

**FORM A**

**STATEMENT REGARDING THE ACQUISITION OF CONTROL OF**

**Eastern Insurance Holdings, Inc. and Subsidiaries  
Parent company of  
Eastern Advantage Assurance Company  
Eastern Alliance Insurance Company  
Allied Eastern Indemnity Company**

By

**PROASSURANCE CORPORATION  
(Name of Acquiring Person (Applicant))**

Filed with the Commonwealth of Pennsylvania Insurance Department

Dated: September 25, 2013

Name, Title, Address and Telephone Number of Individual to Whom Notices and Correspondence Concerning This Statement Should Be Addressed:

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ProAssurance Corporation  
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with copies to:

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ITEM 1. INSURER AND METHOD OF ACQUISITION

<u>Name and Address</u>	<u>State of Domicile</u>
<b>Eastern Insurance Holdings, Inc. ("Eastern") And its wholly owned insurance subsidiaries (collectively the "Domestic Insurers"):</b>	<b>Pennsylvania</b>
<b>Eastern Alliance Insurance Company ("EAIC")</b>	<b>Pennsylvania</b>
<b>Eastern Advantage Assurance Company ("EAAC")</b>	<b>Pennsylvania</b>
<b>Allied Eastern Indemnity Company ("AEIC")</b>	<b>Pennsylvania</b>

Statutory Home Office:  
25 Race Avenue  
Lancaster, Pennsylvania 17603

ProAssurance Corporation ("ProAssurance") proposes to acquire control of Eastern pursuant to the terms and conditions of the "Agreement and Plan of Merger" dated September 23, 2013 between ProAssurance, PA Merger Company ("Newco"), a wholly owned subsidiary of ProAssurance, and Eastern ("Merger Agreement"), a copy of which is attached as Exhibit A to this Form A.

Under the Merger Agreement, ProAssurance has agreed to cause its wholly owned subsidiary, Newco, to be merged into Eastern pursuant to a statutory merger in which all of the outstanding shares of the capital stock of Eastern will be converted into cash and Eastern will survive as a wholly owned subsidiary of ProAssurance. ProAssurance has filed this Form A with the Commissioner for approval of the acquisition of control of Eastern pursuant to the transaction contemplated by the Merger Agreement as required under 40 P.S. § 991.1402 (the "Form A Statute").

The terms of the transaction are set forth in the Merger Agreement. The obligation of ProAssurance and Eastern to consummate the transactions contemplated by the Merger Agreement is conditioned upon prior approval of this Form A filing by the Pennsylvania Insurance Commissioner under the Form A Statute. See Section 7.1(b) of the Merger Agreement.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) <u>Name and Address of Applicant:</u>	<u>State of Incorporation</u>
ProAssurance Corporation 100 Brookwood Place, Suite 300 Birmingham, Alabama 35209 (205) 877-4400	Delaware

(b) Nature of ProAssurance's Business:

ProAssurance is a holding company for specialty property and casualty insurance companies focused on the healthcare professional liability, medical technology and life sciences and other professional liability lines of business. Its active operating subsidiaries are ProAssurance Indemnity Company, Inc. ("PRA Indemnity"), ProAssurance Casualty Company ("PRA Casualty"), ProAssurance Specialty Insurance Company, Inc. ("PRA Specialty"), PACO Assurance Company, Inc. ("PACO"), Podiatry Insurance Company of America ("PICA"), Medmarc Casualty Insurance Company and Noetic Specialty Insurance Company. Independent Nevada Doctors Insurance Company is in the process of merging into PRA Casualty effective October 1, 2013.

ProAssurance is a publicly traded company that is listed on the New York Stock Exchange under the symbol "PRA." ProAssurance and Newco are not depository institutions or affiliates of a depository institution.

In more recent acquisitions since the formation of ProAssurance, including NCRIC, Inc. Physicians Insurance Company of Wisconsin, PICA, Georgia Lawyers Insurance Company, American Physicians Insurance Company, Medmarc Insurance Group and Independent Nevada Doctors Insurance Company, ProAssurance retained key personnel, allowing it to maintain a local presence and preserve important institutional knowledge in claims management, underwriting, risk management and sales. ProAssurance believes that this ability to utilize local knowledge, especially in claims management and underwriting, is a critical factor in the operation of its companies. The successful integration of each organization demonstrates ProAssurance's success and commitment to each marketplace in which it does business.

