



PROASSURANCE®

Treated Fairly

# Investor Update

Third Quarter 2023

November 2023

# ProAssurance Overview

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## *The ProAssurance Mission* We **Protect Others.**

*Corporate Values*  
***Integrity | Leadership | Relationships | Enthusiasm***

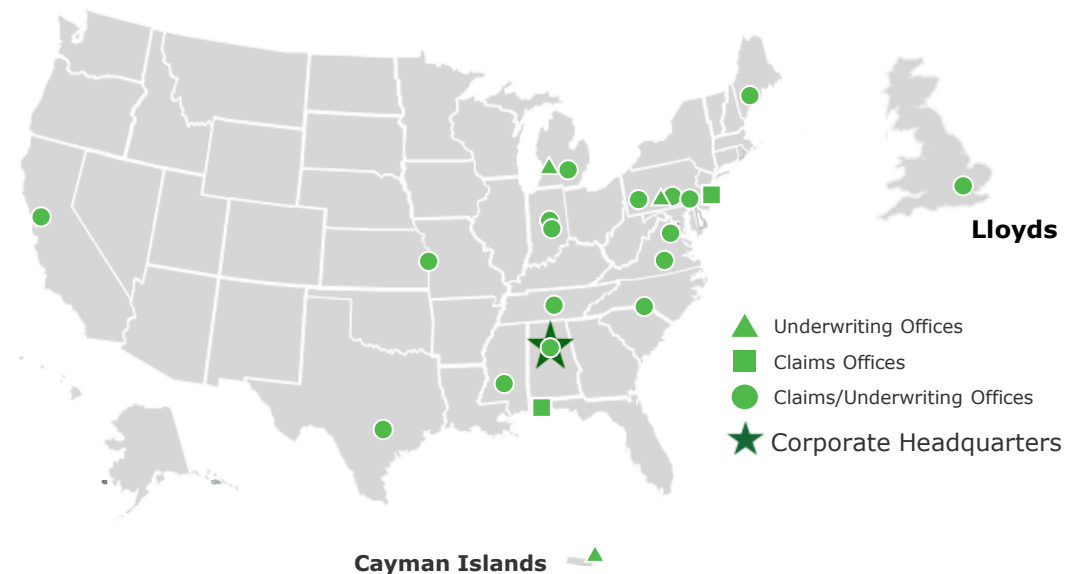
*Our Brand Promise*  
We will honor these values in the execution of **treated fairly** to perform our mission and realize our vision.

# At a Glance

## Healthcare-centric specialty insurance writer

- Specialty Property & Casualty
    - Healthcare Professional Liability (HCPL)
    - Life Sciences and Medical Technology Liability
    - Small Business Unit
    - Lloyd's of London Syndicates
  - Workers' Compensation Insurance
  - Segregated Portfolio Cell (SPC) Reinsurance
- Total Assets: \$5.6 billion
- Shareholders' Equity: \$1.0 billion
- Claims-Paying Ratings
  - A.M. Best: "A" (Excellent)
  - Fitch: "A-" (Strong)
- 19 locations, with operations in three countries
  - 1,092 employees
- Writing in 50 states & DC

Business Unit	Principal Offices	Employees	Lines of Business
HCPL	8	607	Healthcare professional liability
Medmarc	1	34	Medical technology liability
Small Business Unit	1	102	Podiatrists, chiropractors, dentists, and lawyers
Eastern	7	249	Workers' Compensation & captive facilities (all lines)
PRA Corporate	1	97	Corporate functions



All employee and financial data as of 09/30/23.

# ProAssurance Executive Leadership



## **Ned Rand - President & Chief Executive Officer**

Mr. Rand became President and CEO in 2019, after serving as COO, CFO, Executive VP, and Senior VP of Finance at ProAssurance since joining the company in 2004. Prior to joining ProAssurance, he served in a number of financial roles for insurance companies.

Mr. Rand is a CPA and graduate of Davidson College (B.A., Economics)



**Noreen Dishart**  
*Executive Vice President &  
Chief Human Resources Officer*



**Rob Francis**  
*President  
Healthcare Professional Liability*



**Dana Hendricks**  
*Executive Vice President  
& Chief Financial Officer*



**Jeff Lisenby**  
*Executive Vice President  
& General Counsel*



**Karen Murphy**  
*President  
Life Sciences*



**Kevin Shook**  
*President, Workers'  
Compensation & Segregated  
Portfolio Cell Reinsurance*



**Ross Taubman**  
*President  
Small Business Unit*

Executive Team bios available on our website at [Investor.ProAssurance.com/OD](https://investor.proassurance.com/OD)

# ProAssurance Board of Directors



**A** - Audit Committee   **C** - Compensation Committee   **E** - Executive Committee  
**N/C** - Nominating/Corporate Governance Committee   Underlined - Chair



Bruce D. Angiolillo  
*Independent Chair*  
**E**



Kedrick D. Adkins, Jr.  
**A**



Fabiola Cobarrubias, MD  
**A**



Samuel A. Di Piazza, Jr.  
**A, E**



Maye Head Frei  
**C**



M. James Gorrie  
**N/C**



Ziad R. Haydar, MD  
**C**



Edward L. Rand, Jr.  
**E**



Frank A. Spinosa, DPM  
**N/C**



Scott C. Syphax  
**C**



Katisha T. Vance, MD  
**N/C**



Thomas A.S. Wilson, Jr, MD  
**N/C**

Director bios available on our website at [Investor.ProAssurance.com/OD](https://investor.proassurance.com/OD)

# ProAssurance Brand Profile



## Specialty P&C

### Healthcare Professional Liability



### Medical Technology & Life Sciences Products Liability



### Legal Professional Liability



## Workers' Comp



## Alternative Risk Transfer



# Operating and Reportable Segments Update

## Q3 2023 Event

- ProAssurance decided to discontinue participation in the results of Lloyd's Syndicate 1729 effective December 31, 2023
  - Results from our participation in Syndicate 1729 from open underwriting years prior to 2024 will continue to earn out pro rata over the entire policy period of the underlying business.

