



## Edgar Filing: PROASSURANCE CORP - Form 425

are cash and investment securities.

### Item 9.01. Financial Statements and Exhibits.

#### (a) Pro Forma Financial Information.

The following unaudited pro forma condensed combined financial statements give effect to the sale and include Pro Forma adjustments which are described in the notes to these statements. This amendment on Form 8-K/A is filed to include unaudited pro forma condensed combined financial statements to reflect the historical results of continuing operations for ProAssurance for the year ended December 31, 2003 and 2002.

The unaudited pro forma condensed combined balance sheet presents the financial position of ProAssurance as of September 30, 2005, assuming that the sale had occurred as of that date. Such pro forma information is based on the historical balance sheet of ProAssurance at September 30, 2005.

The unaudited pro forma condensed combined statements of income reflect the historical results of continuing operations for ProAssurance for the periods presented. As required by Rule 11-02 of Regulation S-X, the unaudited pro forma condensed combined statements of income have been prepared assuming that the sale occurred as of the beginning of the period presented.

ProAssurance believes that the assumptions used in preparing the unaudited pro forma financial statements provide a reasonable basis for presenting all of the significant effects of the sale and that the pro forma adjustments give effect to those assumptions in the unaudited pro forma condensed combined financial statements. The unaudited pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations or financial position which would have been achieved had this transaction been completed as of the date indicated, nor is it necessarily indicative of ProAssurance's future results of operations or financial position.

The unaudited pro form condensed combined financial statements should be read in conjunction with the historical financial statements of ProAssurance, including the related notes thereto.

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ProAssurance Corporation  
 Unaudited Pro Forma Condensed Consolidated Balance Sheet  
 (in thousands)  
 Nine months ended September 30, 2005

|   | ProAssurance<br>Historical<br>----- | MEEMIC<br>Companies<br>----- | Pro Forma<br>Adjustments<br>----- |
|---|-------------------------------------|------------------------------|-----------------------------------|
| <b>Assets</b>                                       |                                     |                              |                                   |
| <b>Investments:</b>                                 |                                     |                              |                                   |
| Fixed maturities available for sale, at fair value  | \$2,613,232                         | \$(300,199)                  | A \$ 25,000                       |
| Equity securities available for sale, at fair value | 19,385                              | (6,138)                      | A                                 |
| Equity securities, trading portfolio, at fair value | 4,824                               |                              |                                   |
| Real estate, net                                    | 25,383                              | (8,548)                      | A                                 |
| Short-term investments                              | 150,404                             |                              |                                   |
| Business owned life insurance                       | 55,856                              |                              |                                   |

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|  |             |              |           |
|--|-------------|--------------|-----------|
| Other  | 46,142      |              |           |
|  | -----       |              |           |
| Total investments  | 2,915,226   | (314,885)    | 25,000    |
| Cash and cash equivalents  | 30,137      | (12,660)     | A 309,448 |
| Premiums and accounts receivable, net                                    | 128,815     | (16,030)     | A         |
| Receivable from reinsurers on unpaid losses and loss adjustment expenses | 465,333     | (141,792)    | A         |
| Prepaid reinsurance premiums   | 19,629      |              |           |
| Deferred taxes   | 114,041     | (11,527)     | A         |
| Other assets   | 159,907     | (32,964)     | A         |
|  | -----       | -----        |           |
| Total assets   | \$3,833,088 | \$ (529,858) | \$334,448 |
|  | =====       | =====        | =====     |
| Liabilities and Stockholders' Equity                                     |             |              |           |
| Liabilities:   |             |              |           |
| Policy liabilities and accruals:   |             |              |           |
| Reserve for losses and loss adjustment expenses                          | \$2,394,631 | \$ (219,001) | A         |
| Unearned premiums  | 353,291     | (67,932)     | A         |
| Reinsurance premiums payable   | 77,148      | (460)        | A         |
|  | -----       | -----        |           |
| Total policy liabilities   | 2,825,070   | (287,393)    |           |
| Other liabilities  | 102,380     | (19,219)     |           |
| Long-term debt   | 167,166     |              |           |
|  | -----       | -----        |           |
| Total liabilities  | 3,094,616   | (306,612)    |           |
| Commitments and Contingencies  |             |              |           |
| Stockholders' equity:  |             |              |           |
| Common stock   | 312         |              |           |
| Additional paid-in capital   | 387,163     |              |           |
| Accumulated other comprehensive (loss) income                            | (114)       | (1,252)      | D         |
| Retained earnings  | 351,167     |              | 112,454   |
|  | -----       | -----        | -----     |
|  | 738,528     | (1,252)      | 112,454   |
| Less treasury stock, at cost   | (56)        |              |           |
|  | -----       | -----        | -----     |
| Total stockholders' equity   | 738,472     | (1,252)      | 112,454   |
|  | -----       | -----        | -----     |
| Total liabilities and stockholders' equity                               | \$3,833,088 | \$ (307,864) | \$112,454 |
|  | =====       | =====        | =====     |