Through the transactions contemplated by the Merger Agreement, Eastern will become a wholly owned subsidiary of, and thereby affiliated with, ProAssurance. ProAssurance is a larger enterprise with significant financial strength. ProAssurance had in excess of \$5 billion in consolidated assets as of June 30, 2013 and is the nation's fourth largest writer of medical professional liability insurance through its insurance subsidiaries.

ProAssurance is interested in acquiring Eastern for several key strategic reasons.

- The proposed transaction provides an opportunity for ProAssurance to diversify its insurance offerings. Eastern is an underwriter of workers compensation insurance, which is complementary to ProAssurance's core business.
- Eastern distributes its insurance products in part through independent agents which will expand ProAssurance's distribution channels.
- Eastern has a seasoned executive management team that will remain in place and will form the core of post-acquisition management of Eastern overseeing the workers compensation operations of ProAssurance.

- ProAssurance has a track record of profitable growth through select acquisitions and believes that Eastern provides a similar opportunity while also adding product diversity.
- Eastern operates with a conservative operating philosophy as does ProAssurance. This is best seen in Eastern's underwriting discipline, claims handling and investment management. ProAssurance seeks to retain Eastern staff members who have demonstrated a depth of knowledge in the workers compensation lines.

By becoming a part of ProAssurance, Eastern will benefit in the following ways:

- With approximately \$2.3 billion in equity, ProAssurance offers Eastern insureds a larger balance sheet that is better positioned to provide the stability needed to withstand the volatility inherent in the workers compensation line of business.
- Eastern's business model will be enhanced by ProAssurance's financial size, higher rating and larger operating platform, providing opportunities for Eastern to expand premiums and improve operating performance.
- ProAssurance will be able to reduce the costs associated with managing the investment portfolio of Eastern by leveraging the purchasing power of ProAssurance's \$4.0 billion investment portfolio.
- Eastern will have greater flexibility to obtain capital which will enhance Eastern's financial strength and flexibility.

*The following sections provide an overview of the operations of ProAssurance. While Eastern does not offer similar coverages, the products that Eastern insures are used by ProAssurance insureds.*

### Products and Services

#### *Professional Liability Business*

Our professional liability segment is focused on providing professional liability insurance, principally to individuals and institutions engaged in the delivery of healthcare, and to attorneys and their firms. Physicians are currently our core customer group, but we target the full spectrum of the healthcare professional liability market. For our legal professional liability product, we target smaller law practices. While most of our business is written in the standard market, we also offer professional and products liability insurance on an excess and surplus lines basis. We are licensed to do business in every state and the District of Columbia.

We utilize independent agencies and brokers as well as an internal sales force to write our healthcare business. Our legal professional liability business is written almost exclusively through agents. The agencies and brokerages we use typically sell through

professional liability insurance specialists who are able to convey the factors that differentiate our professional liability insurance products.

Our marketing approach for the professional liability segment is closely tied to our promise of "Treated Fairly" which is our public pledge that all of our actions will deliver fair treatment, informed by the core values that guide our organization: integrity, respect, doctor involvement in our healthcare insurance activities, collaboration, communication, and enthusiasm. We emphasize that we offer the following:

- financial strength
- coverages tailored to meet the evolving needs and demands of our insureds and prospective customers
- excellent claims and underwriting services
- risk management consultation, loss prevention seminars and other educational programs
- regular newsletters discussing matters of interest to healthcare providers, including updates on legislative developments
- support of legislation that will have a positive effect on healthcare liability issues
- involvement in and support for local medical societies and related organizations

These communications and services demonstrate our understanding of the professional liability insurance needs of our insureds, promote a commonality of interest between us and our insureds and provide opportunities for targeted interactions with potential insureds.

Our medical professional liability underwriting process is driven by individual risk selection. Our underwriting decisions are focused on achieving pricing adequacy. We assess the quality and pricing of the risk, emphasizing loss history, areas of practice, location, local market conditions and legal environments in making our underwriting decision.

We maintain internal claims personnel that investigate and monitor the processing of our professional liability claims, and engage experienced, independent litigation attorneys in each venue to handle the defense of our policyholders as we believe this practice aids us in providing defense that is aggressive, effective and cost-efficient. We evaluate the merit of the claim and determine the appropriate strategy for resolution of the claim, either seeking a reasonable good faith settlement appropriate for the circumstance of the claim or aggressively defending the claim. As part of the evaluation and preparation process for medical professional liability claims, we meet regularly with medical

advisory committees in our key markets to examine claims, attempt to identify potentially troubling practice patterns and make recommendations to our staff.

