



UNIQUELY

POSITIONED
QUALIFIED
EXPERIENCED



2014 ANNUAL REPORT

FINANCIAL HIGHLIGHTS (IN THOUSANDS) ⁽¹⁾

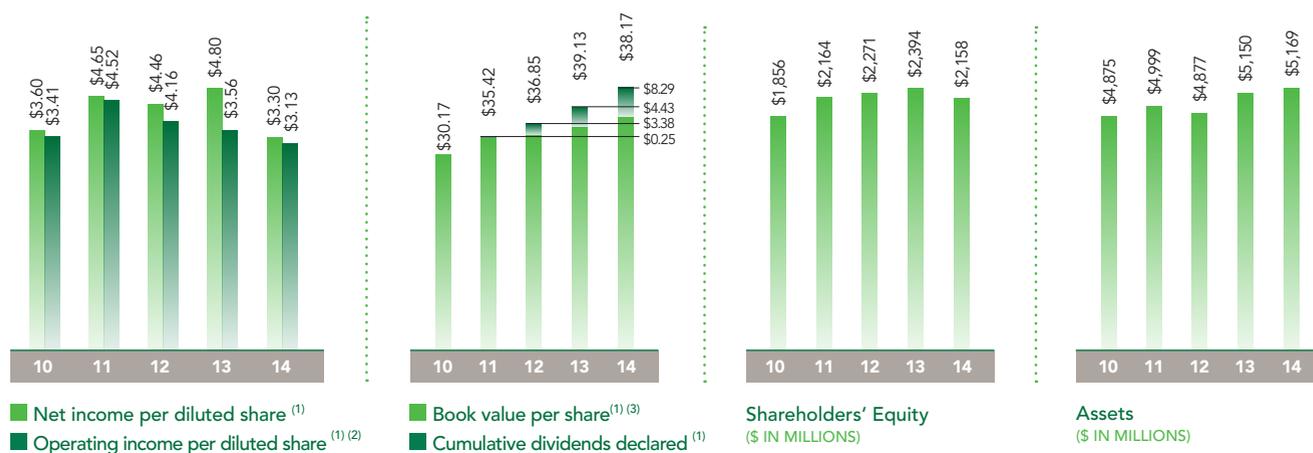
FISCAL YEARS ENDED DECEMBER 31

	2014	2013	2012	2011	2010
Income Statement Highlights					
Gross premiums written	\$ 779,609	\$ 567,547	\$ 536,431	\$ 565,895	\$ 533,205
Net premiums earned	\$ 699,731	\$ 527,919	\$ 550,664	\$ 565,415	\$ 519,107
Total revenues	\$ 852,326	\$ 740,178	\$ 715,854	\$ 716,784	\$ 692,065
Net losses and loss adjustment expenses	\$ 363,084	\$ 224,761	\$ 179,913	\$ 162,287	\$ 221,115
Net income ⁽²⁾	\$ 196,565	\$ 297,523	\$ 275,470	\$ 287,096	\$ 23 1,598
Operating income ⁽³⁾	\$ 186,367	\$ 221,097	\$ 257,238	\$ 278,514	\$ 219,457
Balance Sheet Highlights					
Total investments	\$4,009,707	\$3,941,045	\$3,926,902	\$4,090,541	\$3,990,431
Total assets	\$5,169,160	\$5,150,099	\$4,876,578	\$4,998,878	\$4,875,056
Reserve for losses and loss adjustment expenses	\$2,058,266	\$2,072,822	\$2,054,994	\$2,247,772	\$2,414,100
Long-term debt	\$ 250,000	\$ 250,000	\$ 125,000	\$ 49,687	\$ 51,104
Total liabilities	\$3,011,216	\$2,755,685	\$2,605,998	\$2,834,425	\$3,019,193

(1) Includes acquired entities since date of acquisition only.

(2) Includes a gain on acquisition of \$32.3 million for the year ended December 31, 2013, and a loss on extinguishment of debt of \$2.2 million for the year ended December 31, 2012.

(3) A reconciliation of Operating income to GAAP is provided in Appendix A to the ProAssurance Form 10K included with this mailing to shareholders.



FISCAL YEARS ENDED DECEMBER 31

(1) For all periods presented, share and per share amounts reflect the two-for-one stock split effected in the form of a stock dividend that was effective December 27, 2012.