## Resulting Segment Consolidation\*

- As a result of the ceased participation in Syndicate 1729 for the 2024 underwriting year, we changed our segment reporting
  - Underwriting results from our participation in Lloyd's will are now reported in the Specialty P&C segment.
  - Investment results of assets allocated to the Syndicate and U.K. income taxes are now reported in the Corporate segment.

\*All prior period segment information has been recast to conform with our current segment reporting structure



## Goodwill Impairment

- 📌 \$44 Million impairment of goodwill from the Eastern Insurance acquisition in 2014
  - 📌 Q3 Evaluation triggered by current market conditions
  - 📌 No effect on operating results

## Significant Positives

- 📌 Gross Written Premium up 4% QoQ
- 📌 Strong New Business Gains
- 📌 Strong Retention
  - 📌 Earning New Business and Retaining Existing Insureds While Maintaining Pricing and Underwriting Discipline

## Workers' Compensation

- 📌 \$8 Million Unfavorable Development Due to Higher Than Anticipated Loss Trends
  - 📌 Medical Inflation Became More Evident in Q3
    - 📌 Will Affect the Broader Work Comp market and *Should* Lead to More Favorable Market Conditions.

# ProAssurance Reports Financial Results in Four Segments



## ProAssurance Specialty Property & Casualty

- Healthcare Professional Liability (HCPL) insures healthcare providers and facilities, including E&S coverages
- The Small Business Unit insures podiatrists, chiropractors, dentists, and lawyers
- Medmarc insures medical technology and life sciences companies that manufacture or distribute products and those conducting clinical trials
- Includes the underwriting results from our participation in Lloyd's of London Syndicate 1729 and 6131

## Eastern Alliance Workers' Compensation

- Specialty underwriter of workers' compensation products and services
- Focused in the East, South, and Midwest regions of the United States
- Guaranteed cost, policyholder dividend, retro-rated, deductible, and alternative solutions policies available

## Inova Re/Eastern Re SPC Reinsurance

- Segregated Portfolio Company structure
- Workers' compensation and healthcare professional liability coverage in a Cayman-based captive
- Industries include healthcare, forestry, staffing, construction, petroleum, marine and recreation, and social services

## ProAssurance Corporate

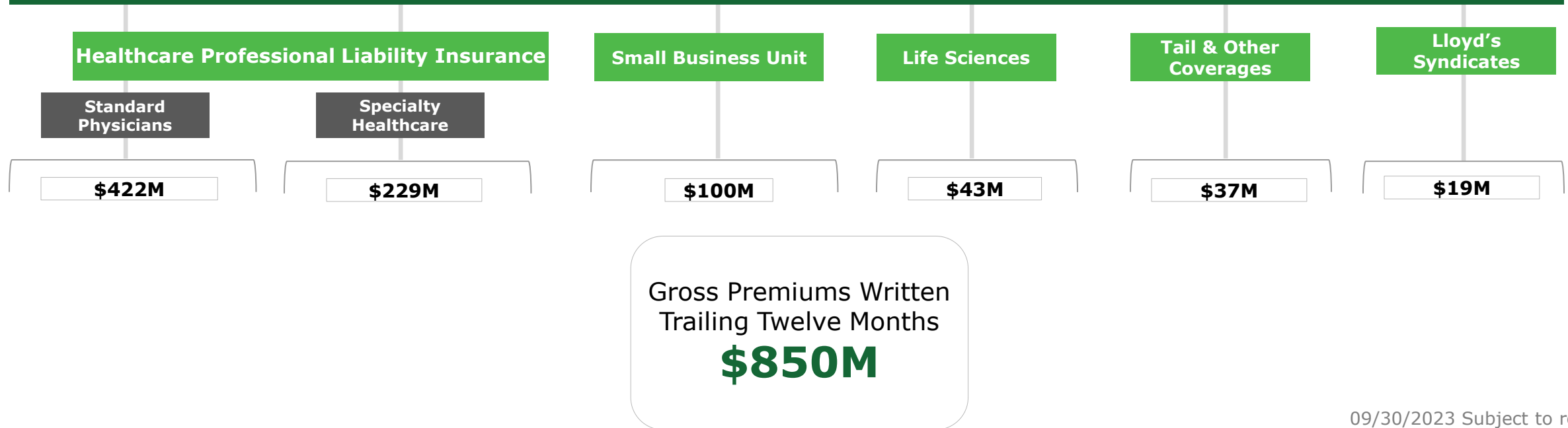
- Reports our investment results, interest expense, and U.S. income taxes
- Includes corporate expenses and includes non-premium revenues generated outside of our insurance entities
- Company-wide administrative departments reside in ProAssurance Corporate
- Includes Investment results and assets solely allocated to our Lloyd's Syndicate operations, net of U.K. income tax expense

# Specialty Property & Casualty



- Deep **expertise** and broad product spectrum in healthcare and related sciences
- Consolidation in HCPL → demand for **comprehensive insurance solutions**
- Small Business Unit → deliver products and services efficiently to the **small business healthcare community** and related businesses
- Life Sciences → offer liability solutions to companies that develop, test, and deliver **healthcare products** in the U.S. and worldwide

