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March 21, 2017



nyssa

2017 INSURANCE CONFERENCE

Forward Looking Statements

This presentation contains Forward Looking Statements and other information designed to convey our projections and expectations regarding future results.

There are a number of factors which could cause our actual results to vary materially from those projected in this presentation. The principal risk factors that may cause these differences are described in various documents we file with the Securities and Exchange Commission, such as our Current Reports on Form 8-K, and our regular reports on Forms 10-Q and 10-K, particularly in “Item 1A, Risk Factors.” Please review this presentation in conjunction with a thorough reading and understanding of these risk factors.

Non-GAAP Measures

This presentation contains Non-GAAP measures, and we may reference Non-GAAP measures in our remarks and discussions with investors.

The primary Non-GAAP measure we reference is operating income, a non-GAAP financial measure that is widely used to evaluate performance within the insurance sector. In calculating operating income, we have excluded the after-tax effects of net realized investment gains or losses and guaranty fund assessments or recoupments that do not reflect normal operating results. We believe operating income presents a useful view of the performance of our insurance operations, but should be considered in conjunction with net income computed in accordance with GAAP. A reconciliation of these measures to GAAP measures is available in our regular reports on Forms 10-Q and 10-K and in our latest quarterly news release, all of which are available in the Investor Relations section of our website, Investor.ProAssurance.com.



Business Environment & Strategy Update

March 2017

Reality: Healthcare Costs are the Real Issue

Healthcare

Cost control remains the *real* driver of change in the delivery of care

Care being pushed down to lower cost providers

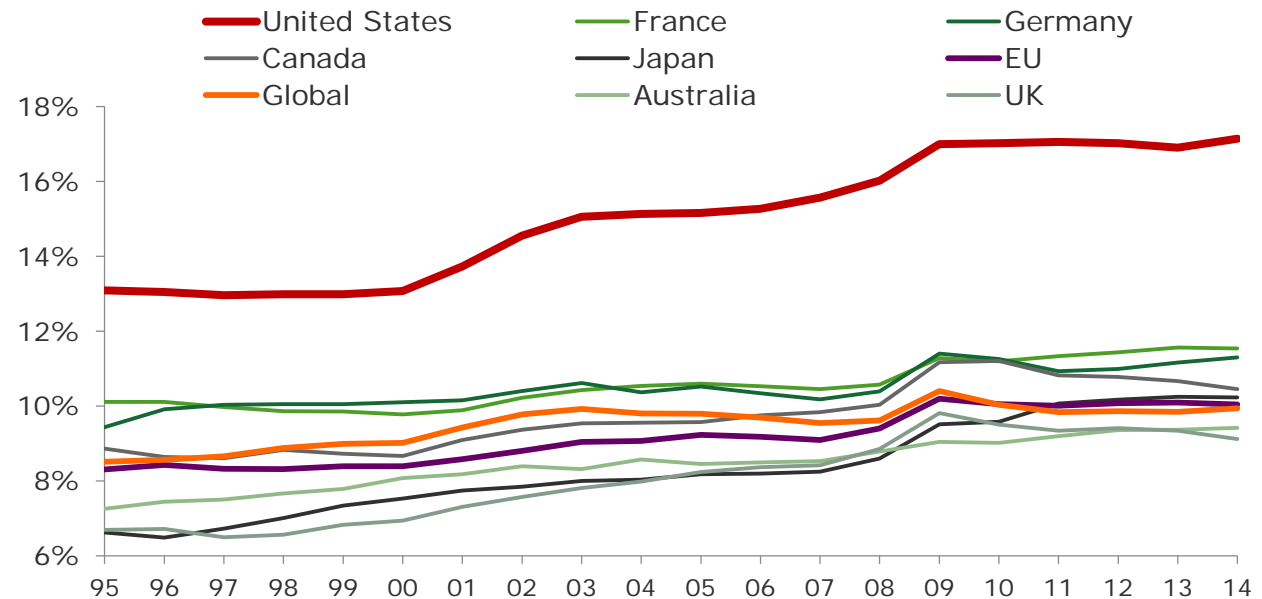
Current spending levels are unsustainable

The Affordable Care Act is a sideshow that does not address rising costs

No perfect model for healthcare delivery has emerged

- ▶ The question is cost vs. care—we can deliver more care than we can afford
 - ▶ Restructuring is producing profound changes in healthcare
- ▶ The U.S. spends a greater proportion of GDP on healthcare and the percentage is increasing

Healthcare Spending as a Percentage of GDP (1995-2014)



