

BUILDING ON A STRONG FOUNDATION

PROASSURANCE | 2001 ANNUAL REPORT



PROASSURANCE'S SOLID FOUNDATION HAS NEVER BEEN MORE IMPORTANT TO OUR POLICYHOLDERS AND INVESTORS. THE MEDICAL LIABILITY INDUSTRY FACES UNPRECEDENTED FINANCIAL AND LEGAL CHALLENGES THAT CAN ONLY BE MET BY A COMPANY WITH A DEDICATION TO CUSTOMER SERVICE AND THE FINANCIAL STABILITY TO KEEP THAT PROMISE.

In the months since ProAssurance was formed by the combination of Medical Assurance and Professionals Group, the medical professional liability market has been in turmoil. One major medical liability insurer has been forced into liquidation. At least five insurers have announced major market contractions because of business conditions; a number of others have substantially increased reserves due to poor experience; and the market leader has announced its exit from the business. Despite these ominous signs, we at ProAssurance remain confident that we have chosen a disciplined path. We will move our Company forward and further ahead of the competition, and return our profitability to more acceptable levels. We can also look to MEEMIC, our personal lines insurance subsidiary, for its stable and important contributions to our bottom line.

MEDICAL PROFESSIONAL LIABILITY We have made important strides in our core medical professional liability business during the past year. One of our primary goals, increased revenue per unit of risk, was met with a 23% average increase. We have enhanced the quality of the risks we write by ensuring that our attention to underwriting detail — always a strong point — continues to reflect evolving loss patterns in various states.

We have expanded our actuarial department to ensure that we remain abreast of current loss trends and that we accurately reflect those developments in our pricing and market strategy. Our access to key data for these decisions has been strengthened through information system enhancements. Externally, we continue to help our insureds reduce their exposure to lawsuits through a strong risk management presence.

While we recognize the need to increase the quality of our earnings and maintain the strength of our balance sheet, we also are cognizant of our heritage as policyholder-founded and focused companies. In total, ProAssurance represents the combination of ten companies and books of business directly attributable to policyholder-founded roots. We have not forgotten this foundation, and we are working hard to maintain our traditional strengths of responsive customer service and aggressive defense of non-meritorious claims.

In our key states, we are reinvigorating our policyholder-led claims and underwriting committees to help us maintain the local knowledge that sets us apart from multi-line carriers. That local knowledge is especially important to the operation of our claims department, where we apply decades of experience to develop a litigation plan that best suits each claim and each venue, always being mindful of our desire to be an effective advocate for our insureds. In underwriting, our understanding of, and involvement with, each state's medical

community helps us to properly select and fairly price each risk, further enhancing our ability to maintain a strong and responsive presence in each market.

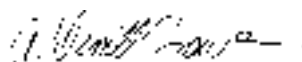
As we look ahead to the opportunities and challenges of 2002 and beyond, we are confronted with a number of choices in how we deploy our capital and human resources. Opportunities abound as companies exit the medical liability business, as rating downgrades impair their ability to write business, or capacity is limited by a lack of the resources which ProAssurance possesses — and which set us apart. As we evaluate opportunities, we will choose to focus on those venues where an acceptable legal and regulatory climate gives us the best chance to produce an adequate return on our shareholders' investment, and where we can make a difference through the services we provide.

PERSONAL LINES MEEMIC enjoyed another year of solid growth and made an important contribution to the profitability of ProAssurance. We believe that MEEMIC's focus and its potential for profitable growth sets the stage for sustaining contributions in the years ahead.

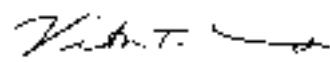
MEEMIC's foundation remains its dedication to providing personal lines coverages for educators and their families. Even as MEEMIC continues to foster strong relationships between the company, its agents and its educator clients, new technology initiatives permit MEEMIC to provide them with better and faster service, while creating the capacity to handle future growth.

PROASSURANCE CORPORATION The business climate in our industry remains turbulent — and opportunistic. We believe that we have taken the correct steps to safeguard the foundations on which we are building ProAssurance. We expect our vigilant approach to bear fruit in the coming years, and we invite your participation, whether as an insured or as a shareholder.

In closing, we want to thank those insureds and shareholders who have given ProAssurance their vote of confidence during this first year of our combined organization. And a special word of thanks is due to the almost 600 employees of ProAssurance and to the Boards and Advisory Committees that play a very important role at ProAssurance. We have achieved many milestones this year thanks to their efforts; we will achieve many more with their continued support.



