The Newcomen Society of Alabama

honors

ProAssurance and
CEO W. Stancil Starnes

Introduction

By A. Derrill Crowe, MD

Former Chairman and CEO of ProAssurance Corporation

Chairman Gorrie, members of the Newcomen Society of Alabama and distinguished guests, tonight I have the honor and privilege of introducing the 2016 Newcomen honoree, ProAssurance Corporation and its Chairman and Chief Executive Officer, and a very good, long-time friend, Stan Starnes.

As the former Chairman and CEO of ProAssurance, I am afraid any introductory story about the company and its great history would only delay the illuminating talk Stan will share with you in a minute. So what I want to do is tell you a little about Stan, and give you the backstory about how he came to his present position.

I first came to know Stan in the late seventies, when our fledgling company was looking for a lawyer with both the skills and the fortitude to upset the status quo—to actually try cases to a verdict. Stan will go into greater detail about that in his talk, but suffice it to say we made the right choice.

Stan was practicing with his father, Stan Starnes, Sr., at the time. Stan's dad was a remarkable lawyer in his own right with a rich background of service to the community and to his profession, so it's no surprise that Stan has followed so closely in his footsteps.

At ProAssurance we always said that everyone's job, no matter what your title, is to sell insurance. Stan comes by that naturally—most of you may not know that as a college student, he ran a debit route for the old Liberty National Insurance Company, and that he also sold Fuller Brushes door-to-door. That experience I am sure helped convince him that a career in law was a better choice for him.

That career in law was preceded by his time at the University of Alabama, where he earned a degree from the College of Commerce and Business Administration in 1969 at the ripe old age of twenty. That was followed by an exemplary three years at Cumberland School of Law, where he graduated Summa Cum Laude in 1972 having been Editor-in-Chief of the Law Review and a member of the Moot Court Board. Stan was recognized in 2002 as Cumberland's Outstanding Alumnus.

In 1975, he and his father started the firm that still bears their names, and today is Starnes Davis Florie. What began as a father-son firm now enjoys a worldwide

reputation for a passionate, effective defense of its clients, and boasts sixty of the top attorneys in Alabama, including one of his sons, Will Starnes. While I am mentioning family members, Stan's other son, J.T. Thompson, is a partner at Lightfoot Franklin and his daughter, Amanda Welden, is a former school teacher and full-time mom here in Birmingham. He and Joan have been married 37 years and in addition to the three children, they have six grandchildren. Amanda's husband is Joseph Welden, a Birmingham businessman; J. T.'s wife is Garner and Will's wife is Stefanie.

I'll digress for a minute to tell you about Stan's long history of civic involvement in Birmingham, because his service to the community is almost as important to him as his family. Stan is the Corporate Chairman for the 2017 Heart Ball, was the 2009 Heart Ball honoree and serves on the Metro Birmingham Board of the American Heart Association. He is a passionate advocate for the Salvation Army and is a member of the Army's Birmingham Area Advisory Board. Stan serves on the Board of Trustees of the Crippled Children's Foundation and is a past Captain of the Monday Morning Quarterback Club that dedicates its efforts in support of that Foundation. He is also a member of the Executive Committee and Board of the Birmingham Business Alliance.

His faith is another facet of his life where he is a man of service. He and his family attend the Cathedral Church of the Advent in Birmingham where he has served on the vestry, twice served as senior warden and twice served as chairman of the search committee for a new Dean.

And as much as Stan and Joan have done for our community, his service to his profession is equally impressive. Stan's list of accomplishments in the legal profession would take much of the night to list, but a few stand out and give you a sense of the high regard in which Stan is held in the legal profession. He was listed in The Best Lawyers in America for over 20 years and is a Fellow in the American College of Trial Lawyers. He is recognized as an advocate in the American Board of Trial Advocates. He served for over 20 years on the Alabama Supreme Court Advisory Committee on the Alabama Rules of Civil Procedure and was appointed Chairman of that committee in 1998. He is a member of a number of Bar Associations and enjoys membership in a long list of other professional organizations.

His business degree and great intellect have benefited the management and shareholders of publicly-traded Infinity Property and Casualty Corporation, the National Commerce Corporation, and he is also on the Board of Ascension, the largest Catholic healthcare system in the world.

Back to his legal career: For years, his primary practice was the defense of those in the healthcare professions, where he was enormously successful, which in turn helped

ProAssurance achieve great success. As his law career progressed, he added clients as diverse as Kolhberg Kravis and Roberts, UBS and a variety of investment banks, plus the University of Alabama. In fact, his last act as a private practicing attorney was representing the University in the negotiations with Nick Saban. Stan will tell you it was the easiest negotiation he's ever conducted because all he had to do was say "Yessir, that will be fine," whenever Coach Saban asked for something.

After 35 years of practicing law, Stan left the firm and became the President for Planning and Administration at Brasfield & Gorrie, the well-known Birmingham general contracting firm. Stan was there for seven months and that's where I get to tell you the back story of how he came to ProAssurance.

