PCA and PIPE
Conversion to Stock Form

Annex II
To
Conversion Application Filed with the Pennsylvania Insurance Department:

Valuations of PCA and PIPE

See Attached

FELDMAN FINANCIAL ADVISORS, INC.

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Professional Casualty Association

King of Prussia, Pennsylvania

Conversion Valuation Appraisal Report

Valued as of August 11, 2015

Prepared By

Feldman Financial Advisors, Inc.
Washington, DC

FELDMAN FINANCIAL ADVISORS, INC.

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August 11, 2015

Board of Directors
Professional Casualty Association
1012 West Ninth Avenue, 2nd Floor
King of Prussia, Pennsylvania 19406

Members of the Board:

At your request, we have completed and hereby provide an independent appraisal (the "Appraisal") of the estimated pro forma market value of Professional Casualty Association ("PCA") as of August 11, 2015. PCA plans to convert from a Pennsylvania reciprocal insurance exchange to a Pennsylvania stock insurance company (the "Conversion"). In conjunction with the Conversion, PCA will be merged with and into Physicians' Insurance Program Exchange ("PIPE"), as converted to stock form, to form a single insurance company to be also called Professional Casualty Association ("New PCA"), which will become a wholly owned subsidiary of Professional Casualty Holdings, Inc. ("PCH"), a newly created Pennsylvania corporation. Immediately after these series of transactions, Diversus, Inc., a Delaware corporation will be merged with and into PCH with PCH as the survivor. PCH is offering shares of its common stock for sale in an initial public offering (the "Offering") with preference granted in the subscription offering phase to, among others, policyholders and named insureds of PCA and PIPE, and any unsubscribed shares offered to other investors in community or syndicated offerings.

This Appraisal is furnished in accordance with PCA's Plan of Conversion and Title 40 of the Pennsylvania Statutes ("40 P.S."), Chapter 35 - Medical Professional Liability Reciprocal Exchange-to-Stock Conversion, Sections 3501 to 3517. As specified by the Plan of Conversion and 40 P.S., Chapter 35, Section 3503(a)(d), the estimated pro forma market value of the capital stock of PCA shall be determined by an independent valuation expert and shall represent the estimated pro forma market value of the stock company as successor to the reciprocal insurer. Furthermore, as permitted by Section 3503(a)(d), the pro forma market value may be stated as a range of value and may be that value that is estimated to be necessary to attract full subscription for the shares offered for sale.

Feldman Financial Advisors, Inc. ("Feldman Financial") is a financial consulting and economic research firm that specializes in financial valuations and analyses of business enterprises and securities in the financial services industries. The background of Feldman Financial is presented in Exhibit I.

In preparing the Appraisal, we conducted an analysis of PCA that included discussions with PCA's management and an onsite visit to PCA's headquarters. We reviewed the unaudited financial statements of PCA as prepared under generally accepting accounting principles ("GAAP") as of and for the years ended December 31, 2013 and 2014 and unaudited financial statements as of and for the six months ended June 30, 2014 and 2015. PCA had available audited statutory financial statements for December 31, 2013 and 2014, but did not have audited GAAP financial statements for the corresponding periods. The unaudited GAAP financial statements furnished to us by PCA for December 31, 2013 and 2014 were internally prepared based on the audited consolidated GAAP financial statements of Professional Third Party, LP ("PTP"), which serves as the attorney-in-fact for PCA and administers and manages essentially all of the operations of PCA.

In addition, where appropriate, we considered information based on other available published sources that we believe are reliable; however, we cannot guarantee the accuracy and completeness of such information. We also reviewed and analyzed: (i) financial and operating information with respect to the business, operations, and prospects of PCA as furnished to us PCA; (ii) publicly available information concerning PCA that we believe to be relevant to our analysis; (iii) a comparison of the historical financial results and present financial condition of PCA with those of selected publicly traded insurance companies that we deemed relevant; and (iv) financial performance and market valuation data of certain publicly traded insurance industry aggregates as provided by industry sources.

The Appraisal is based on PCA's representation that the financial data and additional information materials furnished to us by PCA are truthful, accurate, and complete. We did not independently verify the financial statements and other information provided by PCA, nor did we independently value the assets or liabilities of PCA. The Appraisal considers PCA only as a going concern on a stand-alone basis and should not be considered as an indication of the liquidation value of PCA.

It is our opinion that, as of August 11, 2015 (the "Valuation Date"), the estimated pro forma market value of PCA was within a range (the "Valuation Range") of $11,900,000 to $16,100,000 with a midpoint of $14,000,000. The Valuation Range was based upon a 15% decrease from the midpoint to determine the minimum and a 15% increase from the midpoint to establish the maximum.

Our Appraisal is not intended, and must not be construed, to be a recommendation of any kind as to the advisability of purchasing shares of common stock of PCH in the Offering. Moreover, because the Appraisal is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time, no assurance can be given that persons who purchase shares of common stock of PCH in the Offering will thereafter be able to sell such shares at prices related to the foregoing estimate of PCA's pro forma market value.

The Appraisal reflects only the Valuation Range as of the Valuation Date for the estimated pro forma market value of PCA in connection with the Conversion and does not take into account any trading activity with respect to the purchase and sale of common stock of PCH in the secondary market on the date of issuance of such securities or at any time thereafter following the completion of the Offering. Feldman Financial is not a seller of securities within the meaning of any federal or state securities laws and any report prepared by Feldman Financial shall not be used as an offer or solicitation with respect to the purchase or sale of any securities.

The Valuation Range reported herein will be updated as appropriate. These updates will consider, among other factors, any developments or changes in PCA's operating performance, financial condition, or management policies, and current conditions in the securities markets for insurance company common stocks. Should any such new developments or changes be material, in our opinion, to the estimated pro forma market value of PCA, appropriate adjustments to the Valuation Range will be made. The reasons for any such adjustments will be explained in detail at that time.

Respectfully submitted,

Feldman Financial Advisors, Inc.

Trent R. Feldman
President

Peter W. L. Williams
Principal

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INTRODUCTION

As requested, Feldman Financial Advisors, Inc. ("Feldman Financial") has prepared an independent appraisal (the "Appraisal") of the estimated pro forma market value of Professional Casualty Association ("PCA") as of August 11, 2015. PCA plans to convert from a Pennsylvania reciprocal insurance exchange to a Pennsylvania stock insurance company (the "Conversion"). In conjunction with the Conversion, PCA will be merged with and into Physicians' Insurance Program Exchange ("PIPE"), as converted to stock form, to form a single insurance company to be also called Professional Casualty Association ("New PCA"), which will become a wholly owned subsidiary of Professional Casualty Holdings, Inc. ("PCH"), a newly created Pennsylvania corporation. Immediately after these transactions, Diversus, Inc. ("Diversus"), a Delaware corporation, will be merged with and into PCH with PCH as the survivor. PCH is offering shares of its common stock for sale in an initial public offering (the "Offering") with preference in the subscription phase to, among others, policyholders and named insureds of PCA and PIPE, and any unsubscribed shares offered to other investors in community or syndicated offerings.

This Appraisal is furnished in accordance with PCA's Plan of Conversion and Title 40 of the Pennsylvania Statutes ("40 P.S."), Chapter 35 - Medical Professional Liability Reciprocal Exchange-to-Stock Conversion, Sections 3501 to 3517. As specified by the Plan of Conversion and 40 P.S., Chapter 35, Section 3503(a)(d), the estimated pro forma market value of the capital stock of PCA shall be determined by an independent valuation expert and shall represent the estimated pro forma market value of the stock company as successor to the reciprocal insurer. Furthermore, as permitted by Section 3503(a)(d), the pro forma market value may be stated as a range of value and may be that value that is estimated to be necessary to attract full subscription for the shares offered for sale.

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In preparing the Appraisal, we conducted an analysis of PCA that included discussions with PCA's management and an onsite visit to PCA's headquarters. We reviewed the unaudited financial statements of PCA as prepared under generally accepting accounting principles ("GAAP") as of and for the years ended December 31, 2013 and 2014 and unaudited financial statements as of and for the six months ended June 30, 2014 and 2015. PCA had available audited statutory financial statements for December 31, 2013 and 2014, but did not have audited GAAP financial statements for the corresponding periods. The unaudited GAAP financial statements furnished to us by PCA for December 31, 2013 and 2014 were internally prepared based on the audited consolidated GAAP financial statements of Professional Third Party, LP ("PTP"), which serves as the attorney-in-fact for PCA and administers and manages the insurance operations of PCA. In addition, where appropriate, we considered information based on other available published sources that we believe are reliable; however, we cannot guarantee the accuracy and completeness of such information.

In preparing the Appraisal, we also reviewed and analyzed: (i) financial and operating information with respect to the business, operations, and prospects of PCA as furnished to us PCA; (ii) publicly available information concerning PCA that we believe to be relevant to our analysis; (iii) a comparison of the historical financial results and present financial condition of

PCA with those of selected publicly traded insurance companies that we deemed relevant; and (iv) financial performance and market valuation data of certain publicly traded insurance industry aggregates as provided by industry sources.

The Appraisal is based on PCA's representation that the financial data and additional information materials furnished to us by PCA are truthful, accurate, and complete. We did not independently verify the financial statements and other information provided by PCA, nor did we independently value the assets or liabilities of PCA. The Appraisal considers PCA only as a going concern on a stand-alone basis and should not be considered as an indication of the liquidation value of PCA.

Our Appraisal is not intended, and must not be construed, to be a recommendation of any kind as to the advisability of purchasing shares of common stock of PCH in the Offering. Moreover, because the Appraisal is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time, no assurance can be given that persons who purchase shares of common stock of PCH in the Offering will thereafter be able to sell such shares at prices related to the foregoing estimate of PCA's pro forma market value.

The Appraisal reflects only the Valuation Range as of the Valuation Date for the estimated pro forma market value of PCA in connection with the Conversion and does not take into account any trading activity with respect to the purchase and sale of common stock of PCH in the secondary market on the date of issuance of such securities or at any time thereafter following the completion of the Offering. Feldman Financial is not a seller of securities within the meaning of any federal or state securities laws and any report prepared by Feldman Financial shall not be used as an offer or solicitation with respect to the purchase or sale of any securities.

The Valuation Range reported herein will be updated as appropriate. These updates will consider, among other factors, any developments or changes in PCA's operating performance, financial condition, or management policies, and current conditions in the securities markets for insurance company common stocks. Should any such new developments or changes be material, in our opinion, to the estimated pro forma market value of PCA, appropriate adjustments to the Valuation Range will be made. The reasons for any such adjustments will be explained in detail at that time.

I. BUSINESS OF PCA

General Overview

PCA is a subscriber-based reciprocal insurance exchange domiciled in Pennsylvania. PCA writes medical professional liability insurance primarily for physicians, physician groups, and allied healthcare providers such as physician assistants and certified registered nurse practitioners who are licensed to practice in Pennsylvania. PCA primarily markets its products through a network of over 25 independent producers in Pennsylvania. PCA expects to be granted a license to write insurance in Michigan in the third quarter of 2015. PCA is headquartered in King of Prussia, Pennsylvania.

At June 30, 2015, PCA had total assets of $55.8 million and total subscribers' equity of $13.1 million. For the six months ended June 30, 2015, PCA reported $7.2 million of direct premiums written and net income of approximately $880,000. For the year ended December 31, 2014, PCA had $15.3 million in direct premiums written and net income of $239,000. PCA is subject to examination and comprehensive regulation by the Pennsylvania Insurance Department. PCA has not been assigned a rating by A.M. Best Company, Inc. ("A.M. Best").

Corporate History and Structure

PCA is an unincorporated reciprocal insurance exchange formed for the purpose of insuring its subscribers against loss due to the imposition of legal liability. PCA provides medical professional liability insurance consisting of claims-made, tail occurrence, and occurrence policies to its subscribers. PCA was organized on April 16, 2003 and commenced operation as a Pennsylvania licensed carrier on July 1, 2003. PCA assumed the assets, liabilities, and policyholders of Professional Risk Retention Group, a registered risk retention group that was domiciled in South Carolina and conducted business in Pennsylvania.

PCA is managed by Professional Third Party, LP ("PTP") pursuant to the terms of an Attorney-in-Fact Agreement between PCA and PTP, effective April 16, 2003. Pursuant to the terms of the agreement, PTP provides marketing, underwriting, claims administration, and investment services to PCA and pays certain expenses on behalf of PCA in exchange for compensation not exceeding 25% of direct premiums written. On June 4, 2014, PTP was acquired by Diversus, which was formed in 2013 for the purpose of acquiring and consolidating both fee-based and risk-bearing companies participating in the medical professional liability ("MPL") insurance market.

PTP has the power to direct the activities of PCA that most significantly impact the economic performance of PCA by acting as the common attorney-in-fact and decision maker for the subscribers at PCA. All medical professional liability operations are owned by PCA, and PTP functions solely as the management company. The stockholder of PTP, through the management fee, is deemed to have a controlling financial interest in PCA; however, it has no other rights to or obligations arising from the assets and liabilities of PIPE.

Reciprocal Insurance Exchange

A reciprocal insurance exchange involves the organization of two separate entities: the reciprocal insurance exchange and the attorney-in-fact ("AIF"). The reciprocal insurance exchange functions as a form of unincorporated association in which subscribers exchange policies through an AIF in transaction that share or spread the risk. When a subscriber suffers a loss that is outlined in the exchange's agreement, the pooled premiums are used to pay the claim. Each member's liability ends according to the cost and terms of their individual policies. The reciprocal insurer is overseen by a board whose responsibilities typically include general oversight of the reciprocal, selection and monitoring of the AIF, and approval of vendor relationships.

The AIF is a separate legal entity that runs the day-to-day affairs of the reciprocal insurer. The policyholders of a reciprocal, usually called subscribers, provide a power of attorney to the AIF, giving the AIF legal authority to act on their behalf in managing and administering the reciprocal. A formal management contract is entered into between the AIF and the reciprocal. The AIF may be owned by the reciprocal itself (a proprietary AIF) or by an independent third party (a non-proprietary AIF) or a combination of both.

Product Lines and Distribution

PCA primarily writes claims-made medical malpractice insurance for healthcare providers practicing in Pennsylvania, though an occurrence product was introduced in mid-2013. PCA also issues tail occurrence policies to former claims-made policyholders. PTP administers and directs essentially all of the insurance operations of PCA under its long-term service contract. In exchange for these services, PTP receives fee income paid from PCA. PCA primarily markets its products through a network of over 25 independent producers in Pennsylvania. Producers are compensated on a fixed commission basis with the commission rate tiered according to the size of the policy.

PCA continues to work predominantly with producers who specialize in physician malpractice. In the midst of a marketplace that continues to be relatively soft, PCA seeks to identify producers that already understand the MPL business and share its philosophy that the policyholders' interests are always primary. PCA continues to place a high emphasis on business retention. PCA has expanded its marketing efforts to attract non-traditional targets such as affinity groups, statewide specialty chapters, medical societies, and purchasing groups.

PCA has a significant relationship with a large publicly traded national hospital group that owns over 150 hospitals and has over $30 billion in annual revenue. Several of this group's hospitals are located in Pennsylvania, and PCA insures nearly all physicians employed by these hospitals. PCA estimates that this group's relationship represents approximately 35% of its written premium.

Claims-made policies provide coverage for claims only when both the alleged incident and the resulting claim happen during the period the policy is in force. Claims-made policies provide coverage so long as the insured continues to pay premiums for the initial policy and any subsequent renewals. Each succeeding year the policy is continuously renewed, the coverage period is extended. Once premiums stop the coverage stops. Claims made to the insurance company after the coverage period ends will not be covered, even if the alleged incident occurred while the policy was in force. A claims-made policy will cover claims after the coverage period only if the insured purchases extended reporting period or "tail" coverage.

