



ProAssurance Wisconsin
STATE OF THE CORPORATION
February 2010

ProAssurance Wisconsin Insurance Company (PRA Wisconsin) has completed its twenty-third year of operation. Your long-standing support continues to result in affordable coverage, effective loss prevention, and unsurpassed defense against non-meritorious claims for Wisconsin physicians. ProAssurance Wisconsin is proud to continue serving as the Wisconsin Medical Society's exclusively endorsed professional liability carrier, working closely with the Society and its members to help protect and advocate for Wisconsin physicians and the communities they serve.

Name Change Update

During 2009 ProAssurance subsidiaries completed the transition of company names. This was done both to simplify overall identity and unify the family of companies. All ProAssurance Wisconsin business forms and applications have been updated to reflect the new name. Policyholders were notified in early March 2009.

Our Treated Fairly® Commitment

ProAssurance continues to focus on ensuring that physicians, and everyone we encounter, are Treated Fairly®. This is done through our specific efforts to give physicians more control, make processes easier to understand, and help lessen the uncertainties physicians face every day—all while valuing and helping to protect physicians' important professional identities. Our commitment reinforces the key values we share with the Society and leads us to work to protect the interests of our physicians and defend their practice of good medicine. The intensity of this commitment drives ProAssurance Wisconsin more than ever before.

Fairness matters to physicians because most feel defined by their professional identity. They want and deserve to have their hard-won judgment and expertise recognized and respected despite mounting legal, regulatory, and business pressures. Just as physicians make difficult decisions with their patients every day, they expect the same fair treatment and open, honest communication from an insurer—especially when the physician's reputation and record of practice are at stake.

ProAssurance's commitment is to work continuously to ensure fairness for our customers and stakeholders, to understand that all situations are not black and white, to be more transparent in our operations, to simplify processes for our customers and stakeholders, to value your time, and to measure each situation by its specific nature. Our commitment to greater transparency and fair treatment affect not only how the company treats its insureds, but also fuels stronger

relationships with the company's strategic partners—including the Society and its agency, Wisconsin Medical Society Insurance & Financial Services (Wisconsin Medical Society Insurance Services).

Market Conditions

For the third year the medical professional liability market, nationally and in Wisconsin, remains very competitive—with many competitors and questionable pricing. Unsustainable rates may seem like good news for physicians now buying lower priced coverage, but history has taught hard and expensive lessons to those who bought on low price alone. Previous professional liability insurance cycles have shown that physicians can face rapid price increases and a lack of available coverage when conditions change. Many low-priced carriers, historically, have become financially unstable and restricted coverage or abandoned the market and their insureds. In some cases, physicians have had to pay for their defense out of their own pocket, and some have had to pay all or part of judgments levied against them.

To help protect Wisconsin physicians from this outcome, the Society helped establish ProAssurance Wisconsin. The company provides Wisconsin physicians with a history of stable rates, a financially strong carrier, and an unparalleled defense against non-meritorious claims in good times and bad.

Financially-Strong Parent

ProAssurance is well-equipped to weather the present recession with a track record of strong financials, conservative investments, and integrity. A.M. Best again awarded ProAssurance Wisconsin an "A-" (Excellent) rating with a positive outlook in 2009. Additionally, the ProAssurance Group attained an "A" (Excellent) rating in 2009. ProAssurance was also recognized as one of the top performing insurance companies in America by virtue of its inclusion in the 2009 "Ward's 50" (out of 3,000 insurers) for the third consecutive year. The company is also one of the 100 largest property-casualty insurance groups in the nation, based on net written premium, and was named America's Best Mid-Size Insurance Employer by *Business Insurance*.

ProAssurance shares its investment portfolio quarterly on its web site to promote transparency (one of very few companies of our kind to do so), engendering a high degree of insured and investor confidence. We also share Wisconsin claim statistics with you, conduct regular employee meetings on company operations, and produce a monthly agent newsletter to share company information and exchange ideas.

Steady Retention

Policyholder retention was a key market challenge we addressed jointly with the Wisconsin Medical Society Insurance Agency. While retention in 2008 exceeded industry standards, it had dropped below what we typically experience. We successfully increased retention in 2009 to our historical level, improving from 85% in 2008 to 89% in 2009.