In 2007, I sensed that ProAssurance needed a different voice and direction, plus I was not having fun anymore. ProAssurance was then, as it is now, very successful, but I had been in that job for over three decades. After a great deal of deliberation, I decided I would depart, but only if Stan would agree to succeed me. I called him one weekend and asked him to come by the house where I told him, in effect, "I'm either going to explore strategic options for the company or turn it over to you."

The rest, many would say is history. I would say the rest is destiny.

Please join me in welcoming Stan Starnes to tell you the story of how a few Alabama physicians turned $8 million of debt into one of the nation's most successful insurance companies.

ProAssurance

By W. Stancil Starnes, Esq.

Chairman and CEO of ProAssurance Corporation

Derrill—thank you for that kind introduction and for the friendship and the opportunities you have provided me over the years, especially the opportunity at ProAssurance.

Before I go further, I would like to thank the Newcomen Society and its Board of Directors, particularly Chairman Gorrie, for selecting ProAssurance for this honor. Jim is a valuable member of ProAssurance's Board of Directors and could probably give this talk himself.

I want to also add my thanks to Brian Hilson and Loren Traylor, whom Jim has mentioned, and to Lauren Cooper from the BBA who has assisted us with tonight's event.

I would be remiss if I did not recognize and thank the Vice-Chairman of ProAssurance's Board of Directors, John McMahon, who is with us tonight, and former Directors John North and Luke Bloodworth, who are here with their wives Dianne and Ann.

I am honored to be able to recognize members of the management team from ProAssurance who have joined us tonight.

- Mike Boguski, the President of our workers' compensation subsidiary, Eastern, and his wife Beth, have joined us from Lancaster, Pennsylvania.
- Jeff Lisenby, our General Counsel, is here with his wife Shannon.
- Ned Rand, our Chief Financial Officer, is here with his wife Anne.
- Darryl Thomas, our Chief Claims Officer, is here with his wife Tammy.
- Frank O'Neil, our Chief Communications Officer, is here with his wife Janet Hall.
- Noreen Dishart, our Chief Human Resources Officer.
- Terri Love, a Director in our Birmingham Human Resources department.
- Larry Cochran, our Chief Investment Officer, is here with his wife Pam.
- Theresa Bradley, Senior Legal Counsel, is here with her husband Jeff.
- Dow Walker, who deserves special recognition for his role in assisting the founding physicians of our company, is here. He served as Executive Vice-President of the company when it was founded, then went on to achieve global prominence with Willis and is back with us, serving as a leader in a specialized obstetrical program and assisting me with special projects.

Derrill and I have lived lives blessed beyond measure and I quickly state the obvious: Cameron and Joan and our children and grandchildren—and in Derrill's case, a great grandchild—are the lynchpins of both of our lives. We thank them, as well as many of you with whom we have had long and special relationships.

I will tell you quite honestly that the decision to say "yes" to Derrill following that discussion he mentioned was not an easy one. I had only recently joined Jim and Miller at Brasfield & Gorrie after practicing law for 35 years.

I immensely enjoyed my time with them, but I really had no choice but to say "yes." I simply was not willing to turn my back on the law firm or the Company to which I had such devotion for over three decades.

But there was another reason saying "yes" was not easy. It brought on considerable trepidation since I knew that following Derrill would be like following Coach Bryant.

The Company Today

I am now into my tenth year as CEO of ProAssurance, but I confess to you that I never tire of telling the remarkable story that you are about to hear, and since much of the story is about what others have built, I can brag on ProAssurance and where we are today. I also hope to give you a glimpse of where we are headed under the leadership of our current management team—many of whom are with us tonight.

ProAssurance is first and foremost, a company made up of 980 employees, all dedicated to the simple promise of Treated Fairly, which I will say more about later. Our employees are in forty locations and our operations encompass three countries—the United States, the United Kingdom and the Cayman Islands.

We write business of one type or another in each of the 50 states and the District of Columbia, protecting approximately 77,000 policyholders. We are the fourth largest writer of healthcare professional liability insurance in the United States, and for the past decade, our dedication to operational proficiency and financial security has won us a yearly place on the Ward's 50, an exclusive list of the fifty best property casualty insurers in the United States, across all lines of business—think of it as an EMMY Award or an Oscar for insurance. Not nearly as glamourous, but just as important in our industry, and we are the only specialty insurer in our line of business to make that list for ten consecutive years. We have also earned top financial security ratings from A. M. Best, Fitch and Moody's.

Financially, we enjoy a market capitalization of $2.7 billion, with shareholders' equity of $2.0 billion. Our assets are over $5 billion. Yet many people in Alabama have never heard of ProAssurance. It's a story worth telling and I appreciate the opportunity to bring it to you tonight.

The Letter That Started It All

Everyone here tonight is, or has been, engaged in a professional activity that has provided a source of income and personal satisfaction. But what if one day you opened your mail—or in today's environment, you received an e-mail—telling you, in essence, that you could no longer earn a living without putting all your assets at risk? Imagine what that would be like.

