

PLAN OF OPERATION

History

Physicians Insurance Company of Wisconsin, Inc. ("PIC-Wisconsin") was organized under the laws of Wisconsin in 1986. PIC-Wisconsin is a property and casualty insurance company that currently holds licenses in Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Nevada, North Dakota, Ohio, South Dakota and Wisconsin.

ProAssurance Corporation is a specialty insurer with more than \$3.8 billion in assets and \$789 million in gross written premiums. It was formed through the 2001 merger of Medical Assurance, Inc. and Professionals Group, Inc. and now represents the consolidation of twelve prior companies or books of business. As the nation's fourth largest writer of medical professional liability insurance, ProAssurance is a recognized leader in providing medical malpractice coverages for physicians and other health care providers, primarily in the Southeast and Midwest United States.

ProAssurance is also the tenth largest writer of personal auto coverage in Michigan through its subsidiary MEEMIC Insurance Company. On November 7, 2005 ProAssurance announced that it had entered into an agreement to sell MEEMIC Insurance Company. The sale is expected to close in January of 2006 and no further reference will be made to MEEMIC Insurance Company.

States of Domicile

The following ProAssurance companies are domiciled in Alabama: The Medical Assurance Company, Inc., Red Mountain Casualty Insurance Company, Inc. and Woodbrook Casualty Insurance, Inc. ProNational Insurance Company is domiciled in Michigan. NCRIC, Inc. is domiciled in the District of Columbia. American Medical Insurance Exchange is domiciled in Indiana and is a dormant insurance reciprocal.

PIC-WISCONSIN is domiciled in Wisconsin.

Market Focus

ProAssurance, through its admitted insurance company subsidiaries -- The Medical Assurance Company, Inc., ProNational Insurance Company, NCRIC, Inc. and Woodbrook Casualty Insurance, Inc., provide medical malpractice insurance to physicians, physician groups, hospitals and other health care facilities and dentists in 23 states primarily in the Midwest, Southeast and Mid-Atlantic states.

In addition, ProAssurance provides medical malpractice business on an excess and surplus lines basis through Red Mountain in 17 states and through ProNational in 2 states.

PIC-Wisconsin specializes in medical malpractice insurance for physicians, physician groups, hospitals and other health care facilities and dentists. It is the largest medical malpractice insurance provider in Wisconsin and also writes medical malpractice business on an admitted basis in Illinois, Iowa, Kansas, Minnesota, Nebraska, Nevada, and South Dakota.

The following chart is based on 2004 data as reported by the National Association of Insurance Commissioners. It shows the medical malpractice premium and market share for ProAssurance and PIC-Wisconsin in each of their states of operation. There is very little market share overlap between the companies and the proposed merger will not result in an undue market concentration in any state.

State	Historical Data as Reported by National Association of Insurance Commissioners, 2004						ProForma			
	Total Premium (000's)	PIC Wis Premium (000's)	Market Share Rank		ProAssurance Premium (000's)	Market Share Rank		Combined Premium (000's)	Market Share Rank	
Wisconsin	\$ 111,321	\$ 36,998	33.2%	1	\$ 48	-	33	\$ 37,046	33.3%	1
Iowa	99,507	19,470	19.6%	2	468	.5%	21	19,938	20.0%	2
Nevada	92,897	7,780	8.4%	4	-	-	-	7,780	8.4%	4
Illinois	758,729	7,464	1.0%	15	26,902	3.6%	5	34,366	4.9%	4
Nebraska	34,071	2,265	6.7%	5	-	-	-	2,265	6.7%	5
Minnesota	86,949	991	1.1%	12	-	-	-	991	1.1%	12
South Dakota	21,151	190	0.9%	8	-	-	-	190	0.9%	8
Total	\$ 1,511,266	\$ 75,158			\$ 27,418			\$ 102,576		

Ratings

A.M. Best assigns a rating of "A-" (Excellent) to ProAssurance and our principal subsidiaries, The Medical Assurance Company, Inc., ProNational Insurance Company, and Red Mountain Casualty Insurance Company, Inc. Standard & Poor's assigns our principal professional liability carriers a rating of "A-" ("Strong"), and Fitch assigns a rating of "A-" to our subsidiaries The Medical Assurance Company, Inc., ProNational Insurance Company. NCRIC, Inc. is rated B++ and Woodbrook Casualty Insurance, Inc. (formerly known as Medical Assurance of West Virginia, Inc.) is rated B- by A.M. Best. American Medical Insurance Exchange is dormant and is not rated.