Occurrence policies protect subscribers from any covered incident that "occurs" during the policy period, regardless of when a claim is filed. An occurrence policy will respond to claims that come in -- even after the policy has been canceled -- so long as the incident occurred during the period in which coverage was in force. In effect, an occurrence policy offers permanent coverage for incidents that occur during the policy period, so long as there is sufficient aggregate limit available for the alleged event.

If the retroactive date is the beginning of the policy period, the claims-made policy is relatively inexpensive and is called "first-year" claims-made. However, as the number of years from the retroactive date increases, the policy "matures," and the premiums increase each year using "step factors" until reaching the mature level. Each year the policy continuously renews, the coverage period expands, and the insurance company's exposure to loss increases. Mature claims-made rates are typically very close to occurrence rates for the same exposure.

Claims-made coverage has replaced occurrence coverage as the most common type of policy offered by MPL insurance companies. A number of factors are behind this evolution, including the fact that reduced carrier liability under claims-made policies can mean slightly lower premiums for insureds. In June 2013, PCA introduced an occurrence product for the first time, supplementing the claims-made offering that had historically been available. In January 2014, PCA introduced a conversion product that allows claims-made policyholders to migrate to an occurrence form if they are inclined to pursue such a conversion. For the year ended December 31, 2014, PCA generated $15.3 million in direct premiums written and $12.9 million or 81.2% was comprised of claims-made policies and $2.4 million or 18.8% was for occurrence policies. For the year ended December 31, 2013, PCA generated $14.8 million in direct premiums written and $12.9 million or 87.5% was for claims-made policies and $1.9 million or 12.5% comprised occurrence policies.

Executive Management

Alan Waring serves as President of PCA and is also the President and Chief Executive Officer of Diversus. Mr. Waring will be the President and Chief Executive Officer of PCH upon completion of the stock conversions of PCA and PIPE and the merger of Diversus into PCH. Mr. Waring has been in the (re)insurance industry for over 33 years, as both an underwriter and broker, operating in the Dublin, London, Bermuda, and U.S. markets. Prior to starting International Specialty Brokers Limited, Mr. Waring was the President of Crump International Ltd. from 2004 through 2011, which he established and developed as the international brokerage operation of Crump Group, one of the largest U.S. wholesale insurance brokers. From 1995 through 2003, he was an Executive Vice President of Arthur J. Gallagher Intermediaries Limited, where he developed the Bermuda insurance and reinsurance brokerage platform for Arthur J

Gallagher & Co., one of the world's largest retail brokers headquartered in Chicago, Illinois. During his career, Mr. Waring has operated in all sectors of the (re)insurance industry and has experience in all major classes of insurance, reinsurance and alternative risk, including captive insurance and reinsurance companies. Mr. Waring is qualified as an Associate of the Chartered Insurance Institute and has a postgraduate degree in marketing and management from Westminster University in London, England.

James Gillespie, Jr. serves as Chief Executive Officer for PCA. He is a graduate of Hampton Institute and has completed course study at The College of Insurance in New York City. Mr. Gillespie has over 40 years of underwriting and brokerage experience, having worked for both Continental and AIG Insurance companies, as well as Johnson & Higgins, Alexander & Alexander, Aon, and Commerce Insurance Services. In each of his brokerage capacities, he has either developed and/or managed substantial healthcare practices and overseen responsibility for production, client service, and program design and marketing.

Sara M. Carpenter serves as Vice President and Treasurer for PCA. She is also Executive Vice President and Chief Financial Officer ("CFO") of Diversus. For the past 14 years, she has concurrently served as CFO for PIPE, Alliant Health Plans, and Doctors & Surgeons National Risk Retention Group. Prior to 1998, she was President of Enterprise Corporate Services, providing accounting and consulting services to healthcare providers. Ms. Carpenter is a Certified Public Accountant ("CPA") and holds a Masters degree in Accountancy.

Michele M. Morrison serves as Senior Underwriter for PCA. She is a graduate of Rosemont College and has more than 28 years of combined underwriting and both retail and wholesale insurance brokerage experience. The heavy emphasis throughout her career has been on professional liability lines of coverage.

Douglas R. Fahringer, Esq. serves as Director of Claims and Risk Management for PCA. He is a cum laude graduate of Wilkes College and The Dickinson School of Law. Mr. Fahringer has ten years of litigation and trial experience with the law firm, O'Brien & Ryan, where he successfully defended physicians and other healthcare providers in Pennsylvania. Thereafter, as Claim Supervisor with the Pennsylvania Property & Casualty Insurance Guaranty Association, he managed the medical claims department and supervised defense counsel handling claims of insolvent medical malpractice insurance companies. He has 20 years combined experience specializing in legal, medical, and insurance issues.

Michael F. Grill serves as Controller for PCA. He is a graduate of Philadelphia College of Textiles and Science and has over 30 years of accounting experience. Mr. Grill worked as an insurance accountant for 23 years for Penn Treaty American Corporation where he served as Treasurer and Controller. He has vast experience in investments and money management, filing the required financial reports, and working with reinsurers.

Reasons for the Conversion

Like most insurance companies, PCA's premium growth and underwriting results have been, and continue to be, influenced by market conditions. The MPL insurance industry historically is cyclical in nature, characterized by periods of significant price competition and excess underwriting capacity (a soft market) followed by periods of high premium rates and shortages of underwriting capacity (a hard market). The MPL insurance industry is currently operating under soft market conditions as a result of abundant capacity, with significant competition and pressure on premium rates following several years of overall favorable claims trends. During 2008 through 2014, premium rates declined in PCA's core Pennsylvania market, primarily as a result of improved claims frequency, and premium rates have remained relatively level in 2015.

PCA competes with MPL specialty insurers and alternative risk arrangements, as well as other large national property and casualty insurance companies that write medical professional liability insurance. Theses competitors include companies that have substantially greater financial resources and solid financial strength ratings. PCA also faces competition from other insurance companies for the services and allegiance of independent agents and brokers, on whose services PCA depends in marketing its insurance products. PCA seeks to compete based on quality and speed of service, but does not have the capital to engage in long-term price competition with some of its competitors. Over-capacity in the MPL market has led many market participants to seek acquisitions in order to generate revenue growth.

PCA is not currently rated by A.M. Best. Financial strength ratings from A.M. Best are used by producers and customers as a means of assessing the financial strength and quality of insurers. To accomplish the goal of generating material growth in premiums written, PCA recognizes that it must obtain a solid A.M. Best rating. In order to achieve a solid rating, PCA believes that it needs to enhance its capitalization and operating performance to levels satisfactory to A.M. Best, as well as satisfy various other rating requirements. Therefore, the primary purpose of the stock conversion and merger into New PCA is to increase PCA's access to capital resources and improve the outlook for obtaining a solid financial strength rating.

As a result of the Conversion, PCA will merge with and into New PCA, and PCA will no longer exist as a separate company. The resulting increase in capitalization should permit New PCA to (i) increase direct premium volume to the extent competitive conditions permit; (ii) increase net premium volume by decreasing reliance on reinsurance; and (iii) enhance investment income by increasing New PCA's investment portfolio. Additionally, New PCA intends to pursue the assignment of a financial strength rating from A.M. Best.

The remainder of Chapter I examines in more detail the trends addressed in this section, including the impact of changes in PCA's economic and competitive environment, and PCA's recent financial performance. The discussion is supplemented by the exhibits in the Appendix. Exhibit III-1 displays PCA's unaudited balance sheets as of December 31, 2013 and 2014 and June 30, 2015. Exhibit III-2 presents PCA's unaudited income statements for the years ended December 31, 2013 and 2014 and the six months ended June 30, 2014 and 2015.

Financial Condition

Table 1 presents selected data concerning PCA's financial position as of December 31, 2012 to 2014 and June 30, 2015. Exhibit III-1 presents PCA's balance sheets as of December 31, 2013 and 2014 and June 30, 2015. The financial data presentation for PCA in the tables below and in Exhibits III-1 to III-4 is derived from the GAAP financial statements of PCA. Statutory financial data for PCA is included in Exhibit III-5 and provides a five-year overview of PCA's operating trends.

Table 1
Selected Financial Condition Data
As of December 31, 2012 to 2014 and June 30, 2015
(Dollars in Thousands)

	June 30,	December 31,		
	2015	2014	2013	2012
Balance Sheet Data				
Total assets	$55,849	$57,608	$61,586	$60,413
Total cash and investments	49,720	49,384	53,307	47,337
Reinsurance recoverable	2,228	3,324	3,516	3,350
Total policy reserves (1)	28,560	29,850	32,917	31,908
Unearned premiums	11,439	11,595	10,798	10,747
Total liabilities	42,782	45,156	49,592	48,723
Total equity	13,067	12,452	11,994	11,690
Total equity / total assets	23.40%	21.62%	19.47%	19.35%
Cash and investments / total assets	89.03%	85.73%	86.56%	78.36%
Policy reserves / total assets	51.14%	51.82%	53.45%	52.82%

(1) Total policy reserves equal losses and loss adjustment expenses.

Source: PCA, unaudited GAAP financial statements.

PCA's total assets decreased by 6.5% from $61.6 million at December 31, 2013 to $57.6 million at December 31, 2014. The $4.0 million decrease in total assets primarily reflected a $3.9 million decrease in cash and investments from $53.3 million at December 31, 2013 to $49.4

million at December 31, 2014. Total policy reserves declined by $3.1 million from $32.9 million at December 31, 2013 to $29.9 million at December 31, 2014. The decrease in policy reserves was primarily due to the effort to settle more claims before trial and a reduction of new claims received in 2014. Total equity increased moderately by 3.8% from $12.0 million at year-end 2013 to $12.5 million at year-end 2014. The ratio of total equity to assets increased from 19.47% at year-end 2013 to 21.62% at year-end 2014.

PCA's aggregate balance of cash and investments amounted to $49.4 million at December 31, 2014 and constituted 85.7% of total assets. PCA's primary sources of cash are premiums, investment income, and sales and maturities of investment securities. PCA's primary uses of cash are policy acquisitions costs (primarily commissions), payments on claims, investment purchases, and general and administrative expenses. Cash, cash equivalents, and short-term investments amounted to $5.5 million at December 31, 2014 and investment securities totaled $43.9 million. Exhibit III-3 presents PCA's investment portfolio as of December 31, 2014. All of PCA's investment securities are classified as available for sale and carried at fair value, with unrealized gains of losses, net of any income tax effects, included in accumulated other comprehensive income. PCA's investment objectives include managing a conservative, high quality securities portfolio. PCA does not have any investments in derivative financial instruments, mortgage loans, or real estate.

Consistent with its investment policy, PCA's investment portfolio primarily comprises fixed-income debt securities. As of December 31, 2014, PCA's investments securities totaled $43.9 million and consisted of $24.1 million (54.9%) of U.S. Treasury and U.S. Government agency securities, $13.8 million (31.3%) of corporate and industrial bonds, and $6.1 million (13.8%) of general obligations of states and political subdivisions of states. The weighted average maturity of PCA's debt security investments was approximately 2.8 years as of December 31, 2014.

Investment security ratings are issued by the National Association of Insurance Commissioners ("NAIC") and are similar to the rating agency designations for marketable bonds as prepared by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investors Services. NAIC ratings of 1 and 2 include bonds generally considered investment grade by such ratings organizations. NAIC ratings of 3 through 6 include bonds generally considered below investment grade. As of December 31, 2014, all of PCA's bond investments carried NAIC ratings of 1.

In accordance with insurance industry practice, PCA reinsures a portion of its loss exposure and pays to the reinsurers a portion of the premiums received on all policies reinsured. Insurance policies written by PCA are reinsured with other insurance companies principally to: (i) reduce net liability on individual risks; (ii) mitigate the effect of individual loss occurrences; (iii) stabilize underwriting results; (iv) decrease leverage; and (v) increase underwriting capacity. Reinsurance is ceded by PCA on excess of loss basis with PCA's retention of $300,000 per occurrence for claims related to policy years 2008 through 2014 and $250,000 for policy year 2007. PCA ceded to reinsurers $2.5 million and $2.6 million of written premiums for the years ended December 31, 2013 and 2014, respectively. As of December 31, 2014, PCA had reinsurance balances recoverable of $3.3 million from four reinsurers, one of which is domiciled outside of the United States. The domestic reinsurers have A.M. Best financial strength ratings of A (Excellent) or better. The foreign reinsurer has deposited funds into a trust account with a bank in the United States to secure its balance due to PCA.

PCA has outstanding surplus notes of $1.6 million at December 31, 2014. The notes comprised a series of subordinated promissory notes bearing an interest rate of 5.0%. The amount of outstanding surplus notes was reduced from $2.7 million at December 31, 2013 to $1.6 million at December 31, 2014. The surplus notes are included as part of subscribers' surplus for PCA's statutory financial statements, but are excluded from equity capital for purposes of GAAP.

PCA's total assets declined by 3.1% from $57.6 million at December 31, 2014 to $55.8 million at June 30, 2015. On the asset side of the balance sheet, the $1.8 million reduction in total assets was largely attributable to a decrease of $1.1 million in reinsurance recoverable. On the liability side of the balance sheet, total policy reserves decreased by $1.3 million from December 31, 2014 to June 30, 2015. The aggregate amount of cash and investments was relatively unchanged at $49.7 million as of June 30, 2015, compared to $49.4 million as of December 31, 2014. PCA's total equity capital, as measured under GAAP, increased from $12.5 million or 21.6% of total assets at December 31, 2014 to $13.1 million or 23.4% of total assets at June 30, 2015. The increase in PCA's equity capital during the year-to-date ("YTD") period ended June 30, 2015 was due to profitable operations registered by PCA.

Income and Expense Trends

Table 2 displays PCA's earnings results and selected operating ratios for 2012 to 2014 and the first half of 2015. Exhibit III-2 displays PCA's income statements for 2013 and 2014 and the first half of 2015. PCA's operating results are influenced by factors affecting the MPL insurance sector in general. The performance of the MPL insurance sector is subject to significant variations due to competition, regulation, general economic conditions, claims reporting and settlement patterns, judicial decisions, impact of healthcare legislation and tort reform, fluctuations in interest rates, and other factors. PCA's premium growth and underwriting results are influenced by market conditions. Pricing in the MPL insurance industry historically has been cyclical with the financial performance of insurers fluctuating from periods of low premium rates and excess underwriting capacity resulting from increased competition (soft market), followed by periods of high premium rates and a shortage of underwriting capacity resulting from decreased competition (hard market).

There has not been a hard market in the MPL arena in almost a decade. Rates have continued to decline across all healthcare subsectors and capacity has grown substantially as new players have entered the market. Underwriters are accepting what appears to be a permanent, competitive landscape. The main reason for the continuing soft market is that the ratio of supply to demand has never been greater. New carrier entrants to both the primary and excess marketplace, as well as the supply of ample reinsurance, offer buyers more options than ever. Overlay the tremendous consolidation among healthcare organizations and the trend toward the employment of physicians who had once been separately insured, and these forces have led to more carriers fighting over a shrinking customer base. As a result, pricing has naturally declined in this macro-economic environment.