Well that happened in 1975 to thousands of physicians in Alabama, and indeed all over the country. At the time, the old St. Paul was the largest writer of healthcare professional liability insurance and Employers' of Wausau was a close second. It was the company that was writing an affiliated program for many state medical societies such as The Medical Association of the State of Alabama—MASA. This was a period in which the medical liability insurers were being hit with an unprecedented number of adverse jury verdicts and settlements and the severity of those outcomes was far in excess of the policy limits sold under an antiquated insurance form.

Wausau decided to exit the business entirely and sent that very letter I mentioned a minute ago to its insureds. Insurance canceled. No coverage. No protection. Good luck.

With Wausau's exit, St. Paul decided it could not afford to take on the potential risk of tens of thousands of new policyholders at a time when rates were inadequate. So physicians insured by St. Paul received a letter saying their insurance would continue, but there could be no changes to their policy and no new physicians would be written. Those two letters changed the face of healthcare professional liability insurance.

In Alabama that left thousands of physicians facing the very real possibility that they would have no liability protection at a time when the liability climate was undergoing a fundamental change for the worse. They could continue to practice, but doing so would be like playing Russian roulette with a jury system that had already forced one company out of the industry altogether, and caused most others to quit offering medical professional liability insurance.

Not Entrepreneurs, Just Survivalists

Dr. Crowe and his colleagues in MASA's leadership won a year's reprieve from Wausau, but with the handwriting on the wall, they literally scoured the globe for alternatives, consulting dozens of insurers up to and including Lloyd's of London. As you might imagine, they were turned down by every company. After all, what sane executive would risk a sound company by entering a line of business that had nearly destroyed a competitor?

Finally, they settled on the idea that Alabama physicians would form their own company, which they did in 1976. Not out of some entrepreneurial zeal, but because they had no choice.

This scenario was repeated in state after state.

Almost fifty policyholder-founded companies emerged from the turbulent liability climate of the mid-seventies. These companies were derisively nicknamed "bed pan mutuals" by the traditional insurance industry which doubted that many would survive.

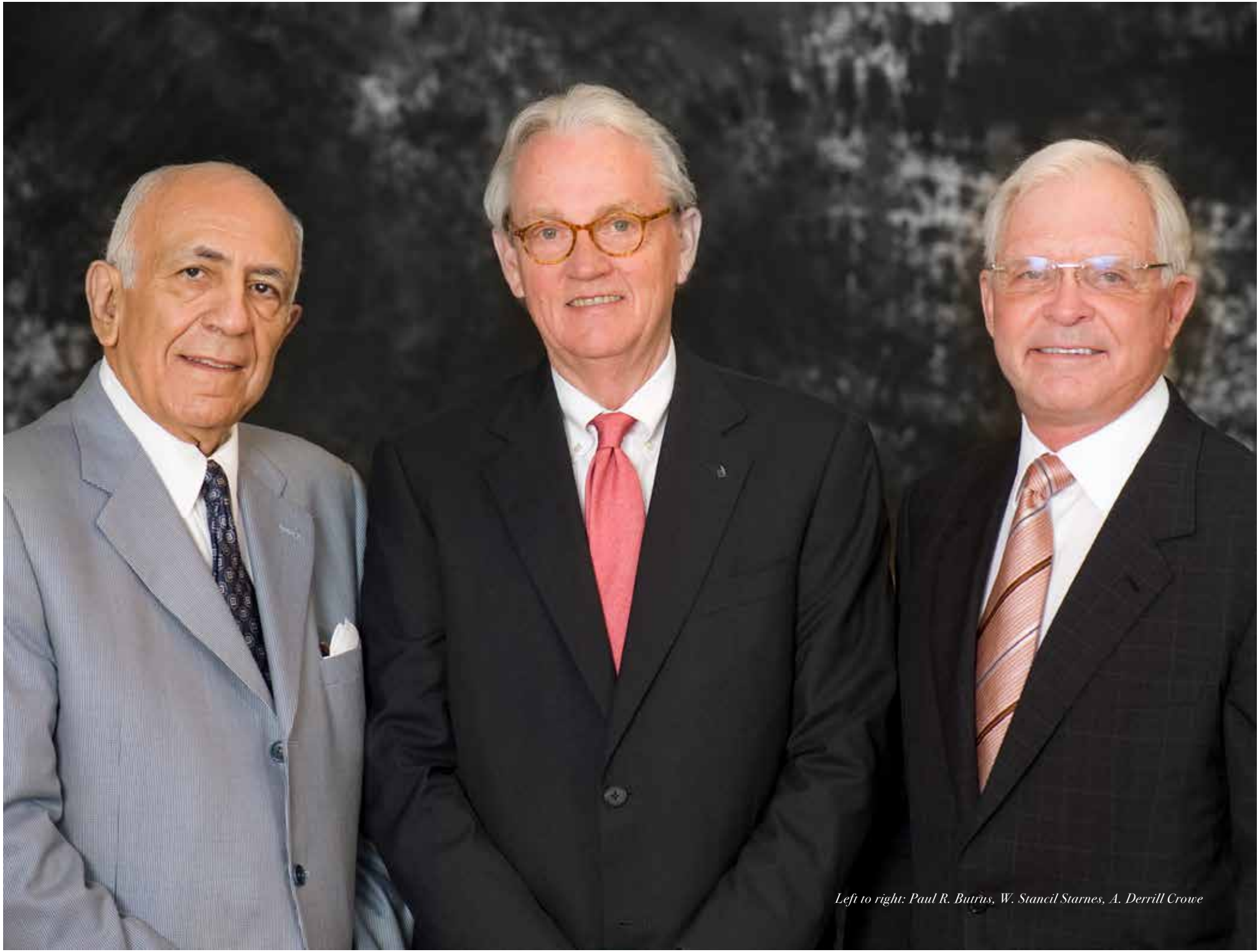
But the visionary physicians in Alabama understood the need for a permanent solution—not a temporary, stop-gap solution. These visionaries, and Dr. Crowe was their leader, agreed to form a company with a strict mandate that it operate with the goal of long-term viability.

