

# 2019

Annual  
Report



PROASSURANCE®

Treated Fairly

## Financial Highlights

(Dollars in thousands)	2019	2018	2017	2016	2015
<b>INCOME STATEMENT HIGHLIGHTS</b>					
Gross premiums written	\$ 967,490	\$ 957,311	\$ 874,876	\$ 835,014	\$ 812,218
Net premiums earned	\$ 847,532	\$ 818,853	\$ 738,531	\$ 733,281	\$ 694,149
Total revenues	\$ 999,834	\$ 886,030	\$ 866,149	\$ 870,214	\$ 772,079
Net losses and loss adjustment expenses	\$ 753,915	\$ 593,210	\$ 469,158	\$ 443,229	\$ 410,711
Net income	\$ 1,004	\$ 47,057	\$ 107,264	\$ 151,081	\$ 116,197
Non-GAAP Operating Income (Loss) <sup>(1)</sup>	\$ (43,779)	\$ 79,527	\$ 108,538	\$ 129,844	\$ 142,629
<b>BALANCE SHEET HIGHLIGHTS</b>					
Total investments	\$3,390,409	\$ 3,349,382	\$ 3,686,528	\$ 3,925,696	\$ 3,650,130
Total assets <sup>(2)</sup>	\$4,805,599	\$ 4,600,726	\$ 4,929,197	\$ 5,065,181	\$ 4,906,021
Reserve for losses and loss adjustment expenses	\$2,346,526	\$ 2,119,847	\$ 2,048,381	\$ 1,993,428	\$ 2,005,326
Debt <sup>(2)</sup>	\$ 285,821	\$ 287,757	\$ 411,811	\$ 448,202	\$ 347,858
Total liabilities <sup>(2)</sup>	\$3,293,686	\$ 3,077,724	\$ 3,334,402	\$ 3,266,479	\$ 2,947,667

<sup>(1)</sup> A reconciliation of Net Income to Non-GAAP Operating Income (Loss) is provided in Appendix A to the ProAssurance Form 10-K included with this mailing to shareholders.

<sup>(2)</sup> For all periods presented, Debt is shown net of unamortized debt issuance costs, which, prior to 2016, were reported as a part of other assets.

To Our Fellow  
Shareholders,



**Edward L. Rand, Jr.**  
President & Chief Executive Officer

Responding to change is nothing new for ProAssurance. Navigating through periods of turbulence in our business with a clear-eyed, long-term strategy is our hallmark, and we will not deviate from that approach as we face this latest iteration of the insurance cycle.

To that end, 2020 will clearly be a year of change for everyone. While this letter will focus primarily on 2019, I want to begin by addressing the COVID-19 pandemic that has left an indelible mark on us all. While it is too early to quantify any potential impact to our financial performance, we have implemented a series of preventative measures at our offices across the country to protect our employees, and we anticipate any effects of the virus to our daily operations will be minimal. We remain fully prepared to continue providing the highest level of service to our customers and distribution

partners as they manage their own exposures to this pandemic. We will disclose any material effects of the COVID-19 virus on our results for 2020 as they become known to us.

Now, on to 2019.

Change can come in many forms, and Stan Starnes' retirement as Chief Executive Officer is foremost among them. On behalf of all of the team members at ProAssurance, as well as our Board of Directors, I want to

## Gross Written Premiums



thank Stan for all he has done and continues to do as our Executive Chairman. We are a truly different organization than when Stan took the helm nearly thirteen years ago, and were I to fill every page of this report, I could not list half of his innumerable contributions to the organization. I am humbled and honored to follow in his stead, to lead ProAssurance through the next era. So this year, I have the pleasure and privilege of writing to you for the first time as Chief Executive Officer of ProAssurance.

From our earliest days, we have operated with a strategy both responsive to near-term challenges and proactive to long-term opportunity. We believe that, as a specialist, our deep expertise and commitment to our customers throughout the insurance cycles enable us to outperform our peers over time. 2019 was a year of contrast, in which our disappointment with results was buffered by our confidence in the future.

As I said following the fourth quarter, our results for 2019 were unacceptable. The healthcare professional liability loss environment continues to evolve as medicine grows more complex and expensive, and the importance

of disciplined underwriting and appropriate pricing grows every day. These trends have weighed on the performance of our Specialty Property & Casualty segment and the Company as a whole, and I am the first to say that we must do better. I have stated before that this cycle feels different, and we should not expect the market to harden as quickly nor perhaps as drastically as in the early 2000s. We must challenge the mindset that what has worked before will work again, and only companies that are prepared to adapt will succeed.

While the surface features may be different, the underlying landscape is familiar. For over forty years, ProAssurance and its predecessors have successfully navigated the peaks and valleys of the long cycles characteristic of our businesses. We have done so by developing deep expertise in the lines of business in which we specialize, by being patient, and by taking advantage of the right opportunities at the right time.