(2) A reconciliation of Operating Income to GAAP is provided in Appendix A to the ProAssurance Form 10K included with this mailing to shareholders.

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

ProAssurance is uniquely qualified to provide our insureds with flexible, inventive and competitive insurance solutions. Our unmatched combination of financial strength, geographic reach and proven expertise uniquely positions us to respond to the evolving needs of a demanding marketplace. And, as we deliver sound solutions for our insureds, we create—and deliver—meaningful value for our investors.

2014: THE YEAR IN REVIEW

TO MY FELLOW SHAREHOLDERS:

ProAssurance achieved notable success in 2014. We strengthened a company that is already uniquely positioned to respond to the evolving demands of customers facing an unpredictable future. We also continued an outstanding record of creating and delivering value for our shareholders.

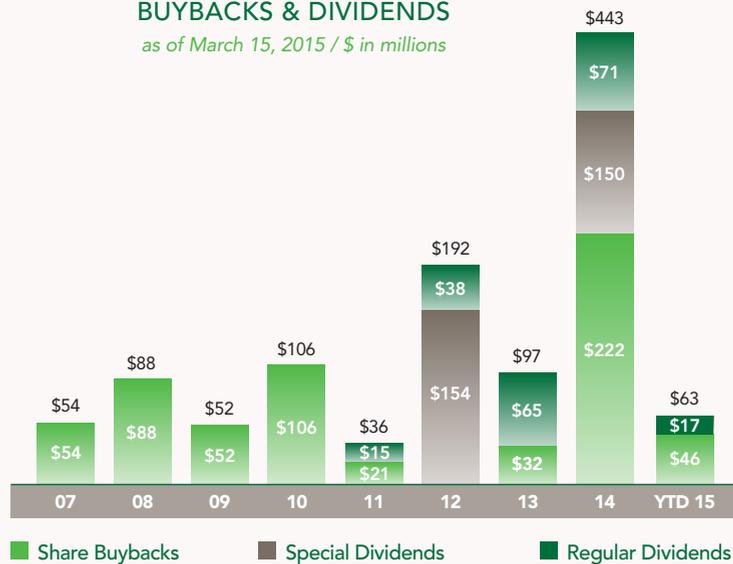
In 2014, ProAssurance not only maintained the remarkable balance sheet strength that helps set us apart from smaller, less capable competitors, but also returned a record \$443 million to shareholders through share repurchase and dividends. To put that amount in perspective, that is \$11 million more than the total returned in the previous four years combined.



W. STANCIL STARNES
Chairman and
Chief Executive Officer

BUYBACKS & DIVIDENDS

as of March 15, 2015 / \$ in millions



Notably, in the seven-and-a-half years since our senior management team came together, we have returned more than \$1 billion to shareholders and deployed another \$750 million in our business through strategic acquisitions.

The fruits of those acquisitions, as well as our dedication to an effective long-term strategy, have enabled us to achieve an exceptional level of overall success that is perhaps most evidenced by the fact that we have also grown Shareholders' Equity by 87%, to more than \$2 billion, during that same time period.

Our success over the long-term requires discipline, and in 2014, you saw evidence of our dedication to achieving appropriate pricing and disciplined underwriting as premiums, excluding Eastern and Lloyd's Syndicate 1729, were lower than the prior year. Stated simply, we believe it is in the best interest of both our insureds and our shareholders to maintain financial strength rather than chase underpriced market share.

In the seven-and-a-half years since our senior management team came together, we have returned more than \$1 billion to shareholders.

And while we may prudently shrink the top line in certain areas as conditions demand, we continue to invest in our business and our people. As our successful integration of Eastern demonstrated in 2014, we seek acquisitions that add strategic value. Within Eastern, unrivaled expertise exists to assist the growing number of large, complex organizations that are seeking to retain risk through alternate risk mechanisms such as captives. And our medical professional liability subsidiaries have well-established insurance vehicles to serve the needs of organizations that want to explore limited self-insurance by assuming a portion of their own risk. These sophisticated solutions will play a greater role in the liability insurance landscape in the future.

We are equally committed to reaching new markets by developing beneficial partnerships that will allow us to reach these markets in conjunction with forward-looking organizations. Our success in 2014 with the Certitude program with Ascension, the CAPAssurance program with the Cooperative of American Physicians, and our

risk-sharing program with the Wisconsin Medical Society demonstrate the wisdom of sharing risk with committed and able partners.

