



PROASSURANCE®

Treated Fairly

2020
Annual
Report

Financial Highlights

FISCAL YEARS ENDED DECEMBER 31

	2020	2019	2018	2017	2016
Income Statement Highlights					
	(in thousands)				
Gross premiums written	\$ 854,422	\$ 967,490	\$ 957,311	\$ 874,876	\$ 835,014
Net premiums earned	\$ 792,715	\$ 847,532	\$ 818,853	\$ 738,531	\$ 733,281
Total revenues	\$ 874,940	\$ 999,834	\$ 886,030	\$ 866,149	\$ 870,214
Net losses and loss adjustment expenses	\$ 661,447	\$ 753,915	\$ 593,210	\$ 469,158	\$ 443,229
Net income (loss) ⁽¹⁾	\$ (175,727)	\$ 1,004	\$ 47,057	\$ 107,264	\$ 151,081
Non-GAAP operating income (loss) ⁽²⁾	\$ (27,741)	\$ (43,779)	\$ 79,527	\$ 108,538	\$ 129,844
Balance Sheet Highlights					
Total investments	\$3,389,345	\$3,390,409	\$3,349,382	\$3,686,528	\$3,925,696
Total assets	\$4,654,803	\$4,805,599	\$4,600,726	\$4,929,197	\$5,065,181
Reserve for losses and loss adjustment expenses	\$2,417,179	\$2,346,526	\$2,119,847	\$2,048,381	\$1,993,428
Debt less unamortized debt issuance costs	\$ 284,713	\$ 285,821	\$ 287,757	\$ 411,811	\$ 448,202
Total liabilities	\$3,305,593	\$3,293,686	\$3,077,724	\$3,334,402	\$3,266,479

(1) The 2020 net loss includes a pre-tax net underwriting loss of approximately \$45.7 million associated with a tail policy issued to a large national healthcare account and a pre-tax \$10 million pandemic-related IBNR reserve, both of which were recorded in the second quarter of 2020, and a pre-tax \$161.1 million goodwill impairment charge recorded in the third quarter of 2020.

(2) A reconciliation of net income (loss) to Non-GAAP operating income (loss) is provided in Appendix A to the ProAssurance Form 10-K included with this mailing to shareholders.

To My Fellow Shareholders

Much has been written about the unprecedented nature of 2020, and I will not endeavor to add to it here. Rather, I will focus on the significant accomplishments made by the employees of ProAssurance during this extraordinary time. I am grateful for all that our Executive Leadership Team and the employees they support have done to steer us toward future success. Through their efforts, we have improved our competitive position in one of the most challenging years in the history of our Company. ProAssurance is a people business, and we have a culture that feeds off the energy that each of us brings to work each day. The sudden shift to a new work environment that forced distance between each of us was challenging, and ProAssurance rose to the occasion. The safety of our employees, customers, and business partners continues to be our highest priority. **In spite of our physical separation, we spent the year continuing to execute a comprehensive business strategy to streamline our organizational structure and improve our profitability, while further enhancing our culture.**

In our Specialty Property & Casualty segment, we continued our efforts to build a strong foundation for the future and improve our competitive position. We consolidated operations, restructured our field organization, re-underwrote the Specialty Healthcare business, strengthened rate adequacy, reduced expenses, and incrementally improved the current accident year net loss ratio. We are proud of all that was achieved to address profitability and deliver operational excellence. Meanwhile, signs of a firming market continue to emerge in our Specialty Healthcare business in the form of rate gains and improved terms, conditions, and coverage structures. Although our top line contracted in 2020 as a result of our re-underwriting and rate strengthening efforts, and the macro conditions in the property & casualty industry remain challenging, we have positioned the segment to grow in the future.

In our Workers' Compensation Insurance segment, we made organizational changes in 2020,

repositioning from five operating regions to three for more effective and efficient management of the underwriting, risk management, and claims processes. We expect this change will improve the consistent application of our business model while maintaining our local service teams. We integrated small business and underwriting support functions into single units, each with dedicated leadership, which has resulted in better turnaround times on policy submissions while continuing our individual account underwriting philosophy, which has been a resounding part of our success in workers' compensation. Lastly, we realigned our previously stand-alone captive team into the existing regional structure to improve accountability and streamlined our marketing operations to extend more agency management responsibilities to the decision makers in the underwriting process. We continue to operate profitably in this line of business despite intense market competition, and execute our rural underwriting strategy and short-tailed claim model to great effect.

