

September 29, 2004

**BY HAND DELIVERY**

Jorge Gomez, Commissioner of Insurance  
Office of the Commissioner of Insurance  
125 S. Webster Street  
Madison, WI 53702

**RE: In the Matter of the Acquisition of Control of Physicians Insurance Company of Wisconsin, Inc. by American Physicians Assurance Corporation**

Dear Commissioner Gomez:

I am the President and Chief Executive Officer of Physicians Insurance Company of Wisconsin, Inc. ("PIC Wisconsin" or the "Company"), the leading insurer of Wisconsin health care providers, in the above-referenced matter. We have reviewed a copy of the Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer, filed recently by American Physicians Assurance Corporation ("APA") with respect to its proposed acquisition of control of PIC Wisconsin.

As an initial matter, PIC Wisconsin objects to APA's request for your Office to complete its review of the Form A in the next 22 days. Based upon our very brief review of the documents filed September 21 by APA, we have very serious concerns about APA's expressed and unexpressed intentions regarding its controlling interest in PIC Wisconsin, APA's financial condition (including its 2003 losses and A.M. Best downgrade), the implications of certain securities fraud litigation pending against APA's parent and some of its officers, its relationship with several of its major shareholders, its history of acquisitions and dispositions of companies, and the effects of its proposed acquisition on the Company, its policyholders and the market for medical liability insurance in this state. PIC Wisconsin intends to present evidence on these and other matters to assist you in performing your regulatory obligations under Wis. Stat. § 611.72, but our staff and advisors will need sufficient time to conduct discovery, analyze the information, and prepare for the hearing in order to present all of the relevant facts to your Office for consideration. Your Office should not permit itself to be rushed to render a decision in a matter of such critical importance to Wisconsin health care providers and the public.

As you know, the medical liability insurance market was in turmoil when PIC Wisconsin was founded in 1986, and the charge from the Wisconsin Medical Society and its House of Delegates at the time was to ensure a stable market with a company that would be financially successful for the long term, while at the same time serving the interests of Wisconsin physicians. PIC Wisconsin has successfully implemented this charge since its founding and has retained its core purpose of serving the interests of Wisconsin physicians, from providing reasonably-priced medical liability insurance to defending its insureds against unfounded claims. At the same time, PIC Wisconsin has kept its A.M. Best A- (Excellent) rating for more than eight years despite difficult market conditions.

Indeed, PIC Wisconsin is acknowledged as being one of the primary reasons that Wisconsin enjoys a stable medical liability insurance market when that market is in crisis or near crisis in almost every other state (including several of those in which APA concentrates its business).

While some physician-owned medical liability insurance companies (like APA) have demutualized or gone public, or both, PIC Wisconsin has held to its core philosophy of continued governance by and for physicians, regardless of the availability of short-term gains. In fact, the Company currently is proposing a partial "mutualization" to ensure the Company's governance by Wisconsin physician policyholders, as part of the Shareholder Value Plan recently proposed by its Board of Directors. APA is seeking to take advantage of that Shareholder Value Plan to shift control of PIC Wisconsin to itself, an out-of-state competitor of the Company.

We believe a hearing on the Form A will demonstrate that this proposed acquisition of control of PIC Wisconsin is contrary to the interests of PIC Wisconsin's policyholders; that the acquisition will negatively affect the business and operation of PIC Wisconsin; that the acquisition will jeopardize the Wisconsin medical liability insurance market, thus making it contrary to the interests of the public in general; that an examination of APA and its business practices will reveal that it is not a fit and proper owner of PIC Wisconsin; and that the manner in which APA solicited proposed sellers of these services may have been in violation of the law. For all these reasons and others, we believe you will be required to disapprove this acquisition under § 611.72(3), and we request that your Office provide us with adequate time to gather and present the facts.

We look forward to attending one or more prehearing conferences in due course, at which we may discuss deadlines for discovery and motions and the conduct of the hearing itself. Thank you for your consideration.

Very truly yours,



William T. Montei  
President and Chief Executive Officer

cc: Steven J. Junior