We maintain regional underwriting and claims processing centers for our professional liability claims permitting us to consistently provide a high level of customer service to both small and large accounts.

#### *Medical Technology and Life Sciences Business*

Our Medical Technology and Life Sciences business, acquired on January 1, 2013 through our acquisition of Medmarc, offers products liability insurance for medical technology and life sciences companies principally marketed throughout the United States; coverage is offered on a primary basis, within specified limits, to manufacturers and distributors of medical technology and life sciences products.

Medmarc was formed in 1979 by 31 medical technology companies to be the medical device industry's insurance program and has been providing products liability insurance to sciences companies for 34 years. Medmarc is one of the nation's leading underwriters of products liability insurance for medical technology and life sciences companies—from pre-start-up companies and emerging growth firms to established market leaders. Medmarc has insured over \$1 trillion in global sales and clinical trials as medical technology companies move from concept to commercialization. Medmarc operates two 50-state platforms, and offers both admitted and excess and surplus lines coverage, with primary limits available up to \$10 million. Medmarc utilizes an open broker distribution system and has trained and developed some of today's best life sciences practice brokers. Medmarc also has a book of legal professional liability business for attorneys and small law firms.

#### *Reinsurance*

We primarily use reinsurance to provide capacity to write larger limits of liability, to provide reimbursement for losses incurred under the higher limit coverages we offer, and to provide protection against losses in excess of policy limits. The purchase of reinsurance does not relieve us from the ultimate risk on our policies, but it does provide reimbursement from the reinsurer for certain losses paid by us.

Our risk retention level is dependent upon numerous factors including our risk tolerance and the capital we have to support it, the price and availability of reinsurance, volume of business, level of experience with a particular set of claims and our analysis of the potential underwriting results. We purchase reinsurance from a number of companies to mitigate concentrations of credit risk. We utilize a reinsurance broker to assist us in the placement of our reinsurance coverage and in the analysis of the credit quality of our reinsurers. We base our reinsurance buying decisions on an evaluation of the then-current financial strength, rating and stability of prospective reinsurers.

(c) Organizational Chart:

Please see the attached ProAssurance organizational charts – current and post-acquisition. (See Exhibit B).

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

Board of Directors of ProAssurance

Set forth below are the names and addresses of the current directors and executive officers of ProAssurance and a brief description of their principal occupations and employment during the last five (5) years. None of the directors or executive officers of ProAssurance has ever been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten (10) years.

The current directors and executive officers can be contacted at 100 Brookwood Place, Birmingham, Alabama 35209.

**BOARD OF DIRECTORS**

**Lucian F. Bloodworth** has served as a director of ProAssurance since August 22, 2002. Mr. Bloodworth has been the chairman of Cain Manufacturing, a manufacturer of specialty parts for air distribution and roofing based in Birmingham, Alabama since 1988. Prior to that time he was a senior executive for life insurance subsidiaries of Protective Life Corporation and for National Bank of Commerce. Mr. Bloodworth has been a fellow of the Society of Actuaries and a member of the American Academy of Actuaries.

**Robert E. Flowers, M.D.** has served as a director of ProAssurance since it began operation in June 2001. Prior to June 2001, Dr. Flowers served as a director of our insurance subsidiary, PRA Indemnity from 1985 to 2001, and as a director of its former holding company, Medical Assurance, Inc. (1995-2001). Dr. Flowers practiced as a physician with Gynecology Associates of Dothan P.C., Dothan, Alabama, prior to his retirement in 2001.

**M. James Gorrie**, a member of the ProAssurance board since May 2012, is the President and Chief Executive Officer of Brasfield & Gorrie in Birmingham, Alabama, a construction firm with recent annual revenues in excess of \$2 billion. He holds a B.S. in Building Science from Auburn University and serves as a Director of First Commercial Bank (a division of Synovus Bank, one of the largest community banks in the Southeast) and St. Vincent's Hospital in Birmingham, among other entities.