Trends in our Segregated Portfolio Cell Reinsurance segment were consistent with those of the Workers' Compensation Insurance and Specialty Property & Casualty segments – the lines of business which cede premium to the captive cell programs. The captive cells play an increasingly important role for customers seeking to manage controllable expenses, particularly in these uncertain economic conditions.

Finally, we reduced our participation in Lloyd's Syndicate 1729 from 61% to 29% for the 2020 underwriting year, and again from 29% to 5% for the 2021 underwriting year as we support and grow our core insurance operations, and seek to reduce volatility in our underlying performance. We've also reduced our participation for Syndicate 6131 from 100% to 50% for the 2021 underwriting year.

Meanwhile, our consolidation of systems and leveraging of new technology continues to promote organizational efficiency in all aspects of our business.

As a result of our strategic restructuring initiatives in 2020, which includes an overall reduction in our

workforce of approximately 13%, we anticipate **\$17 million in annual expense savings**. This is on top of initiatives taken in 2019 that reduced annual costs by \$5 million, bringing us to estimated cumulative annual cost reductions of approximately \$22 million since this leadership team was put in place almost two years ago.

These changes, though often difficult, have positioned us to achieve our long-term profitability goals while enhancing the best-in-class products and services we provide to our customers. **Our operational profitability in the third and fourth quarters is evidence that we are on the right track.**

While it was an important year of transformation, our performance did not meet our standards. The operating loss for the year was attributable to a pre-tax net underwriting loss of \$45.7 million associated with a tail policy issued to a large national healthcare account, and a pre-tax \$10 million pandemic-related IBNR reserve, both of which were recorded in the second quarter. Our full-year net loss was attributable to a pre-tax \$161.1 million goodwill impairment charge recorded in the third quarter in recognition of market volatility and the depression our stock price experienced through the first nine months of the year. We must, and will, continue to improve as we strive always to reward the trust given us by our customers and shareholders.

Over a year ago, as the COVID-19 virus began to wreak havoc on our national economy and healthcare system, I noted that in the midst of these extraordinary times, we are blessed to insure and employ extraordinary people. That statement has proven truer with each passing day, and I have every confidence that ProAssurance, our customers, distribution partners, employees, and shareholders will emerge stronger on the other side of the pandemic.

The pursuit of operational excellence is a never-ending journey, as we can always make ourselves better, and we are a more focused organization

than we were a year ago. We are applying that focus to our pending **acquisition of the NORCAL Group**. As I write this letter, NORCAL Mutual Insurance Company is soliciting its eligible policyholders to vote on the plan to convert from a mutual company to a stock company. Policyholders will have the option to take their ownership share of the company in the form of NORCAL stock, which ProAssurance will offer to buy through our Tender Offer. There are several steps remaining in the process, and we anticipate being able to close the deal in the second quarter of 2021, bringing another valued member into the ProAssurance family of companies.

Being part of the ProAssurance family means being committed to providing a safe and healthy working environment where all employees are treated with dignity and respect, allowing them to do their best work every day. The ideals of **Diversity, Equity and Inclusion (DE&I)** have always been important at ProAssurance, and I am proud of the emphasis placed on them in 2020. We will foster and support DE&I efforts in 2021 with even greater intentionality. Important in those efforts is the formation of a DE&I Council, which held its first official meeting in January of 2021. I eagerly anticipate the opportunities for positive change that the Council's work will present to us. The Executive Leadership Team and I are committed to ensuring that ProAssurance is a place where everyone feels welcome and safe, and that we are providing equal opportunities to contribute, grow, and prosper.

The pandemic is not over, and the challenges present in healthcare professional liability and workers' compensation insurance industries remain formidable, but we are better positioned to meet and overcome these challenges as a result of our accomplishments in 2020.