## ProAssurance Specialty Property & Casualty Premiums (Trailing Twelve Months)



09/30/2023 Subject to rounding

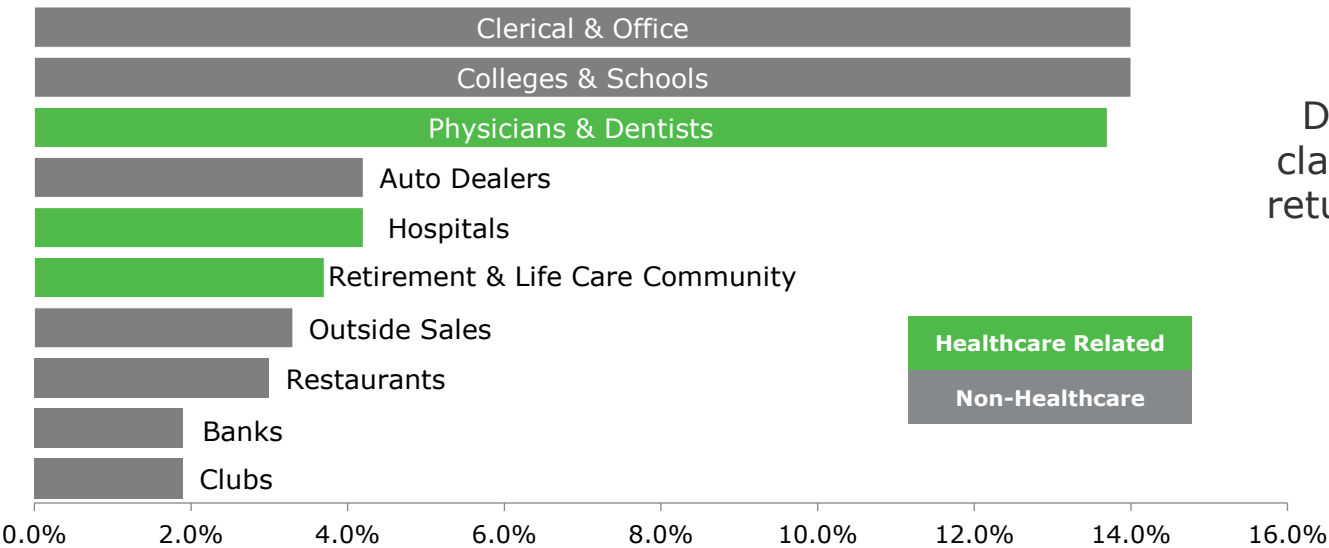
# Workers' Compensation Insurance



Disciplined individual account underwriting with focus on rate adequacy in rural territories

- Guaranteed Cost Policies
- Loss-Sensitive Dividend Plans
- Deductible Plans
- Retrospective Rating Plans
- ParallelPay—"Pay as you Go"
- Specialty Risk (high hazard)
- Claims Administration and Risk Management

Top 10 Classes of Business by Payroll Exposure  
(Traditional Business\*)  
as of 12/31/2022



Dedicated to effective claims management and returning injured workers to wellness



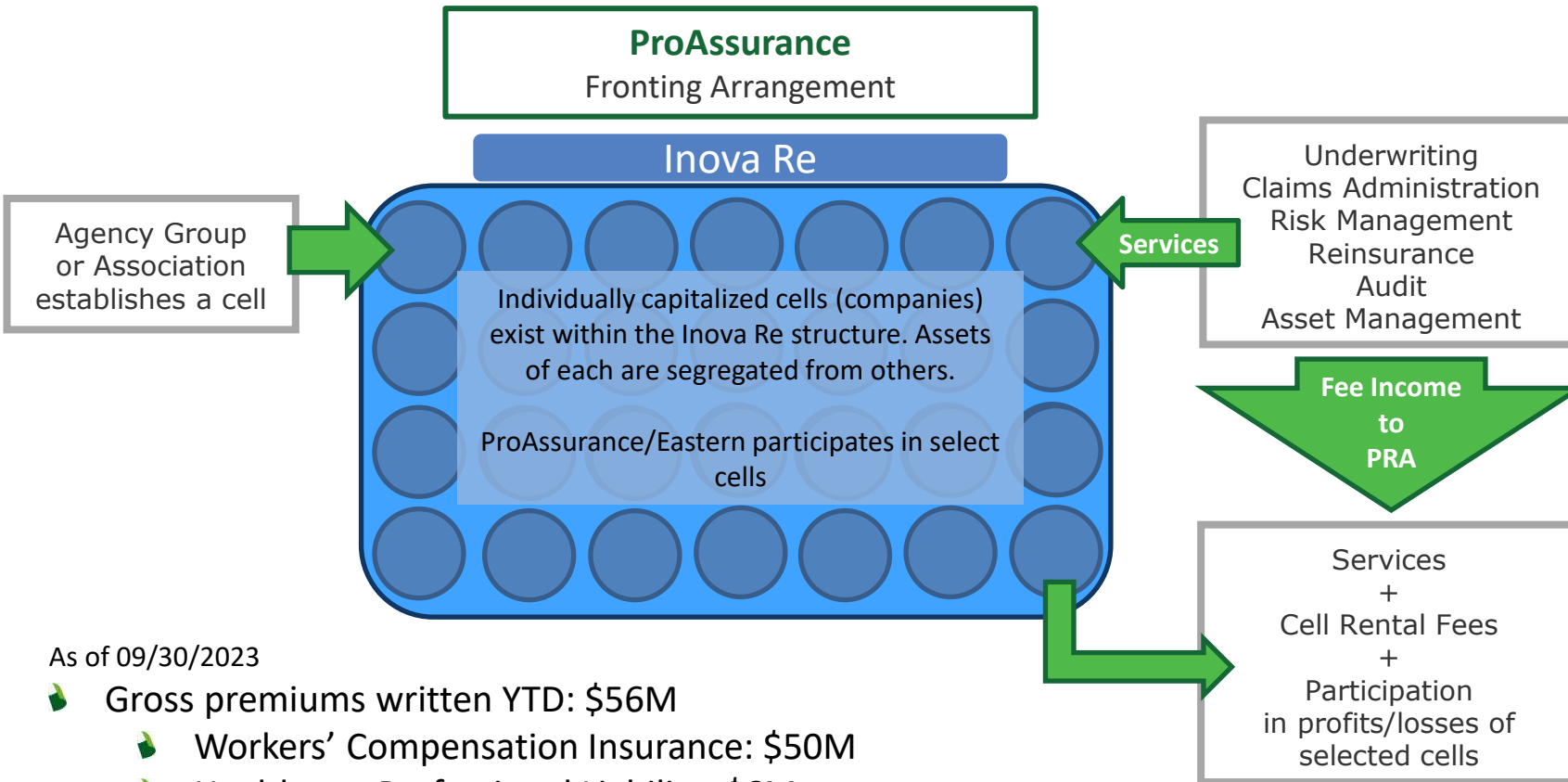
- Wide **diversification** – over 600 class codes and 32 market segments, primarily in rural territories
- Opportunity for **organic growth** outside of Pennsylvania and Indiana
- Proactive claim-closing strategies key to being recognized as a **short-tail writer** of workers' compensation
  - Between 2013 and 2022, averaged approximately 40% faster claims closure rate than industry
  - 30 claims open from 2015 and prior, net of reinsurance
  - Pharmacy spend as a percent of medical payments of 3.6% compared to the industry average of 14%
- Value-added risk management services and claims/underwriting expertise cement **brand loyalty**

