



# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

*Jim Doyle, Governor*  
*Jorge Gomez, Commissioner*

*Wisconsin.gov*

February 28, 2006

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Victor T. Adamo, Esq, CPCU  
President  
ProAssurance Corporation  
100 Brookwood Place, Suite 300  
Birmingham, Alabama 35209

Re: Acquisition of Control of Physicians Insurance Company of Wisconsin Inc. by  
ProAssurance Corporation (Case No. 06-C29893)

Dear Mr. Adamo:

Responses to the following items are requested in connection with this Office's review of the proposed acquisition of control of Physicians Insurance Company of Wisconsin Inc. (hereinafter also, "PIC-WI").

## **Acquisition of PIC-WI**

1. Please describe the process, time frame, and deliberations by ProAssurance Corporation's management and boards of directors concerning the current plan to acquire PIC-WI.
2. Provide copies of the portions of the board minutes of ProAssurance Corporation that relate to deliberations on the proposed acquisition of PIC-WI's shares or related transactions.
3. Please provide page 22 of the Agreement and Plan of Merger as the page was not provided in the filing.
4. How has ProAssurance Corporation estimated the fair market value of PIC-WI in determining what to offer for the shares of PIC-WI? Please provide copies of any management communications that relate to this topic.
5. Please identify the intended benefits to the ProAssurance Group that is expected to be achieved by the proposed acquisition of PIC-WI.

## **Operations**

6. Does ProAssurance Corporation expect PIC-WI to expand or contract its territory of operations? Please provide copies of any management communications that relate to this topic.

7. Which types of insurance programs and services will ProAssurance Corporation expect PIC-WI to seek to expand, reduce or terminate following the proposed change in control? Please provide copies of any management communications that relate to this topic.
8. Does ProAssurance Corporation expect PIC-WI to reduce or terminate services in any region of this State in which it is currently active? Please provide copies of any management communications that relate to this topic.
9. Does ProAssurance Corporation plan to have PIC-WI purchase or sell any books of business over the next twelve months? Please provide copies of any management communications that relate to this topic.
10. As noted in your filing, ProAssurance Corporation while licensed in many of the same jurisdictions as PIC-WI hasn't obtained a similar market presence in several of the jurisdictions. Please explain why the company hasn't either more aggressively pursued business in these jurisdictions or has been unsuccessful in its pursuit of these jurisdictions. You may exclude Wisconsin from your response to this specific question.
11. To what extent does ProAssurance Corporation medical liability rates reflect distinctions specific to individual jurisdictions and to what extent do rates charged reflect cross-jurisdictional pressures common to medical liability market in general.
12. What changes does ProAssurance Corporation expect will occur in regards to PIC-WI concerning the factors determining rate levels? Please provide copies of any management communications that relate to this topic.
13. Are the information technology platforms currently in place at ProAssurance Corporation and PIC-WI relatively compatible? How long is the integration of information technology platforms anticipated to take.

#### **Effect on Wisconsin's Insurance Market**

14. The American Medical Association categorizes Wisconsin as a state that is not in crisis or showing problem signs with respect to medical liability. To what factors does ProAssurance Corporation attribute the relatively stable medical malpractice environment in Wisconsin? Please provide copies of any management communications that relate to this topic.
15. To what extent, if any, does ProAssurance Corporation believe PIC-WI has contributed to the stability of the medical liability market in Wisconsin? Describe ProAssurance Corporation's plans for PIC-WI that may affect PIC-WI's contribution to the Wisconsin medical malpractice market, including, but not limited to, plan for maintaining a relationship with Wisconsin physicians and operating functions aligned with Wisconsin interests and plans for competitive products and rates.
16. What would the proposed acquisition of PIC-WI by ProAssurance Corporation contribute in terms of preserving and enhancing the existing relative stability of Wisconsin's medical malpractice environment? Please provide copies of any management communications that relate to this topic.

17. Please comment on ProAssurance Corporation's view of the current adequacy of medical liability rates being charged in Wisconsin. Please provide copies of any management communications that relate to this topic.
18. Compare and contrast rate levels charged in Wisconsin by ProAssurance Insurance entities with those charged by PIC-WI during the last 3 years.
19. ProAssurance Corporation has several licensed insurance companies in the State of Wisconsin and has not yet written significantly in the state. Does this represent the intended market presence within Wisconsin? If so, please identify the factors contributing to management's determination of this level of market penetration. If not, please identify factors for the company's inability to acquire its intended market share. Please provide copies of any management communications that relate to this topic.
20. In March 2004, ProAssurance purchased the renewal rights to all of OHIC Insurance Company's physician, hospital and healthcare facility business in Indiana, Illinois, Kansas, Kentucky and Wisconsin. As a result of the purchase, OHIC Insurance Company's writings in Wisconsin declined significantly in 2004; however, it was unclear what entity in the ProAssurance group wrote the renewals of this business. Please explain the current status of this renewal business and what, if any, challenges has the group faced with procuring these renewals.
21. How has the proposed acquisition of PIC-WI affected the marketing plans of ProAssurance Corporation in Wisconsin? Please provide copies of any management communications that relate to this topic.
22. How does the proposed acquisition change the business plans of ProAssurance Corporation with respect to marketing in jurisdictions in which they participate or previously intended to participate? Please provide copies of any management communications that relate to this topic.
23. Does ProAssurance Corporation plan to purchase or sell any books of business over the next twelve months? Please provide copies of any management communications that relate to this topic.