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ProAssurance Corporation  
 Unaudited Pro Forma Condensed Consolidated Income Statement  
 Nine months ended September 30, 2005  
 (in thousands except per share data)

|                     | ProAssurance<br>Historical | MEEMIC<br>Companies<br>(F) | Pro Forma |
|---------------------|----------------------------|----------------------------|-----------|
|                     | -----                      | -----                      | -----     |
| Revenues:           |                            |                            |           |
| Net premiums earned | \$536,639                  | \$ (141,082)               | \$395,557 |

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|  |           |             |           |
|--|-----------|-------------|-----------|
| Net investment income                                    | 79,646    | (9,337)     | 70,309    |
| Net realized investment gains (losses)                   | 1,761     | (446)       | 1,315     |
| Other income   | 4,612     | (1,925)     | 2,687     |
|  | -----     | -----       | -----     |
| Total revenues   | 622,658   | (152,790)   | 469,868   |
| Expenses:  |           |             |           |
| Net losses and loss                                      |           |             |           |
| Adjustment expenses                                      | 412,931   | (81,458)    | 331,473   |
| Underwriting, acquisition<br>and insurance expenses      | 94,021    | (33,430)    | 60,591    |
| Interest expense   | 6,457     |             | 6,457     |
|  | -----     | -----       | -----     |
| Total expenses   | 513,409   | (114,888)   | 398,521   |
|  | -----     | -----       | -----     |
| Income from continuing operations before<br>income taxes | 109,249   | (37,902)    | 71,347    |
| Income taxes   | 30,465    | (12,242)    | 18,223    |
|  | -----     | -----       | -----     |
| Income from continuing operations                        | \$ 78,784 | \$ (25,660) | \$ 53,124 |
|  | =====     | =====       | =====     |
| Earnings per share--from continuing operations:          |           |             |           |
| Basic  | 2.65      |             | 1.79      |
|  | =====     |             | =====     |
| Diluted  | 2.49      |             | 1.70      |
|  | =====     |             | =====     |
| Weighted average shares outstanding:                     |           |             |           |
| Basic  | 29,700    |             | 29,700    |
|  | =====     |             | =====     |
| Diluted  | 32,546    |             | 32,546    |
|  | =====     |             | =====     |

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ProAssurance Corporation  
 Unaudited Pro Forma Condensed Consolidated Income Statement  
 Year ended December 31, 2004  
 (in thousands except per share data)

|   | ProAssurance<br>Historical | MEEMIC<br>Companies<br>(F) | Pro Forma |
|---|----------------------------|----------------------------|-----------|
|   | -----                      | -----                      | -----     |
| Revenues:   |                            |                            |           |
| Net premiums earned                                 | \$696,020                  | \$ (183,365)               | \$512,655 |
| Net investment income                               | 87,225                     | (10,879)                   | 76,346    |
| Net realized investment gains (losses)              | 7,609                      | (37)                       | 7,572     |
| Other income  | 3,699                      | (2,358)                    | 1,341     |
|   | -----                      | -----                      | -----     |
| Total revenues                                      | 794,553                    | (196,639)                  | 597,914   |
| Expenses:   |                            |                            |           |
| Net losses and loss<br>adjustment expenses          | 572,881                    | (112,444)                  | 460,437   |
| Underwriting, acquisition<br>and insurance expenses | 117,689                    | (40,548)                   | 77,141    |
| Interest expense                                    | 6,515                      |                            | 6,515     |

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|  |           |             |           |
|--|-----------|-------------|-----------|
| Total expenses   | 697,085   | (152,992)   | 544,093   |
| Income from continuing operations before<br>income taxes | 97,468    | (43,647)    | 53,821    |
| Income taxes   | 24,657    | (13,879)    | 10,778    |
| Income from continuing operations                        | \$ 72,811 | \$ (29,768) | \$ 43,043 |
| Earnings per share--from continuing operations:          |           |             |           |
| Basic  | 2.50      |             | 1.48      |
| Diluted  | 2.37      |             | 1.44      |
| Weighted average shares outstanding:                     |           |             |           |
| Basic  | 29,164    |             | 29,164    |
| Diluted  | 31,984    |             | 31,984    |