For the Years Ended December 31, 2014 and 2013

PCA recorded net income of $239,000 in the year ended December 31, 2014, marking a decrease from net income of $1.0 million in the year ended December 31, 2013. Although direct premiums written increased from $14.8 million in 2013 to $15.3 million in 2014, net premiums earned declined from $12.2 million in 2013 to $12.0 million in 2014. Total revenue declined to $12.6 million in 2014, which was 3.0% less than $12.9 million in 2013 due mainly to decreases in net premiums earned and net investment income. PCA experienced an underwriting loss in 2014 versus an underwriting profit in 2013, which contributed to the decline in net profits for 2014.

Direct premiums written increased by 3.6% from $14.8 million in 2013 to $15.3 million in 2014. The ceded rate on direct premiums written was unchanged at 17.0% in both 2013 and 2014. Net premiums earned declined by 2.1% from $12.2 million in 2013 to $12.0 million in 2014. Net investment income decreased from $717,000 in 2013 to $586,000 in 2014. Loss and loss adjustment expenses increased by 23.1% from $6.4 million in 2013 to $7.8 million in 2014. General operating expenses declined by 13.6% from $5.0 million in 2013 to $4.4 million in 2014.

A key measurement of the profitability of any insurance company for any period is its combined ratio, which is equal to the sum of its loss ratio and its expense ratio. However, investment income, federal income taxes and other non-underwriting income or expense are not reflected in the combined ratio. The profitability of property and casualty insurance companies depends on income from underwriting, investment, and service operations. Underwriting results are considered profitable when the combined ratio is under 100% and unprofitable when the combined ratio is over 100%.

Table 2
Selected Operating Performance Data
For the Years Ended December 31, 2012 to 2014
And the Six Months Ended June 30, 2014 and 2015
(Dollars in Thousands)

	Six Months Ended June 30,		For the Years Ended December 31,		
	2015	2014	2014	2013	2012
Income Statement Data					
Direct premiums written	$ 7,199	$ 7,839	$15,324	$14,788	$14,538
Net premiums written	5,928	6,496	12,713	12,274	12,090
Net premiums earned	$ 6,027	$ 5,658	$11,966	$12,226	$12,642
Investment income, net of expenses	408	406	586	717	1,101
Total revenue	6,435	6,063	12,552	12,942	13,744
Losses and loss adjustment expenses	3,014	4,294	7,831	6,362	9,606
General operating expenses	2,088	1,475	4,358	5,046	5,164
Total claims and expenses	5,101	5,769	12,190	11,408	14,770
Income (loss) before income taxes	1,333	295	362	1,534	(1,026)
Income tax expense (benefit)	453	100	123	505	(348)
Net income (loss)	$ 880	$ 195	$ 239	$ 1,029	$ (678)
Operating Ratios					
Return on average assets (1)	3.03%	0.64%	0.39%	1.69%	-1.11%
Return on average equity (1)	13.96%	3.21%	1.96%	8.69%	-5.65%
Loss ratio (2)	50.00%	75.90%	65.45%	52.04%	75.98%
Expense ratio (3)	34.64%	26.06%	36.42%	41.27%	40.85%
Combined ratio (4)	84.65%	101.96%	101.87%	93.31%	116.83%

(1) Annualized ratios for the six-month periods in 2014 and 2015.
(2) Losses and loss adjustment expenses divided by net premiums earned.
(3) Underwriting expenses divided by net premiums earned.
(4) Sum of the loss ratio and the expense ratio.

Source: PCA, unaudited GAAP financial statements.

Table 3 provides underwriting performance summary data for PCA for the years ended December 31, 2012 to 2014 and the six months ended June 30, 2014 and 2015.

Table 3
Underwriting Performance Data
For the Years Ended December 31, 2012 to 2014
And the Six Months Ended June 30, 2014 and 2015
(Dollars in Thousands)

	Six Months Ended June 30,		For the Years Ended December 31,		
	2015	2014	2014	2013	2012
Net premiums earned	$ 6,027	$ 5,658	$11,966	$12,226	$12,642
Losses and loss adjustment expenses	3,014	4,294	7,831	6,362	9,606
General operating expenses	2,088	1,475	4,358	5,046	5,164
Total claims and expenses	5,101	5,769	12,190	11,408	14,770
Underwriting profit (loss)	$ 925	$ (111)	$ (224)	$ 817	$(2,128)
Operating Ratios					
Loss ratio (1)	50.00%	75.90%	65.45%	52.04%	75.98%
Expense ratio (2)	34.64%	26.06%	36.42%	41.27%	40.85%
Combined ratio (3)	84.65%	101.96%	101.87%	93.31%	116.83%

(1) Losses and loss adjustment expenses divided by net premiums earned.
(2) Underwriting expenses divided by net premiums earned.
(3) Sum of the loss ratio and the expense ratio.

Source: PCA, unaudited GAAP financial statements.

As shown in Table 3, PCA's combined ratio increased from 93.3% in 2013 to 101.9% in 2014. The increase in PCA's combined ratio was attributable to the higher loss ratio in 2014, which primarily reflects the increased level of losses and loss adjustment expenses incurred. The expansion of the loss ratio from 52.0% in 2013 to 65.4% in 2014 resulted mainly from one claim that was settled above policy limits and above carried reserves. PCA's expense ratio actually declined from 41.3% in 2013 to 36.4% in 2014. Reflective of the higher combined ratio, PCA's experienced an underwriting loss of -$224,000 for 2014 as compared to an underwriting profit of $817,000 in 2013. Previously, in 2012, PCA incurred an underwriting loss of -$2.1 million.

PCA sustained a net loss of -$678,000 for 2012 and then reported positive earnings of $1.0 million in 2013, supported by a decline in the loss ratio from 76.0% in 2012 to 52.0% in 2013. The decreased loss ratio in 2013 was the result of favorable settlement of claims and the re-estimation of unpaid losses and loss adjustment expenses related to insured events of the prior year. The increase in the loss ratio to 65.4% in 2014 had the impact of narrowing earnings to $239,000 for 2014.

For the Six Months Ended June 30, 2015 and 2014

PCA reported net income of $880,000 for the six months ended June 30, 2015, compared to earnings of $195,000 for the six months ended June 30, 2014. The increase of $685,000 in earnings over the corresponding periods was due primarily to an increase of $369,000 in net premiums earned and a decline of $1.3 million in losses and loss adjustment expenses, which were partially offset by an increase of $613,000 in general operating expenses. Net investment income was $406,000 and $408,000 for the six-month periods in 2014 and 2015, respectively.

PCA's loss ratio declined from 75.9% for the six months ended June 30, 2014 to 50.0% for the six months ended June 30, 2015. Conversely, PCA's expense ratio increased from 26.1% for the six months ended June 30, 2014 to 34.6% for the six months ended June 30, 2015. Overall, the combined ratio improved from 102.0% in the YTD 2014 period to 84.7% for the YTD 2015 period. PCA's annualized return on average assets ("ROA") for the six months ended June 30, 2015 was 3.03%, representing an increase from the annualized ROA of 0.64% posted for the six months ended June 30, 2014.

Statutory Financial Data Overview

State insurance laws and regulations require PCA to file financial statements with state insurance departments everywhere it does business, and the operations of PCA are subject to examination by those departments. PCA prepares statutory financial statements in accordance with accounting practices and procedures prescribed or permitted by these departments. Certain accounting standards differ under statutory accounting practices ("SAP") as compared to GAAP. For example, premium income is recognized on a pro rata basis over the term covered by the insurance policy, while the related acquisition costs are expensed when incurred under SAP. Under GAAP, both premium income and the related policy acquisition costs are recognized on a pro rata basis over the term of the insurance policy. In addition, surplus notes are considered a part of policyholders' surplus under SAP, but are excluded from equity capital under GAAP. Therefore, the GAAP operating results and financial data for PCA do not correspond to the SAP presentation.

Exhibit III-5 presents summary statutory financial data for PCA over the five-year period for the years ended December 31, 2010 to 2014. As illustrated, PCA's premium volumes declined from 2010 to 2012 and effectively stagnated from 2012 to 2014 with modest growth occurring. Concurrently, underwriting profits and net investment income exhibited downward trends over the five-year period. Reflective of general market conditions, PCA's net yield on invested assets declined from 2.20% in 2010 to 1.78%, 1.44%, 1.16%, and 1.11% in 2011, 2012, 2013, and 2014, respectively. On a statutory basis, PCA's earnings declined each year during the 2010 to 2014 period, except in 2013 when PCA turned a profit after suffering a net loss in 2012. PCA's statutory surplus increased from $12.4 million at December 31, 2010 to $14.0 million at December 31, 2011, but declined steadily thereafter to $12.3 million at December 31, 2014.

II. INDUSTRY FUNDAMENTALS

Industry Performance and Outlook

The property and casualty ("P&C") segment of the insurance industry provides protection from risk into two basic areas. In general, property insurance protects an insured against financial loss arising out of loss of property or its use caused by an insured peril. Casualty insurance protects the insured against financial loss arising out of the insured's obligation to others for loss or damage to persons, including, with respect to workers compensation insurance, persons who are employees, or property. There are approximately 3,000 companies providing property and casualty insurance coverage in the United States. About 100 of these companies provide the majority of the property and casualty coverage.

Historically, the financial performance of the P&C insurance industry has tended to fluctuate in cyclical periods of aggressive price competition and excess underwriting capacity (known as a soft market), followed often by periods of high premium rates and shortages of underwriting capacity (or a hard market). Although an individual insurance company's financial performance is dependent on its own specific business characteristics, the profitability of most property and casualty insurance companies tends to follow this cyclical market pattern. During soft market conditions, premium rates are stable or falling and insurance coverage is readily available. During periods of hard market conditions, coverage may be more difficult to find and insurers increase premiums or exit unprofitable areas of business.

Although it comprises just over 2% of annual direct premiums for the U.S. P&C insurance industry, the MPL insurance sector is integral to the U.S. healthcare system, which accounts for almost one-fifth of the nation's gross domestic product. The MPL sector has historically been among the most volatile sectors in the insurance industry. The MPL sector has broadly outperformed the overall P&C sector as a result of strong pricing in the early 2000s, coupled with substantially reduced claims frequency. However, in the current market, historically strong operating margins are likely to come under pressure due to intense premium rate competition and lower fixed-income investment returns. MPL claims have been trending down since the past decade as a result of favorable judicial decisions, as well as state-level tort reform measures. As a result, most MPL insurers have reported favorable reserve development trends and continued profitability.

The year 2014 marked a year of financial stability for the MPL insurance industry, despite a continued decline in profitability. While the industry's operating ratio remained under 100%, it increased by several percentage points over the prior year as it has done for each year since 2010. Insurers continued to experience a decline in reserve releases, increased expenses, and diminished investment income. Despite the decline in profitability, the MPL industry returned a substantial portion of its income in 2014 as dividends to policyholders. Surplus grew slightly in 2014, leaving the industry in a financial position roughly consistent with where it has been since year-end 2011.

Direct premiums written in the MPL sector declined by 1.2% from $9.8 billion in 2013 to $9.7 billion in 2014, denoting the eighth consecutive years of decreases for the MPL industry. Premium rates continue to fall for many writers of MPL insurance, as evidenced by the declining premium volume of the industry as a whole. It is not uncommon for companies to find themselves forced to choose between writing policies at rates perceived to be inadequate or lose market share. MPL insurers are also faced with declining market share due to the acquisition of physician practices by hospitals and healthcare systems, as well as the preference of newly trained physicians to join these larger systems rather than enter into independent practices. Healthcare reform has only served to accelerate the trend in physician employment that was already well underway.

As reported by Milliman, Inc., the combined ratio for the MPL industry was 96% in 2014, up from a low of 76% in 2008. The loss ratio for 2014 was 65%, higher than in any year since 2006 and an increase of 12 percentage points. The increase in the loss ratio has been driven largely by the decline in reserve releases. The industry's surplus increased slightly by 2% in 2014. The stabilization of the industry's capitalization level is in part due to the significant amount policyholder dividends that MPL writers have continued to pay.

Net investment income is an important revenue source for P&C insurers, historically accounting for 15%-20% of total revenues. For most insurers, cash flows available for investment have stabilized although persistently low investment yields continue to pressure investment income results. Net realized investment gains have increased in recent years on the heels of surging securities market valuations.

Continued reserve releases can be expected to mask deteriorating underwriting results on current MPL business, thereby prolonging the soft market and increasing the risk that rates may become inadequate. MPL insurers face other challenges to increasing profits, possible increases in frequency and severity, threats to the tort system and tort laws in various states, the continued impact of healthcare reform, and a decline in market size as hospitals continue to acquire physician practices. In light of the industry's fundamentals, the current soft market is likely to continue into the near future. The challenge for larger MPL carriers is to seek new sources of premium growth, and increasingly they seek this growth through acquisition.

Financial Strength Ratings by A.M. Best

A.M. Best is a widely recognized rating agency dedicated to the insurance industry. A.M. Best provides ratings that indicate the financial strength of insurance companies. The objective of A.M. Best's rating system is to provide an independent opinion of an insurer's financial strength and its ability to meet ongoing obligations to policyholders. The assigned financial strength rating is derived from an in-depth evaluation and analysis of a company's balance sheet strength, operating performance, and business profile. A.M. Best's ratings scale is comprised of 15 individual ratings grouped into 9 categories (excluding suspended ratings). At the current time, PCA has not been assigned a financial strength rating by A.M. Best.

III. COMPARISONS WITH PUBLICLY TRADED COMPANIES

General Overview

The comparative market approach provides a sound basis for determining estimates of going-concern valuations where a regular and active market exists for the stocks of peer institutions. The comparative market approach was utilized in determining the estimated pro forma market value of PCA because: (i) reliable market and financial data are readily available for comparable institutions, and (ii) the comparative market method has been widely accepted as a valuation approach by the applicable regulatory authorities. The generally employed valuation method in initial public offerings ("IPOs"), where possible, is the comparative market approach, which also can be relied upon to determine pro forma market value in an insurance company stock conversion transaction. We considered other valuation approaches such as the asset-based valuation and income capitalization methods. However, we determined that because PCA is a going-concern insurance company with highly variable earnings results and the fact that the Valuation will be utilized pursuant a stock conversion offering structure, the comparative market approach is the preferred valuation method for this assignment.

The comparative market approach derives valuation benchmarks from the trading patterns of selected peer institutions that, due to certain factors such as financial performance and operating strategies, enable the appraiser to estimate the potential value of the subject institution in a mutual-to-stock conversion offering. In Chapter III, our valuation analysis focuses on the selection and comparison of PCA with a comparable group of publicly traded insurance companies (the "Comparative Group"). Chapter IV will detail any additional discounts or premiums that we believe are appropriate to PCA's pro forma market value.

Selection Criteria

Selected market price and financial performance data for insurance companies listed on the New York and NYSE MKT Stock Exchanges or traded on the NASDAQ Stock Market are shown in Exhibit IV as compiled from data obtained from SNL Financial LC ("SNL Financial"), a leading provider of financial and market data focused on financial services industries, including banks and insurance companies. The insurance underwriting industry is differentiated by SNL Financial into six market segments: (i) life and health, (ii) managed care, (iii) mortgage and financial guaranty, (iv) multiline, (v) property and casualty, and (vi) title. For purposes of this selection screening, we focused primarily on publicly traded insurance companies in the P&C and multiline segments exclusive of announced acquisition targets ("Public P&C/Multiline Group"). Several criteria, discussed below, were used to select the individual members of the Comparative Group from the overall universe of publicly traded insurance companies.

- Operating characteristics – A company's operating characteristics are the most important factors because they affect investors' expected rates of return on a company's stock under various business and economic scenarios, and they influence the market's general perception of the quality and attractiveness of a given company. Operating characteristics, which may vary in importance during the business cycle, include financial variables such as profitability, capitalization, growth, risk exposure, liquidity, and other factors such as lines of business and management strategies.

