$ (4,571)	\$ –	\$ –	\$ –
Net realized investment (gains) losses	\$ (12,792)	\$ 50,913	\$ 5,939	\$ 1,199	\$ (912)
Guaranty Fund (recoupments) assessments	\$ (533)	\$ (1,334)	\$ 553	\$ 2,609	\$ 226
Pre-tax effect of exclusions	<u>\$ (10,486)</u>	<u>\$ 45,008</u>	<u>\$ 6,492</u>	<u>\$ 3,808</u>	<u>\$ (686)</u>
Tax effect at 35%	<u>\$ 3,670</u>	<u>\$ (15,753)</u>	<u>\$ (2,272)</u>	<u>\$ (1,333)</u>	<u>\$ 240</u>
Operating Income	<u>\$ 215,210</u>	<u>\$ 206,980</u>	<u>\$ 172,406</u>	<u>\$ 129,459</u>	<u>\$ 79,580</u>
Per diluted common share:					
Income from Continuing Operations	\$ 6.70	\$ 5.22	\$ 4.78	\$ 3.72	\$ 2.52
Effect of exclusions	<u>\$ (0.21)</u>	<u>\$ 0.85</u>	<u>\$ 0.12</u>	<u>\$ 0.07</u>	<u>\$ (0.01)</u>
Operating Income per diluted common share	<u>\$ 6.49</u>	<u>\$ 6.07</u>	<u>\$ 4.90</u>	<u>\$ 3.79</u>	<u>\$ 2.51</u>

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



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