That they succeeded is beyond question.

Following an Uncharted Path

In the beginning, the company was known as the Mutual Assurance Society of Alabama. The acronym was also "MASA"—in an effort to link it with the strong body of organized medicine in the state. The company was approved by the Insurance Department of the State of Alabama in 1976 and wrote its first policy in 1977, insuring Norton Cowart, a Huntsville physician who would later become Chairman of the Board for a time.

In order to meet the minimum solvency requirements, the company borrowed $8 million to write an equal amount of premium. That was accomplished as follows:



Left to right: Paul R. Burrus, W. Stancil Starnes, A. Derrill Crowe

Physicians who were initially insured by MASA provided $2.5 million through subordinated debentures, and each personally guaranteed part of a $5.5 million loan from Birmingham Trust National Bank (BTNB), which is now Wells Fargo. In fact, the then-Chairman of BTNB's Board of Directors, Mr. Guy Caffey, was so committed to the survival of MASA for the good of the state, that he eventually decided to lend his business acumen to the cause and served as a non-physician member of the Board.

Dr. Crowe and the group he led were determined to do two things very different from prevailing insurance practice. First, they wanted to build a company of such financial strength that never again would Alabama physicians need to worry about the availability of professional liability insurance.

Second, they were determined to end the practice of settling claims where the physician had done nothing wrong.

The company's dedication to strict underwriting, adequate pricing, and the passionate defense of claims not only revolutionized the medical/legal climate in Alabama, it set the stage for a remarkable financial success that would extend far beyond Alabama.

The mandate for strict operating discipline began to pay off—literally—by the mid 1980's. Mutual Assurance repaid its bank loan within six years, and the physician-provided financing was repaid by 1985. Having insured its survival through its infant years, the company then turned its attention to the task of growing to meet the emerging needs of the healthcare community.

Succeeding Where Don Quixote Failed

With respect to claims management, the company's commitment to not settling non-meritorious claims set it apart from its peers, just as it does today. And that is where I was privileged to enter the picture.

I was thirty years old, in my office in what today is a BBVA building in midtown, the old Daniel Building, when a rather brash young physician called me with a unique proposition. He and his colleagues had this notion that if a physician had not committed malpractice, then their insurance company should defend the claim, not settle it. Like Don Quixote tilting at windmills, this went against traditional "insurance think," and frankly, it still does.

If you have a claim and take it to trial, three things can happen and two of them are

less than ideal. You can lose the case for just what you expected to pay—but you have significant legal fees to pay, or you can lose it for more than you expected. The only good outcome is that you win the case, and most insurance companies prefer to settle for something less than they reserved to eliminate the downside.

But that does a disservice to a physician who did nothing wrong. Mutual Assurance's founding physicians were hell bent to challenge the status quo and gave Dr. Crowe—the brash young physician who came to see me—the directive to make it happen.

So he and I met, and he laid out his plan. Immediately two things came into my mind: First, he's crazy and will lose his shirt. Second, I was young and really needed the work, so I signed on.

Then, as now, the company spared no expense to defend non-meritorious claims. Sure, we lost a few cases, and some of them were real bell-ringers. But we won far more than we lost and between the determination of the founding physicians and the skill of a small, hand-picked group of defense lawyers, the company forged a legacy that is still a defining competitive advantage today. We remain willing to provide our insureds with the opportunity for vindication, and we are equally committed to the prompt, reasonable settlement of claims in which there was malpractice.

But then as now, every year we spend hundreds of thousands of dollars defending cases that could be settled for a few thousand.

This is of vital importance because an allegation of malpractice strikes at the very heart of who a physician is and what he does. In our society, physicians are one of the few professions that have that honor, or bear that weight. To understand that, think about this: when I go by the coffee shop on the way to work tomorrow, the person who hands me my coffee will say, "Good morning Stan," but they will say to the physician in scrubs, "Good morning Dr. Smith." And while win or lose, the insurance company and the lawyer get to close their files at the end of a trial, that physician never gets to close the file. The fact that they were sued will forever be included in an application for privileges, credentials or insurance. And if that case was settled simply for financial expediency when a successful, although costly defense, could have won the case, that physician has been wronged.
I am asked all the time why other companies don't defend cases in the way Mutual Assurance started and the way that ProAssurance does now. The answer is simple. It takes hard work, and it takes the courage of your convictions.