\*Excludes alternative markets business ceded to the Segregated Portfolio Cell Reinsurance segment

# Segregated Portfolio Cell Reinsurance



- HCPL and workers' compensation **captive insurance solutions** through Inova Re (Cayman Islands)
- SPCs are a **high ROE product** with favorable retention results
- Low capital requirement



As of 09/30/2023

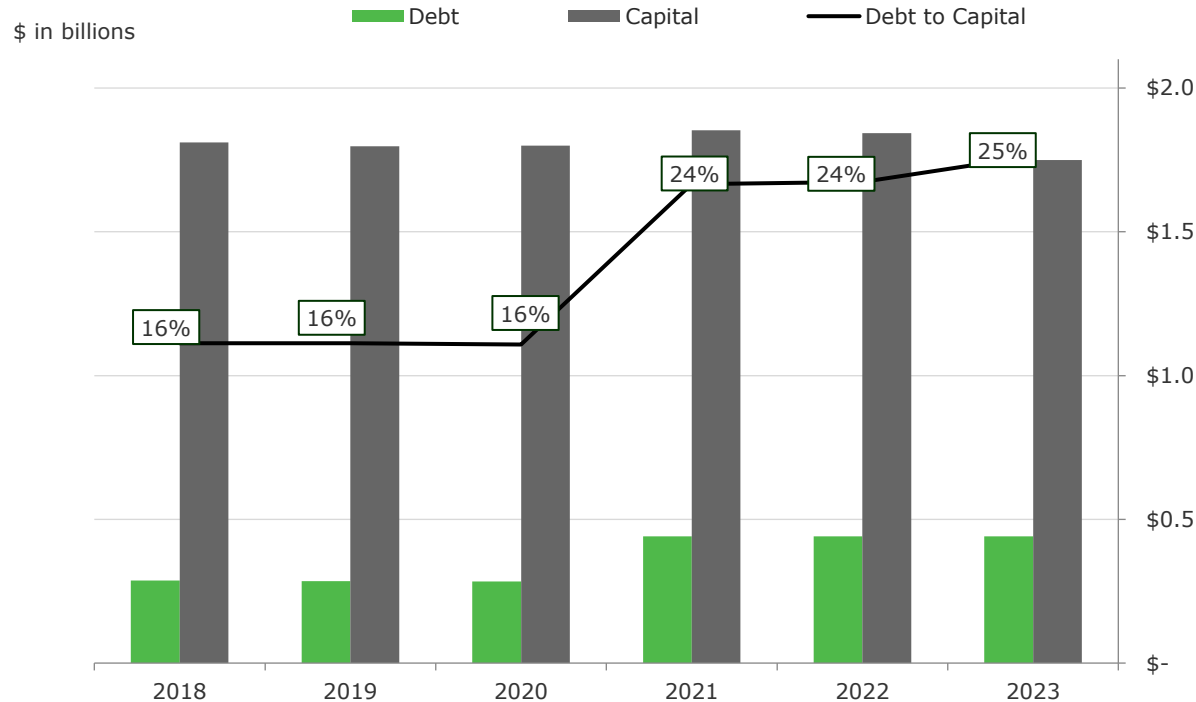
- Gross premiums written YTD: \$56M
  - Workers' Compensation Insurance: \$50M
  - Healthcare Professional Liability: \$6M
- 23 active cells



- Strategic partnerships with select independent agencies looking to manage controllable expenses
- Alternative market solutions are in high demand
- Value-added risk management services and claims/underwriting expertise