- Degree of marketability and liquidity – Marketability of a stock reflects the relative ease and promptness with which a security may be sold when desired, at a representative current price, without material concession in price merely because of the necessity of sale. Marketability also connotes the existence of buying interest as well as selling interest and is usually indicated by trading volumes and the spread between the bid and asked price for a security. Liquidity of the stock issue refers to the organized market exchange process whereby the security can be converted into cash. We attempted to limit our selection to companies that have access to a regular trading market or price quotations. We eliminated from the selection process companies with market prices that were materially influenced by publicly announced or widely rumored acquisitions.

In determining the Comparative Group composition, we focused primarily on PCA's size, market segment, and product lines. Attempting to concentrate on PCA's financial characteristics and expand the Comparative Group to obtain a meaningful cluster of companies, we broadened the size range criterion to encompass a statistically significant number of companies. In addition, due to the ongoing consolidation activity within the insurance industry, we sought to include a sufficient number of companies in the event that one or several members of the Comparative Group are subsequently subject to acquisition as we update this Appraisal prior to completion of PCA's Conversion.

Of the 54 companies composing the Public P&C/Multiline Group, there were only five companies with total assets less than $200 million and zero companies with assets less than $70 million or PCA's total assets of $55.8 million. The median asset size of the Public P&C/Multiline Group was $4.6 billion and the average size was even larger at $40.0 billion, skewed by behemoth companies such as Berkshire Hathaway and American International Group with total assets each exceeding $500 billion. We applied the following selection criteria and focused principally on companies concentrated in the lower quartile of the Public P&C/Multiline Group based on asset size:

- Publicly traded – stock-form insurance company whose shares are traded on New York Stock Exchange, NYSE MKT, or NASDAQ Stock Market.
- Asset size – total assets less than $1.6 billion.
- Market segment – primary focus on market segments of property and casualty, with additional consideration accorded to multiline and life and health.
- Current financial data – publicly reported financial data on a GAAP basis for the last twelve months ("LTM") ended March 31, 2015 or June 30, 2015.
- Insurance product lines – companies providing specialty lines of coverage, particularly including medical malpractice, were granted additional consideration for inclusion.

As a result of applying the above criteria, the screening process produced a reliable representation of publicly traded insurance companies for valuation purposes. Eighteen companies met the asset size and market segment criterion outlined on the previous page. We included in the Comparative Group four of the five public P&C insurance companies with assets under $200 million. Trupanion, Inc., which provides medical insurance plans for cats and dogs was not included in the Comparative Group. Within the collection of 12 companies comprising the Public P&C/Multiline Group reporting assets between $200 million and $1.6 billion, we selected nine seven for inclusion in the Comparative Group.

A general operating summary of the 12 companies selected for the Comparative Group is presented in Table 4. In focusing on smaller publicly traded companies, the Comparative Group includes seven companies with total assets less than $500 million and five altogether below $200 million (1347 Property Insurance Holdings, American Independence Corp., Kingstone Companies, National Security Group, and Unico American Corporation). In addition, three of the Comparative Group companies are headquartered in the Mid-Atlantic region (Donegal Group in Pennsylvania and American Independence Corp. and Kingstone Companies in New York), similar to PCA. The overall geographic mix of the companies in the Comparative Group reflects a wide distribution. One member of the Comparative Group companies completed an IPO within the past two years, specifically 1347 Property Insurance Holdings in March 2014. While no single company constitutes a perfect comparable and differences inevitably exist between PCA and the individual companies, we believe that the chosen Comparative Group on the whole provides a meaningful basis of financial comparison for valuation purposes. Summary operating profiles of the publicly traded insurance companies selected for the Comparative Group are presented in the next section beginning on pages 33 to 39.

Table 4
General Operating Summary of the Comparative Group
As of June 30, 2015

	State	Ticker	Exchange	IPO Date	Total Assets ($Mil.)	Total Equity ($Mil.)	Total Equity/ Assets (%)
Professional Casualty Association	PA	NA	NA	NA	55.8	13.1	23.40
Comparative Group Median	NA	NA	NA	NA	357.1	106.2	31.16
Comparative Group Mean	NA	NA	NA	NA	572.1	181.7	37.01
Comparative Group							
1347 Property Insurance Holdings (1)	FL	PIH	NASDAQ	03/31/14	75.9	49.0	64.56
American Independence Corp.	NY	AMIC	NASDAQ	NA	182.4	96.6	52.96
Atlantic American Corporation	GA	AAME	NASDAQ	02/01/69	327.2	105.5	32.25
Donegal Group Inc.	PA	DGICA	NASDAQ	NA	1,519.4	437.1	28.77
EMC Insurance Group Inc.	IA	EMCI	NASDAQ	02/04/82	1,520.1	515.4	33.91
Federated National Holding Co.	FL	FNHC	NASDAQ	11/05/98	601.1	231.4	38.50
First Acceptance Corporation	TN	FAC	NYSE	NA	387.0	106.8	27.59
Hallmark Financial Services, Inc.	TX	HALL	NASDAQ	NA	1,041.9	262.3	25.18
Kingstone Companies, Inc. (1)	NY	KINS	NASDAQ	NA	137.4	40.9	29.78
National Security Group, Inc. (1)	AL	NSEC	NASDAQ	NA	147.0	44.2	30.07
Unico American Corporation (1)	CA	UNAM	NASDAQ	NA	135.6	71.4	52.70
United Insurance Holdings Corp.	FL	UIHC	NASDAQ	10/04/07	789.7	219.5	27.79

(1) As of March 31, 2015.

Source: PCA; SNL Financial.

Summary Profiles of the Comparative Group Companies

1347 Property Insurance Holdings, Inc. (NASDAQ: PIH) – Tampa, Florida

1347 Property Insurance Holdings, Inc. ("1347 Property") was incorporated in October 2012 and holds all of the capital stock of Maison Insurance Company ("Maison") and Maison Managers Inc. ("MMI"). In March 2014, 1347 Property completed an IPO of its common stock. Prior to March 2014, 1347 Property was a wholly owned subsidiary of Kingsway America Inc. Through Maison, 1347 Property provides property and casualty insurance to individuals in Louisiana. Maison's insurance product offerings currently include homeowners insurance, manufactured home insurance, and dwelling fire insurance. Maison writes both full peril property policies as well as wind/hail only exposures. Maison distributes its policies through independent insurance agents. MMI serves as 1347 Property's services subsidiary, known as a managing general agency. MMI is responsible for marketing programs and other management services. 1347 Property plans, either organically or through acquisition, to expand into other coastal states that fit its selection criteria and when timing is appropriate. It intends to focus on those areas where industry leaders are seeking to decrease coastal risk exposure and locations where its management has experience in managing wind-risk and independent and captive agent contacts. Within Louisiana, 1347 Property seeks to take advantage of market opportunities presented by the planned shrinkage of a state-run program that operates as an insurer of last resort. In January 2015, 1347 completed the acquisition of ClaimCor, LLC, a Florida based company that provides claims and underwriting technical solutions to both commercial and personal lines insurance carriers throughout the Southern United States. 1347 Property is not currently rated by A.M. Best. As of March 31, 2015, 1347 Property had total assets of $75.9 million, total policy reserves of $18.2 million, total equity of $49.0 million, LTM total revenue of $21.2 million, and LTM net loss of -$81,000.

American Independence Corp. (NASDAQ: AMIC) – New York, New York

American Independence Corp. ("American Independence") is a holding company principally engaged in health insurance and reinsurance with executive offices located in New York, New York. American Independence focuses on niche health products and/or narrowly defined distribution channels and provides specialized health coverage and related services to commercial customers and individuals. Its wholly owned subsidiary, Independence American Insurance Company ("Independence American"), markets its products through IHC Risk Solutions, LLC ("Risk Solutions"), IHC Specialty Benefits, Inc., IPA Family, LLC, and IPA Direct, LLC, which are subsidiaries of AMIC, and through independent brokers, producers and agents. American Independence is affiliated with Independence Holding Company, which owns a majority of the common stock of American Independence. Independence American, which is domiciled in Delaware, is licensed to write property and/or casualty insurance in all 50 states and the District of Columbia, and has an A- (Excellent) financial strength rating from A.M. Best with a stable outlook. American Independence retains much of the risk that it underwrites, and sells or reinsures on the following lines of business: (i) medical stop-loss; (ii) fully insured medical including major medical and ancillary, (iii) pet insurance, (iv) occupational accident, and (iv) New York State disability benefits. Risk Solutions is a full-service direct writer of medical stop-loss insurance for self-insured employer groups. Risk Solutions markets, underwrites, collects premiums, administers and processes claims, and performs medical management services. As of June 30, 2015, American Independence had total assets of $182.4 million, total policy reserves of $61.1 million, total equity of $96.6 million, LTM total revenue of $170.9 million, and LTM net income of $5.7 million.

Atlantic American Corporation (NASDAQ: AAME) – Atlanta, Georgia

Atlantic American Corporation ("Atlantic American") is a holding company that operates through its subsidiaries in specialty markets within the life and health and property and casualty insurance industries. Its principal operating subsidiaries are American Southern Insurance Company and American Safety Insurance Company (together known as "American Southern") within the property and casualty insurance industry and Bankers Fidelity Life Insurance Company and Bankers Fidelity Assurance Company (together known as "Bankers Fidelity") within the life and health insurance industry. American Southern's primary product lines include business automobile insurance, general liability insurance, property insurance, and surety bonds. American Southern provides tailored business automobile insurance coverage, on a multi-year contract basis, to state governments, local municipalities and other large motor pools and fleets that can be specifically rated and underwritten. Bankers Fidelity and offers a variety of life and supplemental health products with a focus on the senior markets. Products offered by Bankers Fidelity include ordinary and term life insurance, Medicare supplement, and other accident and health insurance products. For the year ended December 31, 2014, health insurance operations accounted for approximately 59% of Atlantic American's net earned premiums. Bankers Fidelity markets its policies through three distribution channels all of which utilize commissioned, independent agents. The three channels utilized include traditional independent agents, broker-agents typically interested in a specific product of Bankers Fidelity, and special market agents who promote workplace, association and/or branded products. American Southern carries a current financial strength rating of A (Excellent) from A.M. Best and Bankers Fidelity has a financial strength rating of A- (Excellent), both with a stable ratings outlook. As of June 30, 2015, Atlantic American had total assets of $327.2 million, total policy reserves of $169.6 million, total equity of $105.5 million, LTM total revenue of $169.3 million, and LTM net income of $6.8 million.

Donegal Group, Inc. (NASDAQ: DGICA) – Marietta, Pennsylvania

Donegal Group, Inc. ("Donegal") is as an insurance holding company whose insurance subsidiaries offer personal and commercial lines of property and casualty insurance to businesses and individuals in 21 Mid-Atlantic, Midwestern, New England, and Southern states. Donegal owns insurance subsidiaries domiciled in the states of Iowa, Maryland, Michigan, Pennsylvania, Virginia and Wisconsin. For the year ended December 31, 2014, Donegal's direct premiums were generated primarily in the states of Pennsylvania (36.9%), Michigan (16.9%), Virginia (8.8%), Maryland (8.5%), and Delaware (5.8%). Donegal's insurance subsidiaries derive a substantial portion of their insurance business from smaller to mid-sized regional communities. Donegal believes this focus provides its insurance subsidiaries with competitive advantages in terms of local market knowledge, marketing, underwriting, claims servicing, and policyholder service. At the same time, Donegal believes its insurance subsidiaries have cost advantages over many smaller regional insurers that result from economies of scale they realize through centralized accounting, administrative, data processing, investment, and other services. Donegal has been an active consolidator of smaller "main street" property and casualty insurance companies. The personal lines products offered by Donegal consist primarily of homeowners and private passenger automobile policies, while the commercial lines products consist primarily of commercial automobile, commercial multi-peril, and workers compensation policies. Donegal was formed in 1986 as a downstream holding company by Donegal Mutual Insurance Company, which currently holds approximately 65% of the aggregate voting power of both classes of Donegal's common stock. Donegal's insurance subsidiaries carry current financial strength ratings of A (Excellent) from A.M. Best with a stable outlook. As of June 30, 2015, Donegal had total assets of $1.5 billion, total policy reserves of $1.0 billion, total equity of $437.1 million, LTM total revenue of $613.5 million, and LTM net income of $26.6 million.

EMC Insurance Group Inc. (NASDAQ: EMCI) – Des Moines, Iowa

EMC Insurance Group Inc. ("EMC") is an insurance holding company that was incorporated in Iowa in 1974 by Employers Mutual Casualty Company ("Employers Mutual") and became a public company in 1982 following the initial public offering of its common stock. EMC is approximately 58% owned by Employers Mutual, a multiple-line property and casualty insurance company organized as an Iowa mutual insurance company in 1911 that is licensed in all 50 states and the District of Columbia. EMC conducts operations in property and casualty insurance and reinsurance through its subsidiaries. EMC primarily focuses on the sale of commercial lines of property and casualty insurance to small and medium-sized businesses. These products are sold through independent insurance agents who are supported by a decentralized network of branch offices. Although EMC actively markets its insurance products in 40 states, the majority of its business is marketed and generated in the Midwest. EMC conducts its operations through the following subsidiaries: EMCASCO Insurance Company, Illinois EMCASCO Insurance Company and Dakota Fire Insurance Company, and its reinsurance operations through its subsidiary, EMC Reinsurance Company. The primary sources of revenue for EMC are generated from the following commercial lines of business: property, automobile, workers compensation, and liability. EMC's property and casualty insurance companies carry financial strength ratings from A.M. Best of A (Excellent) with a stable outlook. As of June 30, 2015, EMC had total assets of $1.5 billion, total policy reserves of $922.2 million, total equity of $515.4 million, LTM total revenue of $610.6 million, and LTM net income of $47.5 million.

Federated National Holding Company (NASAQ: FNHC) – Sunrise, Florida

Federated National Holding Company ("Federated"), formerly known as 21st Century Holding Company, is an insurance holding company that engages in the insurance underwriting, distribution and claims processes through its subsidiaries and contractual relationships with its independent agents and general agents. Federated is authorized to underwrite, and/or place through its owned subsidiaries, homeowners multi-peril, commercial general liability, federal flood, personal automobile, and various other lines of insurance in Florida and various other states. Federated markets and distributes its own and third-party insurers' products and its other services through a network of independent agents. Its principal insurance subsidiary is Federated

National Insurance Company ("FNIC"). Through contractual relationships with a network of approximately 3,600 independent agents, of which approximately 1,800 actively sell and service its products, FNIC is authorized to underwrite homeowners, commercial general liability, fire, allied lines, and personal and commercial automobile insurance in Florida. FNIC is licensed as an admitted carrier in Alabama, Louisiana, Georgia, and Texas and underwrites commercial general liability insurance in those states, homeowners insurance in Louisiana and personal automobile insurance in Georgia and Texas. During 2014, 91.4%, 3.3%, 3.3% and 2.0% of the premiums it underwrote were for homeowners, commercial general liability, personal automobile, and federal flood insurance, respectively. Although the homeowners policyholders of FNIC are disbursed throughout Florida, substantially all of them are located in Florida. FNIC is not currently rated by A.M. Best. As of June 30, 2015, Federated had total assets of $601.1 million, total policy reserves of $332.2 million, total equity of $231.4 million, LTM total revenue of $205.7 million, and LTM net income of $37.9 million.