I can remember a meeting with Dr. Crowe where I said, "We can and should defend this case because the physician did nothing wrong. But if we lose it, the verdict could be so high it could bankrupt the company." His answer was that the physician deserved the best

defense we could offer and if it bankrupted the company, he'd just start another one. We won that case, by the way.

Don Quixote tilted at windmills. Mutual Assurance brought them down.

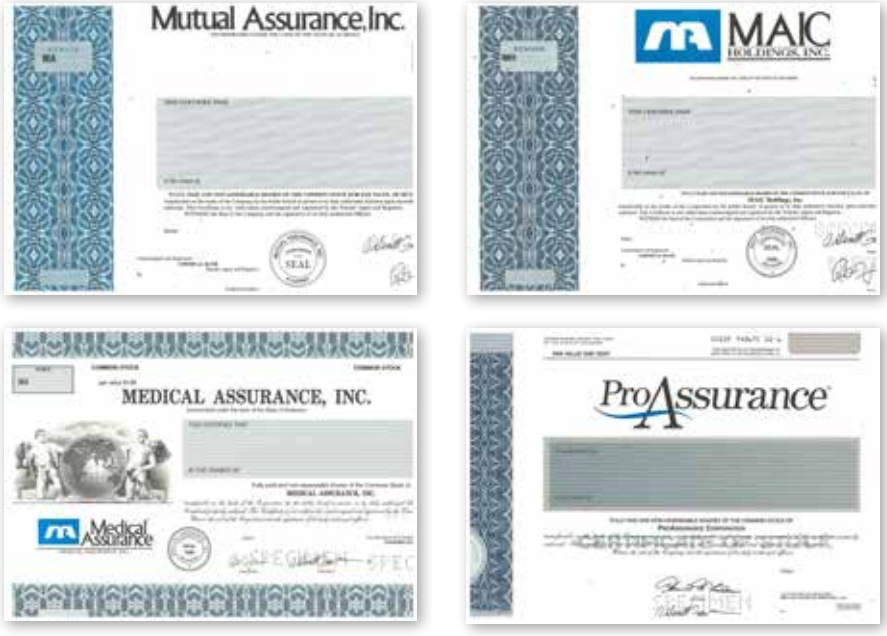
A Fundamental Change

So now we arrive in the early 1980s with a firm financial footing, a proven business strategy, and an eye toward the future. Mutual Assurance was always a leader in its industry. It was among the first of that group of mutuals to earn a secure rating from A. M. Best. In 1984, Mutual Assurance became the first of the "bed pan mutuals" to insure hospitals—a dramatic change in a fledgling industry that had previously taken a narrow view of its role. The Board and management at Mutual Assurance understood that the future would require a better way to insure everyone participating in the delivery of care, and it set out to become the best company for that mission.

The vision that led Mutual Assurance to expand into new lines of healthcare professional liability insurance in the state of Alabama also led to the decision that changed the face of the company.

Management understood that medicine was evolving from the traditional small group and solo-practice model led by entrepreneurial physicians, into a more corporate model, with multi-specialty clinics and other large practice models becoming a greater presence. To meet this challenge, Mutual Assurance needed to grow along with the insureds it was serving. Those insureds were becoming larger and more geographically diverse, and meeting their needs while maintaining the security of the core of Alabama insureds would require additional capital and the ability to expand outside Alabama. Thus the decision was made to demutualize—convert to a publicly-traded company.

Again blazing a trail that others would follow, Mutual Assurance became the first property casualty insurer in decades to go through the demutualization process. Physician policyholders in Alabama were the company's owners under the mutual form, and demutualization rewarded them for the support and premiums that built Mutual Assurance and put it on the track to become a public company.



ProAssurance Historical Stock Certificates

The planning and conceptualization for demutualization began in 1988 and was announced in 1989. Alabama physicians embraced the idea of strengthening their company and enjoyed the added benefit of monetizing their mutual ownership based on the premiums they paid from 1987 to 1989; for most, that was about a year's premium. Most chose to take stock in the new company and they have profited handsomely—that original stock now has a basis of about $1.80 a share, and closed today at $53.20 a share. About 430 insureds chose cash and have probably regretted it ever since.

At the outset, our company had a market capitalization of approximately $30 million, and recall I mentioned earlier that our current market capitalization is approaching $3 billion. Not bad.

In this demutualization process and public offering, we had the assistance of several Wall Street banks, as well as Sterne Agee & Leach, the Birmingham investment boutique that is now Stifel.

Growing from Strength to Strength

Believe it or not, Dr. Crowe was still practicing medicine full time during the day and running the company before and after his office hours and surgery during much of this transitional period. But he retired from the full-time practice of medicine to devote his considerable energies to the full-time leadership of the company.

Incidentally, the company name remained Mutual Assurance even though it was no longer a mutual company. Name changes would come later as expansion pushed the company out of Alabama and into the national spotlight.