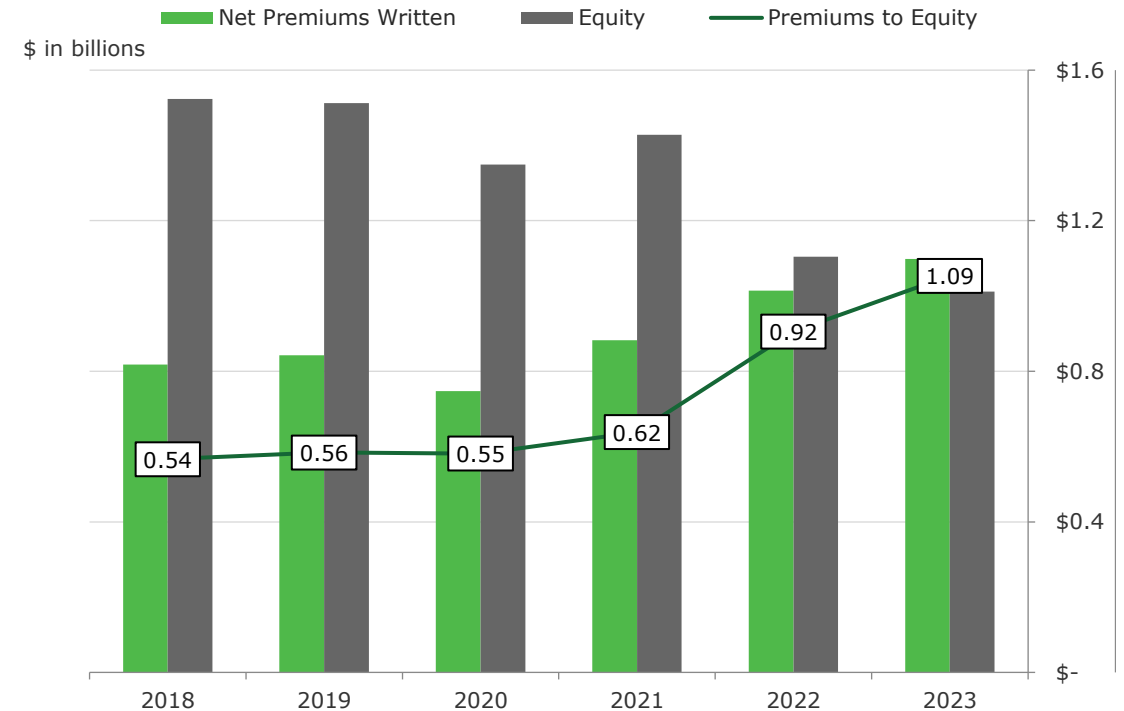
# ProAssurance Leverage Update

## Financial Leverage – Debt to Capital



- \$429M total debt principal at 09/30/2023
  - \$179M of Contribution Certificates from NORCAL acquisition
  - \$250M 5.3% 10-year notes due 11/15/2023
- On November 15, 2023, ProAssurance refinanced its \$250M Senior Notes with a \$125M draw on its revolver and a \$125M term loan with an interest rate of 5.3% and 5.5%, respectively. The interest rates include a base rate of 3.2% which is effectively fixed by utilizing two interest rate swaps, plus a variable margin of 2.1% and 2.3%, respectively, that's based on ProAssurance's debt to cap ratio as of 9/30/23. The term loan is repayable in equal quarterly instalments and any unpaid amounts under both facilities are due April 2028.

## Operating Leverage – Premiums to Equity



Targeted Premium to Equity ratio is 0.75:1

# Financial Ratings & Balance Sheet Highlights



- ProAssurance is recognized for our **financial strength** by top rating agencies
- We maintain a balance sheet that ensures **stability and security** for our customers
- Our **conservative reserving philosophy** enables success over the insurance cycles

Rating Agency	Financial Strength Rating	Date
AM Best	A	5/23/2023
Fitch	A <sup>-1</sup>	10/20/2022
Moody's	Baa1	11/9/2023

All Public Debt Retired on November 15, 2023<sup>2</sup>

<sup>1</sup> Excludes NORCAL Group, which has not yet been rated by Fitch

<sup>2</sup> On November 15, 2023, ProAssurance refinanced its \$250M Senior Notes with a \$125M draw on its revolver and a \$125M term loan with an interest rate of 5.3% and 5.5%, respectively. The interest rates include a base rate of 3.2% which is effectively fixed by utilizing two interest rate swaps, plus a variable margin of 2.1% and 2.3%, respectively, that's based on ProAssurance's debt to cap ratio as of 9/30/23. The term loan is repayable in equal quarterly instalments and any unpaid amounts under both facilities are due April 2028.

All financial rating information is available on our website:

<https://investor.proassurance.com/financial-information/financial-ratings/default.aspx>

## Balance Sheet Highlights 09/30/2023

Total Assets	\$5,573,957
Total Investments	\$4,230,257
Net Loss Reserves	\$3,395,651
Total Debt (less Issuance Costs)	\$426,579
Shareholders' Equity	\$1,011,843
Book Value per Share	\$19.85

\$ in thousands, except per share data

# Success in Competitive Markets

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# A Foundation in Excellence

Superior brand identity and reputation in the market



## Specialization

- Deep expertise and commitment to our customers throughout the insurance cycles enable us to outperform our peers over time

## Experienced & Collaborative Leadership

- Average executive leadership tenure of 20 years with PRA or subsidiaries

## History of Successful M&A

- Selective M&A with best-in-class partners, and nearly 20 transactions in our 47 year history

## Scope & Scale

- Regional hubs combined with local knowledge of market dynamics and regulatory environments



“From our earliest days, we have operated with a strategy both responsive to near-term challenges and proactive to long-term opportunity.”

