

# BEST'S RATING REPORT



# PROASSURANCE<sup>®</sup>

Treated Fairly

## PROASSURANCE GROUP

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Allied Eastern Indemnity Co	A+
Eastern Advantage Assurance Co	A+
Eastern Alliance Insurance Co	A+
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 Amer Mut, A RRG	A+
ProAssurance Specialty Ins Co	A+



# 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 26, 2019

AMB#	Company	Rating Unit	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
			Rating	Outlook	Action	Rating	Outlook	Action
018559	<a href="#">ProAssurance Group</a>	<i>Rating Unit</i>						
012527	<a href="#">Allied Eastern Indemnity Co</a>		A+	Negative	Upgraded	aa-	Negative	Upgraded
013861	<a href="#">Eastern Advantage Assurance Co</a>		A+	Negative	Upgraded	aa-	Negative	Upgraded
012115	<a href="#">Eastern Alliance Insurance Co</a>		A+	Negative	Upgraded	aa-	Negative	Upgraded
002216	<a href="#">Medmarc Casualty Insurance Co</a>		A+	Negative	Affirmed	aa-	Negative	Affirmed
012468	<a href="#">Noetic Specialty Insurance Co</a>		A+	Negative	Affirmed	aa-	Negative	Affirmed
001832	<a href="#">Podiatry Ins Co of America</a>		A+	Negative	Affirmed	aa-	Negative	Affirmed
002698	<a href="#">ProAssurance Casualty Company</a>		A+	Negative	Affirmed	aa-	Negative	Affirmed
003826	<a href="#">ProAssurance Indemnity Co Inc.</a>		A+	Negative	Affirmed	aa-	Negative	Affirmed
022383	<a href="#">ProAssurance Amer Mut, A RRG</a>		A+	Negative	Affirmed	aa-	Negative	Affirmed
011697	<a href="#">ProAssurance Specialty Ins Co</a>		A+	Negative	Affirmed	aa-	Negative	Affirmed

## Rating Rationale:

### Balance Sheet Strength: Strongest

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

### Operating Performance: Strong

- Five-year average operating results compare favorably to the medical professional liability (MPL) composite as measured by returns on revenue & equity and operating ratio.
- Underwriting performance in MPL is gradually weakening due to a prolonged soft market reflected in declining premium in competitive markets and slowly increasing loss severity.
- Favorable loss reserve development, although still strong, is much lower than in prior years.

### Business Profile: Favorable

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

- The group benefits from additional product diversification from the Eastern Alliance companies, a specialty workers' compensation underwriter primarily in rural and suburban areas of selected states within the mid-Atlantic, Midwest, Gulf South, and New England regions.
- The group had grown by acquisitions in the past and had a successful track record of partnering with an acquired company's management personnel 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 negative outlooks reflect the prospect that the group's operating performance could trend towards a level that is similar to its peers reflected in the MPL composite, instead of outperforming its peers. AM Best expects the group to maintain the strongest level of risk-adjusted capitalization as measured by BCAR, 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			
	2018 (\$000)	2017 (\$000)	2018 (%)	2017 (%)
Bonds	1,838,420	1,894,146	55.7	56.8
Preferred Stock	5,629	6,113	0.2	0.2
Common Stock	345,120	384,528	10.5	11.5
Cash and Short-term Invest	193,367	151,941	5.9	4.6
Real Estate, Investment	...	...	...	...
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	377,579	406,366	11.4	12.2
Investments in Affiliates	3,109	5,131	0.1	0.2
Real Estate, Offices	-1,891	-2,206	-0.1	-0.1
<b>Total Invested Assets</b>	<b>2,761,334</b>	<b>2,846,021</b>	<b>83.7</b>	<b>85.4</b>
Premium Balances	333,208	305,520	10.1	9.2
Accrued Interest	15,309	19,224	0.5	0.6
All Other Assets	188,222	163,121	5.7	4.9
<b>Total Assets</b>	<b>3,298,072</b>	<b>3,333,885</b>	<b>100.0</b>	<b>100.0</b>
<b>Liabilities &amp; Surplus</b>	<b>Year End - December 31</b>			
	<b>2018 (\$000)</b>	<b>2017 (\$000)</b>	<b>2018 (%)</b>	<b>2017 (%)</b>
Loss and LAE Reserves	1,547,829	1,517,127	46.9	45.5
Unearned Premiums	383,116	362,982	11.6	10.9
Derivatives	...	...	...	...
Conditional Reserve Funds	23,243	16,327	0.7	0.5
All Other Liabilities	312,975	272,354	9.5	8.2
<b>Total Liabilities</b>	<b>2,267,163</b>	<b>2,168,790</b>	<b>68.7</b>	<b>65.1</b>
Surplus notes	10,094	10,094	0.3	0.3
Capital and Assigned Surplus	546,151	545,520	16.6	16.4
Unassigned Surplus	474,664	609,481	14.4	18.3
<b>Total Policyholders' Surplus</b>	<b>1,030,909</b>	<b>1,165,095</b>	<b>31.3</b>	<b>34.9</b>
<b>Total Liabilities and Surplus</b>	<b>3,298,072</b>	<b>3,333,885</b>	<b>100.0</b>	<b>100.0</b>

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.

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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