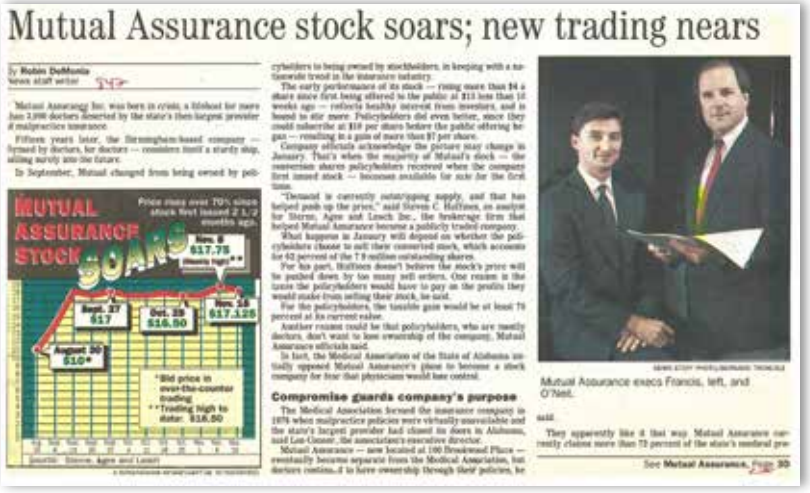
By 1994, Mutual Assurance judged itself ready to move outside the state of Alabama and began to write business in adjacent states. The company also moved to take advantage of the opportunities created by more than a decade of less-than disciplined operations by similar companies in other states. Mutual Assurance's first acquisition was in West Virginia, when it purchased the West Virginia Hospital Insurance Company.

Other acquisitions soon followed: Companies in Indiana and Ohio were added in 1995 and in that year the company changed its corporate structure to become a holding company, with the name MAIC Holdings.

In 1996, the company made the first of two acquisitions in Missouri, bringing Missouri Medical Insurance Company under the MAIC Holdings umbrella. De novo expansion continued, primarily in the southeast and Midwest, as the company found willing buyers in a healthcare community that embraced the company's truly differentiated product.

Also in 1996, MAIC Holdings moved to the New York Stock Exchange, using the trading symbol MAI. By the end of that year, the stock had doubled from its IPO in 1991, and the market cap was $139 million taking into account splits and stock dividends.

During this period, the healthcare professional liability companies that had been acquired operated under their original names. But as it grew, the company moved to bring all its subsidiaries and the parent company under one name, and thus became Medical Assurance in 1998. By this time, the company was one of the ten largest writers of medical malpractice insurance in the country.

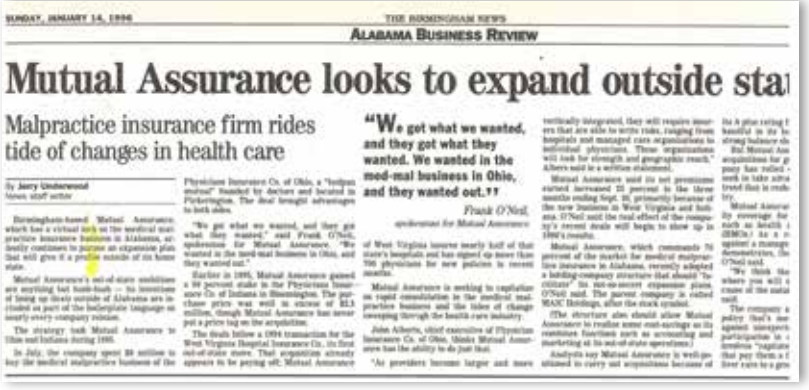


Mutual Assurance stock soars; new trading nears

By Robin DeNunio
News staff writer

Mutual Assurance execs Francis, left, and O'Neil.

Compromise guards company's purpose



SUNDAY, JANUARY 14, 1996 THE BIRMINGHAM NEWS

ALABAMA BUSINESS REVIEW

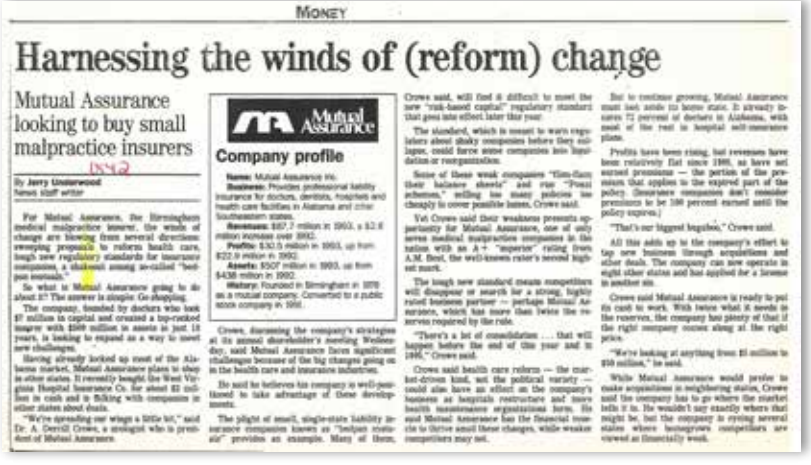
Mutual Assurance looks to expand outside sta

Malpractice insurance firm rides tide of changes in health care

By Jerry Underwood
News staff writer

"We got what we wanted, and they got what they wanted. We wanted in the med-mal business in Ohio, and they wanted out."