At the same time that we prepare for an evolving marketplace, we must, and will, remain dedicated to serving the needs of the smaller accounts that are the backbone of our historical success. We have amply demonstrated our ability to deliver innovative services that enhance our insurance relationships with these loyal, long-time insureds. There will always be a need for us in that section of the market and we will be a leader in serving it.

You will read much more about our specific approach to the markets we serve in the pages that follow. ProAssurance is uniquely positioned to meet the emerging needs of the widest variety of customers—whether large or small—in the markets we serve. We are able to deliver an unmatched combination of financial strength, geographic reach and demonstrated experience that will make us the preferred provider of flexible and inventive insurance solutions.

⋮ We believe it is in the best interest
⋮ of both our insureds and our
⋮ shareholders to maintain financial
⋮ strength rather than chase
⋮ underpriced market share.

We are confident we can deliver on our promise to meet our policyholders at their point of greatest insurance need through the leadership of our management team and the dedication of the employees who believe in delivering on our promise of *Treated Fairly*. We are all grateful for your support and your investment alongside us. Please know we come to work every day with the goal of strengthening a company that possesses the demonstrated ability to succeed in a complex world.



W. Stancil Starnes
Chairman and Chief Executive Officer

Specialty Property & Casualty and Lloyd's

ProAssurance's commitment to providing an unequalled range of meaningful insurance solutions expanded throughout 2014 as we responded to the increasingly complex challenges facing our policyholders.



We added an array of products and services within the Specialty Property & Casualty segment and opened the door toward a future global presence with our investment in Dale Underwriting Partners and Syndicate 1729 at Lloyd's.

PICA

For example, we added a Directors and Officers (D&O) insurance policy that is available exclusively to those entities we insure for professional liability. As hospitals, healthcare systems and larger physician groups engage in mergers, acquisitions and managed care activities, D&O coverage is essential to protect against the liability issues and allegations that arise out of the business side of healthcare.

MEDMARC

And, as larger groups continue to form, we expect many will see the need to wall off prior claim liabilities and make a fresh start. To meet that need, we established ProAssurance Risk Solutions and have hired a team of proven experts in that area of complex risk evaluation to provide innovative and sophisticated financial alternatives for dealing with prior and prospective liabilities.

PRO ASSURANCE
MID-CONTINENT
UNDERWRITERS, INC

During the year, we partnered with ProPraxis, a new underwriting arm of Cooper Gay Swett & Crawford, to enable ProAssurance to bring our balance sheet, as well as proven claims and risk management services, to larger healthcare entities that are retaining significant risk.

LawyerCare

Initial market acceptance of all three of these initiatives has been excellent. Submission flow is high and each is increasing our recognition in the marketplace and in the broker community, which is influential in the decision-making within these larger, evolving organizations.

Many of these organizations are also actively considering, or are currently retaining, all their risk in alternative insurance arrangements. With Eastern Alliance Insurance Group now part of ProAssurance, we are able to leverage their proven expertise and organizational experience with captive insurance arrangements to attract the interest of those entities that are exploring alternative insurance arrangements.

The ability to work with Eastern’s talented pool of independent agents to sell our HCPL policies is an added plus arising from that acquisition and cross-selling opportunities are coming into focus in 2015. While this is a lengthy sales and education process, our initial success leads us to believe there is significant potential to add meaningful new business in the coming years.

Cross-selling opportunities are also emerging between Medmarc, our medical technology and life sciences insurance subsidiary, and other businesses within ProAssurance. While these are, for now, smaller than the HCPL/Workers’ Compensation opportunities, they nevertheless demonstrate our intention to insure the widest range of risks across our target markets.

Medmarc also brought a new Errors and Omissions (E&O) policy to market this year, which enhances the scope of coverage offered to those entities conducting clinical trials. We have also introduced joint HCPL/Medmarc coverage for clinical trials, diagnostic testing facilities and medical labs and related facilities. Further, with an increasing amount of clinical trials and medical device testing moving offshore, Medmarc has partnered with a leading international insurer to be able to offer global coverage for those insureds that require it. In time, we believe that Syndicate 1729 may be able to assist Medmarc in these areas as well.