First Acceptance Corporation (NYSE: FAC) – Nashville, Tennessee

First Acceptance Corporation ("First Acceptance") is a retailer, servicer, and underwriter of non-standard personal automobile insurance based in Nashville, Tennessee. First Acceptance currently writes non-standard personal automobile insurance in 12 states and is licensed as an insurer in 13 additional states. First Acceptance owns and operates three insurance company subsidiaries: First Acceptance Insurance Company, Inc., First Acceptance Insurance Company of Georgia, Inc., and First Acceptance Insurance Company of Tennessee, Inc. First Acceptance is a vertically integrated business and believes that its business model allows it to identify and satisfy the needs of its target customers and eliminates many of the inefficiencies associated with a non-integrated automobile insurance model. First Acceptance operates over 350 retail locations, staffed with employee-agents. The employee-agents primarily sell non-standard personal automobile insurance products underwritten by First Acceptance as well as certain commissionable ancillary products. In most states, First Acceptance's employee-agents also sell a complementary insurance product providing personal property and liability coverage for renters underwritten by First Acceptance. In addition to its retail locations, First Acceptance is able to complete the entire sales process over the telephone via its call center or through the internet via its consumer-based website or mobile platform. The principal operating subsidiaries of First Acceptance carry current financial strength ratings from A.M. Best of B (Fair) with a stable outlook. As of June 30, 2015, First Acceptance had total assets of $387.0 million, total policy reserves of $191.4 million, total equity of $106.8 million, LTM total revenue of $289.3 million, and LTM net income of $24.9 million.

Hallmark Financial Services, Inc. (NASDAQ: HALL) – Fort Worth, Texas

Hallmark Financial Services, Inc. ("Hallmark") is a diversified property and casualty insurance group that serves businesses and individuals in specialty and niche markets. Hallmark offers standard commercial insurance, specialty commercial insurance, and personal insurance in selected market subcategories that are characteristically low-severity and predominately short-tailed risks. Hallmark markets, distributes, underwrites and services property and casualty insurance products primarily through five business units, each of which has a specific focus. The standard commercial P&C business unit primarily handles standard commercial insurance and occupational accident insurance. The workers compensation business unit specializes in small and middle-market workers compensation business. The excess and surplus commercial business unit handles primarily commercial insurance products and services in the excess and surplus lines market. The select business unit offers (i) general aviation insurance products and services, (ii) low and middle market commercial umbrella and excess liability insurance, (iii) medical professional liability insurance products and services, and (iv) satellite launch insurance products. The personal lines business unit focuses on non-standard personal automobile insurance and complementary personal insurance products and services. Hallmark's business is geographically concentrated in the South Central and Northwest regions of the United States, except for its general aviation business, which is written on a national basis. Hallmark's insurance subsidiaries carry current financial strength ratings of A- (Excellent) with a negative outlook. As of June 30, 2015, Hallmark had total assets of $1.0 billion, total policy reserves of $657.6 million, total equity of $262.3 million, LTM total revenue of $358.1 million, and LTM net income of $18.9 million.

Kingstone Companies, Inc. (NASDAQ: KINS) – Kingston, New York

Kingstone Companies, Inc. ("Kingstone") offers property and casualty insurance products to small businesses and individuals in the State of New York through its wholly owned subsidiary, Kingstone Insurance Company ("KICO"). KICO is a licensed property and casualty insurance company in New York. KICO also has obtained a license to write property and casualty insurance in Pennsylvania; however, KICO has only nominally commenced writing business in Pennsylvania. Kingstone is a multi-line regional property and casualty insurance company writing business exclusively through independent retail and wholesale agents and brokers. Kingstone's largest line of business is personal lines, consisting of homeowners, dwelling fire, 3-4 family dwelling package, condominium, renters, mechanical breakdown, service line, and personal umbrella policies. Commercial liability is another product line through the offering of business owners' policies that consist primarily of small business retail risks without a residential exposure. Commercial automobile represents a third product line as Kingstone provides physical damage and liability coverage for light vehicles owned by small contractors and artisans. Personal lines, commercial liability, and commercial automobile policies accounted for 74.5%, 14.4%, and 4.0% of gross written premiums for the year ended December 31, 2014. Kingstone also writes for-hire vehicle physical damage only policies for livery and car service vehicles and taxicabs as well as canine legal liability policies. These other product lines accounted for 6.9% of gross written premiums in the year ended December 31, 2014. Kingstone's financial strength rating from A.M. Best is B+ (Good) with a positive outlook. As of March 31, 2015, Kingstone had total assets of $137.4 million, total policy reserves of $84.5 million, total equity of $40.9 million, LTM total revenue of $54.6 million, and LTM net income of $5.4 million.

National Security Group, Inc. (NASDAQ: NSEC) – Elba, Alabama

National Security Group, Inc. ("National Security") is an insurance holding company that, through its property and casualty subsidiaries, primarily writes personal lines coverage including dwelling fire and windstorm, homeowners, and mobile homeowners lines of insurance in ten states. Through its life insurance subsidiary, National Security offers a basic line of life and health and accident insurance products in six states. Property and casualty insurance is the most significant segment accounting for 89% of total premium revenues in 2013 and is conducted through National Security Fire & Casualty Company ("NSFC") and Omega One Insurance Company ("Omega"). NSFC is licensed to write insurance in the states of Alabama, Arkansas, Florida, Georgia, Kentucky, Mississippi, Oklahoma, South Carolina, Tennessee and West Virginia. Omega is licensed to write insurance in Alabama and Louisiana. Another subsidiary, National Security Insurance Company, conducts the life insurance business. Dwelling fire and homeowners, collectively referred to as the dwelling property line of business, is the largest segment of property and casualty operations composing 96% of total property and casualty premium revenue. National Security focuses on providing niche insurance products within the markets it serves. National Security ranks in the top twenty dwelling property insurance carriers in its two largest states, Alabama and Mississippi. However, due to the large concentration of business among the top five carriers, its total combined market share in these two states is less than 2%. NSFC and Omega products are marketed through a network of independent agents and brokers, who are independent contractors and generally maintain relationships with one or more competing insurance companies. National Security's property and casualty companies currently carry an A.M. Best group financial strength rating of B++ (Good) with a stable outlook. As of March 31, 2015, National Security had total assets of $147.0 million, total policy reserves of $75.6 million, total equity of $44.2 million, LTM total revenue of $65.7 million, and LTM net income of $7.9 million.

Unico American Corporation (NASDAQ: UNAM) – Woodland Hills, California

Unico American Corporation ("Unico American") is an insurance holding company that underwrites property and casualty insurance through its insurance company subsidiary; provides property, casualty, and health insurance through its agency subsidiaries; and provides insurance premium financing and membership association services through its other subsidiaries. The insurance company operation is conducted through Crusader Insurance Company ("Crusader"), which is a multiple line P&C insurance company that began transacting business on January 1, 1985. Since 2004, all Crusader business has been written in the state of California. During the year ended December 31, 2014, approximately 98% of Crusader's business was commercial multiple peril policies. Commercial multiple peril policies provide a combination of property and liability coverage for businesses. Commercial property coverage insures against loss or damage to buildings, inventory and equipment from natural disasters, including hurricanes, windstorms, hail, water, explosions, severe winter weather, and other events such as theft and vandalism, fires, storms, and financial loss due to business interruption resulting from covered property damage. However, Crusader does not write earthquake coverage. In addition to commercial multiple peril policies, Crusader also writes separate policies to insure commercial property and commercial liability risks on a mono-line basis. Crusader is domiciled in California and is licensed as an admitted insurance carrier in the states of Arizona, California, Nevada, Oregon, and Washington. Unico American sells its insurance policies through Unifax Insurance Systems, Inc., Crusader's sister corporation and exclusive general agent. All policies are produced by a network of brokers and retail agents. During 2014, Crusader continued to introduce new products as well as product changes such as revised rates, eligibility guidelines, rules and coverage forms. In order to improve service, Crusader is currently customizing and configuring a new policy administration system that is primarily focused upon transacting business through the internet, as well as providing more options to make the brokers' and agents' time more efficient. In November 2014, A.M. Best affirmed the financial strength rating of A- (Excellent) for Crusader with a stable outlook. As of March 31, 2015, Unico American had total assets of $135.6 million, total policy reserves of $60.8 million, total equity of $71.4 million, LTM total revenue of $30.9 million, and LTM net loss of -$142,000.

United Insurance Holdings Corp. (NASDAQ: UIHC) – St. Petersburg, Florida

Unted Insurance Holdings Corp. ("United Insurance") serves as the holding company for United Property & Casualty Insurance Company and its affiliated companies ("UPC Insurance"). UPC Insurance is primarily engaged in the residential property and casualty insurance business and currently write policies in Florida, Louisiana, Massachusetts, New Jersey, North Carolina, Rhode Island, South Carolina, and Texas. Its target markets consist of areas where the perceived threat of natural catastrophe has caused large national insurance carriers to reduce their concentration of policies. In such areas, United Insurance believes an opportunity exists for UPC Insurance to write profitable business. UPC Insurance has been operating continuously in Florida since 1999, and has managed its business through various hurricanes, tropical storms, and other weather related events. Homeowners policies and related coverage account for the vast majority of the business that it writes. In 2014, homeowners policies produced written premium of $418.1 million and accounted for 96% of total written premium. In addition to homeowners policies, UPC Insurance writes flood policies, which accounted for 3%, and commercial residential policies, which accounted for the remaining 1% of its 2014 written premium. On the flood policies, it earns a commission while retaining no risk of loss, since all such risk is ceded to the federal government via the National Flood Insurance Program. UPC Insurance currently markets and distributes its policies to consumers through over 4,000 independent agencies. Approximately 69% of its policies in-force as of December 31, 2014 were in Florida. United Insurance is not currently rated by A.M. Best. As of June 30, 2015, United Insurance had total assets of $789.7 million, total policy reserves of $339.8 million, total equity of $219.5 million, LTM total revenue of $312.7 million, and LTM net income of $25.5 million.

Recent Financial Comparisons

Table 5 summarizes certain key financial comparisons between PCA and the Comparative Group. Financial data for PCA, the Comparative Group, and the Public P&C/ Multiline Group are shown as of or for the LTM ended June 30, 2015. The Public P&C/ Multiline Group includes all the companies presented in Exhibit IV.

PCA's total assets of $55.8 million as of June 30, 2015 measured below the Comparative Group median and mean of $357.1 million and $572.1 million, respectively. There are five companies in the Comparative Group with total assets less than $200 million. Overall, the Comparative Group includes seven companies with total assets less than $500 million, two companies with assets of $500 million to $1 billion, and three companies with assets between $1 billion and $1.6 billion. The median asset size of the Public P&C/Multiline Group was much larger at $4.6 billion based on the latest financial data as of June 30, 2015.

The P&C insurance industry is a highly competitive business in the areas of price, coverage, and service. The P&C industry includes insurers ranging from large companies offering a wide variety of products worldwide to smaller, specialized companies in a single state or region offering only a single product. Smaller insurance companies may find themselves competing with many insurance companies of substantially greater financial resources, more advanced technology, larger volumes of business, more diversified insurance coverage, broader ranges of projects, and higher ratings. Competition centers not only on the sale of products to customers, but also on the recruitment and retention of qualified agents and producers. Large national insurers may have certain competitive advantages over smaller regional companies, including increased name recognition, increased loyalty of their customer base, greater efficiencies and economies of scale and reduced policy acquisition costs.

PCA's ratio of total policy reserves to total equity measured 2.19x, evidencing both its historical capital position and utilization of underwriting leverage. The Comparative Group median and mean ratios of policy reserves to equity were 1.66x and 1.55x, respectively. Among the Comparative Group, Hallmark Financial Services, Donegal Group, and Kingstone Companies displayed ratios in range of PCA's ratio at 2.51x, 2.29x, and 2.07x, respectively. Correspondingly, Hallmark, Donegal, and Kingstone also exhibited lower equity capital ratios at 20.53%, 28.46%, and 28.68% of total assets, respectively, similar to PCA's equity capital ratio of 23.28%. Overall, PCA's capital ratios were lower than those of the Comparative Group and those of the Public P&C/Multiline Group aggregate. As of June 30, 2015, the Comparative Group median and mean ratios of equity to assets were 31.16% and 37.01%, respectively, while the Public P&C/Multiline Group median and mean equity capital ratios were slightly lower at 28.14% and 28.78%, respectively.

PCA's ratio of cash and investments to total assets was 89.0% as of June 30, 2015, and was positioned above the Comparative Group median and mean ratios of 71.2% and 72.1%, respectively. PCA's higher concentration of invested assets reflected comparatively lower levels of receivables in the form of reinsurance receivables and premium receivables. PCA's premium income levels and reinsurance activity have stagnated over the past four years. PCA's total assets decreased by 4.9% over the LTM period ended June 30, 2015, whereas the Comparative Group reflected median and mean asset growth rates of 8.8% and 18.6% for the corresponding period. Most members of the Comparative Group experienced moderate asset growth over the past year, while a few reported significant asset increases due to a stock offering (1347 Property), business expansion spurred by a corporate acquisition (United Insurance), and increases in total revenue and net income (Federated and First Acceptance).

Table 5
Comparative Financial Condition Data
PCA and the Comparative Group
As of or for the Last Twelve Months Ended June 30, 2015

	Total Assets ($mil.)	Total Policy Resrvs. ($mil.)	Total Equity ($mil.)	LTM Asset Growth (%)	Policy Resrvs./ Equity (x)	Cash & Invest./ Assets (%)	Total Equity/ Assets (%)	Tang. Equity/ Assets (%)
Professional Casualty Association	55.8	28.6	13.1	(4.91)	2.19	89.03	23.40	23.40
Comparative Group Median	357.1	180.5	106.2	8.80	1.66	71.18	31.16	30.90
Comparative Group Mean	572.1	326.2	181.7	18.56	1.55	72.10	37.01	35.83
Public P&C/Multiline Group Median	4,563.9	2,597.6	1,175.4	3.53	1.96	71.17	28.14	26.65
Public P&C/Multiline Group Mean	39,974.6	16,918.5	10,246.7	9.51	2.38	68.42	28.78	27.31
Comparative Group								
1347 Property Insurance Holdings (1)	75.9	18.2	49.0	77.03	0.37	88.52	64.56	64.56
American Independence Corp.	182.4	61.1	96.6	13.30	0.63	60.51	52.96	46.84
Atlantic American Corporation	327.2	169.6	105.5	(2.84)	1.61	79.36	32.25	31.72
Donegal Group Inc.	1,519.4	1,002.0	437.1	3.90	2.29	59.21	28.77	28.46
EMC Insurance Group Inc.	1,520.1	922.2	515.4	4.88	1.79	91.80	33.91	33.86
Federated National Holding Co.	601.1	332.2	231.4	46.69	1.44	76.92	38.50	38.50
First Acceptance Corporation	387.0	191.4	106.8	30.67	1.79	65.21	27.59	26.65
Hallmark Financial Services, Inc.	1,041.9	657.6	262.3	5.51	2.51	65.45	25.18	20.53
Kingstone Companies, Inc. (1)	137.4	84.5	40.9	10.66	2.07	54.56	29.78	28.68
National Security Group, Inc. (1)	147.0	75.6	44.2	6.94	1.71	80.88	30.07	30.07
Unico American Corporation (1)	135.6	60.8	71.4	1.95	0.85	78.86	52.70	52.70
United Insurance Holdings Corp.	789.7	339.8	219.5	24.00	1.55	63.95	27.79	27.40

(1) As of or for the period ended March 31, 2015.

Source: PCA; SNL Financial.