Frank O'Neil,
spokesman for Mutual Assurance



MONEY

Harnessing the winds of (reform) change

Mutual Assurance looking to buy small malpractice insurers

By Jerry Underwood
News staff writer

Mutual Assurance

Company profile

Growth through acquisition resumed in 1999 when Medical Assurance assumed the business of Medical Defense Associates, its second acquisition of a Missouri-based company. But the groundwork was being laid for the transaction that would move the company into an even more elite position among its peers.

In June 2000, Medical Assurance announced a transaction that would merge Professionals Group with Medical Assurance to create ProAssurance. Professionals Group, a Michigan-based insurer of similar size and with a similar history of growth through acquisition and financial security, was also publicly-traded and the transaction was the largest in our industry at the time.

The merger was finalized in June 2001 and created a company with writings in more than half the country. At its inception, ProAssurance had a market capitalization of $450 million, and continued to trade on the New York Stock Exchange, but with a new trading symbol: PRA.

I want to recognize the contribution of Vic Adamo, who was instrumental in this transaction and rendered great service to the combined company. Vic, who was President of Professionals Group, has retired from ProAssurance and a previous commitment prevents him from joining us tonight.

If anything, that groundbreaking transaction spurred ProAssurance to become more active in expansion and acquisition. In 2002, ProAssurance conducted a follow-on stock offering to raise almost $47 million, then followed that with debt offerings in 2003 and 2004 to raise additional funds to expand the company.

The acquisition of National Capital Reciprocal Insurance Company (NCRIC) in 2005 brought ProAssurance an expanded position in the Mid-Atlantic states. A year later, the acquisition of Physicians Insurance Company of Wisconsin expanded ProAssurance's presence in the upper Midwest, and brought it to a perennial position as a top five writer of healthcare professional liability insurance in America. At this point, in the mid-2000s, ProAssurance had more than 35,000 policies in force.

New Captain, Same Ship

Dr. Crowe has described to you the change in leadership that occurred in 2007 so I won't dwell on the process. But I do want to acknowledge the enormous debt of gratitude that Alabama healthcare providers—physicians, dentists and hospitals—owe to Dr. Crowe for his leadership. Indeed, the national medical/legal environment has been shaped by the company he helped found—so thank you again, Derrill.

Here's another example of how smart Dr. Crowe is. Shortly after I moved into his office, the Dow Jones Industrial Average was on its way to a peak of just over 14,000 in October of that year. The crash took it to a low of 6,469 in March of 2009 and it did not recover to 14,000 until February 1, 2013.

Ten-year treasury rates, the lifeblood of an insurance company that necessarily relies on fixed income investments, peaked at 5.28% on June 28, 2007, were below 3% by December 2008 and are now at 2.35%.

The total volume of healthcare professional liability direct written premium in the admitted market—the rates we can track with certainty—peaked shortly before Dr. Crowe retired at $12.3 billion and in 2015 stood at $9.4 billion, due to a soft pricing market that continues today, and is the most prolonged in the history of our medical professional line of business. As I am fond of saying, "In our lines of business, every day is a pitched battle with hand-to-hand combat."

Against this backdrop, our management team completed a full strategic review and we had looked far enough into the future to know that healthcare would have to change to deal with mounting costs and regulatory pressures.

Of particular importance: We correctly anticipated the cost crunch that that threatens American healthcare. I can confidently say that the Affordable Care Act that gets so much play is really a sideshow, and will likely remain so, even after this week's election.

The real issue in American healthcare, no matter what your political leaning, is the escalating cost of care. We regularly spend more on healthcare than any country in the developed world and our outcomes are often not as good. You hear people talking about bending the healthcare cost curve—well, we have to break the curve, or healthcare will soon become almost 24% of our Gross Domestic Product, a level which is unsustainable.

So why am I mentioning the cost of healthcare? Because it has had enormous implications on our strategy.

One of the ways America is trying to reduce healthcare costs is by pushing the delivery of healthcare down to lower cost providers. Home health workers now offer care that used to be provided in the hospital; podiatrists perform surgery once the sole province of an orthopedic surgeon, and the list goes on. As those professions come to play a greater role, we must be able to respond.

So in 2009, we completed the sponsored demutualization of the Podiatry Insurance Company of America (PICA), the leading insurer of podiatrists nationwide, with a market share of approximately 70%. PICA is based in Nashville and allows us to address the podiatric market and a number of other ancillary specialties.

That same year we purchased a managing general underwriting agency that is now ProAssurance Mid-Continent Underwriters, which specializes in writing home healthcare and similar risks from its office in Houston.

We further strengthened our healthcare professional liability business with the acquisition of American Physicians Service Group in 2010. This gave us a strong foothold in Texas, one of the nation's largest healthcare markets, and arguably a market with one of the best medical liability climates in America.

Our most recent acquisition of a company primarily focused on insuring physicians was in 2012, when we acquired Independent Nevada Doctors Insurance Exchange. That transaction made us the leading writer of healthcare professional liability insurance in Nevada, and affirmed our commitment to growth west of the Rockies.