2019 proved to be a year of transition, beyond a change of Chief Executive Officer. We restructured our executive team, consolidated our Specialty Property

## Book Value



Book value has declined as we have returned capital to shareholders through dividends.

& Casualty operations, reduced our participation in Lloyd's of London Syndicate 1729, and, with the planned acquisition of the NORCAL Group announced just a few weeks ago, negotiated the largest single transaction in our Company's history. Each of these strategic actions contribute to the high level of confidence I mentioned above, and I would like to expand upon them in turn.

The changes we made to our executive leadership team allow for expedited responsiveness and expanded accountability in each aspect of our business. In May 2019, Mike Boguski - formerly President of Eastern Alliance Insurance Group, ProAssurance's workers' compensation insurance subsidiary - became President of our Specialty Property & Casualty business. Mike has a long history and track record of operational excellence with a focus on personal accountability. In the time since he took on this new role, he and his team have undertaken a comprehensive review of the Specialty Property & Casualty business strategy in response to our view of the loss trends and changing conditions in healthcare professional liability. This included organizational structure enhancements, consolidation of

operations, expense reduction, recruitment of additional talent, tightening of underwriting criteria, terms and conditions, and price strengthening - all of which are geared toward returning our Specialty Property & Casualty segment to profitability while maintaining the stalwart claims defense and unparalleled risk management expertise on which our policyholders rely.

Meanwhile, Kevin Shook - formerly Executive Vice President of Eastern - was promoted to President of Eastern. It was a seamless transition, as Kevin has been deeply involved in Eastern's success for almost twenty years. Under his leadership, the Workers' Compensation Insurance segment has continued to produce sustainable profitability in a highly competitive marketplace.

Finally, and importantly, I asked Noreen Dishart, our Chief Human Resources Officer, to join our executive leadership team. Our belief in our people is a cornerstone of ProAssurance's strategy, and Noreen is a key driver of our Employer of Choice initiative. She is a direct line between our employees and me with regard to our culture, employee development, and succession

## For over forty years, ProAssurance and its predecessors have successfully navigated the peaks and valleys of the long cycles characteristic of our businesses.

strategies, which I believe is essential for the long-term success of any company.

Our Chief Financial Officer, Dana Hendricks, and General Counsel, Jeff Lisenby, will continue in their respective roles and round out the executive leadership team. Dana began her career in the accounting department at PICA, our podiatric subsidiary, in 2001 and moved to Birmingham to become CFO in September 2018. Jeff joined our predecessor, Medical Assurance, in 2001 and has led our corporate legal and compliance functions since that time while progressively taking on additional duties.

This new executive leadership team, and the strategic business decisions that have been made to date, will improve our operating efficiency and effectiveness, expand our commitment to transparency and accountability, and empower our employees in our mission to Protect Others. When we do a great job for our policyholders, we will ultimately do a great job for our shareholders. That relationship is indivisible under the promise of Treated Fairly.

It will take time for the full benefits of these enhancements to flow through to our bottom line, but I believe firmly that our senior executives, along with a team of approximately 950 outstanding employees, will grow the ProAssurance value proposition to new levels.

While everything else I have mentioned was underway in 2019, we were working diligently toward an agreement to acquire NORCAL Group. The NORCAL transaction, which is subject to required policyholder and regulatory approvals, represents a transformational opportunity for our healthcare professional liability business to enhance the geographic footprint and services we can deliver to our customers and distribution partners, while

creating significant long-term value for ProAssurance shareholders. We have worked closely with NORCAL's senior leadership team and Board of Directors throughout this process and negotiations, and I would like to thank them for all their efforts bringing us to this point. We are targeting to close the transaction by the end of 2020, and while we are excited with the progress that has been made to date, there is much more to do to ensure that our successful partnership with NORCAL is the game-changing transaction we all expect. The best efforts of both companies over the next three years will be required to deliver the vast potential value of this deal for ProAssurance and our investors.

We have faced the ups and downs of the insurance cycle many times before, and we understand the challenges and opportunities that accompany the current stage of the cycle. This company looks very different than it did when Alabama's physicians decided they needed their own mutual insurance company - our history of successful M&A has brought almost twenty companies into the ProAssurance family. However, we remain one company, with one unified mission to Protect Others, and every step we take is toward that objective. As we begin 2020, and I begin my first full year serving this company as CEO, I look forward with eager anticipation to the next chapter of the ProAssurance story as we strive daily to deliver the promise of Treated Fairly to our policyholders, employees, and shareholders.