<http://data.worldbank.org/indicator/SH.XPD.TOTL.ZS>

Reality: Traditional Practices are Fading

The HCPL Industry

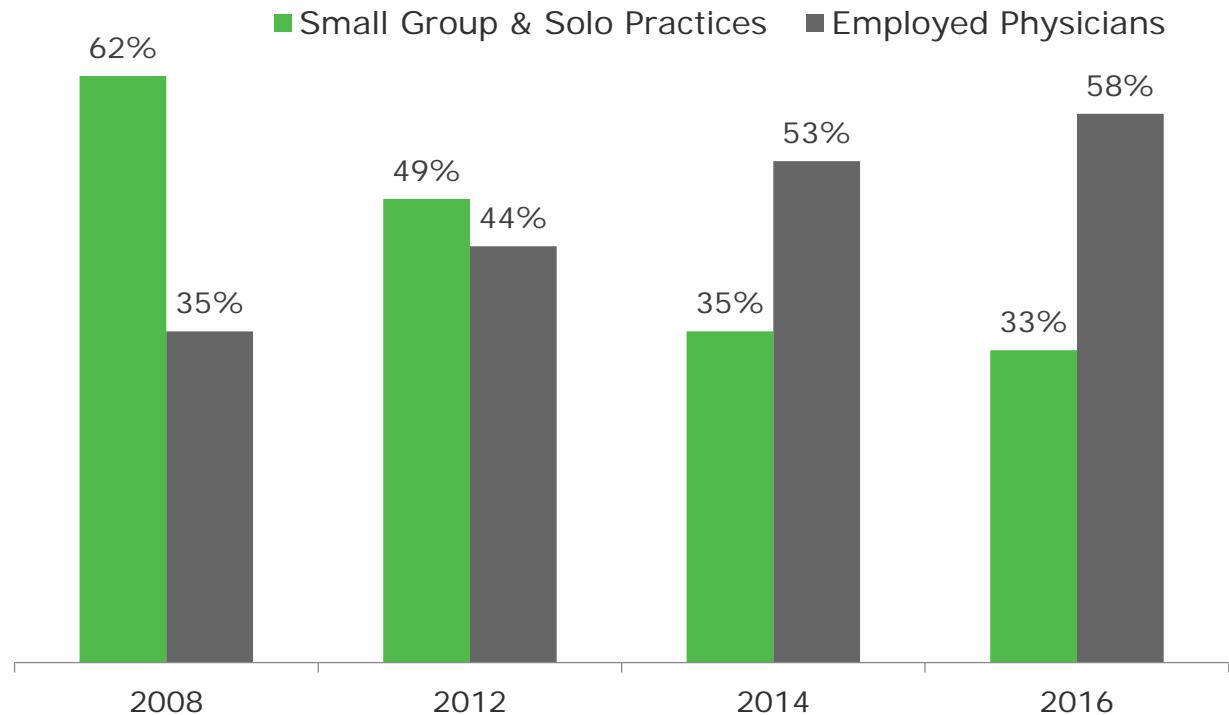
Traditional practices are fading

Excess capital is being used to try to maintain market share at the expense of a sustainable future

Capital & geographic constraints challenge many small insurers

Few companies are able to respond to new coverage demands from emerging delivery models

- ▶ The fork in the road for traditional HCPL companies
 - ▶ Their core markets are disappearing and they do not have the financial size and capability to insure large, more complex risks



Source: 2016 Physicians Foundation Survey of America's Physicians, and prior editions

Reality: ProAssurance Can Meet the Challenges

The HCPL Industry

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No perfect model for healthcare delivery has emerged

The Fork in the Road

For traditional HCPL companies, there can be no status quo given the inevitable evolution of their customer base