**William J. Listwan, M.D.** has served as a director of ProAssurance since September 2006. Dr. Listwan was a member of the Board of Directors of ProAssurance Wisconsin Insurance Company, now known as ProAssurance Casualty Company, from its organization in 1986 until its merger with ProAssurance in August 2006. Dr. Listwan practiced Internal Medicine with the Aurora Health Center (formerly General Clinic) in West Bend, Wisconsin, from July 1974 to April 2006. From April 2006 until July 2009

he practiced on the faculty of the Medical College of Wisconsin ("MCW"). He continues to teach medical students as a volunteer and currently holds an appointment as Associate Clinical Professor of Medicine and formerly was a member of the Board of Trustees at the MCW. Dr. Listwan also served as the President of Wisconsin Medical Society and was a member of its Board of Directors for ten years. Dr. Listwan currently works part time for Quad-Med, a subsidiary of Quad Graphics, Inc. in Milwaukee.

**John J. McMahon, Jr.** has served as a director of ProAssurance since February 22, 2002. Mr. McMahon is chairman of Ligon Industries, a manufacturer of waste water treatment equipment, aluminum castings and hydraulic cylinders. He served as chairman of the executive committee of McWane, Inc, in Birmingham, Alabama, from 1999 until December 31, 2005. Mr. McMahon currently serves as a director of Protective Life Corporation and formerly served as a director of Alabama National Bancorporation and John H. Harland Company.

**Drayton Nabers, Jr., Esq.**, a member of the ProAssurance board since May 2008, initially served as a director of ProAssurance from February 2002 until he resigned effective December 31, 2002 to serve as Finance Director of the State of Alabama. Mr. Nabers served as Finance Director until June 2004, when he was appointed Chief Justice of the Alabama Supreme Court. He left the Court in 2006 and Mr. Nabers was elected to serve again as a director of ProAssurance at the 2008 Annual Meeting. He is currently in private practice with the law firm of Maynard, Cooper & Gale, PC in Birmingham, Alabama. Mr. Nabers was a senior executive officer of Protective Life Corporation, a public insurance holding company based in Birmingham, Alabama, from 1979 until his retirement as its Chairman and Chief Executive Officer in 2001. He is currently a director of Infinity Property and Casualty Corporation, where he serves as Chairman of the nominating and corporate governance committee, and is a member of the investment and executive committees.

**Ann F. Putallaz, Ph.D.** has served as a director of ProAssurance since June 2001. Prior to 2001, Ms. Putallaz served as a director of Professionals Group, Inc. (1996-2001), and its vice chairman (1999-2001). Ms. Putallaz received her Ph.D. in economics in 1974 and has served in various capacities for firms engaged in the investment management business since 1983. Ms. Putallaz is currently Principal of AFP Consulting, LLC. From 1990 to June 2012, Ms. Putallaz worked for Munder Capital Management (or its predecessors), an investment advisor to The Munder Funds, an open end investment company registered under the Investment Company Act of 1940 in various capacities and most recently served as the Director of Data and Communication Services until her retirement.

**W. Stancil Starnes, Esq.** has served as a member of the ProAssurance board since September 2007. See Mr. Starnes' biographical statement under the heading "Executive Officers" in this Item 3.

**Frank A. Spinosa, D.P.M.**, a member of the ProAssurance board since May 2012, is a board-certified podiatrist and is a partner and founder of Shelter Island Podiatry Associates in Shelter Island, New York. Dr. Spinosa serves as a member of the Board of



Trustees and as Vice President of the American Podiatric Medical Association and is a past President of the New York State Podiatric Medical Association. He has taught as an Associate Professor of Radiology at the New York College of Podiatric Medicine, has authored numerous scientific papers and textbook chapters and has lectured nationally.

**Anthony R. Tersigni, Ed.D., FACHE**, a member of the ProAssurance board since May 2012, is the President and Chief Executive Officer of Ascension Health Alliance in St. Louis, Missouri, the new parent holding company for Ascension Health. Ascension Health is the largest not-for-profit and the largest Catholic health system in the United States. Prior to the creation of the new holding company organizational structure, Dr. Tersigni served as the President and Chief Executive Officer of Ascension Health for over 7 years. Dr. Tersigni holds a doctorate in the field of leadership and organizational development from Western Michigan University as well as honorary doctorates from the Aquinas Institute of Theology and St. Louis University.