We credit much of the improvement in retention to the enhancements made to the 2009 Wisconsin Member Benefit Program (WMBP). WMBP enhancements included:

- Medical Director's Coverage (expanded from standard policy);
- Separate Set of Limits for Contractual Liability Coverage;
- Introduction of Electronic Data Coverage; and
- Increased Premium Credits Available by 5%.

In addition to the WMBP enhancements, agency compensation was increased during 2009. We added an additional 2% commission on physician business for groups of 11 or more physicians and introduced a 2% new business bonus that ran throughout the year.

Policyholder retention through the month of January 2010 continues to be strong, with 100% retention of all large physician groups. MPL base rates will remain unchanged from the previous year, and we have increased WMBP premium credits an additional 2.5%. We also will continue to offer a New Business Commission Bonus program throughout 2010.

Society and Physician Involvement

ProAssurance Wisconsin continues to welcome and seek physician participation. Physicians provide regular input through our Claims and Underwriting Committee, plus the two Wisconsin Regional Advisory Boards—Fox River Valley and Milwaukee—which have continued to meet semi-annually since 2008. PRA Wisconsin risk management consultants worked closely with the Society, providing speakers for its Practice Management Symposium and a *Medical Records and the Law* presentation in 2009. The Society supports ProAssurance Wisconsin risk management by listing its seminars in *Medigram*.

DRconnection

We're excited to join forces with the Medical Society in promoting DRconnection, a knowledge platform for community and practice support. DRconnection will offer a portfolio of services focused on improving quality of care within the practice setting. Through the analysis of benchmarking data, the DRconnection team will identify areas of improvement, customize performance improvement initiatives to address targeted areas, and design insurance solutions that reward improvement based on measurable results. ProAssurance policyholders who take advantage of this unique program also will be eligible to participate in Streamline, an administrative simplification project designed to reduce paperwork and deliver important documents online.

Strong Defense

ProAssurance Wisconsin continues to exceed industry standards for favorable outcomes—even though we try far more cases, including the tough ones. In 2009, ProAssurance Wisconsin won 34 out of 38 trials in Wisconsin—an 89% win record. For 2008, the most recent data available, ProAssurance Wisconsin achieved favorable outcomes substantially above those of Physicians Insurers Association of America (PIAA) member companies. The company's claims defense results sets it apart from its competitors by demonstrating that ProAssurance Wisconsin:

- 1) has coverage priced for vigorous defense against non-meritorious claims, 2) is backed by a financially-stable organization committed to protecting physicians' good medicine and helping them protect their professional identity, and 3) is willing to prove it by sharing company data.

Wisconsin Medical Society Insurance Services agents are using Treated Fairly[®] to better connect with physicians and more effectively position ProAssurance Wisconsin.

ProAssurance Wisconsin continues to find innovative ways to help clients deal with their ever-changing medical liability environments. When agents told us their clients needed an insurance program with more flexibility, we developed ProControlsm, a new program that helps clients manage their medical liability risk by tailoring solutions to each client's unique situation. This program features flexible options, optimal alignment with desired level of risk, recognition for favorable loss experience, and unprecedented control—including a "Demand to Settle" option. ProControlsm can be designed to work with growing physician practices, integrated hospital/physician systems, hospital/physician mergers, and just about everything in between.

Beyond Insurance

ProAssurance Wisconsin supports the Wisconsin Medical Society's advocacy for a strong and stable health care environment, including financial contributions for critical issues—such as the Society's lawsuit to protect the Injured Patients and Families Compensation Fund from government access. The company is also pleased to help sponsor the Wisconsin Medical Society Foundation's annual event. ProAssurance Wisconsin's Chief Operating Officer, David Maurer, has served as a Foundation Trustee since 2001.

As always, thank you for your business and support in the past year. We greatly appreciate working with the Society, its agency, and our loyal policyholders to protect and defend Wisconsin physicians' good practice of medicine and the communities they serve. We look forward to serving you in 2010.