Thank you,



**Edward L. Rand, Jr.**  
President & Chief Executive Officer

## Board of Directors

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

**N** Management, Non-Independent

**I** Independent

**M** Member

**C** Chairman

**E** Financial Expert

## Executive Officers

### Michael L. Boguski

President  
Specialty P&C

### Noreen L. Dishart

Chief Human Resources Officer

### Dana S. Hendricks

Executive Vice President  
and Chief Financial Officer

### Jeffrey P. Lisenby, Esq.

Executive Vice President,  
Corporate Secretary and General Counsel

### Edward L. Rand, Jr.

President and Chief Executive Officer

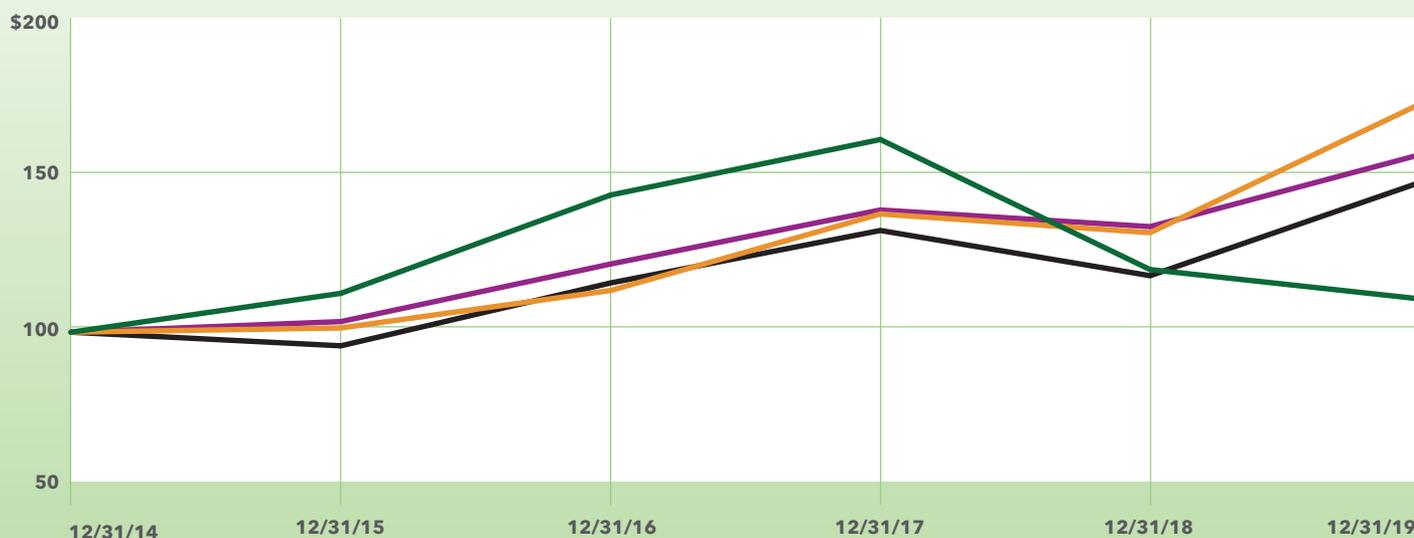
### Kevin M. Shook

President  
Workers' Compensation Insurance

## 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, 2019, 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, 2019. We have included the Standard & Poor's 500 Index in this graph because we believe it is a more recognizable broad index and yields a more meaningful comparison for investors given our market capitalization and dividend payout ratio.

### Total Return Performance



#### PERIOD ENDING

	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
— ProAssurance Corporation	100.00	112.59	144.42	162.39	120.28	110.79
— S&P 500 Index	100.00	101.38	113.51	138.29	132.23	173.86
— Russell 2000 Index	100.00	95.59	115.95	132.94	118.30	148.49
— SNL Insurance P&C	100.00	103.44	122.08	139.58	134.19	157.47

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# Investor Information

## INVESTOR INFORMATION

There were 53,793,370 shares of ProAssurance Corporation common stock outstanding at March 15, 2020. On that date, we had 2,575 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](http://www-us.computershare.com/Investor).

For immediate access to tax forms:

[www-us.computershare.com/investor/QuickTax](http://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 77842-3170

Computershare  
211 Quality Circle, Suite 210  
College Station, TX 77845-4470

## 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](http://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 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](http://www.sec.gov/edgar.shtml)).

W. Stancil Starnes, our then Chief Executive Officer, submitted the required Section 12(a) CEO Certification to the New York

Stock Exchange on May 23, 2019. 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 20, 2020.

## 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](mailto: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 2020 Annual Meeting is scheduled for 9:00 AM CDT on Wednesday, May 20, 2020 at the headquarters of ProAssurance Corporation, 100 Brookwood Place, Birmingham, Alabama 35209.



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Birmingham, Alabama 35209  
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(800) 282-6242  
[proassurance.com](http://proassurance.com)