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HEALTH POLICY STRATEGIES, LLC

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MANAGING PARTNER

July 19, 2005

The Honorable Jorge Gomez
Commissioner of Insurance
Office of the Commissioner of Insurance
125 South Webster Street
Madison, Wisconsin 53702

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OFFICE OF THE
COMMISSIONER
OF INSURANCE

Dear Commissioner Gomez:

When evaluating the proposed purchase of PIC shares by APC, I hope you will critically evaluate the substance and truth of many of PIC's reasons for opposing APC's purchase. It is important to separate PIC management's desire for self-entrenchment and self-enrichment from substantive concerns for PIC policyholders.

PIC seeks to portray itself as a quasi-mutual that exists for the sole purpose of providing a stable source of malpractice insurance to Wisconsin physicians in order to deflect its legal fiduciary duty to shareholders. But PIC was not established as a mutual, nor has it acted like one. Within three years of inception, PIC began offering liability insurance to non-shareholders, and currently the majority of PIC policyholders are non-shareholders. In fact, the majority of PIC policyholders are not even Wisconsin physicians. In a striking contrast to mutuals, PIC's management has established a long-term stock award program, and under the auspices of this program PIC has redeemed shares from executives and board of director members at full book value, while concurrently offering a fraction of book value to rank-and-file shareholders.

The majority of PIC's shareholders are no longer policyholders, which has created an uncomfortable situation for PIC, as its shareholders are becoming increasingly restive and are demanding equitable value for their capitalization of PIC. PIC has responded by attempting two fenced-in mutualizations, the result of each which would have resulted in an entrenched and insulated management. Shareholders rejected the first plan and PIC withdrew the second. Now PIC is claiming that shareholders never expected to see a return on their investment, but there is no basis for this absurd claim.

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orig to RP
cc: FN/Comm/RB/SJ/TV & Co File PIC

First, PIC's long-term stock award program for officers and directors is predicated on appreciation of PIC stock -- if not, the award program would be an oxymoron. Second, PIC's original Offering Prospectus stated on p. 3 -- "The ability of purchasers of Class A Common Stock to obtain any return on their investment will be dependent upon the Company's ability to operate at a profit." PIC never informed potential investors that it did NOT intend to operate at a profit, nor has it subsequently acted in such a manner, and in fact, for years in its Annual Statement to Shareholders, PIC's management talked about its mission to provide shareholders with a solid return on their investment.

PIC has sought to portray itself as being responsible for Wisconsin's attractive malpractice environment, but in reality, PIC has confused the chicken and the egg. Wisconsin has an attractive malpractice environment because of legislation that has established the Patient Compensation Fund and has established statutory caps on damages, and it is this attractive environment that has allowed PIC to thrive. Moreover, PIC has an exclusive endorsement by the Wisconsin Medical Society, and thus has a built-in advantage over other insurers. (In turn, the Wisconsin Medical Society has an exclusive brokerage arrangement with PIC, generating in excess of three million dollars a year in revenues.)

As for APC's acquisition -- as a minority acquisition, its financial condition will not have any affect on PIC's financials. Since APC underwrites only 0.2% of the Wisconsin market, and has agreed to cap its number of policies at this level, its purchase will not create a monopoly. APC has filed notice that it will not seek to change current PIC policies, and has agreed to seek permission from the OCI should it seek to make any changes to PIC's business. I see no way that APC, as an owner of 24% of PIC shares, with only one seat on PIC's Board (assuming it can win this seat), can have an adverse impact on PIC policyholders, nor can I find a reason why it would choose to do so, since PIC policyholders have ample alternative options to PIC. Certainly APC's presence, as an informed investor, will challenge PIC -- but I think that's a good thing. For far too long, PIC's management has been insulated and protected from challenge. As a former PIC policyholder (until retirement) and current shareholder, I feel APC will represent the interests of shareholders like me and will improve the governance and accountability of PIC.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard J. Boxer". The signature is fluid and cursive, with a large initial "R" and a stylized "B".

Richard J. Boxer, M. D.

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