Table 6 compares PCA with the Comparative Group and Public P&C/Multiline Group based on selected measures of profitability. PCA's return on average assets ("ROA") and return on average equity ("ROE") were below the corresponding Comparative Group ratios.

Table 6
Comparative Operating Performance Data
PCA and the Comparative Group
For the Last Twelve Months Ended June 30, 2015

	Total Revenue ($mil.)	LTM Net Prem. Written/ Avg.Eq. (x)	YTD Loss Ratio (%)	YTD Exp. Ratio (%)	YTD Comb. Ratio (%)	LTM Net Income/ Total Revenue (%)	LTM ROA (%)	LTM ROE (%)
Professional Casualty Association	12.9	0.96	50.0	34.6	84.6	7.15	1.61	7.30
Comparative Group Median	188.3	1.30	65.2	30.8	97.8	5.29	3.28	8.51
Comparative Group Mean	241.8	1.19	59.2	32.5	93.4	6.27	3.45	10.62
Public P&C/Multiline Group Median	1,166.3	1.14	63.9	30.4	95.2	8.31	2.37	8.96
Public P&C/Multiline Group Mean	9,080.6	1.19	62.3	30.4	93.6	8.94	2.56	10.45
Comparative Group								
1347 Property Insurance Holdings (1)	21.2	0.53	10.5	55.3	65.8	(0.38)	(0.12)	(0.17)
American Independence Corp.	170.9	NA	NA	NA	NA	3.35	3.40	6.11
Atlantic American Corporation	169.3	NA	NA	NA	97.8	4.00	2.12	6.45
Donegal Group Inc.	613.5	1.44	65.2	33.5	98.7	4.33	2.54	7.60
EMC Insurance Group Inc.	610.6	1.14	62.8	31.7	94.5	7.77	3.17	9.41
Federated National Holding Co.	205.7	0.85	50.1	NA	NA	18.41	7.43	19.55
First Acceptance Corporation	289.3	NA	79.2	20.4	99.6	8.60	7.46	25.14
Hallmark Financial Services, Inc.	358.1	1.39	66.1	28.4	94.5	5.29	1.89	7.46
Kingstone Companies, Inc. (1)	54.6	1.22	68.0	29.9	97.9	9.87	4.09	13.82
National Security Group, Inc. (1)	65.3	1.46	NA	NA	NA	NA	5.50	19.73
Unico American Corporation (1)	30.9	NA	70.0	21.0	91.0	(0.46)	(0.11)	(0.20)
United Insurance Holdings Corp.	312.7	1.52	60.9	39.5	100.4	8.16	4.06	12.52

(1) As of or for the period ended March 31, 2015.

Source: PCA; SNL Financial.

PCA's ROA for the LTM period ended June 30, 2015 was 1.61% and trailed the Comparative Group median and mean ROA results of 3.28% and 3.39%, respectively. The Public P&C/Multiline Group reported median and mean LTM ROA results of 2.37% and 2.56%, respectively. PCA's ROE for the recent LTM period was 7.30% and lagged the Comparative Group median and mean ROE results of 8.51% and 10.62%, respectively. PCA's lower profitability reflects its slim underwriting profits along with an absence of sufficient investment income or revenue from ancillary business operations to offset the tightening underwriting margin.

Profitability levels among the Comparative Group companies were led by First Acceptance, Federated, and National Security with ROA results of 7.46%, 7.43%, and 5.50%, respectively, and ROE results of 25.14%, 19.55%, and 19.73%, respectively The lower performers in the Comparative Group based on profitability included 1347 Property and Unico American net losses and ROA results of -0.12% and -0.11%, respectively. Those companies reporting positive earnings yet relatively low ROA levels (similar to PCA's profitability) included Atlantic American, Hallmark, and Donegal with ROA results of 2.12%, 1.89%, and 1.80%, respectively.

PCA's profitability level relative to total revenue compared favorably to the levels exhibited by the Comparative Group. PCA's 7.15% ratio of net income to total revenue was positioned slightly ahead of the Comparative Group median and mean of 5.29% and 6.14%, respectively. However, PCA's written premium generation relative to average equity lagged the Comparative Group. PCA reported a ratio of 0.96x of net premiums written to average equity versus the Comparative Group median and mean of 1.30x and 1.19x, respectively. As mentioned earlier, PCA's net premiums written have not increased over the past five years.

IV. MARKET VALUE ADJUSTMENTS

General Overview

This concluding chapter of the Appraisal identifies certain adjustments to PCA's estimated pro forma market value relative to the Comparative Group. The adjustments discussed in this chapter are made from the viewpoints of potential investors, which would include policyholders and other eligible individuals with subscription rights and unrelated parties who might purchase stock in a community or syndicated offering. It is assumed that these potential investors are aware of all relevant and necessary facts as they would pertain to the value of PCA relative to other publicly traded insurance companies and relative to alternative investments.

Our appraised value is predicated on a continuation of the current operating environment for PCA and insurance companies in general. Changes in PCA's operating performance along with changes in the regional and national economies, the stock market, interest rates, the regulatory environment, and other external factors may occur from time to time, often with great unpredictability, which could impact materially the pro forma market value of PCA or the trading market values of insurance company stocks in general. Therefore, the Valuation Range provided herein is subject to a more current re-evaluation prior to the actual completion of the Conversion.

In addition to the comparative operating fundamentals discussed in prior chapters, it is important to address additional market value adjustments based on certain financial and other criteria, which include, among other factors:

(1) Earnings Prospects
(2) Management
(3) Liquidity of the Issue
(4) Subscription Interest

(5) Stock Market Conditions
(6) New Issue Discount

Earnings Prospects

Earnings prospects are dependent upon the ability to grow revenue and control expenses and the effectiveness of managing the combined ratio (ratio of loss and operating expenses to net premiums earned). PCA's revenue is generated primarily from net premiums earned, net investment income, and net realized investments gains or losses. PCA's expenses mainly comprise losses and loss adjustment expenses, policy acquisition costs, and other general and administrative expenses. PCA's revenue growth is affected by various factors, including competitive pricing, agent relationships, product strategy, business development, customer service and client retention, reinsurance arrangements, and investment performance. PCA's operating efficiency affects the degree to which it can profitably leverage its distribution system and cost infrastructure. Many of the earnings challenges faced by PCA are systemic to smaller insurers that lack economies of scale, diverse distribution channels, geographic diversity, or enhanced technological resources.

PCA has experienced stagnating premium growth over the past five years. The MPL industry is currently operating under soft market conditions both nationally and in Pennsylvania as a result of abundant capacity, with significant competition and pressure on premium rates following several years of overall favorable claims trends. During 2008 through 2014, premium rates declined in PCA's core Pennsylvania market, primarily as a result of improved claims frequency, and premium rates have remained relatively level in 2015. As discussed earlier, PCA competes with MPL specialty insurers and alternative risk arrangements, as well as other large national P&C insurance companies that write MPL insurance. These competitors include companies that have substantially greater financial resources and a solid A.M. Best financial strength rating that is lacking by PCA. Furthermore, PCA does not have the capital to engage in long-term price competition with some of its competitors or support aggressive geographic and product diversification.

The uncertainties surrounding the ultimate success of PCA's recent strategic initiatives to increase revenue and earnings place PCA at a disadvantage with regard to the Comparative Group, which overall is reporting substantially higher levels of profitability. We therefore believe that, given PCA's recent earnings trends and the restrained ability to generate substantial improvements in its profitability over the near term, a downward adjustment is warranted for PCA's earnings prospects with respect to the Comparative Group.

Management

Management's principal challenges are to implement strategic objectives, generate revenue growth, control operating costs, and monitor asset quality and underwriting risks while PCA competes in the highly competitive P&C insurance industry. The challenges facing PCA in attempting to generate improvements in profitability and enhance its competitiveness are paramount because of the inherent competitive disadvantages faced by smaller specialty insurers in general and specifically, with respect to PCA, companies that have a recent operating history of capital erosion and negative earnings.

We believe that investors will take into account that PCA is professionally managed by a team of experienced insurance executives that has focused extensively on and gained a wealth of knowledge and expertise in PCA's specialty niche market. PCA has emphasized its historical operating strengths in attempting to cultivate and maintain a loyal client base. We also note that investors will likely rely upon top-line premium growth and bottom-line earnings results as the means of evaluating the future performance of management. Based on these considerations, we believe no adjustment is warranted based on management.

Liquidity of the Issue

All of the 12 members of the Comparative Group are traded on major stock exchanges. Eleven companies are listed on the NASDAQ Global Market and one company (First Acceptance) is traded on the New York Stock Exchange. As of August 11, 2015, the market capitalizations of the Comparative Group reflected a median of $104.2 million and ranged from $35.5 million for National Security Group to $468.8 million for EMC Insurance Group. Included among the Comparative Group were four companies with a current market capitalization under $60 million. In contrast, the median market capitalization for the Public P&C/Multiline Group was $1.6 billion as of August 11, 2015.

The development of a public market having the desirable characteristics of depth, liquidity, and orderliness depends upon the presence in the marketplace of a sufficient number of willing buyers and sellers at any given time and the existence of market makers to facilitate stock trade transactions. Given the estimated range of PCA's pro forma market value, it is highly uncertain that an active and liquid trading market for its shares could develop or that PCA would have qualified for and maintained listing requirements on a major stock exchange.

As of August 11, 2015, the lowest market capitalizations reported by a public insurance company listed on a major exchange were $35.5 million, $48.7 million, $49.0 million, and $56.0 million for National Security, 1347 Property, Unico American, and Kingstone -- all of which are traded on NASDAQ and included in the Comparative Group. The lowest market capitalization reported by a public insurance company not listed on a major exchange but instead quoted on the over-the-counter securities market as of August 11, 2015 was $22.3 million for the life and health insurer, Investors Heritage Capital Corporation (exclusive of companies that had closing stock prices below $1.00 and have been experiencing severe financial deterioration). We recognize that companies with lower levels of market capitalization tend to experience restrained trading volumes and frequent price volatility due to limited shares outstanding and other factors. Such issues may not have access to a major stock exchange having the desirable characteristics of depth, liquidity, and orderliness. Therefore, we believe that at the present time a downward adjustment is necessary to address these collective factors.

Subscription Interest

While mutual-to-stock conversions are commonplace in the savings institution industry, such conversions and demutualizations are less common in the insurance industry. In recent years, IPOs of savings institution stocks have attracted a great deal of investor interest and this speculative fervor continued through 2014 and 2015. In contrast, since 2000 there have only been a handful of insurance company demutualization transactions utilizing a subscription rights offering (including stand-alone or sponsor-affiliation transactions).

In connection with the Conversion, policyholders and named insureds of PCA, along with directors, officers and employees of PTP, will be offered subscription rights to purchase shares of common stock in the Offering. At the present time, we are not aware of any particular marketing factors or transaction circumstances that would suggest either an overwhelming or suppressed level of interest in purchasing shares in the Conversion. Therefore, absent actual results from the subscription phase of the Offering, we do not believe that any adjustment is necessary at this juncture.

Stock Market Conditions

Table 7 summarizes the recent performance of various insurance stock indexes maintained by SNL Financial, along with selected industry and broad market indexes. The SNL Insurance Index of all publicly traded insurance companies increased 20.9% in the past year through August 11, 2015. The SNL Insurance Index outperformed the broader markets indexes as reflected by the Dow Jones Industrials Average ("DJIA") increasing 5.0% and the Standard & Poor's ("S&P") 500 Stock Index advancing 7.6%. Over the past three years ended August 11, 2015, the SNL Insurance Index was up 87.4%, while the DJIA had increased 31.8% and the S&P 500 advanced 48.2%. The SNL P&C Index and the S&P 500 P&C Index also outperformed the broader indexes, increasing by 63.6% and 70.0%, respectively, over the prior three-year period.

Financial stocks have performed well in the economic recovery and insurance stocks have participated fully in this sustained market rally. A number of announced acquisitions of insurance companies have contributed to the sustained performance of insurance stocks thus far in 2015. In the year-to-date periods, announced acquisition targets such as Cigna Corporation, Chubb Corporation, Humana Inc., and StanCorp Financial Group have registered notable price gains. However, as shown in Table 7, smaller insurance companies have not experienced the robust stock price appreciation as their larger counterparts. Over the past year through August 11, 2015, the SNL Insurance < $250 Million-Assets Index was down 12.2% and the SNL Insurance Micro Cap (< $250 Million) Index was down 11.7%.

On a YTD basis through August 11, 2015, the SNL Insurance < $250 Million-Assets Index had advanced 1.8% and the SNL Insurance Micro Cap Index had declined 14.7%. Through YTD August 11, 2015, the DJIA was down 2.4% and the S&P 500 was up 1.2%, while the SNL U.S. Insurance Index had advanced 8.0%.

Table 7
Selected Stock Market Index Performance
For the Period Ended August 11, 2015

	Index Value	Percent Change (%) Year-to-Date	One Year	Three Years
SNL Insurance Indexes				
SNL U.S. Insurance	767.57	7.98	20.92	87.44
SNL U.S. Insurance Underwriter	758.75	8.32	21.43	88.99
SNL U.S. Insurance Broker	1,176.96	3.37	13.87	67.01
S&P 500 Insurance	320.41	4.36	13.22	70.42
NASDAQ Insurance	7,165.04	5.58	16.99	60.09
S&P 500 Insurance Brokers	489.72	4.03	15.99	82.30
S&P 500 Multiline Insurance	112.84	9.37	14.80	84.92
SNL Sector Indexes				
SNL U.S. Insurance Property & Casualty	726.43	4.01	15.81	63.60
SNL U.S. Insurance Multiline	175.34	3.04	16.48	104.53
SNL U.S. Insurance Life & Health	842.71	3.01	7.35	76.70
SNL U.S. Reinsurance	1,001.56	11.90	19.84	68.87
SNL U.S. Managed Care	2,049.99	26.21	54.18	164.39
SNL U.S. Title Insurer	1,587.33	14.40	39.84	127.02
SNL U.S. Mortgage & Financial Guaranty	76.22	(2.50)	11.76	112.19
S&P 500 Property & Casualty	392.63	3.07	18.73	70.01
S&P 500 Life & Health	343.93	2.30	6.80	67.40
SNL Asset Size Indexes				
SNL U.S. Insurance < $250M	659.36	1.75	(12.19)	14.52
SNL U.S. Insurance $250M-$500M	772.61	9.14	(3.96)	84.49
SNL U.S. Insurance $500M-$1B	690.84	(7.92)	21.38	84.49
SNL U.S. Insurance $1B-$2.5B	1,561.88	0.86	14.53	47.71
SNL U.S. Insurance $2.5B-$10B	1,019.53	13.61	32.57	93.40
SNL U.S. Insurance > $10B	718.52	8.14	20.95	89.20
SNL U.S. Insurance > $1B	788.92	8.35	21.47	89.02
SNL U.S. Insurance < $1B	907.20	(1.74)	11.41	90.14
SNL Market Cap Indexes				
SNL Micro Cap U.S. Insurance	299.05	(14.73)	(11.69)	50.73
SNL Small Cap U.S. Insurance	747.27	(8.36)	3.73	52.42
SNL Mid Cap U.S. Insurance	598.52	8.22	23.01	95.04
SNL Large Cap U.S. Insurance	700.05	8.52	21.59	90.46
Broad Market Indexes				
Dow Jones Industrials Average	17,402.84	(2.36)	5.03	31.76
S&P 500	2,084.07	1.22	7.60	48.24
S&P Mid-Cap	1,496.14	3.01	7.97	55.53
S&P Small-Cap	704.68	1.38	7.14	56.02
S&P 500 Financials	338.78	1.64	12.38	68.58
NASDAQ	5,036.79	6.35	14.44	66.73
NASDAQ Financials	3,350.46	6.63	12.92	56.05

Source: MSCI; SNL Financial.