**Thomas A.S. Wilson, Jr., M.D.**, a member of the ProAssurance board since May 2012, is a board-certified neurosurgeon with Neurosurgical Associates, P.C., in Birmingham, Alabama where he has practiced since 1993. He holds a B.S. in natural science and mathematics from Washington & Lee University and M.D. from Vanderbilt University. He completed an internship in general surgery and a residency in neurosurgery at Bowman Gray School of Medicine, Wake Forest University. He is the author of numerous publications and presentations.

#### Executive Officers of ProAssurance

The following named individuals are the current executive officers of ProAssurance.

**Howard H. Friedman, ACAS**, has served as Senior Vice President and Chief Underwriting Officer of ProAssurance since April 1, 2005. From 2001 until April 1, 2005, Mr. Friedman served as Chief Financial Officer of ProAssurance and also served as Secretary of ProAssurance from 2001 until 2007. Mr. Friedman has served in a number of positions for PRA Indemnity since 1996, and since October 1, 2005, has served as President of PRA Indemnity and of PRA Specialty. Mr. Friedman is an Associate of the Casualty Actuarial Society.

**Jeffrey P. Lisenby, Esq., CPCU**, has served as Secretary of ProAssurance since May, 2007. Mr. Lisenby has also served as general counsel since 2007 and Senior Vice President since 2008. Mr. Lisenby joined Medical Assurance in 2001 and has served as Vice President and head of the corporate Legal Department since ProAssurance began operations in June 2001. Prior to joining Medical Assurance, he was in private practice in Birmingham, Alabama and served as a judicial clerk for the United States District Court for the Northern District of Alabama. Mr. Lisenby is a member of the Alabama State Bar and the United States Supreme Court Bar and is a Chartered Property Casualty Underwriter.

**Frank B. O'Neil** has served as Senior Vice President-Investor Relations since September 2001. Mr. O'Neil was Senior Vice President of Corporate Communications for Medical Assurance (1997-2001) and employed by PRA Indemnity since 1987.

**Edward L. Rand, Jr., CPA**, was appointed Senior Vice President of Finance in November, 2004 and was named Chief Financial Officer of ProAssurance on April 1, 2005. Prior to joining ProAssurance, Mr. Rand was with PartnerRe, Ltd. from 2001 until September, 2004, most recently as Head of Corporate Finance. Prior to that position, Mr. Rand was Treasurer and Chief Financial Officer of Atlantic American Corporation from August 1997 through 2000, a company he joined after serving as Controller of United Capitol Insurance Company. Prior to his employment in the insurance industry, Mr. Rand spent four years with Coopers & Lybrand LLP, which is now part of PriceWaterhouseCoopers.

**W. Stancil Starnes, Esq.**, was elected to the ProAssurance Board of Directors on September 5, 2007 and serves as its Chairman and President. Mr. Starnes was appointed as Chief Executive Officer (CEO) of ProAssurance on July 2, 2007. Mr. Starnes served as the senior managing partner of the law firm of Starnes & Atchison LLP in Birmingham, Alabama, where he was extensively involved with ProAssurance and its predecessors in the defense of medical liability claims for over 25 years. He withdrew from the firm in October 2006 to serve as President, Corporate Planning and Administration, of Brasfield & Gorrie, Inc., a commercial construction firm based in Birmingham, Alabama, where he served until May 2007. Mr. Starnes currently serves as a director of Infinity Property and Casualty Corporation, a public insurance holding company based in Birmingham, Alabama, where he serves on the audit, compensation and executive committees. He formerly served as a director of Alabama National Bancorporation.

**Darryl K. Thomas, Esq.**, has served as Senior Vice President and Chief Claims Officer of ProAssurance since April 1, 2005. Effective October 1, 2005, Mr. Thomas was also elected President of PRA Casualty.

Complete biographical affidavits of all officers and directors are attached as Exhibit C, which is submitted confidentially under separate cover.

#### ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Nature, Source and Amount of Consideration:

The proposed purchase price is approximately \$205 million. The transaction is an all cash purchase transaction and will be made by ProAssurance using available funds. No debt will be needed by ProAssurance to finance the transaction.

Under the Merger Agreement, the shareholder interests of all Eastern stockholders will be extinguished and those shareholders will be entitled to receive Cash Consideration. The funds will be provided by ProAssurance through its purchase of all of the authorized and issued shares of Eastern. Given current market conditions, ProAssurance may elect to issue debt securities to replenish the cash used to effect this transaction.