*-Ned Rand  
President & CEO*

# Strategic Initiatives Drive our Competitiveness

## Current Strategic Initiatives

### SP&C Innovation and Operational Excellence

- ▶ Launch a state-of-the-art workflow solution across the segment
- ▶ Develop and launch a next generation online portal for customers and agents to provide superior service for our agency partners and insureds
- ▶ Begin filing a new standard policy form and underwriting manual to facilitate service and automation

### SP&C Product and Program Innovation Working Group

- ▶ Build out data science and predictive analytics strategy
- ▶ Continue implementation of predictive underwriting model for select specialties
- ▶ Develop and launch of straight through processing technologies for homogeneous account types
- ▶ Evaluate and consult on new product and program ideas and initiatives across Specialty P&C

# Strategic Initiatives Drive our Competitiveness

## Current Strategic Initiatives

### Workers' Compensation Insurance Strategic Focus

- ▶ Implementing new integrated policy, claims, risk management, and billing system.
- ▶ Capitalize on InsurTech investments, including underwriting and claims data analytics to guide and support operational decisions, to enhance profitability, productivity and efficiency.
- ▶ Continue to evaluate and further strengthen medical care and cost management strategies to minimize the impact of medical inflation.

### Corporate Segment

- ▶ Increase investment income through investment leverage and reinvesting of portfolio maturities
- ▶ Execute a defined statutory consolidation strategy
- ▶ Manage talent-acquisition and retention strategies to build and maintain high-quality talent

# Appendix

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# Income Statement Highlights (9/30/23)



	Three Months Ended		Nine Months Ended	
	September 30			
	2023	2022	2023	2022
Gross Premiums Written	\$ 319.8	\$ 308.4	\$ 873.5	\$ 879.5
Net Premiums Earned	\$ 242.4	\$ 258.4	\$ 730.1	\$ 771.3
Net Investment Result	\$ 32.7	\$ 17.9	\$ 100.2	\$ 73.1
Net Investment Gains (Losses)	\$ (2.7)	\$ (8.3)	\$ 3.2	\$ (45.7)
Total Revenues	\$ 275.7	\$ 273.1	\$ 840.3	\$ 812.0
Net Losses and Loss Adjustment Expenses	\$ 208.9	\$ 198.1	\$ 605.2	\$ 585.2
Underwriting, Policy Acquisition & Operating Expenses	\$ 74.0	\$ 80.7	\$ 218.8	\$ 229.8
Goodwill impairment	\$ 44.1	\$ —	\$ 44.1	\$ —
Net Income (Loss) (Includes Realized Investment Gains & Losses)	\$ (49.4)	\$ (9.1)	\$ (45.0)	\$ (14.3)
Non-GAAP Operating Income (Loss)	\$ (3.7)	\$ (3.0)	\$ (3.2)	\$ 21.0
Non-GAAP Operating Income (Loss) per Diluted Share	\$ (0.07)	\$ (0.06)	\$ (0.06)	\$ 0.39

In millions, except per share data | Subject to rounding

# Specialty P&C Financial Highlights (9/30/23)



	Three Months Ended		Nine Months Ended	
	September 30			
	2023	2022	2023	2022
Gross Premiums Written	\$ 256.1	\$ 244.9	\$ 673.7	\$ 680.2
Net Premiums Earned	\$ 195.8	\$ 198.5	\$ 562.2	\$ 593.5
Total Revenues	\$ 196.9	\$ 199.5	\$ 565.3	\$ 597.7
Net Losses & Loss Adjustment Expenses	\$ (162.7)	\$ (158.5)	\$ (476.2)	\$ (469.7)
Underwriting, Policy Acquisition & Operating Expenses	\$ (49.4)	\$ (53.2)	\$ (140.9)	\$ (148.3)
Segment Results	\$ (15.2)	\$ (12.2)	\$ (51.8)	\$ (20.3)
Current Accident Year Net Loss Ratio	83.4 %	82.2 %	84.4 %	82.8 %
Effect of Prior Accident Year Reserve Development	(0.3%)	(2.3%)	0.3%	(3.7%)
Net Loss Ratio	83.1 %	79.9 %	84.7 %	79.1 %
Underwriting Expense Ratio	25.2 %	26.8 %	25.1 %	25.1 %
Combined Ratio	108.3 %	106.7 %	109.8 %	104.2 %

In millions, except ratios | Subject to rounding

# Workers' Compensation Insurance Financial Highlights (9/30/23)



	Three Months Ended		Nine Months Ended	
	September 30			
	2023	2022	2023	2022
Gross Premiums Written	\$ 63.6	\$ 63.5	\$ 199.8	\$ 199.3
Net Premiums Earned	\$ 39.9	\$ 42.1	\$ 121.7	\$ 124.5
Total Revenues	\$ 40.2	\$ 42.6	\$ 123.3	\$ 126.2
Net Losses & Loss Adjustment Expenses	\$ (41.2)	\$ (28.1)	\$ (101.8)	\$ (83.3)
Underwriting, Policy Acquisition & Operating Expenses	\$ (13.5)	\$ (14.1)	\$ (40.9)	\$ (40.8)
Segment Results	\$ (14.5)	\$ 0.3	\$ (19.5)	\$ 2.1
Current Accident Year Net Loss Ratio	83.1 %	71.7 %	76.0 %	71.8 %
Effect of Prior Accident Year Reserve Development	20.2%	(4.8%)	7.7%	(4.9%)
Net Loss Ratio	103.3 %	66.9 %	83.7 %	66.9 %
Underwriting Expense Ratio	34.0 %	33.6 %	33.6 %	32.8 %
Combined Ratio	137.3 %	100.5 %	117.3 %	99.7 %

