

April 3, 2006

Mr. Tim Vande Hey  
Insurance Financial Examiner – Advanced  
Bureau of Financial Analysis and Examinations  
125 South Webster Street  
Madison, Wisconsin 53707-7873

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

Dear Mr. Vande Hey:

Thank you for your letter of March 29, 2006 in regards to the above captioned matter. The following information is in response to the items in your letter that were requested in connection with your Office's review of the proposed acquisition of control of Physicians Insurance Company of Wisconsin Inc. (hereinafter also, "PIC-WI").

- 1. In your response letter dated March 6, 2006, you indicated that current plans were to retain PIC-WI's surplus note. Please explain the rationale for maintaining the surplus note as the original intent of the surplus note related to a capitalization plan that appears no longer relevant to the company going forward.**

According to Article XIV, Section 14.01 of the Indenture for the PIC-WI surplus notes, (in the absence of an unfavorable "Tax Event," as defined in the indenture), the notes cannot be redeemed prior to May 24, 2009. If a "Tax Event" occurs, the Company may redeem the notes at a substantial financial penalty. Tax Event is defined in the Indenture as follows:

*“Tax Event” means that the Company shall have received an opinion of a nationally recognized independent tax counsel experienced in such matters to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws or any regulations thereunder of the United States or any political subdivision or taxing authority thereof or therein, or (b) any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or which pronouncement or decision is announced on or after the date of the original issuance of the Surplus Notes, there is more than an insubstantial risk that, if the Company is organized and existing under the laws of the United States or any state thereof or the District of Columbia, interest payable by the Company on the Surplus Notes is not, or within 90 days of the date of such opinion will not be, deductible by the Company, in whole or in part, for United States federal income tax purposes.”*

Accordingly, we do not foresee redeeming the surplus notes prior to May 24, 2009. We will evaluate redemption of the notes as that date approaches.

- 2. Please provide legal justification as to the transferability of PIC-WI outstanding shares of common stock. Your response should include discussion related to the original intent of transferability of the outstanding common shares of PIC-WI stock and any provisions and/or communication that you are aware of that were meant to restrict the transferability of the shares.**

The transferability of the PIC-WI shares is addressed in the attached letters from counsel. Jeffrey B. Bartell, Esq., counsel for PIC-WI addresses the question in PIC-WI’s historical context. Jack P. Stephenson, Jr., counsel for ProAssurance addresses the question in the context of the exchange of the shares as a part of the proposed transaction.

- 3. Nursing homes that are operated as a single entity with a hospital are required to participate in the Wisconsin Injured Patients & Families Compensation Fund (WI Compensation Fund) and to have their primary coverage with a licensed carrier. Currently, the majority of these nursing homes have their primary coverage placed with PIC-WI. Does ProAssurance Corporation intend to maintain this coverage? Please comment on ProAssurance Corporation’s evaluation of this block of business and how you expect your decision to impact the nursing homes’ ability to obtain this required coverage.**

ProAssurance intends for PIC-WI to continue to offer the referenced coverage in Wisconsin. ProAssurance is familiar with the maintenance of long-term care beds by licensed hospitals and insures such risks as a part of its hospital book of business.

4. **PIC-WI currently provides coverage to some Wisconsin physicians that render medical services on a part-time basis in Illinois. Generally, these physicians also have WI Compensation Fund coverage in excess of their primary limits. In the proposed post merger “Plan of Operation,” underwriting, policy administration, and risk management for the Illinois business of PIC-WI will be consolidated into ProAssurance Corporation’s underwriting office in Okemos, Michigan, and the claims function will be consolidated into ProAssurance’s Corporation’s existing Lisle, Illinois office. Please identify which claims office will handle the claim of a Wisconsin doctor practicing in Illinois, if a suit is filed in Illinois. Will the claim stay with the office/region that issued the policy or will it be handled by the office that manages the Illinois claims?**

Wisconsin domiciled risks with incidental cross border exposures will continue to be underwritten and serviced by the Madison office of PIC-WI. However, should a claim arise in Illinois, that claim would be handled through the ProAssurance Illinois claims office located in Lisle, Illinois in consultation with the Madison office.

ProAssurance believes that claims are best handled by the local office that is most familiar with that particular jurisdiction. It is customary in the ProAssurance system that the local office serving a particular claims venue will handle a claim in that venue even if it is underwritten in a different location. ProAssurance currently has 13 claims offices and several other single person claim operations located in various jurisdictions.

We also note that, for example, should an Illinois insured of ProNational Insurance Company be sued in Wisconsin, that claim would be handled by the Madison office.

All of the ProAssurance insurance companies act cooperatively in this and other regards pursuant to the Expense Allocation Agreement and Management Services Agreement that are attached to the Form A as Exhibits B and C, respectively.