(b) Criteria Used to Determine Nature and Amount of Consideration:

The criteria utilized to determine the purchase price encompassed a number of factors, most notably a multiple of tangible book value of Eastern and a variety of other normal business operating considerations including historic profitability, forecasted profitability, operating cash flows and strategic importance to the organization.

ProAssurance understands that the Eastern Board has received the opinion of Keefe, Bruyette & Woods, Inc. (“KBW”), dated as of September 23, 2013, to the effect that, as of the Adoption Date and based upon the assumptions made therein, the aggregate consideration to be received by the Eastern stockholders pursuant to the transactions contemplated by the Merger Agreement is fair from a financial point of view to such stockholders as a group.

The ProAssurance Board has received the opinion of Raymond James & Associates, dated September 23, 2013, to the effect that, as of the Adoption Date of the Merger Agreement and based on the assumptions made therein, the aggregate purchase price to be paid for the stock of Eastern is fair from a financial point of view to ProAssurance shareholders.

ITEM 5. FUTURE PLANS OF INSURER

The insurance operations of Eastern will be conducted from its current location in Lancaster, Pennsylvania.

ProAssurance will acquire control of Eastern at the Effective Time of the Merger (the “Effective Time”) through its purchase of shares of common stock of Eastern comprising 100% of its outstanding stock pursuant to the terms of the Merger Agreement. All currently outstanding shares of capital stock of Eastern will be converted into the right to receive cash and stockholders’ rights will be extinguished at the Effective Time of the Merger.

The following sets forth ProAssurance’s plans for the operation of Eastern and the Domestic Insurers.

Business Plan – See Exhibit D which has been submitted confidentially under separate cover.

Policyholders

It is anticipated that the Domestic Insurers will continue to write and renew policies in all of their current markets and to pay claims on such policies.

### Board of Directors

Upon completion of the transactions contemplated by the Merger Agreement ProAssurance as the sole stockholder of Eastern will cause the following persons to be named as directors of each Domestic Insurer:

#### Current Position

W. Stancil Starnes	Chairman, CEO and President, ProAssurance
Edward L. Rand, Jr.	CFO, ProAssurance
Howard H. Friedman	Chief Underwriting Officer, ProAssurance
Darryl K. Thomas	Chief Claims Officer, ProAssurance
Jeffrey P. Lisenby	General Counsel, ProAssurance
Michael L. Boguski	President & CEO, Eastern
Kevin M. Shook	CFO, Eastern

ProAssurance and the Domestic Insurers recognize the importance of the ongoing operation and continuity of the workers' compensation insurance operations and related business activities of the Domestic Insurers. Therefore, ProAssurance has agreed, subject to operating constraints and reasonable financial performance consistent with past practice, to continue to operate the Domestic Insurers as a distinct operating division (including underwriting, claims and risk management operations) from their current offices in Pennsylvania, under Eastern's current management team with respect to workers' compensation related business activities conducted by the Domestic Insurers.

### Officers

At the Effective Time, the officers of each of the Domestic Insurers shall continue in the same capacities of each respective company. Additionally, immediately following the consummation of the Merger, W. Stancil Starnes, CEO and President of ProAssurance, will be named as Chairman of the Board of Directors and Kathryn A. Neville, Compliance Counsel at ProAssurance, will be named Secretary of each of the Domestic Insurers. Michael L. Boguski, as President and CEO of each of the Domestic Insurers, will continue to direct the current management team of the Domestic Insurers subject to the direction of the CEO and President of ProAssurance and the Board of Directors of the Domestic Insurers.

ProAssurance and six members of Eastern's management have entered into Retention and Severance Compensation Agreements ("Retention Agreements") that will become effective following the acquisition of control of Eastern by ProAssurance. The Retention Agreements provide for retention payments to assure continuity of management after the Effective Time. The Retention Agreements replace these individuals' existing agreements with Eastern and have been structured to provide them substantially the same level of compensation whether or not they remain in the employ of Eastern or ProAssurance after the Effective Time. See Exhibits E, F, G, H, I and J to this Form A which have been submitted confidentially under separate cover.

### Accountants and Actuaries

ProAssurance intends to use Ernst & Young LLP (“E&Y”) as the independent auditor for the Domestic Insurers after the merger. E&Y is the current auditor for ProAssurance. Towers Watson is currently the outside actuarial firm for ProAssurance. E&Y is the current actuarial firm for the Domestic Insurers and will be unable to continue in such capacity after E&Y is appointed as the independent auditor for the Domestic Insurers.