In millions, except ratios | Subject to rounding

# Segregated Portfolio Cell Reinsurance Financial Highlights (9/30/23)



	Three Months Ended		Nine Months Ended	
	September 30			
	2023	2022	2023	2022
Gross Premiums Written	\$ 7,930	\$ 17,879	\$ 55,924	\$ 62,882
Net Premiums Earned	\$ 6,763	\$ 17,811	\$ 46,156	\$ 53,347
Net Investment Income	601	294	1,625	617
Net Gains (Losses)	(525)	(732)	1,830	(4,225)
Other Income (Loss)	2	1	3	2
Net Losses & Loss Adjustment Expenses	(5,006)	(11,407)	(27,245)	(32,170)
Underwriting, Policy Acquisition & Operating Expenses	(3,668)	(5,599)	(15,241)	(15,203)
SPC U.S. Federal Income Tax Expense	175	(433)	(1,351)	(1,424)
SPC Net Results	(1,658)	(65)	5,777	944
Segregated Portfolio Cell Dividend (Expense)/Income	2,518	(183)	(3,171)	(1,697)
Segment Results	\$ 860	\$ (248)	\$ 2,606	\$ (753)
Current Accident Year Net Loss Ratio	70.5 %	67.7 %	64.7 %	67.5 %
Effect of Prior Accident Year Reserve Development	3.5%	(3.7%)	(5.7%)	(7.2%)
Net Loss Ratio	74.0 %	64.0 %	59.0 %	60.3 %
Underwriting Expense Ratio	54.2 %	31.4 %	33.0 %	28.5 %
Combined Ratio	128.2 %	95.4 %	92.0 %	88.8 %

In thousands, except ratios | Subject to rounding



# Corporate Financial Highlights (9/30/23)



	Three Months Ended		Nine Months Ended	
	September 30			
	2023	2022	2023	2022
Net investment income	\$ 32.2	\$ 24.5	\$ 93.1	\$ 66.5
Equity in earnings (loss) of unconsolidated subsidiaries	\$ (0.1)	\$ (6.9)	\$ 5.5	\$ 5.9
Net investment gains (losses)	\$ (3.7)	\$ (7.5)	\$ (3.2)	\$ (41.4)
Other income	\$ 2.8	\$ 4.7	\$ 5.3	\$ 10.4
Operating expenses	\$ 8.3	\$ 8.9	\$ 24.8	\$ 26.7
Interest expense	\$ 5.5	\$ 5.5	\$ 16.5	\$ 14.9
Income tax expense / (benefit)	\$ (4.7)	\$ (2.7)	\$ (3.9)	\$ (6.2)
Segment results	\$ 22.1	\$ 3.0	\$ 63.3	\$ 6.1

In millions | Subject to rounding

# YTD 2023 Net Investment Result and Equity Rollforward



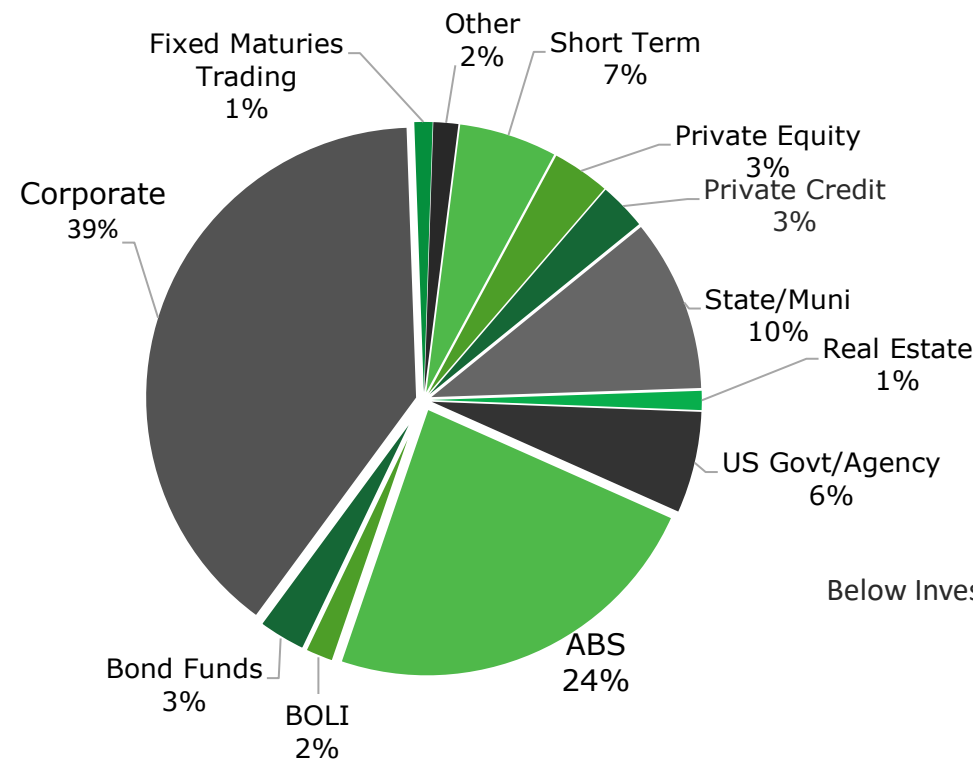
2023	
<b>Beginning Equity</b>	<b>\$1,104,018</b>
Common Shares Required	(50,488)
Employee Stock Transactions	4,227
Earnings	(44,981)
Dividends	(2,701)
OCI	1,768
<b>Total Equity</b>	<b>\$1,011,843</b>