We are confident that Syndicate 1729 will allow us to learn of emerging opportunities abroad as nations increasingly move toward a United States-style civil justice system. With much of the world’s HCPL coverage insured or reinsured through Lloyd’s, we are already starting to learn of nascent opportunities.

With a reach that is now moving beyond the United States, while maintaining the local focus that ensures we understand each risk, ProAssurance is cementing our reputation as a specialty insurer that is uniquely qualified, positioned and experienced to offer the broadest range of coverage to the widest spectrum of healthcare professionals and entities.

Workers’ Compensation

The ability to offer workers’ compensation solutions will be an integral part of our appeal to larger healthcare organizations in the years to come. In order to offer an innovative suite of workers’ compensation programs, it is also important that we have

a platform for a wide variety of customers and that we are a viable player in the overall workers' compensation market in the states where we choose to operate.

Eastern brings to ProAssurance a 17-year track record of outperformance in the workers' compensation business, a dynamic employee culture, and a talented management team. We will benefit from the product and the geographic and earnings diversification provided by Eastern over the economic and insurance cycles. Now that we have successfully integrated Eastern into the ProAssurance organization, we are leveraging Eastern's expertise and market position in healthcare and its alternative risk platform—Inova.

In 2014, direct premiums written increased to \$217.8 million (9.6 % growth from 2013, prior to our acquisition of Eastern). We experienced year-over-year growth in all regional offices (Mid-Atlantic, Southeast, Midwest, and Gulf South) and workers' compensation product lines. During 2014, the customer base increased 6.6% to 9,245 policyholders, and we appointed 37 new agents primarily in newly established operating territories. Twelve of these agents were cross referrals from healthcare professional liability, resulting in new premium writings of \$1.0 million.

ProAssurance's workers' compensation results continue to outperform the broader industry. The workers' compensation segment delivered a 91.2% combined ratio, exclusive of purchase accounting adjustments and one time charges. Claim frequency decreased 9.2% on an exposure basis and the claims operation closed 59.7% of 2013 and prior claims during 2014. Our short tail claim philosophy and market leading ecovery® program continues to be a difference maker in our business model. We remain fully committed to returning injured workers to wellness and the dignity of work.

Eastern successfully moved forward with a number of strategic initiatives in 2014, including further continued execution of medical cost containment initiatives, additional geographic diversification, expansion of the alternative markets business, and important to the overall focus of ProAssurance, we were able to write additional business in healthcare.

Healthcare market expansion as a result of the transaction gained momentum in 2014. Eastern increased its healthcare market customer base by 6.4% in 2014 to 1,487 policyholders. Direct written premium increased 5.4% to \$49.4 million as a result of this strategy. Agency partners have responded well to the opportunity to marry the healthcare



professional liability and workers' compensation product lines, two of the toughest coverage placements over the insurance cycle.

The Eastern team continues to be disciplined in building a diversified geographic footprint. The launch of the Gulf South regional office (2012) and the Michigan satellite office in July of 2014, as well as agency expansion in New Jersey and Georgia, represented \$30.0 million of premium writings in 2014 (14% of Eastern's 2014 direct written premium). More importantly, these geographic expansion initiatives have been profitable to the bottom line results of the workers' compensation segment. We continue to believe that workers' compensation is a local business.

Implementation of alternative risk structures is one of the most important trends in the Property & Casualty industry, especially within our focus lines of business. Eastern's long-standing expertise in the segregated cell captive market will provide ProAssurance with a long term solution to better serve agents and customers.

Inova finished 2014 with premium writings of \$59.4 million and 20 active segregated portfolio cell programs. Year-over-year growth was 16.1%, driven by the retention of every program written in 2013, geographic expansion of long term programs, and the addition of two new programs. This operation generated \$8.4 million of fee-based revenue.

Through Eastern, ProAssurance continues to invest in industry leading medical cost containment strategies, including early intervention, triage nursing services, case management, catastrophic medical management, and pharmaceutical and physical therapy programs. These medical cost containment initiatives are designed to mitigate the long term impact of medical inflation cost trends.

Implementation of alternative risk structures is one of the most important trends in the Property & Casualty industry, especially within our focus lines of business.

We remain confident that delivery of high quality workers' compensation solutions will continue to enhance ProAssurance's reputation as a uniquely positioned specialty insurer, providing value to agency partners, insureds and, ultimately, to shareholders.