### Intercompany Agreements

ProAssurance currently files a consolidated federal income tax return. ProAssurance and its subsidiaries are parties to a Tax Allocation Agreement under which tax liability and benefits are allocated among the companies included in the ProAssurance consolidated group. The method of allocation among the companies is based upon separate return calculations in proportion to the total taxes of the group. It is anticipated that ProAssurance will include Eastern and the Domestic Insurers in its consolidated federal income tax return and that Eastern will join the Tax Allocation Agreement effective for 2014, which will be on substantially the same terms as the current agreement. A Notice on Form D will be provided with the 2014 agreement. See Exhibit K to this Form A for copy of the current Tax Allocation Agreement, which has been submitted confidentially under separate cover.

ProAssurance currently operates under a Management Services Agreement and an Expense Allocation Agreement while Eastern does not. It is anticipated that the Domestic Insurers will become participants in these agreements. The details of that participation have yet to be determined. If it is determined it would be in the best interests of the Domestic Insurers to participate in such agreements, a Notice on Form D will be filed with the Insurance Department with respect to any proposed changes in such Management Services and Expense Allocation Agreements.

It is anticipated that the Domestic Insurers will adopt the ProAssurance Investment Guidelines pursuant to their respective Board of Directors’ approval.

See Exhibits L and M for the current ProAssurance Expense Allocation Agreement and Management Services Agreement which have been submitted with the Form A confidentially under separate cover.

### Reinsurance

The Domestic Insurers’ current reinsurance program will remain unchanged as a result of the transaction and ProAssurance has no plans to modify their reinsurance program.

### Corporate Structure

ProAssurance intends to hold the Domestic Insurers as indirect subsidiaries. As discussed above, ProAssurance has requested approval of the merger of Newco into Eastern under the Form A

Statute. Eastern will become a wholly owned subsidiary of ProAssurance and will serve as an intermediate holding company for the Domestic Insurers.

Except for the above internal restructuring, ProAssurance has no plans to: i) declare an extraordinary dividend, or ii) liquidate, or sell substantially all of the assets of the Domestic Insurers. ProAssurance has no immediate plans to merge or consolidate any such companies with any other person.

#### ITEM 6. VOTING SECURITIES TO BE ACQUIRED

ProAssurance plans to acquire all of the newly authorized and issued shares of common stock of Eastern which represent 100% of the outstanding capital stock of Eastern. The persons listed in Item 3 and Item 5 will not acquire any shares of Eastern as a result of this proposed transaction.

The terms of the proposed transaction and the basis for such are outlined in the Merger Agreement attached as Exhibit A. The method by which the fairness of the proposal was determined is described in Item 4(b) of this Form A.

#### ITEM 7. OWNERSHIP OF VOTING SECURITIES

Except for the rights of ProAssurance to acquire Eastern under the Merger Agreement subject to this Form A, ProAssurance does not have any beneficial ownership or a right to acquire beneficial ownership of any class of voting security of Eastern.

#### ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Other than the Merger Agreement which is the subject of this Form A, neither ProAssurance nor any of its affiliates has any contracts, arrangements or understandings with respect to any voting security of Eastern, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

#### ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

Neither ProAssurance nor any of its affiliates owns any Eastern stock nor have any of its affiliates acquired any Eastern shares during the 12 months preceding the filing of this Form A.

#### ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Neither ProAssurance nor any of its affiliates has made any recommendations to purchase any voting security of Eastern during the 12 calendar months preceding this Form A filing.

ITEM 11. AGREEMENT WITH BROKER-DEALERS

Neither ProAssurance nor any of its affiliates has any agreement, contract or understanding with any broker-dealer as to solicitation of voting securities of the insurer for the payment of any fees, commissions or other compensation to be paid to any broker-dealers with regard to this transaction.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

The following exhibits are attached to this Form A filing:

- (a) Exhibit A Merger Agreement dated September 23, 2013
- Exhibit B Organizational Charts – Current & Post Acquisition
- Exhibit C Biographical Affidavits for the following ProAssurance Corporation Officers and Directors<sup>1</sup> and proposed Eastern Officers and Directors\*:

Lucian F. Bloodworth  
Robert E. Flowers, M.D.  
M. James Gorrie  
William J. Listwan, M.D.  
John J. McMahon, Jr.  
Drayton Nabers, Jr., Esq.  
Ann F. Putallaz, Ph.D.  
Frank A. Spinosa, D.P.M.  
W. Stancil Starnes, Esq.  
Anthony R. Tersigni, Ed.D., FACHE  
Thomas A.S. Wilson, Jr., M.D.  
Howard H. Friedman, ACAS  
Jeffrey P. Lisenby, Esq., CPCU  
Kathryn A. Neville, Esq., CPCU  
Frank B. O'Neil  
Edward L. Rand, Jr., CPA  
Darryl K. Thomas, Esq.