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PROASSURANCE CORPORATION  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT  
 YEAR ENDED DECEMBER 31, 2003  
 (IN THOUSANDS EXCEPT PER SHARE DATA)

|  | PROASSURANCE<br>HISTORICAL | MEEMIC<br>COMPANIES<br>(F) | PRO FORMA |
|--|----------------------------|----------------------------|-----------|
| Revenues:  |                            |                            |           |
| Net premiums earned  | \$623,514                  | \$ (170,268)               | \$453,246 |
| Net investment income  | 73,619                     | (10,253)                   | 63,366    |
| Net realized investment gains (losses)   | 5,992                      | (134)                      | 5,858     |
| Other income   | 6,515                      | (2,055)                    | 4,460     |
| Total revenues   | 709,640                    | (182,710)                  | 526,930   |
| Expenses:  |                            |                            |           |
| Losses and loss adjustment expenses  | 576,043                    | (161,215)                  | 414,828   |
| Reinsurance recoveries   | (24,667)                   | 49,207                     | 24,540    |
| Net losses and loss adjustment expenses  | 551,376                    | (112,008)                  | 439,368   |
| Underwriting, acquisition and insurance expenses                               | 104,216                    | (37,578)                   | 66,638    |
| Loss on early extinguishment of debt   | 305                        |                            | 305       |
| Interest expense   | 3,409                      | --                         | 3,409     |
| Total expenses   | 659,306                    | (149,586)                  | 509,720   |
| Income from continuing operations before<br>income taxes and minority interest | 50,334                     | (33,124)                   | 17,210    |
| Income taxes   | 11,450                     | (9,585)                    | 1,865     |
| Minority Interest  | (181)                      | 181                        | 0         |

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|   |           |             |           |
|---|-----------|-------------|-----------|
| Income (loss) from continuing operations        | \$ 38,703 | \$ (23,358) | \$ 15,345 |
|   | =====     | =====       | =====     |
| Earnings per share--from continuing operations: |           |             |           |
| Basic   | 1.34      |             | 0.53      |
|   | =====     |             | =====     |
| Diluted   | 1.32      |             | 0.53      |
|   | =====     |             | =====     |
| Weighted average shares outstanding:            |           |             |           |
| Basic   | 28,956    |             | 28,956    |
|   | =====     |             | =====     |
| Diluted   | 30,389    |             | 29,144    |
|   | =====     |             | =====     |

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PROASSURANCE CORPORATION  
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT  
YEAR ENDED DECEMBER 31, 2002  
(IN THOUSANDS EXCEPT PER SHARE DATA)

|   | PROASSURANCE<br>HISTORICAL | MEEMIC<br>COMPANIES<br>(F) | PRO FORMA  |
|---|----------------------------|----------------------------|------------|
|   | -----                      | -----                      | -----      |
| Revenues:   |                            |                            |            |
| Net premiums earned   | \$ 477,408                 | \$ (149,763)               | \$ 327,645 |
| Net investment income   | 76,918                     | (10,071)                   | 66,847     |
| Net realized investment gains (losses)                                      | (5,306)                    | (793)                      | (6,099)    |
| Other income  | 6,747                      | (1,787)                    | 4,960      |
|   | -----                      | -----                      | -----      |
| Total revenues  | 555,767                    | (162,414)                  | 393,353    |
| Expenses:   |                            |                            |            |
| Losses and loss adjustment expenses   | 569,099                    | (108,810)                  | 460,289    |
| Reinsurance recoveries  | (121,070)                  | 12,101                     | (108,969)  |
|   | -----                      | -----                      | -----      |
| Net losses and loss adjustment expenses                                     | 448,029                    | (96,709)                   | 351,320    |
| Underwriting, acquisition and insurance expenses                            | 91,253                     | (34,640)                   | 56,613     |
| Interest expense  | 2,875                      | --                         | 2,875      |
|   | -----                      | -----                      | -----      |
| Total expenses  | 542,157                    | (131,349)                  | 410,808    |
|   | -----                      | -----                      | -----      |
| Income from continuing operations before income taxes and minority interest | 13,610                     | (31,065)                   | (17,455)   |
| Income taxes  | (188)                      | (9,167)                    | (9,355)    |
| Minority Interest   | (3,285)                    | 3,285                      | 0          |
|   | -----                      | -----                      | -----      |
| Income(Loss) from continuing operations                                     | \$ 10,513                  | \$ (18,613)                | \$ (8,100) |
|   | =====                      | =====                      | =====      |
| Earnings per share--from continuing operations:                             |                            |                            |            |
| Basic   | 0.40                       |                            | (0.31)     |

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|                                      |        |        |
|--------------------------------------|--------|--------|
| Diluted                              | =====  | =====  |
|                                      | 0.39   | (0.31) |
|                                      | =====  | =====  |
| Weighted average shares outstanding: |        |        |
| Basic                                | 26,231 | 26,231 |
|                                      | =====  | =====  |
| Diluted                              | 26,254 | 26,254 |
|                                      | =====  | =====  |

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Note 1 - Basis of Presentation

The unaudited pro forma balance sheet presents the financial position of ProAssurance as of September 30, 2005 assuming that the transaction occurred as of that date. Such pro forma information is based on the historical balance sheet of ProAssurance as of September 30, 2005 adjusted for the expected effects of the sale.