#### **The Holding Company System, its Governance and Resources**

24. For each of the following companies in the holding company system of ProAssurance Corporation:
  - a. Medical Assurance, Inc.
  - b. IAO, Inc.
  - c. Medical Assurance of Indiana Agency, Inc.
  - d. Mutual Assurance Agency of Ohio, Inc.
  - e. ProAssurance Group Services Corporation
  - f. NCRIC Corporation
  - g. NCRIC, Inc.
  - h. American Captive Corporation
  - i. National Capital Insurance Brokerage, Ltd.
  - j. National Capital Risk Services, LLC

- k. NCRIC Insurance Agency, Inc.
- l. Healthcare Compliance Purchasing Group, LLC
- m. E-Health Solutions Group, Inc.
- n. NCRIC Physicians Organization, Inc.
- o. Professionals Group, Inc.
- p. MEMH Holdings, Inc.
- q. American Insurance Management Corp.
- r. Professionals National Insurance Co., Ltd.
- s. ProNational Insurance Agency, Inc.
- t. Physicians Protective Plan, Inc.
- u. Professionals Protective Plan, Inc.
- v. Professional Group Services Corp.
- w. PRA Services Corporation

Please provide the following information:

- a. Date of Incorporation
  - b. Financial statements as of the most recent reporting period (unaudited is acceptable, if that's the best available)
  - c. Description of current purpose and activities
  - d. Capitalization structure, including the number of shares authorized, and issued and outstanding for each class of common and preferred stock as well as any debt issued, if any.
25. Please provide us with a copy of the most recent holding company registration statement filed with the Alabama Department of Insurance.
26. On August 3, 2005, ProAssurance Corporation completed its acquisition of NCRIC Group, Inc. Please compare the pre-acquisition anticipated management and employment changes with actual results at this stage of the integration and what is foreseeable at this point. If results varied materially from expectations, please identify cause of deviation.
27. What is ProAssurance Corporation's view of what represents a proper level of capitalization for an insurance subsidiary? How will this view be implemented with respect to PIC-WI.
28. What is the planned level of capitalization for PIC-WI following the change in control? What is the intended form of capitalization, that is, among common stock, preferred stock, surplus notes, gross paid-in and contributed surplus, and unassigned funds?
29. Will the acquisition of PIC-WI trigger any change in control provisions under the terms of any executive employment agreement? What is the anticipated amount of change-in-control payments as a consequence of the proposed acquisition of shares?
30. Please describe material pending litigation in which the parties to the proposed acquisition are involved. Has either ProAssurance Corporation retained independent counsel that is actively representing them concerning these matters? We are not requesting release of attorney-client privileged information or communications, if any, only whether there is active representation by independent counsel on these matters.

31. What is the philosophy of ProAssurance Corporation with respect to entry to and exit from different jurisdictions and market segments?
32. What are the plans under consideration of ProAssurance Corporation concerning commitment to particular lines of insurance, segments of medical malpractice insurance, and particular jurisdictions?
33. Will the existing employees of PIC-WI be transferred to become employees of a different entity within the holding company system? If so, which one(s)?

**Regulatory Matters**

34. Please provide correspondence, if any, with the Alabama Insurance Department or the Michigan Office of Financial and Insurance Services concerning the proposed acquisition.
35. Has ProAssurance Corporation considered any future redomestication of PIC-WI? If so, what is the anticipated time frame?

For the purpose of this letter "management communication" means any recorded communication, including recorded as electronic, email, written or otherwise, between, among, from or to senior management of the company. After you have had an opportunity to review these requests, please contact me to discuss a reasonable time frame in which we may anticipate a response. If you have questions on this or any other matter in which I may be of some assistance, please call me at (608) 267-5297.

Sincerely,



Tim Vande Hey  
Insurance Financial Examiner - Advanced  
Bureau of Financial Analysis and Examinations

cc: Jon C. Nordenberg  
Jack P. Stephenson  
William T. Montei  
Jeffrey B. Bartell