Operations

ProAssurance – Current Operations

ProAssurance emphasizes a local approach to its insurance markets. Claims are administered through fourteen local offices and underwriting is handled through six regional underwriting offices.

All underwriting, policy administration and risk management services are performed by company employees. ProAssurance writes exclusively on a claims-made basis. In making underwriting decisions, the training, practice locations, procedures and claims history of the insured are all considered in making the underwriting decision and determining an appropriate rate. Management of claims is performed by the ProAssurance Claims Staff working in the geographic area from which the claim arises. When a claim is filed, coverage is determined under the policy and an independent defense attorney is retained and assigned to all claims in litigation. All policies sold provide third-party liability coverage, rather than first-party coverage; therefore, claims typically involve extensive discovery and litigation and may take several years to be resolved. After appropriate investigation, the focus is on defending claims without merit and settling claims where negligence is present.

Accounting, actuarial, and information systems functions are performed by ProAssurance personnel primarily located in ProAssurance's Birmingham, Alabama headquarters. Investments are managed by independent, professional portfolio managers and overseen by the ProAssurance Investment Committee, made up of senior management. Virtually all investments are in high-quality, fixed-maturity securities. A copy of ProAssurance's investment guidelines is attached as Appendix A.

Reinsurance for medical professional liability claims is maintained on an excess-of-loss basis with a retention of \$ 1 million per claim. The reinsurance program is placed on a syndicated basis, utilizing reinsurers in the United States, Bermuda and Europe. Reinsurance contracts provide capacity to write policy limits of up to \$16 million and facultative reinsurance is utilized in the event additional capacity is required for specific risks.

Sales activities are conducted primarily on a direct basis in two states and through independent agents in all other states. Agency business is by a select number of independent insurance agents who are familiar with the respective marketplace. Agents do not have binding authority except with the prior approval from the Company. Agents are paid a set commission rate on all lines of business that they are authorized to write. Agents are required to provide proof of E & O insurance and a background check is done on each agent before they can be considered to represent the company.

PIC-Wisconsin – Current Operations

PIC-Wisconsin's operations are performed out of its office in Madison, Wisconsin.

All underwriting, policy administration, and risk management is done by PIC-Wisconsin employees located in its Madison, Wisconsin office. PIC-Wisconsin writes primarily claims-made coverage, but offers occurrence coverage to Wisconsin physicians and hospitals and to dentists in several states. In making underwriting decisions, the training, practice locations, procedures and claims history of the insured are all considered in making the underwriting decision and determining an appropriate rate.

PIC-Wisconsin claims management for all states is also located at its Madison, Wisconsin headquarters. Claims are handled similarly from state to state. Coverage is determined by referencing the policy and an independent defense attorney is retained and assigned to all claims in litigation. All policies sold provide third-party liability coverage, rather than first-party coverage; therefore, claims typically involve extensive discovery and litigation and may take several years to be resolved. Claims without merit are defended and claims involving clear negligence are settled.

PIC-Wisconsin's support functions such as accounting, and information systems functions are performed by PIC-Wisconsin personnel headquartered in Madison, Wisconsin. Investments are managed by independent, professional portfolio managers and overseen by the PIC-Wisconsin Treasurer and Investment Committee.

Reinsurance for medical professional liability claims is maintained on an excess-of-loss basis with a retention of \$500,000 per claim. The reinsurance program is placed on a syndicated basis, utilizing reinsurers in the United States and Europe. Reinsurance contracts provide capacity to write policy limits of up to \$6 million, with additional facultative limits available.