ProAssurance

Maintaining discipline & profitability

Expanding product lines through strategic M&A and internal innovation

Covering the full spectrum of healthcare

Addressing all avenues of distribution

Created a sustainable competitive advantage

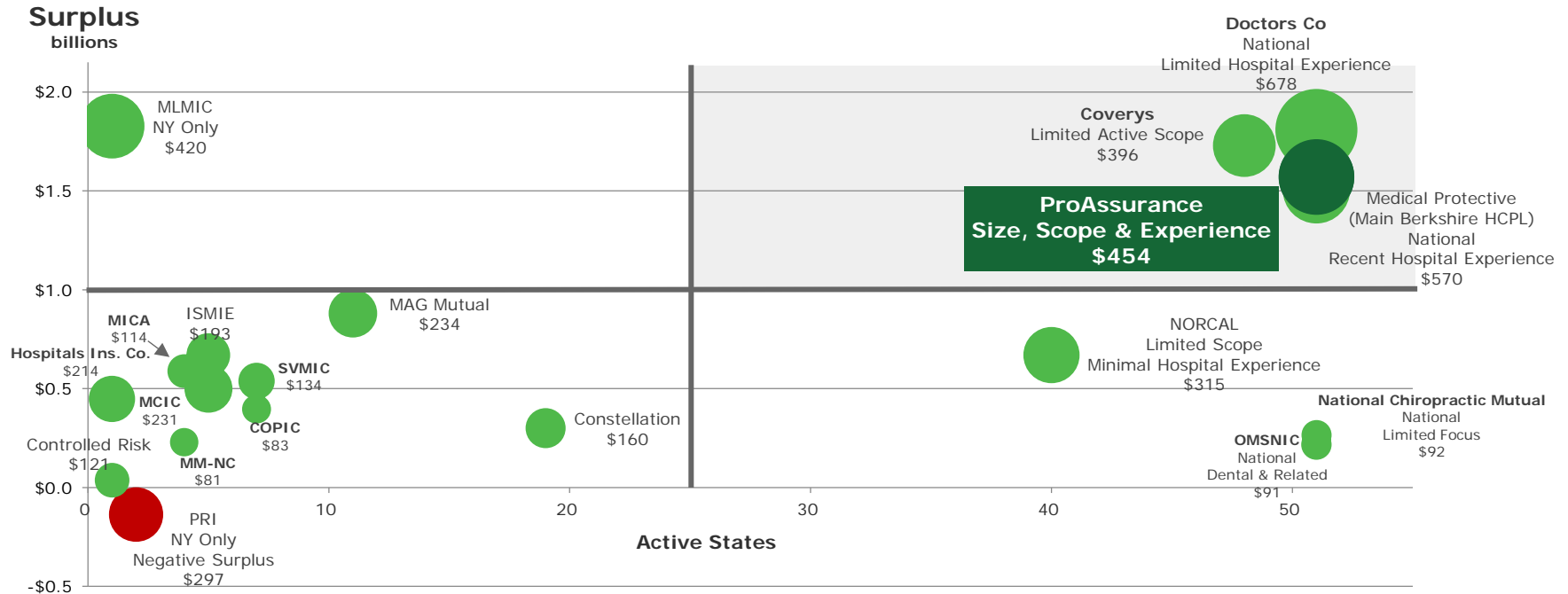
Managing capital effectively

ProAssurance is Positioned to Succeed in HCPL

- ProAssurance has the right combination of geographic scope, broad experience, and financial strength for success in the new world of healthcare liability

Size & Scope of Top HCPL Writers

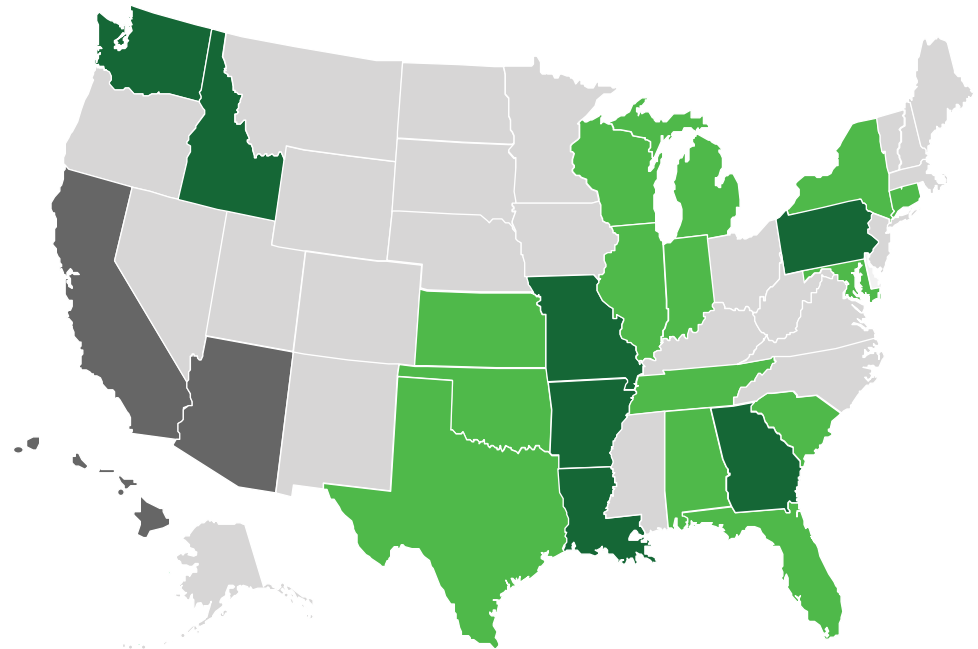
Bubble Size = 2015 Direct Premiums Written in millions