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



Victor T. Adamo
President and COO

FINANCIAL HIGHLIGHTS

<i>in thousands, except per share amounts</i>	2001	2000	1999	1998	1997
Gross premiums written (C)	\$388,983	\$223,871	\$201,593	\$192,479	\$188,195
Premiums earned (C)	381,510	216,297	207,492	195,515	158,061
Premiums ceded (C)	(68,165)	(38,701)	(43,068)	(54,199)	(39,094)
Net premiums earned (C)	313,345	177,596	164,424	141,316	118,967
Net investment income (C)	59,782	41,450	39,273	39,402	38,474
Other income (C)	9,428	3,543	4,332	12,885	3,301
Total revenues	382,555	222,589	208,029	193,603	160,742
Net losses and loss adjustment expenses (C)	298,558	155,710	104,657	93,893	77,674
Net income (A) (C)	12,450	24,300	46,700	47,400	37,458
Net income per share of common stock (basic and diluted) (B)(C)	\$0.51	\$1.04	\$1.95	\$1.92	\$1.51
Weighted average number of shares outstanding (B)	24,263	23,291	23,992	24,729	24,844
BALANCE SHEET DATA (as of Dec 31):					
Total investments	\$1,516,465	\$796,526	\$761,918	\$791,579	\$720,202
Total assets	2,238,325	1,122,836	1,117,668	1,132,239	1,063,173
Reserve for losses and loss adjustment expenses	1,442,341	659,659	665,792	660,640	614,729
Long-term debt	82,500	—	—	—	—
Total liabilities	1,802,606	777,669	791,944	808,059	775,985
Total capital	413,231	345,167	325,724	324,180	287,188
Total capital per share of common stock outstanding (B)	\$16.02	\$15.22	\$13.92	\$13.24	\$11.57
Common stock outstanding at end of year (B)	25,789	22,682	23,401	24,477	24,829

(A) Net income for 1998 was reduced by \$1.1 million, which represents the cumulative effect (net of tax) of an accounting change for guaranty fund assessments due to the adoption of the American Institute of Certified Public Accountants' Statement of Position 97-3. The cumulative effect reduced net income per share of common stock (Basic and Diluted) by \$0.04 per share.

(B) The Board of Directors declared special stock dividends in December 1999 (5%), 1998 (10%), and 1997 (5%), and in August 1997 the Board declared a two-for-one stock split. All Net income per share and Total capital per share data on this page has been restated as if the dividends and the stock split had been declared on January 1, 1997. Additionally, treasury stock is excluded from the date of acquisition for purposes of determining the weighted average number of shares outstanding used in the computation of net income per share of common stock.

(C) Operating results include the operating results of Professionals Group since the date of consolidation, June 27, 2001. See Note 2 to the Consolidated Financial Statements.

DIRECTORS

A. Derrill Crowe, M.D. ●
Chairman, Chief Executive Officer

Victor T. Adamo, Esq., CPCU ●
Vice-Chairman, President,
Chief Operating Officer

Paul R. Butrus ●
Vice-Chairman & Director

Norton E. Cowart, M.D.
Retired Physician

Robert E. Flowers, M.D. ● ★ ▲
Retired Physician

Leon C. Hamrick, M.D. ■ ★ ▲
Physician

John J. McMahon
Chairman, Ligon Industries

Drayton Nabers, Jr.
Chairman, Protective Life Corporation

John P. North, Jr., CPA ■ ▲
Retired Accounting Firm Partner

Ann F. Putallaz, Ph.D. ■
Vice President, Munder Capital Management

William H. Woodhams, M.D. ● ▲
Physician

SENIOR OFFICERS

John O. Bashant, CPCU
Chief Operating Officer, Northern Division &
Senior Vice President, Underwriting
Professional Liability Group

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

Robert D. Francis
Chief Operating Officer, Southern Division &
Senior Vice President, Underwriting
Professional Liability Group

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

Lynn Kalinowski
President
MEEMIC Holdings, Inc.