Strengthening fundamentals in the overall insurance industry have included fortified capital positions, improved product pricing, and increased demand for products as consumers and businesses accumulate additional cash flow in the rebounding economy. Insurance industry earnings have been challenged by the low interest rate environment, which has restrained the growth of investment income. Additionally, pricing on policies has been decelerating, particularly for commercial lines of insurance. The expansion of regulatory reform from the banking industry to other financial services industries, such as insurance companies and asset managers has led to increased costs for compliance, controls, and regulatory systems.

While P&C insurers historically have been very volatile due to cyclical market conditions and catastrophic losses, the stock performance of these issues has evidenced lesser volatility. The industry's improved capital position provides a solid buffer against catastrophic losses. The valuation support for many P&C companies will focus on incremental additions to book value from stable earnings and capital deployment strategies such as leverage, mergers, dividend payments, and share repurchases to provide price momentum going forward. Viewing the broader trends, the overall health of the industry, which endured significant pricing pressure and reduced exposure since the latest recession, has recently improved with the stepped-up macro economy. While encountering short term resistance to premium rate increases, the industry may be poised to experience margin expansion. Although a more competitive pricing environment is expected to impact insurers' ability to raise premium rates, the overall operating climate is projected to remain stable and therefore we believe no specific adjustment is necessary.

New Issue Discount

A "new issue" discount that reflects investor concerns and investment risks inherent in all IPOs is a factor to be considered for purposes of valuing companies converting from mutual to stock form. The magnitude of the new issue discount typically expands during periods of declining stock prices as investors require larger inducements, and narrows during stronger market conditions. The necessity to build a new issue discount into the stock price of a converting insurance company continues to prevail in recognition of the uncertainty among investors as a result of the lack of a seasoned trading history for the converting company, its operation in an intensely competitive industry, underlying concerns regarding business cycle and interest rate trends, volatility in the stock market, and intensifying competition and product marketing in the insurance marketplace. We therefore believe that a new issue discount is reasonable and necessary in the pricing of PCA's pro forma market value.

Adjustments Conclusion

PCA's pro forma valuation should be discounted relative to the Comparative Group because of earning prospects, liquidity of the issue, and the new issue discount. Individual discounts and premiums are not necessarily additive and may, to some extent, offset or overlay each other. On the whole, we conclude that PCA's pro forma valuation should be discounted relative to the Comparative Group. It is the role of the appraiser to balance the relative dynamics of price-to-book and price-to-earnings discounts and premiums. We have concluded that a discount of approximately 35% to 45% based on the price-to-book valuation metric is reasonable and appropriate for determining PCA's pro forma Valuation Range relative to the Comparative Group's trading ratios.

Valuation Approach

In determining the estimated pro forma market value of PCA, we have employed the comparative market valuation approach and considered the following pricing ratios: price-to-book value per share ("P/B"), price-to-tangible book value per share ("P/TB"), and price-to-earnings per share ("P/E"). Table 8 displays the trading market price valuation ratios of the Comparative Group as of August 11, 2015. Exhibit V displays the pro forma assumptions and calculations utilized in analyzing PCA's valuation ratios. In reaching our conclusions of the Valuation Range, we evaluated the relationship of PCA's pro forma valuation ratios relative to the Comparative Group's market valuation data.

Investors continue to make decisions to buy or sell P&C insurance company stocks based upon consideration of P/E and P/B comparisons. The P/E ratio is an important valuation ratio in the current insurance stock environment. However, PCA's uneven earnings performance renders the comparative P/E approach somewhat less emphasis. Thus, the comparative P/B approach takes on significant meaning as a valuation metric.

As of August 11, 2015, the median P/B ratio for the Comparative Group was 92.0% and the mean was 102.7%. In comparison, the Public P&C/Multiline Group median and mean P/B ratios were positioned higher at 129.2% and 154.8%, respectively. In consideration of the foregoing analysis along with the additional adjustments discussed in this chapter, we have determined a pro forma midpoint P/B ratio of 54.5% for PCA, which reflects an aggregate midpoint value of $14.0 million based on the assumptions summarized in Exhibit V. Applying a range of value of 15% above and below the midpoint, the resulting minimum of $11.9 million reflects a P/B ratio of 50.5% and the resulting maximum of $16.1 million reflects a P/B ratio of 58.0%. To price a converting company such as PCA at 90% of pro forma book value, because of the arithmetic of the calculation, would require very large increases in valuations and produce very marginal returns on equity. This would likely produce price declines in aftermarket trading. Accordingly, IPOs of converting insurance companies and savings institutions continue to be priced at substantial discounts to comparable publicly traded companies.

PCA's pro forma P/B valuation ratios reflect discounts to the Comparative Group's median P/B ratio of 92.0%, with discounts measuring 37.0% at PCA's maximum valuation, 40.8% at the midpoint valuation, and 45.1% at the minimum valuation. PCA's P/TB valuation ratios reflect discounts to the Comparative Group's mean P/TB ratio of 102.7%, measuring 43.5% at PCA's maximum valuation, 46.9% at the midpoint valuation, and 50.8% at the minimum valuation. In our opinion, these levels of discounts are appropriate to reflect the differences in operating fundamentals discussed in Chapter III and the aforementioned adjustments specified for earnings prospects, the new issue discount, and liquidity of the issue. In addition, we also took into consideration the low returns on equity that would be anticipated by PCA on a pro forma stand-alone basis as its capital levels reach much improved levels ranging from a 35.52% pro forma equity-to-assets ratio at the minimum valuation to 37.50% at the midpoint valuation and 39.36% at the maximum valuation. PCA's pro forma equity-to-assets ratios would be in a range approaching or exceeding the Comparative Group's median of 31.16% and mean of 37.01%. PCA's ability to deploy the pro forma capital profitably and to generate top-line premium growth and improved earnings constitutes a significant operating challenge in the highly competitive MPL insurance marketplace saddled by soft market conditions wherein PCA strives to overcome the lack of economies of scale, critical mass, and geographic diversification in its fundamental business model.

The Comparative Group's median and mean P/E ratios were 11.0x and 11.1x, respectively, as of August 11, 2015. Based on PCA's historical earnings for the LTM ended June 30, 2015 and the assumed returns from re-investment of the net capital proceeds, PCA's pro forma P/E ratios range from 12.0x at the minimum and 13.9x at the midpoint to 15.8x at the maximum. PCA's pro forma P/E ratios are skewed upward and positioned above the

Comparative Group's ratios as a result of the much lower earnings level exhibited by PCA. As discussed earlier, the challenge confronting PCA is to redeploy and leverage the additional equity capital to produce meaningful increases in earnings.

Based on the price-to-assets ("P/A") measure, PCA's midpoint valuation of $14.0 million reflects a P/A ratio of 20.45%, ranging from 17.94% at the minimum to 22.82% at the maximum. In contrast, the Comparative Group exhibited median and mean P/A ratios of 33.93% and 37.12%, respectively. Reviewing another valuation metric, price-to-total revenue, PCA's pro forma ratios range from 0.91x at the valuation minimum to 1.23x at the valuation maximum with a midpoint of 1.07x, which is positioned at a premium to the Comparative Group median and mean ratios of 0.75x and 0.97x, respectively. PCA's valuation discount on the P/A ratio basis is further reflective of the fundamental performance gap currently existing between PCA and the overall Comparative Group, while the premium on the price-to-total revenue basis is indicative of the additional underwriting capacity that would be afforded PCA and the opportunity to leverage its increased equity to produce growth in revenue and earnings.

Valuation Conclusion

It is our opinion that, as of August 11, 2015, the aggregate estimated pro forma market value of Professional Casualty Association was within the Valuation Range of $11,900,000 to $16,100,000 with a midpoint of $14,000,000. The Valuation Range was based upon a 15% decrease from the midpoint to determine the minimum and a 15% increase to establish the maximum. Exhibit V displays the assumptions and calculations utilized in determining PCA's estimated pro forma market value.

Table 8
Comparative Market Valuation Analysis
Professional Casualty Association and the Comparative Group
Market Price Data as of August 11, 2015

Company	Closing Stock Price ($)	Total Assets ($mil.)	Total Market Value ($mil.)	Price/ Book Value (%)	Price/ Tang. Book (%)	Price/ LTM EPS (x)	Price/ Oper. EPS (x)	Price/ Total Rev. (x)	Price/ Total Assets (%)	Total Equity/ Assets (%)	Current Div. Yield (%)
Professional Casualty Association											
Pro Forma Minimum	**10.00**	**66.3**	**11.9**	**50.5**	**50.5**	**12.0**	**12.3**	**0.91**	**17.94**	**35.52**	**0.00**
Pro Forma Midpoint	**10.00**	**68.4**	**14.0**	**54.5**	**54.5**	**13.9**	**14.3**	**1.07**	**20.45**	**37.50**	**0.00**
Pro Forma Maximum	**10.00**	**70.5**	**16.1**	**58.0**	**58.0**	**15.8**	**16.2**	**1.23**	**22.82**	**39.36**	**0.00**
Comparative Group Median	**NA**	**357.1**	**104.2**	**92.0**	**103.7**	**11.0**	**10.7**	**0.75**	**33.93**	**31.16**	**0.60**
Comparative Group Mean	**NA**	**572.1**	**188.6**	**102.7**	**108.6**	**10.4**	**10.8**	**0.97**	**37.12**	**37.01**	**1.08**
Public P&C/Multiline Median	**NA**	**4,563.9**	**1,612.4**	**129.2**	**140.4**	**12.7**	**14.3**	**1.07**	**32.06**	**28.14**	**1.73**
Public P&C/Multiline Mean	**NA**	**39,974.6**	**12,546.4**	**154.8**	**166.6**	**14.6**	**15.3**	**1.28**	**41.80**	**28.78**	**1.68**
<u>Comparative Group</u>											
1347 Property Insurance Holdings	7.66	75.9	48.7	99.4	100.0	NM	NA	2.30	64.20	64.56	0.00
American Independence Corp.	10.61	182.4	85.7	91.7	118.2	14.9	NA	0.50	47.00	52.96	0.00
Atlantic American Corporation	3.68	327.2	75.7	74.3	76.2	12.3	NA	0.45	23.13	32.25	0.54
Donegal Group Inc.	14.43	1,519.4	443.7	92.4	93.8	15.0	16.0	0.72	29.20	28.77	3.74
EMC Insurance Group Inc.	22.68	1,520.1	468.8	90.9	91.1	9.8	10.5	0.77	30.84	33.91	2.94
Federated National Holding Co.	24.54	601.1	349.2	157.9	157.9	8.8	9.4	1.70	58.09	38.50	0.65
First Acceptance Corporation	2.99	387.0	122.7	114.9	120.6	5.0	NA	0.42	31.71	27.59	0.00
Hallmark Financial Services, Inc.	11.24	1,041.9	215.9	82.5	107.4	11.5	13.4	0.60	20.72	25.18	0.00
Kingstone Companies, Inc.	7.63	137.4	56.0	136.9	144.4	10.5	10.9	1.03	40.73	29.78	2.62
National Security Group, Inc.	14.16	147.0	35.5	80.3	80.3	4.5	4.5	0.54	24.15	30.07	1.13
Unico American Corporation	9.18	135.6	49.0	68.6	68.6	NM	NM	1.59	36.15	52.70	0.00
United Insurance Holdings Corp.	14.50	789.7	312.2	142.2	145.0	11.9	NA	1.00	39.53	27.79	1.38

Source: PCA; SNL Financial; Feldman Financial.

Exhibit I
Background of Feldman Financial Advisors, Inc.

Overview of Firm

Feldman Financial Advisors provides consulting and advisory services to financial services companies in the areas of corporate valuations, mergers and acquisitions, strategic planning, branch sales and purchases, developing and implementing regulatory business and capital plans, and expert witness testimony and analysis. Our senior staff members have been involved in the mutual to stock conversion process since 1982 and have valued more than 350 converting institutions.

Feldman Financial Advisors was incorporated in February 1996 by a group of consultants who were previously associated with Credit Suisse First Boston and Kaplan Associates. Each of the officers of Feldman Financial Advisors has over 30 years of experience in consulting to financial institutions and financial services companies. Our senior staff collectively has worked with more than 1,000 commercial banks, savings institutions, mortgage companies, and insurance companies nationwide. The firm's office is located in Washington, D.C.

Background of Senior Professional Staff

Trent Feldman - President. Trent is a nationally recognized expert in providing strategic advice to and valuing financial service companies, and advising on mergers and acquisitions. Trent was with Kaplan Associates for 14 years and was one of three founding principals at that firm. Trent also has worked at the Federal Home Loan Bank Board and with the California legislature. Trent holds Bachelors and Masters Degrees from the University of California, Los Angeles.

Peter Williams - Principal. Peter specializes in merger and acquisition analysis, stock and other corporate valuations, strategic business plans, and retail delivery analysis. Peter was with Kaplan Associates for 13 years. Peter also worked as a Corporate Development Analyst with the Wilmington Trust Company in Delaware. Peter holds a BA in Economics from Yale University and an MBA in Finance and Investments from George Washington University.

Exhibit II
Statement of Contingent and Limiting Conditions

This Appraisal is made subject to the following general contingent and limiting conditions:

1. The analyses, opinions, and conclusions presented in this Appraisal apply to this engagement only and may not be used out of the context presented herein. This Appraisal is valid only for the effective date specified herein and only for the purpose specified herein.

2. Neither all nor any part of the contents of this Appraisal is to be referred to or quoted in any registration statement, prospectus, public filing, loan agreement, or other agreement or document without our prior written approval. In addition, our Appraisal and analysis are not intended for general circulation or publication, nor are they to be reproduced or distributed to other third parties without our prior written consent.

3. Neither our Appraisal nor our valuation conclusion is to be construed as a fairness opinion as to the fairness of an actual or proposed transaction, a solvency assessment, or an investment recommendation. For various reasons, the price at which the subject interest might be sold in a specific transaction between specific parties on a specific date might be significantly different from the valuation conclusion expressed herein.

4. Our analysis assumes that as of the effective valuation date, PCA and its assets will continue to operate as a going concern. Furthermore, our analysis is based on the past and present financial condition of PCA and its assets as of the effective valuation date.

5. We assume no responsibility for legal matters including interpretations of the law, contracts, or title considerations. We assume that the subject assets, properties, or business interests are appraised free and clear of any or all liens or encumbrances unless otherwise stated.

6. We assume that there is full compliance with all applicable federal, state, and local regulations and laws unless the lack of compliance is stated, defined, and considered in the Appraisal.

7. We do not express an opinion or any other form of assurance on the reasonableness of management's projections reviewed by us or on the underlying assumptions.

8. We assume responsible ownership and competent management with respect to the subject assets, properties, or business interests.

9. The information furnished by others is believed to be reliable. However, we issue no warranty or other form of assurance regarding its accuracy.