SNL 2015 Statutory Data, >50% HCPL, Direct Written Premiums >\$80 million

Strategic Successes in the Evolving Market

- ▶ The Certitudetm program in partnership with Ascension Health
 - ▶ Shared risk through quota share participation by Ascension's captive on first \$1M
 - ▶ ~2,400 insured physicians
 - ▶ ~\$25.6 million inforce Certitude direct premium
 - ▶ Active in AL, CT, D.C., FL, IL, IN, KS, MD, MI, NY, OK, SC, TN, TX, WI
- ▶ \$35.4 million total *direct* premium from Ascension-related risks
- ▶ CAPAssurance
 - ▶ Partnered with California-based CAP-MPT
 - ▶ Risk sharing by CAP through variable quota share participation on first \$1M
 - ▶ ~\$4.7M of inforce premium, including three hospitals and various facilities



- States with Active Certitude Programs
- Non-Certitude States where Ascension Health Ministries are based*
- States with Active CAPAssurance Policies

*<http://ascension.org/our-work/ascension-health/sites-of-care>

Addressing a Wide Spectrum of Risk Appetites

Traditional Policies

- Primarily agent-sold or direct
- Remains the majority of our business
- Proven performance supports discipline pricing

Transitional

- Risk sharing/high deductible programs control cost and build “sticky” business
- Risk purchasing groups target specific specialties or program business
- Joint physician/hospital policies (ProControl®) address unique risk tolerance and claims expectations of each class of insured

Alternative Risk

- Captive insurance programs allow large, sophisticated healthcare and workers’ compensation customers to control their own insurance programs
- Two joint healthcare professional and workers’ compensation programs are already in place
- Eastern Re brings proven experience and expertise in establishing and operating captives through segregated cells

Coordinated sales & marketing efforts target insureds in these classes for additional products and services

Emerging Strategic Opportunities

ProAssurance Risk Solutions sm

- Proven expertise to address complex risk financing challenges in both healthcare and workers' compensation
- Run-off liabilities in M&A transactions
- Assumption of existing reserve liabilities for large organizations seeking to repurpose capital resources
- Specialized self-insurance plans
- Offers financial flexibility through more efficient securitization/collateralization of self-funded risks

ProAssurance Complex Medicine

- Program for larger entities with self-insured retentions allows us to participate in markets we have not previously addressed
- Proprietary analytics provides advanced underwriting & pricing capabilities in conjunction with Pro-Praxis, an underwriting agency capitalized by Cooper Gay

Leveraging Existing Expertise in New Ways

Syndicate 1729 at Lloyds

- Our 58% participation provides potential access to international medical professional liability opportunities
- Increases flexibility for ProAssurance when working with complex risks
- Primary and excess business can be written
- We expect to leverage Medmarc's expertise in the future to underwrite international medical technology and life sciences risks



Medmarc

- Larger healthcare organizations present greater opportunities to insure activities focused on device and drug development
- Provides ProAssurance and our distribution partners with additional capabilities at the complex end of the healthcare delivery continuum
- Increasing globalization of testing and development efforts are a natural fit with Lloyd's Syndicate 1729

ProAssurance Mid-Continent Underwriters

- Focuses on ancillary healthcare market which is exploding as care is being pushed down to lower cost providers



Sound Execution of Our Strategy in 2016

Financial Results

Key Update: Strong Operational Results

Premium **GROWTH** of **2.8%**, despite a highly competitive marketplace

- ▶ Specialty P&C: +1.8%
- ▶ Workers' Compensation +1.8%
- ▶ Lloyd's Syndicate: +14.5%

New Business: \$96 million (Specialty P&C + Workers' Compensation)