The unaudited pro forma condensed combined statements of income reflect the historical results of continuing operations for ProAssurance for the periods presented. As required by Rule 11-02 of Regulation S-X, the unaudited pro forma condensed combined statements of income have been prepared assuming that the sale occurred as of the beginning of the period presented. However, the pro forma adjustments do not presume any increase in investment earnings due to investment of cash proceeds from the sale.

The following is a summary of the estimated results of the sales transaction.

|   |           |
|---|-----------|
| Proceeds from sale:                             |           |
| Fixed maturity securities                       | \$ 25,000 |
| Cash  | 375,000   |
|   | -----     |
|   | 400,000   |
| Less:   |           |
| Expenses of sale, principally professional fees | 5,000     |
|   | -----     |
| Net before-tax proceeds from sale               | 395,000   |
| Less:   |           |
| Carrying value of net assets sold               | 221,994   |
|   | -----     |
| Estimated before-tax gain on sale               | 173,006   |
| Estimated tax effect of transaction             | (60,552)  |
|   | -----     |
| Estimated after-tax gain on sale                | \$112,454 |
|   | =====     |

Note 2--Pro Forma Adjustments

- A) Reflects reduction for amounts related to MEEMIC that were included in the ProAssurance historical balance sheet.

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- B) Reflects the portion of the proceeds received in the form of fixed maturity securities, at fair value.
- C) Reflects net proceeds from sale less the expected tax effect of the transaction and proceeds received in the form of fixed maturity securities as described in B, above.
- D) Reflects reversal of accumulated other comprehensive income recognized related to investment securities held by MEEMIC.
- E) Reflects the expected after-tax gain on the sale, the calculation of which is presented in Note 1.
- F) Reflects reduction for MEEMIC operating results included in ProAssurance's historical income statements for the periods shown.

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(b) Exhibits None

On December 8, 2005, ProAssurance Corporation ("ProAssurance") announced that it entered into a definitive agreement that provides for Physicians Insurance Company of Wisconsin ("PIC Wisconsin") to be merged into ProAssurance in a proposed all-stock transaction. This report is also being filed as a Rule 425 prospectus with respect to this proposed transaction.

ProAssurance will file with the SEC a registration statement and a proxy statement-prospectus and other relevant documents concerning the proposed transaction with PIC Wisconsin. Shareholders of PIC Wisconsin are urged to read the registration statement and the proxy statement-prospectus when they become available and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, as they will contain important information. You will be able to obtain a free copy of the proxy statement-prospectus, as well as other filings containing information about ProAssurance and PIC Wisconsin, at the SEC's internet site (<http://www.sec.gov>). Copies of the proxy statement-prospectus can be obtained, without charge, by directing a request to Frank B. O'Neil, Senior Vice President, Corporation Communications, ProAssurance Corporation, 100 Brookwood Place, Birmingham, Alabama 35209, telephone (205) 877-4461.

### Caution Regarding Forward Looking Statements

This report contains historical information as well as forward-looking statements that are based upon our estimates and anticipation of future events that are subject to certain risks and uncertainties that could cause actual results to vary materially from the expected results described in the forward-looking statements. The words "anticipate," "believe," "estimate," "expect," "hopeful," "intend," "may," "optimistic," "preliminary," "project," "should," "will," and similar expressions are intended to identify these forward-looking statements. There are numerous important factors that could cause our actual results to differ materially from those in the forward-looking statements. Thus, sentences and phrases that we use to convey our view of future events and trends are expressly designated as "forward-looking statements" as are sections of this news release clearly identified as giving our outlook on future business. The principal risk factors that may cause actual results to differ materially from those expressed in the forward-looking statements are described in various documents we file with the Securities and Exchange Commission, including Form 10K/A for the year ended December 31, 2004 and Form 10Q for the most recent quarter. These forward-looking statements are subject to



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significant risks, assumptions and uncertainties, including, among other things, the following important factors that could affect the actual outcome of future events.

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We urge you not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and wish to advise readers that the factors listed above could affect our financial performance and could cause actual results for future periods to differ materially from any opinions or statements expressed with respect to periods in any current statements. We do not undertake and specifically decline any obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Pursuant to the requirements of the Securities Exchange act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 15, 2006

PROASSURANCE CORPORATION

By: /s/ Edward L. Rand, Jr.  
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Edward L. Rand, Jr.

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