PIC-Wisconsin sells its products in Wisconsin primarily through an agency owned by the Wisconsin Medical Society and through independent agents. Business outside of Wisconsin is written through a select number of independent insurance agents who are familiar with the marketplaces in which they operate. Agents do not have binding authority except with the prior approval of PIC-Wisconsin. Agents are paid a set commission rate on all lines of business that they are authorized to write. Agents are required to provide proof of E & O insurance and a background check is done on each agent before they can be considered to represent the company.

Post Merger

Post merger, it is the intent of ProAssurance to continue PIC-Wisconsin as a Wisconsin domiciled insurer and maintain its strong presence in the Wisconsin and allow it to continue to service its core market. PIC-Wisconsin will serve as ProAssurance's Northwest regional office.

ProAssurance intends to locate underwriting, policy administration, and risk management operations for Wisconsin, Iowa, Minnesota, Nebraska, Nevada and South Dakota into the PIC-

Wisconsin office in Madison, Wisconsin. Any admitted business currently written by the ProAssurance in these states will be transferred to Madison for policy administration.

The existing PIC-Wisconsin Claims office in Madison will remain in place.

Underwriting, policy administration, and risk management for the Illinois business of PIC-Wisconsin will be consolidated into the ProAssurance underwriting office located in Okemos, Michigan and claims will be serviced by the existing ProAssurance claims office in Lisle, Illinois.

The basic policy forms and coverage provided by ProAssurance and PIC-Wisconsin are substantially similar in coverage and application. These forms will be further evaluated over the first year post merger and if necessary, any changes to the forms will be filed in accordance with state rules and regulations. Both companies write medical malpractice primarily on a claims-made basis and follow a similar policy structure that provides for a free tail in the event of death, disability, and retirement.

ProAssurance intends to continue to write all Wisconsin business through PIC-Wisconsin as a statutory company. At this time, a decision has not been made as to which statutory entity will be utilized to write the PIC-Wisconsin and ProAssurance business outside of Wisconsin. All local offices of ProAssurance have the ability to issue coverage through any of the ProAssurance statutory entities; and, accordingly, the Madison office will have access to the other ProAssurance statutory admitted companies. Initially, the business will continue to be written through the current companies. In the future, business may be transferred between companies upon policy renewal, with these decisions based primarily on the capacity and rating agency considerations. For any insureds that are ultimately moved from one carrier to another carrier within the ProAssurance group, tenure with the prior company will be honored for purposes of a free tail due to Death, Disability or Retirement.

Based primarily on ProAssurance's needs as a publicly traded company and subject to Sarbanes-Oxley Act control requirements, it is the policy of ProAssurance to have a centralized accounting operation for its medical malpractice business. The PIC-Wisconsin accounting staff will complete accounting for 2006 in Madison, Wisconsin and a transition plan will be put in place to transfer ongoing accounting functions to Birmingham on or after January 1, 2007. At that time, a request will be made of the Wisconsin Commissioner for permission to relocate the books and records of PIC-Wisconsin to Birmingham, Alabama. Assurances will be made that all books and records will continue to be available for any regulatory exam conducted after that point. The accounting functions have been successfully integrated by ProAssurance in the Medical Assurance /Professionals Group merger that took place in 2001 and most recently in the ProAssurance/NCRIC merger. Following the same strategy, current ProAssurance personnel will work closely with the current PIC-Wisconsin personnel to effect the transition. As with the prior mergers, it is anticipated that certain PIC-Wisconsin personnel in these departments will be offered positions with ProAssurance. ProAssurance will work with employees who are not offered positions to assist through severance benefits and outplacement services to assist them in locating a new position.

At the anniversary of PIC-Wisconsin's reinsurance program, January 1, 2007, it is anticipated that PIC-Wisconsin will become reinsured under the ProAssurance reinsurance program. As

described above, the ProAssurance program is similar to the existing PIC-Wisconsin program, placed on an excess-of-loss basis, but with a retention of \$1 million per claim.