BOARD OF DIRECTORS

COMMITTEES

Directors	Position	Independence	COMMITTEES			
			Audit	Compensation	Executive	Nominating & Corporate Governance
W. Stancil Starnes, Esq.	Chairman, President & Chief Executive Officer, ProAssurance	N			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		C	M	
M. James Gorrie	President and Chief Executive Officer, Brasfield & Gorrie	I		M		
William J. Listwan, M.D.	Practicing Physician and Associate Clinical Professor of Medicine	I				
John J. McMahon, Jr.	Chairman, Ligon Industries	I		M	M	C
Ann F. Putallaz, Ph.D.	Principal, AFP Consulting, LLC	I	M			
Frank A. Spinosa, D.P.M.	Practicing physician and Vice President of the American Podiatric Medical Association	I				M
Anthony R. Tersigni, Ed.D., FACHE	President and Chief Executive Officer, Ascension	I	M			
Thomas A. S. Wilson, Jr., M.D.	Practicing Physician	I				M

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

EXECUTIVE OFFICERS

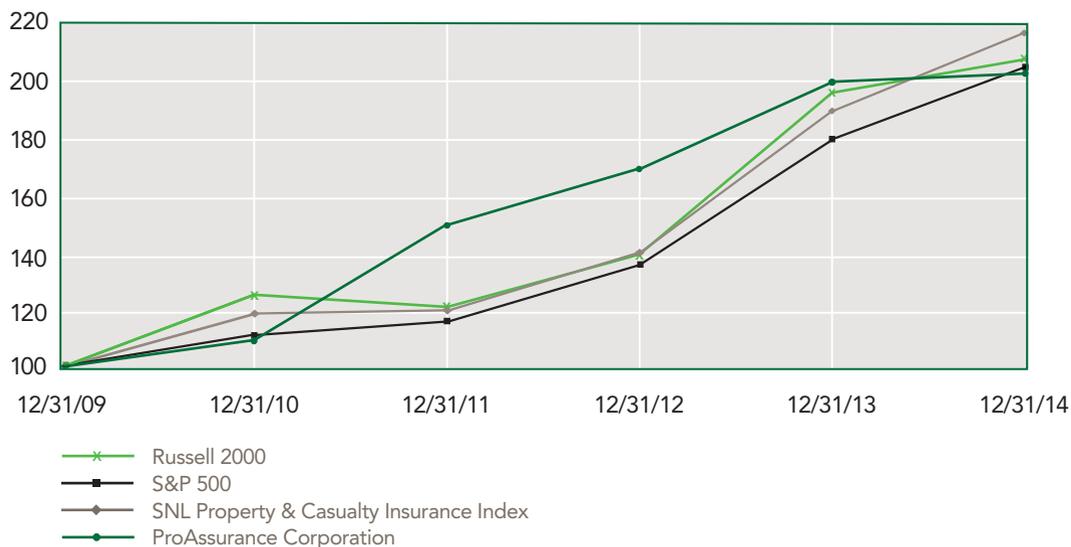
Title

Michael L. Boguski, C.P.C.U.	President, Eastern Insurance Holdings, Inc.
Kelly B. Brewer, C.P.A.	Vice-President and Chief Accounting Officer, ProAssurance Corporation
Howard H. Friedman, A.C.A.S., M.A.A.A.	Executive Vice-President, ProAssurance Corporation, and President, Healthcare Professional Liability Group
Jeffrey P. Lisenby, Esq., C.P.C.U.	Executive Vice-President, Corporate Secretary and General Counsel, ProAssurance Corporation
Frank B. O'Neil	Senior Vice-President and Chief Communications Officer, ProAssurance Corporation
Mary Todd Peterson	President, Medmarc Casualty Insurance Company
Edward L. Rand, Jr.	Executive Vice-President and Chief Financial Officer, ProAssurance Corporation
Ross E. Taubman, D.P.M.	President and Chief Medical Officer, Podiatry Insurance Company of America

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, 2014, 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, 2014. 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

INDEX	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
Russell 2000	100.00	126.86	121.56	141.43	196.34	205.95
S&P 500	100.00	115.06	117.49	136.30	180.44	205.14
SNL Insurance P & C	100.00	119.24	120.55	142.31	188.53	216.52
ProAssurance Corporation	100.00	112.83	149.59	169.75	199.38	202.06

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