\*Biographical Affidavits of current Eastern officers and directors are on file with the Department and are hereby incorporated by reference.

- Exhibit D Business Plan<sup>1</sup>
- Exhibit E Retention and Severance Compensation Agreement between ProAssurance and Michael L. Boguski<sup>1</sup>
- Exhibit F Retention and Severance Compensation Agreement between ProAssurance and Kevin M. Shook<sup>1</sup>

- Exhibit G Retention and Severance Compensation Agreement between ProAssurance and Robert A. Gilpin<sup>1</sup>
- Exhibit H Retention and Severance Compensation Agreement between ProAssurance and Suzanne M. Emmet<sup>1</sup>
- Exhibit I Retention and Severance Compensation Agreement between ProAssurance and Cynthia Sklar<sup>1</sup>
- Exhibit J Retention and Severance Compensation Agreement between ProAssurance and Harry Talbert<sup>1</sup>
- Exhibit K Tax Allocation Agreement<sup>1</sup>
- Exhibit L Expense Allocation Agreement<sup>1</sup>
- Exhibit M Management Services Agreement<sup>1</sup>
- Exhibit N Statutory Financial Statements for ProAssurance Corporation's insurance subsidiaries
- Exhibit O ProAssurance Corporation Form 10K and Form 10Q

(b) Financial Statements for ProAssurance and its insurance subsidiaries are contained on Disks, identified as Exhibit N and O. The financial statements included on the disks are as follows:

ProAssurance Corporation Form 10K for the years ended 12/31/12, 12/31/11, 12/31/10, 12/31/09 and 12/31/08 and Form 10 Q for the quarter ended 6/30/13 are contained on a Disk identified as Exhibit O.

Statutory Annual Statements for the years 12/31/12, 12/31/11, 12/31/10, 12/31/09 and 12/31/08 and quarterly financial statements as of June 30, 2013 for the following insurance subsidiaries of ProAssurance are contained on a Disk identified as Exhibit N:

Company	NAIC	Domiciled
ProAssurance Indemnity Company, Inc.	33391	Alabama
ProAssurance Specialty Insurance Company, Inc.	10179	Alabama
ProAssurance Casualty Company	38954	Michigan
Podiatry Insurance Company of America	14460	Illinois
PACO Assurance Company, Inc.	10222	Illinois
American Medical Insurance Exchange <sup>2</sup>	31402	Indiana
Medmarc Casualty Insurance Company	22241	Vermont



Noetic Specialty Insurance Company	17400	Vermont
Independent Nevada Doctors Insurance Company	12838	Nevada

<sup>1</sup>Confidential information submitted under separate cover.

<sup>2</sup>American Medical Insurance Exchange is inactive.

- (c) The Merger Agreement, dated September 23, 2013, is attached as Exhibit A. This Agreement describes the transaction in detail.

An Organizational Chart depicting the subsidiaries of ProAssurance is attached as Exhibit B.

Retention and Severance Compensation Agreements with Eastern executives are attached as Exhibits E, F, G, H, I and J.

*The remainder of this page left blank intentionally.*

ITEM 13. SIGNATURE AND CERTIFICATION


SIGNATURE

Pursuant to the requirements of the Form A Statute, ProAssurance Corporation has caused this application to be duly signed on its behalf in the City of Birmingham and State of Alabama on the 25<sup>th</sup> day of September, 2013.

ProAssurance Corporation  
Name of Applicant

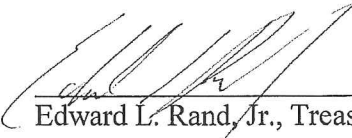
(Seal)

By:   
Edward L. Rand, Jr., Treasurer

Attest:   
Howard H. Friedman, Senior Vice President

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated September 25, 2013, for and on behalf of ProAssurance Corporation; that he is the Treasurer of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

  
Edward L. Rand, Jr., Treasurer