Thank you,



Ned Rand
President & Chief Executive Officer

COMMITTEES

Board of Directors	Independence	Audit	Compensation	Executive	Nominating & Corporate Governance
W. Stancil Starnes, Esq. Executive Chairman ProAssurance	N			C	
Kedrick D. Adkins, Jr. Retired Chief Financial Officer Mayo Clinic	I	M			
Bruce D. Angiolillo Retired Partner Simpson Thacher & Bartlett LLP	I	M	C		
Samuel A. Di Piazza, Jr. Chairman, Mayo Clinic Board of Trustees, Retired CEO of PricewaterhouseCoopers	I	C,E			
Robert E. Flowers, M.D. Retired Physician	I		M		
Maye Head Frei Chairman Ram Tool Construction Supply Company	I		M		
M. James Gorrie President and Chief Executive Officer Brasfield & Gorrie	I				M
Ziad R. Haydar, M.D. Independent Healthcare Consultant, Retired Chief Clinical Officer, Ascension Health	I				M
Edward L. Rand, Jr. President and Chief Executive Officer ProAssurance	N			M	
Frank A. Spinosa, D.P.M. Practicing Podiatrist Past President of the American Podiatric Medical Association	I	M			
Katisha T. Vance, M.D. Practicing Physician	I				M
Thomas A. S. Wilson, Jr., M.D. Retired Physician	I		M	M	C

Management, Non-Independent = N

Independent = I

Member = M

Chairman = C

Financial Expert = E

Executive Officers

Michael L. Boguski
President, Specialty P&C segment

Dana S. Hendricks
Executive Vice President, Chief Financial Officer, and Corporate Treasurer
ProAssurance Corporation

Jeffrey P. Lisenby
Executive Vice President
General Counsel and Corporate Secretary
ProAssurance Corporation

Noreen L. Dishart
Executive Vice President, Chief Human Resources Officer
ProAssurance Corporation

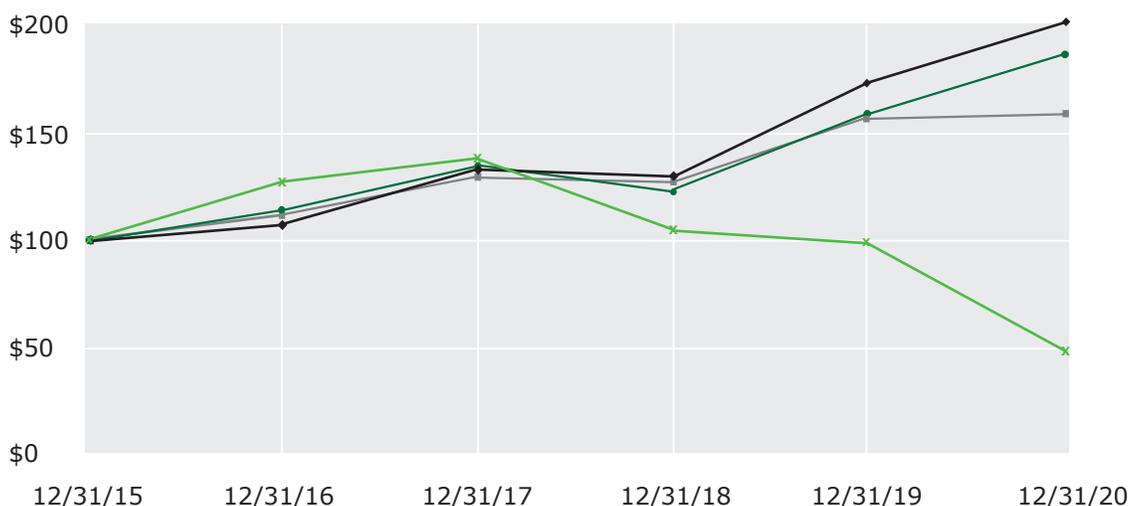
Edward L. Rand, Jr.
President and Chief Executive Officer
ProAssurance Corporation

Kevin M. Shook
President, Workers' Compensation Insurance and Segregated Portfolio Cell Reinsurance segments

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, 2020, as well as the cumulative total shareholder return of the 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, 2020.