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

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

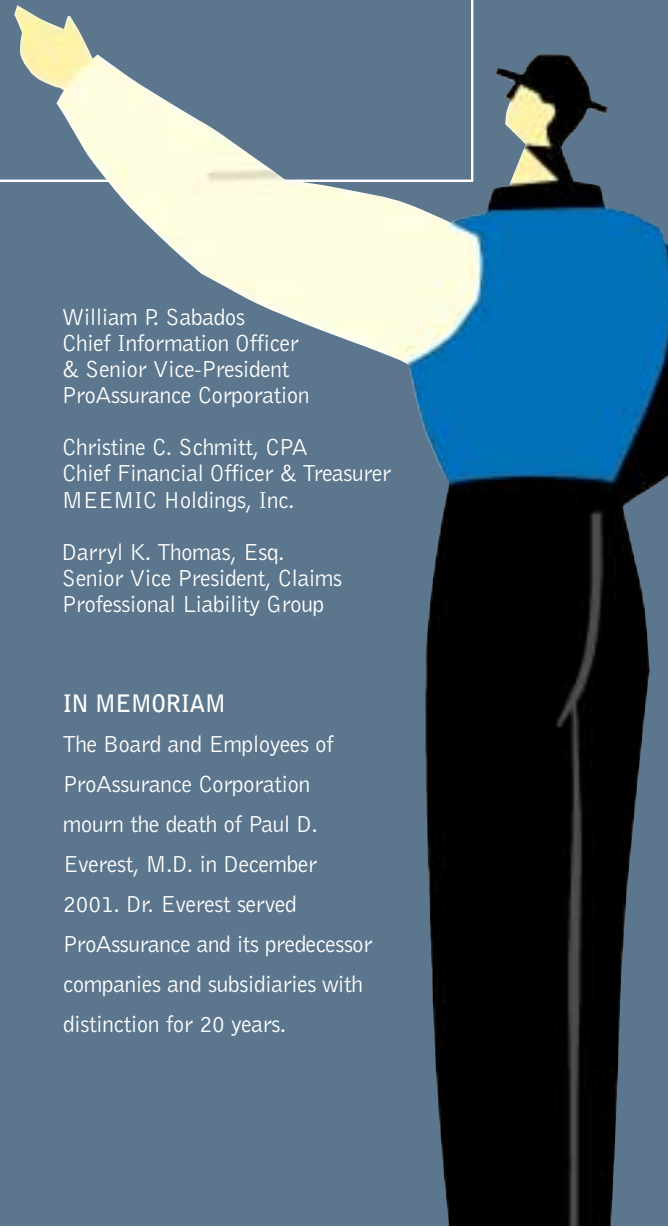
William P. Sabados
Chief Information Officer
& Senior Vice-President
ProAssurance Corporation

Christine C. Schmitt, CPA
Chief Financial Officer & Treasurer
MEEMIC Holdings, Inc.

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

IN MEMORIAM

The Board and Employees of
ProAssurance Corporation
mourn the death of Paul D.
Everest, M.D. in December
2001. Dr. Everest served
ProAssurance and its predecessor
companies and subsidiaries with
distinction for 20 years.



Medical Assurance and Professionals Group have joined together to create **ProAssurance**.

We are building on the strong foundations of service to our policyholders and a dedication to maximizing long-term shareholder value. By continuing to build a financially strong, service oriented company, we ensure our ability to keep the promises we make to our policyholders, and in turn, deliver the performance our investors seek.

Our consolidation has brought together two companies with a common heritage — a shared vision of excellence and a commitment to success that will make **ProAssurance** even stronger as we move forward.



INVESTOR INFORMATION

ProAssurance Corporation had 25,841,453 shares of common stock outstanding, and 3,775 shareholders of record at March 15, 2002. The common stock of ProAssurance Corporation trades on The New York Stock Exchange under the symbol PRA. Investors may find the Company's stock prices reported as ProAsr in the stock section of *USA Today* and major newspapers, and as ProAssurance in the *Wall Street Journal*.

TRANSFER AGENT

Mellon Investor Services, LLC.
Telephone: 800-851-4218
Internet: www.melloninvestor.com

General inquiries and address changes may be also conveyed in writing to:

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

Certificates to be transferred should be sent via insured, registered mail to:

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

Shareholders who wish to report lost or stolen stock certificates should contact:

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

FINANCIAL INFORMATION & INVESTOR RELATIONS

Analysts, stockholders and any other parties interested in obtaining additional information may access www.ProAssurance.com or contact:

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Senior Vice President,
Corporate Communications & Investor Relations
(205) 877-4461

Howard H. Friedman
Chief Financial Officer
(205) 877-4400

CORPORATE HEADQUARTERS

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ANNUAL MEETING

The 2002 Annual Meeting is scheduled for 10:30 a.m. on May 22, 2002 at the Harbert Center, 2019 4th Avenue North, Birmingham, AL.

ProAssurance[®]
Companies

www.ProAssurance.com



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