Coordinated **Sales Success:** \$13.6 mil vs \$5.5 mil in 2015

Solidly Profitable: 91.4% Combined Ratio

Premiums to Surplus now at **0.5:1**

Greater Penetration of the **Broker Market**

- ▶ Submissions up 13% y-o-y in healthcare professional liability

Strong Premium Retention in all operating segments



2016 Income Statement Highlights

Strong results from a focused strategy

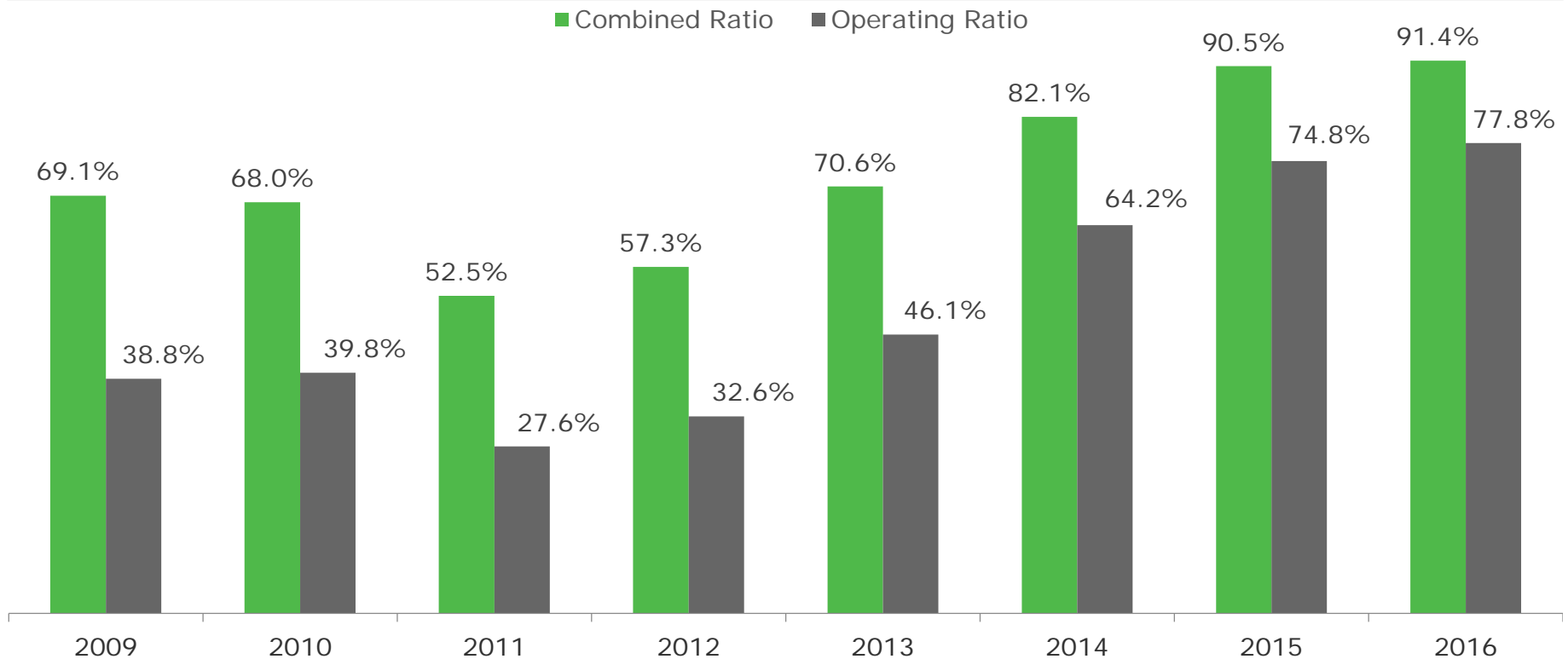
	Three-Months Ended		Year Ended	
	December 31			
	2016	2015	2016	2015
Gross Premiums Written	\$187.5	\$160.9	\$835.0	\$812.2
Net Investment Result	\$25.6	\$26.3	\$94.3	\$112.3
Total Revenues	\$237.7	\$185.9	\$870.2	\$772.1
Net Losses and ALAE	\$107.3	\$92.8	\$443.2	\$410.7
Underwriting & Operating Expenses	\$60.9	\$59.2	\$227.6	\$217.1
Net Income (Includes Realized Investment Gains & Losses)	\$54.8	\$34.9	\$151.1	\$116.2
Operating Income	\$44.4	\$38.8	\$129.8	\$142.6
Operating Income per Diluted Share	\$0.83	\$0.73	\$2.43	\$2.59

In millions, except per share data

Strong Operational Results / Consistent Profitability

- Combined ratio average 2009-2016: 72.7%
- Operating ratio average 2009-2016: 50.2%