Total Return Performance



INDEX	PERIOD ENDING (IN \$)					
	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20
—x— ProAssurance Corporation	100.00	128.28	144.24	106.83	98.41	49.51
—◆— S&P 500 Index	100.00	111.96	136.40	130.42	171.49	203.04
—●— Russell 2000 Index	100.00	121.31	139.08	123.76	155.35	186.36
—■— SNL Insurance P&C	100.00	118.02	134.93	129.73	152.23	154.96

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INVESTOR INFORMATION

There were 53,893,267 shares of ProAssurance Corporation common stock outstanding at March 15, 2021. On that date, we had 2,522 shareholders of record. Our common stock trades on The New York Stock Exchange under the symbol PRA. The price of our stock is available from any website that provides stock quotes. We also post the price of our stock on our website, 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 are a "registered holder." Registered holders may contact our transfer agent, Computershare, for address changes, transfer of certificates, and replacement of share certificates that have been lost or stolen. You may reach Computershare in a variety of ways:

By Phone

(800) 851-4218 or (201) 680-6578

By Internet

Information about your account including share transfer, direct deposit of dividends and your dividend payment history: www-us.computershare.com/Investor/.

For immediate access to tax forms:

www-us.computershare.com/Investor/#QuickTax.

For technical assistance with the Computershare website, please phone (800) 942-5909.

By Mail

Computershare P. O. Box 30170 College Station, TX 77842	Computershare 211 Quality Circle, Suite 210 College Station, TX 77845
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DIRECT DEPOSIT OF DIVIDENDS FOR REGISTERED HOLDERS

We encourage registered holders to have dividends deposited directly into a designated account to ensure prompt, secure delivery of your funds. You may arrange for Direct Deposit by updating your banking details with Computershare (www-us.computershare.com/Investor/myProfile) once you have established online access to your account with Computershare.

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

We invite you to visit the Investor Relations and Corporate Governance sections of our website, <http://investor.proassurance.com>. There you will find important information about our Company, including our Corporate Governance Principles and Code of Ethics and Conduct, which were developed and adopted by our Board of Directors. The Governance section of our website (<http://investor.proassurance.com/govdocs>) also provides copies

of the Board-adopted charters for our Audit, Compensation, and Nominating/Corporate Governance Committees and our Internal Audit Charter. Our Corporate Governance section also provides information such as stock ownership guidelines, committee composition and leadership, and director independence, including categorical standards to assist in determining independence. Our Corporate Responsibility section provides information such as our Human Rights policy, our Environmental Commitment, and diversity within ProAssurance.

Our filings with the Securities and Exchange Commission (SEC) are available in the Investor Relations section of our website (<http://investor.proassurance.com/Docs>). Our SEC filings are also available in the EDGAR section of the SEC's website (www.sec.gov/edgar.shtml).

Edward L. Rand, Jr., our President and Chief Executive Officer, submitted the required Section 12(a) CEO Certification to the New York Stock Exchange on May 21, 2020. Additionally, we have been timely in the filing of CEO/CFO certifications as required in Section 302 of the Sarbanes-Oxley Act. These certifications are published as exhibits in our Form 10-K filed with the SEC on February 26, 2021.

INVESTOR RELATIONS

The Investor Relations section of our website (<http://investor.proassurance.com>) also contains detailed financial information, a dividend payment history, SEC filings, the latest news releases about the Company and our latest presentation materials. We also maintain an archive of presentation materials, 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:

By Email

Investor@ProAssurance.com

By U. S. Postal Service

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

By Phone or Fax

Phone: (205) 877-4400 / (800) 282-6242

Fax: (205) 802-4799

ANNUAL MEETING

The 2021 Annual Meeting is scheduled for 9:00 AM CDT on Tuesday, May 25, 2021 at the headquarters of ProAssurance Corporation, 100 Brookwood Place, Birmingham, Alabama 35209.



100 Brookwood Place
Birmingham, Alabama 35209
205-877-4400 • 800-282-6242

www.ProAssurance.com