5. **PIC-WI currently has a well regarded risk management program in place for its insureds. Please identify whether ProAssurance Corporation will maintain this specific program as it currently exists, or whether changes are anticipated to the program.**

ProAssurance intends to maintain a strong PIC-WI risk management presence in Wisconsin. Both ProAssurance and PIC-WI view risk management as an integral part of the service provided to healthcare clients so as to assist them to mitigate risks and, in turn, lower liability costs.

In all of our principal jurisdictions, ProAssurance endeavors to maintain a strong risk management presence. ProAssurance's risk management department is led by our Medical Director who is an M.D. The risk management staff is comprised of 30 staff positions including 17 risk management professionals and three risk management vice-presidents, one resident in Okemos, Michigan, one resident in Washington, D.C., and one resident in Birmingham, Alabama.

In sum, we intend to maintain PIC-WI's risk management program, but that program will change and be strengthened -- as will the programs in all of our states -- as we combine the expertise of ProAssurance and PIC-WI.

Sincerely,

A handwritten signature in black ink, appearing to read "Victor T. Adamo", with a horizontal line extending to the right.

Victor T. Adamo

VTA/lm



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April 3, 2006

Jack P. Stephenson, Jr.  
Burr & Forman LLP  
420 N. 20th Street, Suite 3100  
Birmingham, Alabama 35203

**RE: ProAssurance Form A Proceeding**

Dear Jack:

Because we represented PIC Wisconsin during its initial capitalization and have continued to serve as its general counsel, you have asked us to respond to one of the inquiries in the letter dated March 29, 2006 from Tim Vande Hey of OCI to Vic Adamo of ProAssurance relating to ProAssurance's Form A filing. Mr. Vande Hey asked for information regarding the transferability of PIC's shares and the reasons for any transfer restrictions.

For the first few years of PIC Wisconsin's existence, physicians could not purchase insurance from PIC Wisconsin without also purchasing stock in the company. The initial public offering of the Company's common stock to those physicians was made under the "intrastate offering" exemption from registration and Rule 147 of the federal Securities Act of 1933. As stated in the Prospectus for the offering, the provisions of that exemption:

"... require, among other things, that offers and sales may be made only to persons resident in Wisconsin, that resales must be limited during the offering and within nine months thereafter to Wisconsin residents, that a legend be placed on the stock certificates stating that the securities are not registered with the Securities and Exchange Commission and setting forth limitations on resale described above, that investors affirm their Wisconsin residency, and that the transfer agent of the stock comply with all transfer restrictions described above."

Most of PIC's outstanding shares are evidenced by certificates that include a legend reflecting this transfer restriction. The legend was meant to assist PIC Wisconsin in preserving the federal securities law exemption, requiring an opinion of transferor's counsel that the transaction will not impair the exemption. PIC's initial public offering ended in January, 1990. Therefore, the rationale for this limitation on transfer expired nine months after the end of the

Jack P. Stephenson, Jr.  
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offering, and the original transfer restriction was no longer applicable after October, 1990. Since that time the Company has not required any transferor to provide an opinion of counsel.

In November, 2004, PIC Wisconsin entered into a shareholder rights agreement (the "Rights Agreement") to protect its shareholders from takeover attempts on terms that are not acceptable to PIC's board of directors. In general, the Rights Agreement imposes a significant penalty upon any person, group or company, unless exempted, that acquires or enters into an agreement to acquire 15% or more of the outstanding PIC Wisconsin common stock. In light of the adoption of the Rights Agreement, beginning in late 2004, PIC Wisconsin began issuing certificates upon requests for transfer that included both the original legend and a legend making reference to the Rights Agreement.

As is customary in board-approved transactions, PIC Wisconsin amended the Rights Agreement to exempt ProAssurance, the Agreement and Plan of Merger between PIC Wisconsin and ProAssurance (the "Merger Agreement") and the merger from the Rights Agreement penalty, and to provide that the Rights Agreement will terminate in all respects immediately prior to the effective time of the merger. Thus, holders of rights under the Rights Agreement will not be able to exercise those rights as a result of the Merger Agreement and the merger.

As you know, under state and federal securities laws, the transferability of a security may depend upon the particular transaction. Based upon a review of the Merger Agreement, the Form S-4 registration statement and the applicable federal and state law, it is our opinion there are no restrictions on the transfer of PIC Wisconsin stock that would affect or limit the exchange of any shares of PIC stock for ProAssurance stock as contemplated by the Merger Agreement.