Combined Ratio and Operating Ratio History



Key Updates: 2016 Return on Equity & Future Goals

2016 Return on Equity: 8.0%

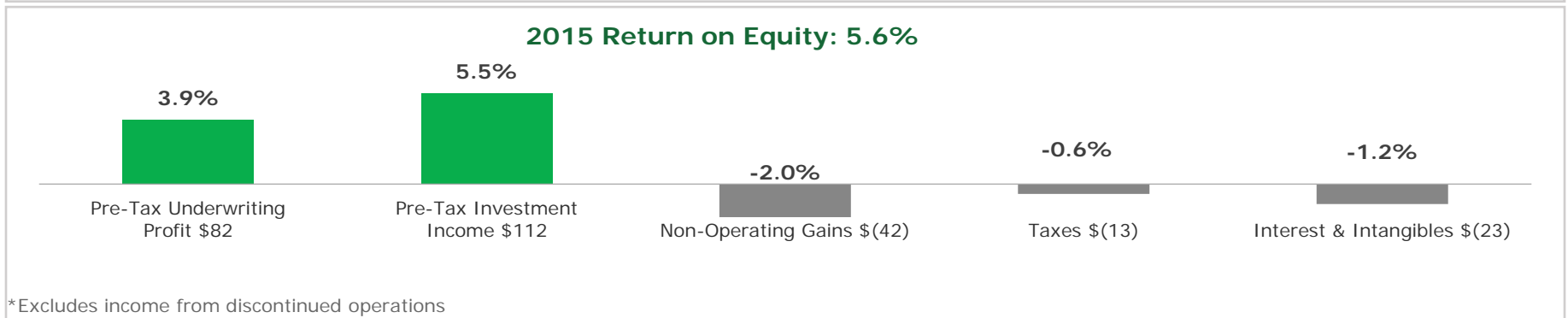
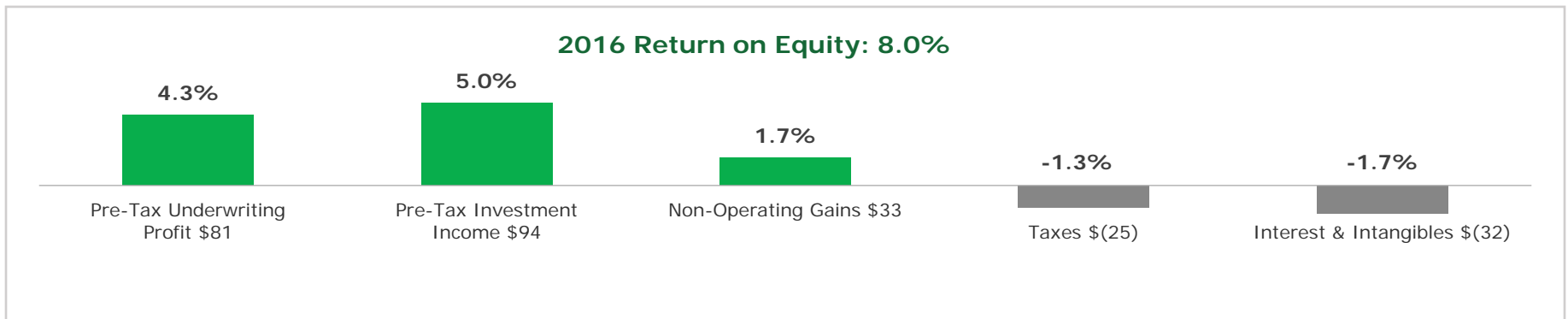
Revising ROE target to **seven points** above the ten-year Treasury rate (risk-free rate)

- ▶ Prior long-term return target of 12%-14% is unrealistic in the current interest rate environment
- ▶ Ten year treasury rate was 2.48% at 2/1/16*, implying a revised **ROE Target** of approximately **9.48%**