PIC-Wisconsin

Business in Wisconsin and other PIC-Wisconsin states will continue to be marketed through the current distribution system. In Illinois, ProAssurance will appoint the current PIC-Wisconsin agents and respect the ownership rights the agents possess in their PIC-Wisconsin book of business, subject to normal transfer of business procedures. In other states, in the event that a ProAssurance company other than PIC-Wisconsin is used to write this business, ProAssurance will appoint the current PIC-Wisconsin agents to write on behalf of the appropriate ProAssurance company. As there is some overlap of common agents already utilized by the two entities, the transition of agents is anticipated to be smooth. Background checks, as required by law, will be performed on all new agents and any other agents where the process has not been completed.

Agents who are not already a party to the ProAssurance form of agency agreement, will be requested to adopt that form of agreement.

Transition/Integration

Given its recent merger with NCRIC and several other mergers that occurred in the past, ProAssurance understands the delicate nature of mergers and the effect they have on the personnel involved. ProAssurance has historically been fair and reasonable in providing advance notice, severance and job placement services for any employees who have their positions eliminated. The dual goals of ProAssurance are to avoid any disruption in insurance operations and to treat employees with understanding and respect.

All PIC-Wisconsin officers are covered by change of control agreements that range from six months to two years, depending on the position. ProAssurance will assist PIC-Wisconsin in extending retention/severance agreements to staff that have a likelihood of job elimination or transfer as a part of the merger. The agreements will offer monetary incentives for the employees to remain in place during the transition period and will then provide severance benefits and outplacement services should their job be eliminated.

Pursuant to the Merger Agreement, PIC-Wisconsin Board members will be offered a Consulting, Confidentiality and Non-Competition Agreement. A copy of the Agreement is attached as Appendix B.

Intercompany Agreements

Expense Sharing

It is anticipated that ProAssurance will enter into an expense sharing agreement with PIC-Wisconsin to establish a method to allocate direct and indirect expenses for statutory and financial purposes. ProAssurance currently has an expense sharing agreement between its

insurance subsidiaries including Medical Assurance, ProNational, Woodbrook Casualty, Red Mountain, NCRIC and their respective parent companies. A Notice on Form D will be filed with the appropriate insurance regulatory authorities with respect to the expense sharing agreement and the effective date of such agreement will be subject to and conditioned upon the permission or approval of such regulatory authorities. A copy of the current ProAssurance Expense Allocation Agreement is attached as Appendix C.

Management Services

ProAssurance has in place a Management Services Agreement between all of its insurance subsidiaries in order to achieve administrative and other economies. It is anticipated that PIC-Wisconsin will become a part of this agreement and that ProAssurance will provide accounting and administrative services as required for PIC-Wisconsin and its subsidiaries. A Notice on Form D will be filed with the appropriate insurance regulatory authorities with respect to the management agreement and the effective date of such agreement will be subject to and conditioned upon the permission or approval of such regulatory authorities. A copy of the current ProAssurance Management Services Agreement is attached as Appendix D.

Tax Sharing

It is also anticipated that ProAssurance will file a consolidated federal income tax return with PIC-Wisconsin and its respective subsidiaries after the merger. Such companies propose to enter into a Tax Sharing Agreement to allocate the tax liability and benefits among the companies included in the consolidated group. A Notice on Form D will be filed with the insurance regulatory authorities in each state where ProAssurance's insurance subsidiaries are domiciled with respect to the Tax Sharing Agreement and the effective date of such agreements will be subject to and conditioned upon the permission or approval of such regulatory authorities. A copy of the current ProAssurance Tax Allocation Agreement is attached as Appendix E.

LIST OF ATTACHMENTS

Appendix A	ProAssurance Investment Guidelines
Appendix B	Consulting, Confidentiality and Non-Competition Agreement
Appendix C	ProAssurance Expense Allocation Agreement effective 1/1/06
Appendix D	ProAssurance Management Services Agreement effective 1/1/06
Appendix E	ProAssurance Tax Allocation Agreement effective 9/1/05