Very truly yours,

QUARLES & BRADY LLP



Jeffrey B. Bartell

JBB:bjl  
740266.00035  
cc: William T. Montei

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# BURR & FORMAN LLP

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March 31, 2006

Office of the Commissioner of Insurance  
State of Wisconsin  
125 South Webster Street  
Madison, Wisconsin 53707-7873

Attention: Mr. Tim Vande Hey  
Insurance Financial Examiner  
Bureau of Financial Analysis and  
Examination

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

Dear Mr. Vande Hey:

We have acted as corporate and securities counsel for ProAssurance Corporation ("ProAssurance") in connection with its proposed acquisition of control of Physicians Insurance Company of Wisconsin, Inc. ("PIC-Wisconsin") pursuant to the terms of the Agreement and Plan of Merger between ProAssurance and PIC-Wisconsin dated December 8, 2005, as amended February 14, 2006 (the "Merger Agreement"). We have been asked to respond to the request for additional information in connection with the review by the Office of the Commissioner of Insurance of Wisconsin ("OCI") set forth in your letter dated March 29, 2006. We have been asked to address Item 2 which reads as follows:

2. Please provide legal justification as to the transferability of PIC-WI outstanding shares of common stock. Your response should include a discussion related to the original intent of transferability of the outstanding shares of PIC-WI stock and any provision and/or communication that you are aware of that were meant to restrict the transferability of the shares.

We have enclosed a letter from Jeffrey B. Bartell of Quarles & Brady LLP, counsel for PIC-Wisconsin, that addresses the original intent of the restrictions on the transferability of the outstanding shares of PIC-Wisconsin stock. As indicated in the letter, the shares were initially issued pursuant to exemption from registration under the federal securities laws provided by Section 3(a)(11) of the Securities Act of 1933 and Rule 147 promulgated thereunder (the so-

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called "intra-state exemption"). That exemption required that the shares not be transferred to persons who are not Wisconsin residents for a certain period of time after the completion of the offering. The transferability of the shares was not prohibited. The restriction was placed on the shares to ensure compliance with the intra-state exemption.

Mr. Bartell further discusses the Shareholder Rights Agreement that was adopted by the Board of Directors of PIC-Wisconsin to discourage transfers of PIC-Wisconsin stock that could result in a change of control of PIC-Wisconsin without the prior approval of the PIC-Wisconsin board. While the Shareholder Rights Agreement does not restrict the transferability of the shares of PIC-Wisconsin's stock, the rights, when triggered, adversely affect the purchaser of the shares thereby discouraging the transfer of the shares in a transaction that triggers the issuance of rights under the Shareholder Rights Agreement. The Merger Agreement has been approved by the PIC-Wisconsin board of directors, and as Mr. Bartell indicated, the board amended the Shareholder Rights Plan to exempt ProAssurance and the transactions contemplated by the Merger Agreement from its application.

Mr. Bartell concludes his letter with his opinion that there are no restrictions on transfer of the PIC-Wisconsin common stock that would affect or limit the exchange of PIC-Wisconsin stock for ProAssurance stock as contemplated by the Merger Agreement. In addition, we are of the further opinion that the proposed acquisition of control of PIC-Wisconsin will constitute a corporate transaction involving the conversion of PIC-Wisconsin's stock (as opposed to a transfer of the shares). The change of control will be accomplished by the merger of PIC-Wisconsin and a subsidiary of ProAssurance, Physicians Merger Company, Inc., under the terms of the Merger Agreement. If the Merger Agreement is approved by the stockholders of PIC-Wisconsin and other regulatory approvals are obtained, Physicians Merger Company, Inc. will be merged into PIC-Wisconsin; the outstanding shares of PIC-Wisconsin will be converted into shares of ProAssurance common stock; and the outstanding shares of Physicians Merger Company will be converted into shares of PIC-Wisconsin so that PIC-Wisconsin will survive as a wholly owned subsidiary of ProAssurance. The merger agreement provides that the outstanding shares of PIC-Wisconsin common stock will automatically be converted into shares of ProAssurance common stock at the completion of the merger. Certificates for shares of PIC-Wisconsin common stock will be deemed to evidence the number of shares of ProAssurance common stock which the holder is entitled to receive under the terms of the Merger Agreement until the certificates are physically surrendered in exchange for certificates of ProAssurance stock.

There will be no restriction on the transferability of the ProAssurance common stock issued under the Merger Agreement (except for limitations on the manner of sale of shares by control persons of PIC-Wisconsin under SEC Rule 145). As you are aware, ProAssurance has filed a registration statement with the SEC to register the shares of ProAssurance common stock to be issued to the holders of PIC-Wisconsin common stock under the Merger Agreement. The



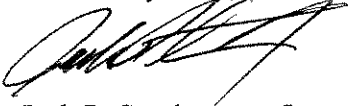
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ProAssurance shares to be issued in the merger will be listed on the New York Stock Exchange and will be eligible for trading immediately after the merger. The merger has been structured so that all PIC-Wisconsin shareholders will have the opportunity to continue to own stock in the combined companies and so that those who do not want to continue to own the stock may sell the shares in the public market at any time after the merger.

We trust you will find our letter and the letter from Mr. Bartell responsive to your request. Please let us know if you desire any additional information.

Yours very truly,  


Jack P. Stephenson, Jr.

JPSJr./twl

cc: Jeffrey B. Bartell  
Victor T. Adamo  
Jon C. Nordenberg