Each line of business retains a target of **13% ROE** on **allocated capital**

<https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>

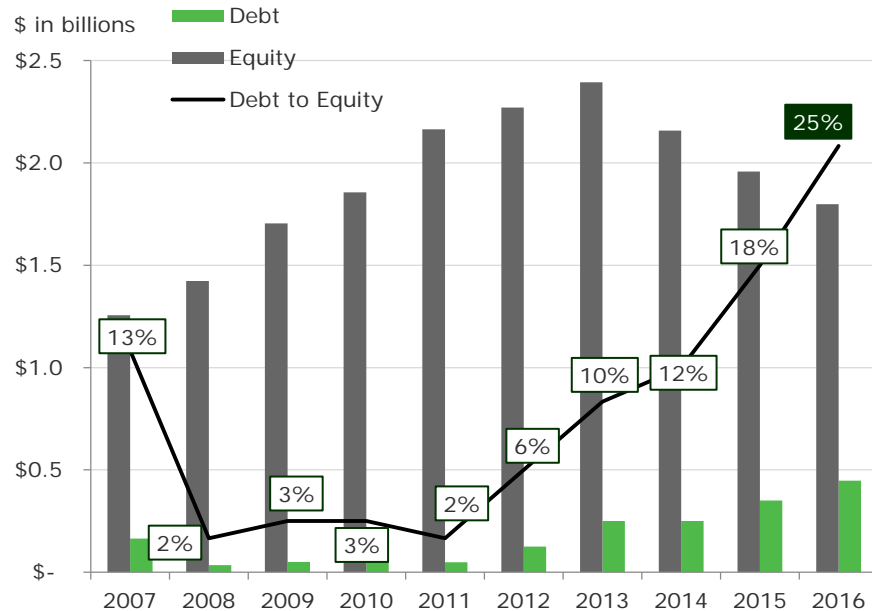
Components of Return on Equity



*Excludes income from discontinued operations

Strong Capital Position and Appropriate Leverage

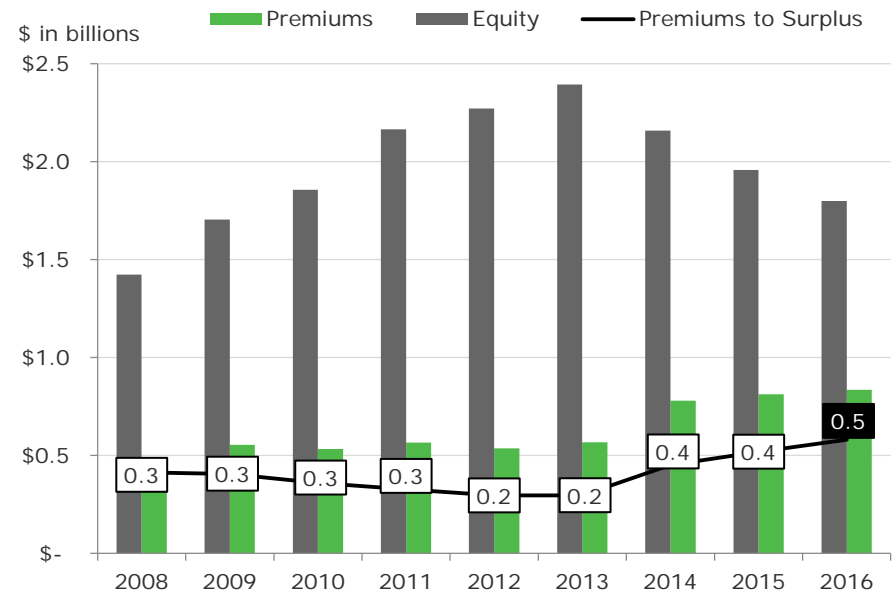
Ten-Year Debt to Equity



▶ \$450 million long-term debt

- ▶ \$250 million 10-year notes due 11/15/2023 @ 5.30% Coupon
- ▶ \$200 million on revolver
 - ▶ Additional \$100 million in secured borrowing from credit facility added in December to fund dividend
 - Additional borrowing will be paid off as collateral matures
 - Collateral earning a higher rate than interest charged

Premiums to Surplus



▶ Committed to enhancing shareholder value through effective capital management

- ▶ Retaining capital needed for an eventual market turn and M&A
- ▶ No Debt Prior to 2001

Subsidiary Dividends to Corporate



Primary source of liquidity



Ordinary dividends permitted without regulatory approval

Amounts and criteria vary by domiciliary state



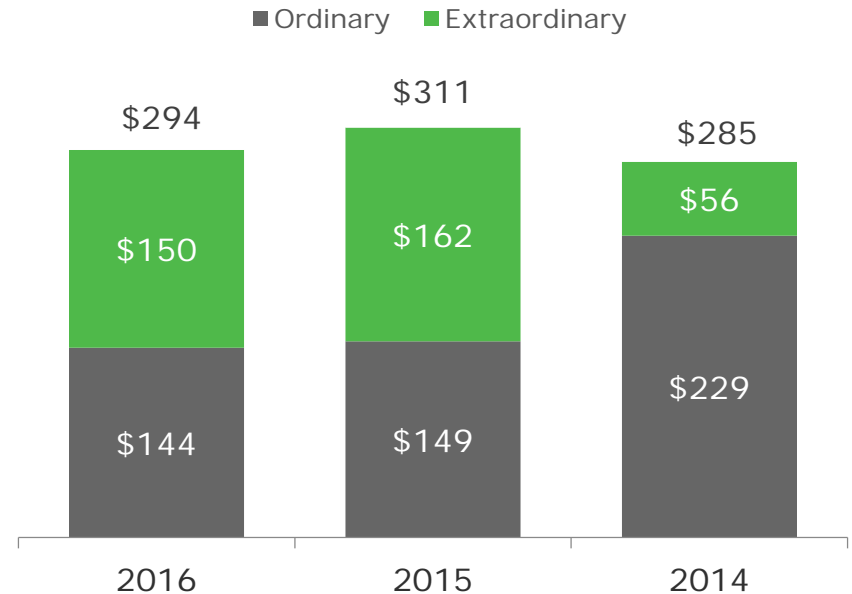
Extraordinary dividends require regulatory approval



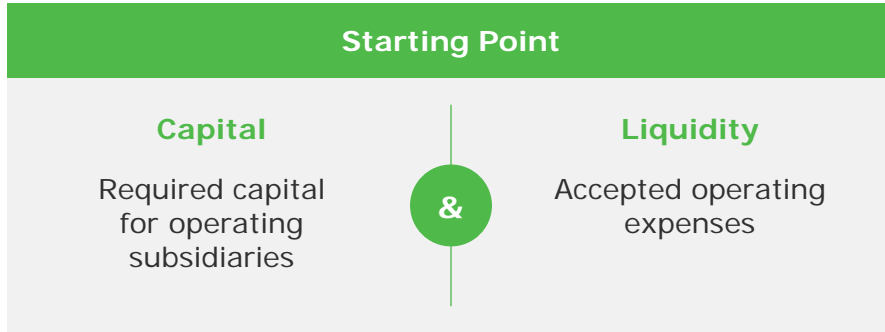
Subsidiary capital requirements play a major role

