Best's Rating Report

ProAssurance
Treated Fairly

PROASSURANCE GROUP

100 Brookwood Place, Birmingham, Alabama, United States 35209

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AMB #: 018559	NAIC #: N/A	FEIN #: N/A
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Medmarc Casualty Insurance Co	A+
Noetic Specialty Insurance Co	A+
Podiatry Ins Co of America	A+
ProAssurance Casualty Company	A+
ProAssurance Indemnity Co Inc.	A+
ProAssurance American Mutual	A+
ProAssurance Specialty Ins Co	A+

Financial Strength Rating
AM BEST
A+ Superior

ProAssurance Group

Disclosure Information: Refer to rating unit members for each company's Rating Disclosure Form

Associated Ultimate Parent: 050660 - ProAssurance Corporation

A.M. Best Rating Unit: 018559 - ProAssurance Group

Best's Credit Ratings for Group Members:

Rating Effective Date: September 10, 2018

			Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
AMB#	**Company**		**Rating**	**Outlook**	**Action**	**Rating**	**Outlook**	**Action**
018559	***ProAssurance Group***	***Rating Unit***						
002216	Medmarc Casualty Insurance Co		A+	Stable	Affirmed	aa-	Stable	Affirmed
012468	Noetic Specialty Insurance Co		A+	Stable	Affirmed	aa-	Stable	Affirmed
001832	Podiatry Ins Co of America		A+	Stable	Affirmed	aa-	Stable	Affirmed
002698	ProAssurance Casualty Company		A+	Stable	Affirmed	aa-	Stable	Affirmed
003826	ProAssurance Indemnity Co Inc.		A+	Stable	Affirmed	aa-	Stable	Affirmed
022383	ProAssurance American Mutual		A+	Stable	Affirmed	aa-	Stable	Affirmed
011697	ProAssurance Specialty Ins Co		A+	Stable	Affirmed	aa-	Stable	Affirmed

Rating Rationale:

Balance Sheet Strength: Strongest

- Strongest level of risk-adjusted capitalization based on Best's Capital Adequacy Ratio (BCAR) at the VaR 99.6% level.
- Surplus has declined steadily over the past five years as excess capital is returned to investors.
- Consistently favorable loss reserve development on a calendar year and accident year basis.
- Benefits from the financial flexibility afforded by its parent company, ProAssurance Corporation, which can access the public debt and equity markets.

Operating Performance: Strong

- Operating results remain superior to the industry and the medical professional liability (MPL) composite as measured by returns on revenue & equity and operating ratio.
- Underwriting performance compares favorably to the industry and the composite but is gradually weakening due to declining premium in competitive markets and slowly increasing loss severity.
- Favorable loss reserve development, although still strong, is lower in than prior years.
- Net investment income declined by 46% over the prior five-year period primarily due to reductions in the invested asset base as a result of stockholder dividends.

Business Profile: Favorable

- A leading national provider of medical professional liability insurance in the U.S., covering physicians, physician groups, podiatrists, dentists, chiropractors, hospitals, healthcare systems, clinics, allied professionals, as well as life sciences.

- The consolidated group benefits from additional product diversification, albeit in long-tailed lines of business.
- The group had grown by acquisitions in the past and had a successful track record of partnering with an acquired company's management and integrating them into the ProAssurance family.
- Recently, the group expanded through joint ventures, segregated portfolio cells and as a majority capital provider to Lloyd's Syndicate 1729.

Enterprise Risk Management: Appropriate

- Started formalizing ERM activities in 2009.
- The group ranks its risks in order of impact/likelihood/level of control, which are monitored by an Enterprise Risk Analysis Committee.
- Continuing improvement with quantification of risk individually and in aggregate and with stochastic modeling.
- The framework has expanded to include ERM activities at the corporate level and subsidiary level.

Outlook

The stable outlooks reflect A.M. Best's expectation that the group will maintain the strongest level of risk-adjusted capitalization as measured by BCAR, strong operating performance, favorable business profile and appropriate enterprise risk management.

Rating Drivers

Positive rating action in the near to intermediate term is not anticipated as the ratings are appropriately positioned at the current level. Negative rating actions could occur if the group experiences materially weaker loss experience, reserve deficiency trends, or significant reductions in risk-adjusted capitalization, which could be driven by adverse impacts in the medical professional liability market from pricing competition, tort reform or deteriorating claim loss trends.