Another burgeoning area of healthcare is the development of new treatments and medical devices, and those are risks that must be insured. That's what led us to add Medmarc Insurance Company to our stable of subsidiaries in 2013. Medmarc, located just outside Washington DC, was a mutual company formed by the life science and medical device manufacturers to address the same liability crisis that birthed Mutual Assurance many years ago, so their culture was a perfect fit.

With Medmarc, we felt we were in position to provide liability coverage across the broad spectrum of healthcare, from a home healthcare worker to a large integrated healthcare delivery system with an interest in developing novel drugs or groundbreaking prosthetics.

The last remaining piece of the puzzle for us: Workers' Compensation. It's the largest single liability cost for most healthcare organizations of any size—larger than medical liability, believe it or not. Healthcare is people intensive and we felt we should be able to offer both of these two important coverages.

After a number of years of searching for the right company, we identified Eastern Insurance Holdings, in Lancaster, Pennsylvania, as a best-in-class operator and Eastern became part of ProAssurance in 2014.

Eastern pays attention to the details in workers' compensation the way the rest of the organization does in professional liability. Additionally, their expertise in some of the newest alternative risk vehicles has established ProAssurance as a go-to market for organizations that want to assume some or all of their own risk.

In 2014 we also initiated a strategic investment that we believe will have far-reaching implications for us in the future. ProAssurance enabled the launch of a new underwriting syndicate, Syndicate 1729, at Lloyd's. We are a 58% capital provider to the Syndicate, and a minority owner of the underwriting agency that provides the insurance expertise. Having access to the Lloyd's market provides us with broad market intelligence, it opens potential doors for international expansion and, as an investment, is performing far better than money we could invest in fixed income securities.

I would also be remiss if I did not mention our important partnership with Ascension Health, which as Dr. Crowe mentioned, is the largest Catholic healthcare provider in the world. Starting in 2011, we have been sharing risk with Ascension in a number of ways, but primarily with their affiliated, but not employed physicians. In Alabama, that encompasses St. Vincent's Health System in Birmingham and Providence Health System in Mobile. This cutting edge program has generated more than $115 million of premium since its inception and provides an example of our ability to find creative ways to be an important player in the evolution of healthcare in America.

As important as it is to develop and execute a visionary strategy, insurance companies are creatures of capital. We have to have it to keep the insurance promises we make. And as a publicly-traded insurance company, our investors expect that we will make solid decisions about how we deploy it. With not a lot of modesty, I'd say the management of ProAssurance has succeeded at both.

That little company that started with so much debt and so little capital now has shareholders' equity of more than $2 billion—that's billion with a "B." In the past ten years alone, we have grown shareholders' equity by a billion dollars and at the same time, we have returned $1.4 billion in capital to our shareholders in the form of share buybacks and dividends. I dare say there are few companies in America that can rival that track record.

If you want to think about this in another way, we have grown the value of the company, as measured by Book Value per Share and dividends declared as of October 31st, by 2400% since we became public. The total return on our stock through October 31st is 1900%.

Peeking Under the Hood

So that's where ProAssurance is right now, and how we got here. As I said earlier, we have operations in three countries and almost a thousand employees. And it is those employees that I want to focus on as I close my talk. We don't manufacture anything, and we don't have the patent on a magic product formula. We are here because we make promises and we keep them.

I mentioned earlier I would say more about Treated Fairly. You see those two words everywhere you see the ProAssurance logo—it's on the front of your program tonight. This is the touchstone that guides everyone at ProAssurance. It says to our customers, to our agents and brokers, to every employee and every constituent group, that you will be treated with respect and integrity in every dealing with ProAssurance. It doesn't say that the customer is always right, or that we are always right—neither would be fair and neither would be true. But it does say that we will take the time to listen, and to understand, and to give everyone with whom we come in contact the very best we have to offer.

We know that when reasonable people take the time to understand each other, we can find a common ground and a reasonable solution that makes sense for everyone at the table.

Treated Fairly is how we succeed and why we at ProAssurance are here. As our mission statement says, "We Exist to Protect Others." We are about Others, not about ourselves. We are about treating people fairly and we are about four key values: Integrity, Leadership, Relationships, and Enthusiasm.

Integrity is there first because it's the single most important thing we have as a company and as individuals. Without it, the promise of Treated Fairly rings hollow. It is a one-strike issue for everyone from me on down in the organization. I remind myself and our employees we can always make more money if we lose it, but we can never get our integrity back.

We have shown Leadership by our actions in building our company and in developing solutions for our customers.

We build Relationships every day—you could also say partnerships because partners are more than just customers or vendors. To be a partner in a relationship ensures that it means something to both parties involved.

And finally, we expect every employee to come to work every day and be Enthusiastic about their job and their contribution to ProAssurance and the success of our customers. I hope that Enthusiasm shows in my excitement about our company and our story.

You know, none of us here had anything to do with creating this day. No matter what your religious persuasion, or lack thereof, you know that today was a gift, and it's something you can never get back. So I hope you have made the most of that gift today, and that this talk was somehow a part of it. I hope that you can go home tonight excited about making a difference in your world with the gift that tomorrow brings.

I know our employees will.

Thank you.

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of Alabama