Data shown in thousands

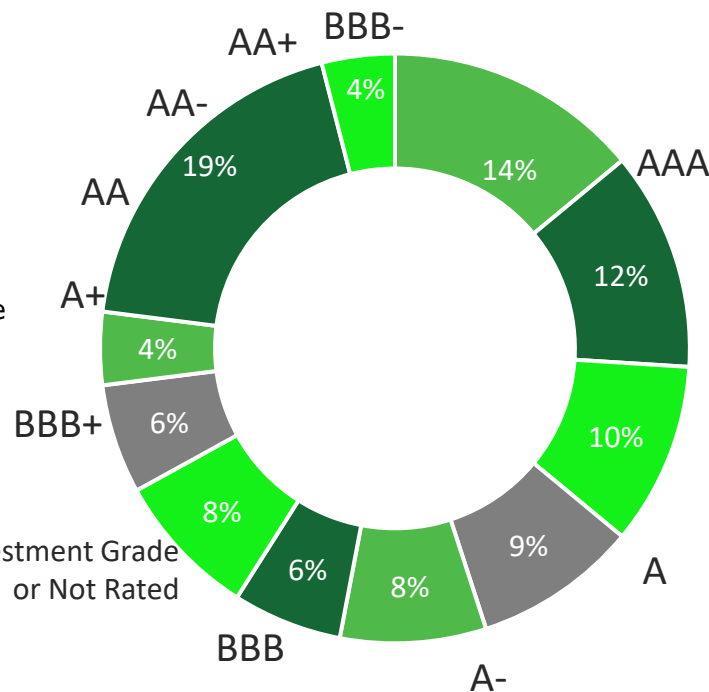
(\$ in millions)	9/30/2023	9/30/2022	Change
<b>Net Investment Income</b>			
Fixed maturities	\$ 83,680	\$ 67,275	\$ 16,405
Equities	3,070	2,514	556
Short-term investments including Other	11,857	2,965	8,892
BOLI	1,784	635	1,149
Investment fees and expenses	(5,677)	(6,257)	(580)
<b>Net investment income</b>	<b>94,714</b>	<b>67,132</b>	<b>27,582</b>
<b>Equity in Earnings (Loss) of Unconsolidated Subsidiaries</b>			
All other investments, primarily investment fund LPs/LLCs	7,744	12,347	(4,603)
Tax credit partnerships	(2,294)	(6,399)	4,105
<b>Equity in earnings (loss)</b>	<b>5,450</b>	<b>5,948</b>	<b>(498)</b>
<b>Net investment result</b>	<b>\$ 100,164</b>	<b>\$ 73,080</b>	<b>\$ 27,084</b>

# Investment Philosophy & Portfolio

## Total Investments \$4.23 Billion



## Fixed Maturity Credit Quality



## Commentary

- Effective stewardship of capital ensures a position of financial strength through turbulent market cycles
- Optimizing our allocations for better risk-adjusted returns. Ensures non-correlation of returns
- Ongoing analysis of holdings to ensure lasting quality and profitability

## Portfolio Statistics

	3Q23	3Q22
Avg Income Yield	3.1%	2.5%
Wtd Avg Duration	3.28	3.59

# Combined Tax Credits Portfolio Detail & Projections

The total credits column represents our current estimated schedule of tax credits that we expect to receive from our tax credit partnerships. The actual amounts of credits provided by the tax credit partnerships may prove to be different than our estimates. These tax credits are included in our Tax Expense (Benefit) on our Income Statement (below the line) and result in a Tax Receivable (or a reduction to a Tax Liability) on our Balance Sheet.

Year	Capital Contributions	GAAP Income/(Loss) from Operations, Disposition & Impairment	Total Credits	Tax Provision after Impairment	Impact on Earnings
2023	\$ 51,338	(4,796,367)	(141,293)	(1,148,531)	(3,647,836)
2024	\$ 51,338	(855,031)	(36,916)	(216,473)	(638,557)
2025	\$ 41,159	(224,736)	(21,019)	(68,214)	(156,522)
2026	\$ 25,734	(239,471)	(2,368)	(52,657)	(186,814)
2027	\$ -	(365,249)	7	(76,695)	(288,554)
2028	\$ -	-	-	-	-

# IMPORTANT SAFE HARBOR & NON-GAAP NOTICES

## Forward Looking Statements

**This presentation contains Forward Looking Statements and other information designed to convey our projections and expectations regarding future results.**

There are a number of factors which could cause our actual results to vary materially from those projected in this presentation. The principal risk factors that may cause these differences are described in various documents we file with the Securities and Exchange Commission, such as our Current Reports on Form 8-K, and our regular reports on Forms 10-Q and 10-K, particularly in "Item 1A, Risk Factors." Please review this presentation in conjunction with a thorough reading and understanding of these risk factors.

## Non-GAAP Measures

**This presentation contains Non-GAAP measures, and we may reference Non-GAAP measures in our remarks and discussions with investors.**

The primary Non-GAAP measure we reference is Non-GAAP operating income (loss), a Non-GAAP financial measure that is widely used to evaluate performance within the insurance sector. In calculating Non-GAAP operating income (loss), we have excluded the after-tax effects of net realized investment gains or losses and guaranty fund assessments or recoupments that do not reflect normal operating results. We believe Non-GAAP operating income presents a useful view of the performance of our insurance operations, but should be considered in conjunction with net income (loss) computed in accordance with GAAP. A reconciliation of these measures to GAAP measures is available in our regular reports on Forms 10-Q and 10-K and in our latest quarterly news release, all of which are available in the Investor Relations section of our website, [Investor.ProAssurance.com](https://Investor.ProAssurance.com).



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