Financial Statements:

Balance Sheet:

Consolidated Balance Sheet

Admitted Assets	Year End - December 31			
	2017 ($000)	2016 ($000)	2017 (%)	2016 (%)
Bonds	1,683,581	1,969,030	59.4	63.6
Preferred Stock	2,374	2,374	0.1	0.1
Common Stock	344,640	289,934	12.2	9.4
Cash and Short-term Invest	133,046	127,324	4.7	4.1
Real Estate, Investment	...	...	...	...
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	378,069	375,348	13.3	12.1
Investments in Affiliates	5,131	2,669	0.2	0.1
Real Estate, Offices	-2,206	38,288	-0.1	1.2
Total Invested Assets	2,544,636	2,804,967	89.7	90.6
Premium Balances	137,823	121,620	4.9	3.9
Accrued Interest	17,628	21,115	0.6	0.7
All Other Assets	135,497	148,566	4.8	4.8
Total Assets	2,835,584	3,096,267	100.0	100.0

Liabilities & Surplus	Year End - December 31			
	2017 ($000)	2016 ($000)	2017 (%)	2016 (%)
Loss and LAE Reserves	1,394,259	1,433,002	49.2	46.3
Unearned Premiums	300,656	279,094	10.6	9.0
Derivatives	...	...	...	...
Conditional Reserve Funds	10,570	20,733	0.4	0.7
All Other Liabilities	104,662	105,627	3.7	3.4
Total Liabilities	1,810,147	1,838,457	63.8	59.4
Surplus notes	10,094	10,094	0.4	0.3
Capital and Assigned Surplus	501,699	502,099	17.7	16.2
Unassigned Surplus	513,644	745,618	18.1	24.1
Total Policyholders' Surplus	1,025,437	1,257,811	36.2	40.6
Total Liabilities and Surplus	2,835,584	3,096,267	100.0	100.0

Source: Bestlink - Best's Statement File - P/C, US

Company History:

Date Incorporated: 10/01/1976 **Date Commenced:** N/A **Domicile:** United States: Alabama

ProAssurance Indemnity Company, Inc. was formed as a mutual insurance company, Mutual Assurance Society of Alabama in 1976, to write professional liability insurance for Alabama physicians. The name was later shortened to Mutual Assurance, Inc. The company demutualized in 1991, and later became a subsidiary of Medical Assurance, Inc., an insurance holding company formed in 1996. Numerous acquisitions of smaller medical professional liability insurers pre-dated the 2001 merger that created ProAssurance Corporation; subsequent to that merger, there have been a number of other transactions. The West Virginia Hospital Insurance Company, a West Virginia medical professional liability writer acquired in 1993, was later renamed Medical Assurance of West Virginia, Inc., then Woodbrook Casualty Insurance, Inc. and merged into ProAssurance Indemnity effective December 31, 2008. American Physicians Insurance Company, a leading writer of medical professional liability insurance in Texas and surrounding states, was acquired by ProAssurance in late 2010 and was merged into ProAssurance Indemnity effective September 16, 2011. The NCRIC Group, the leading writer of medical professional liability policies in the District of Columbia, was acquired by ProAssurance Corporation in 2005 and subsequently renamed ProAssurance National Capital Insurance Company. It was merged into ProAssurance Indemnity effective July 1, 2012.

ProAssurance Casualty Company was formed in 1980, as Physicians Insurance Company of Michigan before changing its name first to ProNational Insurance Company, and then to ProAssurance Casualty. It is currently among Michigan's leading providers of medical professional liability insurance, with a greater than 20% share of direct premiums written. The company is also well represented in Florida as a result of the 1998 merger of Physicians Protective Trust Fund (PPTF) into ProNational. ProAssurance Casualty is currently endorsed by various county medical societies and specialty organizations in Illinois, Florida, Michigan and Wisconsin. Physicians Insurance Company of Wisconsin, the leading writer of medical professional liability insurance in Wisconsin, was acquired by ProAssurance in 2006 and subsequently renamed ProAssurance Wisconsin before being merged into ProAssurance Casualty effective December 31, 2011. Independent Nevada Doctors Insurance Exchange was acquired by ProAssurance in 2012 and was merged into ProAssurance Indemnity effective October 1, 2013.

ProAssurance Specialty Insurance Company, Inc.'s. (ProAssurance Specialty) origins date back to 1994, when ProNational formed a wholly owned subsidiary, PICOM Insurance Company of Illinois, to renew a book of physician professional liability insurance formerly written by a physician-owned carrier in that state. This gave the group a significant entry into the Illinois market and broadened the group's spread of underwriting risk. In September 2002, the subsidiary adopted the name of Red Mountain Casualty Insurance Company, Inc., re-domesticated to Alabama and began writing business in several states on an excess and surplus lines basis. The company adopted its current name at the end of 2008, in order to identify better with its parent organization.

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