2017 **ORDINARY** Dividend Capacity is \$174 Million

Subsidiary Dividend History (in Millions)



Capital and Liquidity Decisions



- ▶ All decisions must recognize that we hold significant capital at the subsidiary level to maintain operating company ratings and satisfy regulatory requirements.
- ▶ Dividends from subsidiaries to the holding company are our primary source of liquidity and are paid as allowed given rating and regulatory constraints.



Superb Track Record of Capital Management

Current Management Team's Tenure Began Q2 2007

- ▶ 38% increase in Shareholders Equity*
 - ▶ To \$1.8 billion from \$1.3 billion*
- ▶ \$1.7 billion returned to shareholders through share repurchase and dividends since 2007*
 - ▶ Share repurchase balances share price vs. book value/share
 - ▶ \$110 mln authorized for buybacks at 3/1/2017
 - ▶ Regular quarterly dividend is \$0.31/share
- ▶ \$754 million deployed in transformative strategic acquisitions

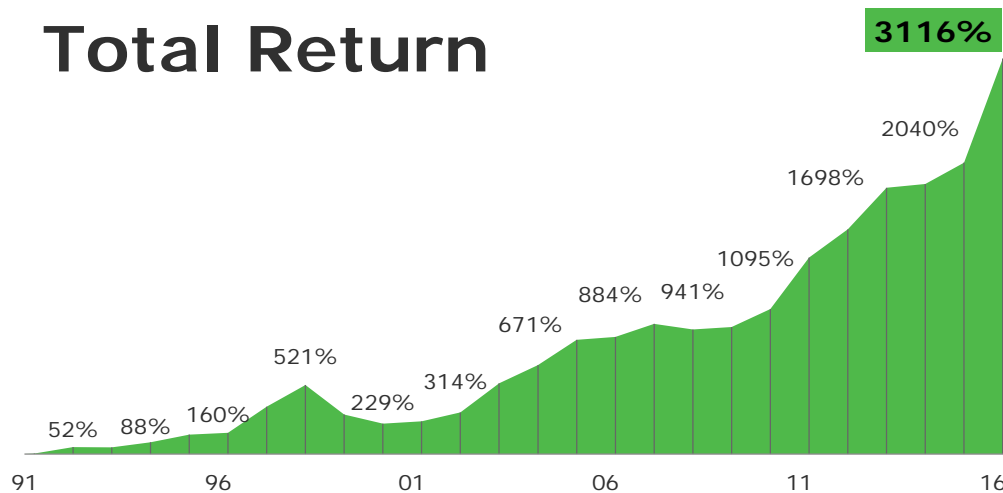
Capital Returned is all declared dividends + share buybacks

* 2017 YTD Information is through March 1, 2017. Calculations regarding dividends declared but not yet paid and capital returned to shareholders are based on outstanding shares at December 31, 2016 as reported in the ProAssurance 2016 10K

At 3/1/17 \$ in 000's					
Year	Dividends Declared*		Share Repurchase	Strategic Acquisitions	Total*
	Special	Regular			
2007	–	–	\$54,201	–	\$54,201
2008	–	–	87,561	–	87,561
2009	–	–	52,045	\$137,800	189,845
2010	–	–	106,347	233,000	339,347
2011	–	\$15,269	21,013	–	36,282
2012	\$154,055	38,411	–	24,000	216,466
2013	–	64,777	32,454	153,700	250,931
2014	150,685	69,779	222,360	205,244	648,068
2015	53,013	66,843	169,793	–	289,649
2016	249,188	65,841	2,106	–	317,135
YTD 17*	–	16,508*	–	–	16,508*
	\$606,941	\$337,428	\$747,880	\$753,744	\$2,445,993
		\$1,692,249			

The Payoff: Consistent Value Creation

Total Return




Scorecard at 3/15/17	Total Return	CAGR
Since Inception (Sep 1991)	3116%	15%
Ten Year (3/15/07 – 3/15/17)	223%	12%
Five Year (3/15/12 – 3/15/17)	87%	13%
YTD 2017	7%	

Stock Price



Scorecard at 3/15/17	Price Change	CAGR
Since Inception (Sep 1991)	2206%	14%
Ten Year (3/15/07 – 3/15/17)	132%	9%
Five Year (3/15/12 – 3/15/17)	35%	6%
YTD 2017	7%	

Source: SNL



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