Exhibit III-1
Professional Casualty Association
Balance Sheets
As of December 31, 2013 and 2014 and June 30, 2015
(Dollars in Thousands)

	June 30, 2015	December 31, 2014	December 31, 2013
Assets			
Cash, cash equivalents, and short-term investments	$ 6,070	$ 5,455	$ 8,496
Investment securities	43,651	43,930	44,811
Accrued investment income	213	209	246
Premiums receivable	204	648	571
Reinsurance recoverable	2,228	3,324	3,516
Prepaid reinsurance premiums	844	901	851
Deferred policy acquisition costs	1,940	1,910	1,806
Deferred tax assets	693	739	1,002
Income taxes recoverable	-	294	114
Other receivables	6	198	172
Total Assets	$55,849	$57,608	$61,586
Liabilities and Subscribers' Equity			
Insurance reserves:			
Losses and loss adjustment expenses	$28,560	$29,850	$32,917
Unearned premiums	11,439	11,595	10,798
Advance premiums	135	605	879
Deposits and amounts held for others	13	357	378
Reinsurance payable	549	621	520
Accounts payable and accrued expenses	294	477	344
Income taxes payable	105	-	-
Payable to attorney-in-fact	108	73	1,099
Surplus notes	1,578	1,578	2,656
Total Liabilities	42,782	45,156	49,592
Subscribers' Equity			
Additional paid-in capital	2,349	2,349	2,349
Retained earnings	10,695	10,064	9,825
Unrealized gains (losses)	23	38	(181)
Total Subscribers' Equity	13,067	12,452	11,994
Total Liabilities and Subscribers' Equity	$55,849	$57,608	$61,586

Source: PCA, unaudited GAAP financial statements.

Exhibit III-2
Professional Casualty Association
Income Statements
For the Years Ended December 31, 2013 and 2014
And the Six Months Ended June 30, 2014 and 2015
(Dollars in Thousands)

	Six Months June 30,		Year Ended December 31,	
	2015	2014	2014	2013
Revenue				
Net premiums earned	$ 6,027	$ 5,658	$11,966	$12,226
Investment income, net of expenses	408	406	586	717
Total revenue	6,435	6,063	12,552	12,942
Claims and Expenses				
Losses and loss adjustment expenses	3,014	4,294	7,831	6,362
General operating expenses	2,088	1,475	4,358	5,046
Total claims and expenses	5,101	5,769	12,190	11,408
Income before taxes	1,333	295	362	1,534
Income tax expense	453	100	123	505
Net income	$ 880	$ 195	$ 239	$ 1,029

Source: PCA, unaudited GAAP financial statements.

Exhibit III-3
Professional Casualty Association
Investment Securities Portfolio
As of December 31, 2013 and 2014
(Dollars in Thousands)

	December 31, 2014		December 31, 2013	
	Fair Value ($000s)	Percent of Total (%)	Fair Value ($000s)	Percent of Total (%)
Debt securities:				
U.S. Treasury securities	$ 9,158	20.85	$ 10,176	22.71
U.S. Government agency obligations	14,964	34.06	14,775	32.97
U.S. Treasury and Govt. agency	24,122	54.91	24,951	55.68
States general obligations	2,031	4.62	2,758	6.16
Political subdivisions of states	4,016	9.14	3,454	7.71
States and political subdivisions	6,047	13.77	6,212	13.86
Corporate and industrial bonds	13,761	31.32	13,648	30.46
Total debt securities	43,930	100.00	44,811	100.00
Equity securities:				
Common stocks	-	-	-	-
Preferred stocks	-	-	-	-
Total equity securities	-	-	-	-
Total investment securities	$ 43,930	100.00	$ 44,811	100.00

Source: PCA, internal financial data.

Exhibit III-4
Professional Casualty Association
Investment Securities Portfolio
As of June 30, 2014 and 2015
(Dollars in Thousands)

	June 30, 2015		June 30, 2014	
	Fair Value ($000s)	Percent of Total (%)	Fair Value ($000s)	Percent of Total (%)
Debt securities	$ 41,326	94.67	$ 45,669	100.00
Common stocks - mutual funds	2,325	5.33	-	-
Total investment securities	$ 43,651	100.00	$ 45,669	100.00

Source: PCA, internal financial data.

Exhibit III-5
Professional Casualty Association
Statutory Financial Data
As of or For the Years Ended December 31, 2010 to 2014
(Dollars in Thousands)

	As of or For the Years Ended December 31,				
	2014	2013	2012	2011	2010
Selected Balance Sheet Data					
Total Assets	$51,624	$55,741	$54,271	$55,010	$57,377
Total Cash and Investments	49,326	53,581	50,807	52,165	53,388
Loss Reserves	16,552	18,211	16,967	16,404	18,673
Loss Adjustment Expense (LAE) Reserves	9,974	11,189	11,712	10,864	10,581
Total Loss and LAE Reserves	26,526	29,401	28,678	27,268	29,254
Unearned Premium Reserve	10,694	9,947	9,898	10,451	10,669
Total Liabilities	39,353	42,568	40,844	41,059	44,948
Surplus Notes	1,578	2,656	3,800	3,800	3,800
Capital and Surplus	12,271	13,172	13,426	13,951	12,430
Capital and Surplus / Assets (%)	23.77	23.63	24.74	25.36	21.66
Reserves / Capital and Surplus (%)	216.17	223.21	213.60	195.46	235.35
Selected Income Statement Data					
Direct Premiums Written (DPW)	$15,324	$14,788	$14,538	$15,443	$18,312
Net Reinsurance Premiums	(2,611)	(2,514)	(2,449)	(2,599)	(3,192)
Net Premiums Written (NPW)	12,713	12,274	12,090	12,844	15,120
Net Premiums Earned	11,966	12,226	12,642	13,062	14,120
Net Loss and LAE Incurred	7,831	6,362	9,606	5,973	6,423
Net Underwriting Expense Incurred	4,463	5,087	4,974	5,333	5,832
Net Underwriting Gain (Loss)	(328)	776	(1,938)	1,755	1,865
Net Investment Income	554	614	747	939	1,223
Net Realized Capital Gains	32	67	222	41	(4)
Income Tax Expense (Benefit)	(31)	413	(455)	764	962
Net Income (Loss)	289	1,044	(514)	1,972	2,122
Premiums Written By Major Segment (%)					
Personal Lines - DPW	0.00	0.00	0.00	0.00	0.00
Commercial Lines - DPW	100.00	100.00	100.00	100.00	100.00
Personal Lines - NPW	0.00	0.00	0.00	0.00	0.00
Commercial Lines - NPW	100.00	100.00	100.00	100.00	100.00
Operating Ratios (%)					
Growth Rate - DPW	3.62	1.72	(5.86)	(15.67)	(2.84)
Growth Rate - NPW	3.58	1.53	(5.88)	(15.05)	(0.18)
Loss and LAE Ratio	65.45	52.04	75.98	45.73	45.49
Expense Ratio	35.10	41.45	41.14	41.52	38.57
Combined Ratio	100.55	93.49	117.12	87.25	84.06
Operating Ratio	95.92	88.46	111.22	80.06	75.40
Effective Tax Rate	(12.16)	28.35	NM	27.91	31.20
Net Yield on Invested Assets	1.11	1.16	1.44	1.78	2.29
Return on Average Equity	0.54	1.86	(0.93)	3.54	3.67
Return on Average Assets	2.24	7.88	(3.72)	15.54	18.84

Exhibit III-5 (continued)
Professional Casualty Association
Statutory Financial Data
As of or For the Years Ended December 31, 2010 to 2014
(Dollars in Thousands)

	For the Years Ended December 31,				
	2014	2013	2012	2011	2010
Underwriting Revenue					
Direct Premiums Written	$15,324	$14,788	$14,538	$15,443	$18,312
Personal P&C Direct Premiums	0	0	0	0	0
Commercial P&C Direct Premiums	15,324	14,788	14,538	15,443	18,312
Net Reinsurance Premiums	(2,611)	(2,514)	(2,449)	(2,599)	(3,192)
Net Premiums Written	12,713	12,274	12,090	12,844	15,120
Change in Unearned Premiums Reserve	747	48	(553)	(218)	1,000
Net Premiums Earned	11,966	12,226	12,642	13,062	14,120
Underwriting Deductions					
Net Losses Paid - Personal	0	0	0	0	0
Net Losses Paid - Commercial	6,535	1,457	4,291	2,943	3,516
Net Losses Paid	6,535	1,457	4,291	2,943	3,516
Net LAE Paid	4,171	4,183	3,905	5,017	4,554
Change in Loss Reserves - Personal	0	0	0	0	0
Change in Loss Reserves - Commercial	(1,660)	1,245	563	(2,269)	(777)
Change in LAE Reserves	(1,215)	(522)	847	283	(869)
Net Change in Loss and LAE Reserves	(2,875)	722	1,410	(1,986)	(1,646)
Losses and LAE Incurred	7,831	6,362	9,606	5,973	6,423
Other Underwriting Expense Incurred	4,463	5,087	4,974	5,333	5,832
Net Underwriting Gain (Loss)	(328)	776	(1,938)	1,755	1,865
Investment Income					
Net Investment Income (Loss)	554	614	747	939	1,223
Net Realized Capital Gains	32	67	222	41	(4)
Other Income					
Finance Service Charges	0	0	0	0	0
All Other Income	0	0	0	0	0
Net Income					
Net Income (Loss) Before Taxes	258	1,458	(969)	2,736	3,084
Federal Income Tax Expense (Benefit)	(31)	413	(455)	764	962
Net Income (Loss)	289	1,044	(514)	1,972	2,122
Change in Capital and Surplus					
Capital and Surplus, Beginning of Period	$13,172	$13,426	$13,951	$12,430	$10,517
Net Income (Loss)	289	1,044	(514)	1,972	2,122
Net Unrealized Capital Gains (Losses)	0	0	12	(9)	6
Change in Surplus Notes	(1,078)	(1,144)	0	0	0
All Other Changes in Surplus	(112)	(155)	(34)	(173)	176
Capital and Surplus, End of Period	$12,271	$13,172	$13,426	$13,951	$12,430

Exhibit III-5 (continued)
Professional Casualty Association
Statutory Financial Data
As of or For the Years Ended December 31, 2010 to 2014
(Dollars in Thousands)

	For the Years Ended December 31,				
	2014	2013	2012	2011	2010
Operating Ratios (%)					
Loss Ratio	40.74	22.09	38.39	5.16	19.39
Loss Adjustment Expense Ratio	24.70	29.95	37.59	40.58	26.09
Loss and LAE Ratio	65.45	52.04	75.98	45.73	45.49
Net Commission Ratio	3.54	10.71	10.41	10.78	7.58
Salaries and Benefits Ratio	17.66	17.27	17.40	17.36	17.57
Tax, License and Fees Ratio	2.39	2.42	2.72	2.40	2.49
Admin. and Other Expense Ratio	11.51	11.05	10.62	10.98	10.94
Expense Ratio	35.10	41.45	41.14	41.52	38.57
Combined Ratio	100.55	93.49	117.12	87.25	84.06
Operating Ratio	95.92	88.46	111.22	80.06	75.40
Premium Analysis					
Direct Premiums Written (DPW)	$15,324	$14,788	$14,538	$15,443	$18,312
Gross Premiums Written (GPW)	15,324	14,788	14,538	15,443	18,312
Net Premiums Written (NPW)	12,713	12,274	12,090	12,844	15,120
Annual Growth DPW (%)	3.62	1.72	(5.86)	(15.67)	(2.84)
Annual Growth GPW (%)	3.62	1.72	(5.86)	(15.67)	(2.84)
Annual Growth NPW (%)	3.58	1.53	(5.88)	(15.05)	(0.18)
DPW by Line of Business (%)					
Major Segment - Personal (est.)	0.00	0.00	0.00	0.00	0.00
Major Segment - Commercial (est.)	100.00	100.00	100.00	100.00	100.00
Medical Malpractice	100.00	100.00	100.00	100.00	100.00
Commerical Multi-Peril Combined	0.00	0.00	0.00	0.00	0.00
Other Commercial	0.00	0.00	0.00	0.00	0.00
Loss and LAE Ratio by Line of Business (%)					
Major Segment - Personal (est.)	NA	NA	NA	NA	NA
Major Segment - Commercial (est.)	65.45	52.04	75.98	45.74	45.49
Medical Malpractice	65.45	52.04	75.98	45.74	45.49
Commerical Multi-Peril Combined	NA	NA	NA	NA	NA
Other Commercial	NA	NA	NA	NA	NA
Combined Ratio by Line of Business (%)					
Major Segment - Personal (est.)	NA	NA	NA	NA	NA
Major Segment - Commercial (est.)	100.55	93.48	117.13	87.26	84.07
Medical Malpractice	100.55	93.48	117.13	87.26	84.07
Commerical Multi-Peril Combined	NA	NA	NA	NA	NA
Other Commercial	NA	NA	NA	NA	NA

Exhibit III-5 (continued)
Professional Casualty Association
Statutory Financial Data
As of or For the Years Ended December 31, 2010 to 2014
(Dollars in Thousands)

	For the Years Ended December 31,				
	2014	2013	2012	2011	2010
Investment Income					
Net Investment Income	$554	$614	$747	$939	$1,223
Realized Capital Gains	32	67	222	41	(4)
Unrealized Capital Gains	0	0	12	(9)	6
Investment Portfolio Composition (%)					
Total Cash and Investments	$49,326	$53,581	$50,807	$52,165	53,388
Bonds	88.94	84.14	69.89	90.13	87.64
Preferred Stocks	0.00	0.00	0.00	0.00	0.00
Common Stocks	0.00	0.00	0.00	0.00	0.00
Cash and Short-term Investments	11.06	15.86	21.66	9.87	12.36
Other Investments	0.00	0.00	8.46	0.00	0.00
Investment Yields by Type (%)					
Net Yield on Invested Assets	1.11	1.16	1.44	1.78	2.29
Gross Yield - Bonds	1.66	1.85	2.36	2.55	2.88
Gross Yield - Cash and Short-term Investments	0.19	0.16	0.13	0.23	0.34
Gross Yield - Other Investments	NA	4.59	0.00	NA	NA
Bond Portfolio Composition (%)					
Total Bonds	$44,122	$46,211	$37,988	$48,618	47,071
U.S. Government	54.78	57.18	46.27	47.81	39.42
States, Territories and Possessions	4.62	5.94	4.43	6.27	5.07
Political Subdivisions	9.12	7.83	9.19	2.07	0.64
Corporate and Industrial	31.48	29.04	40.12	43.85	54.88
Bond Average Asset Quality (NAIC Ratings #1-6)					
Total Bonds	1.00	1.07	1.05	1.08	1.08
U.S. Government	1.00	1.00	1.00	1.00	1.00
States, Territories and Possessions	1.00	1.00	1.00	1.00	1.00
Political Subdivisions	1.00	1.00	1.00	1.00	1.00
Corporate and Industrial	1.00	1.22	1.13	1.17	1.14
Bonds Rated 3 - 6 / Total Bonds (%)	0.00	0.00	0.00	0.23	0.27
Bonds Rated 3 - 6 / Capital and Surplus (%)	0.00	0.00	0.00	0.80	1.01
Equity Investments					
Total Preferred Stock	$0	$0	$0	$0	0
Total Common Stock	0	0	0	0	0
Other Investments					
Total Mortgage Loans	$0	$0	$0	$0	0
Total Real Estate	0	0	0	0	0

Source: SNL Financial, statutory financial data.

Exhibit IV-1
Financial Performance Data for Public P&C and Multiline Companies

Company	State	Total Assets ($mil.)	Total Policy Reserves ($mil.)	Total Equity ($mil.)	Policy Resrvs./ Equity (x)	Total Equity/ Assets (%)	Tang. Equity/ Assets (%)	LTM Total Revenue ($mil.)	Net Prem. Written/ Avg.Eq. (x)	YTD Loss Ratio (%)	YTD Exp. Ratio (%)	YTD Comb. Ratio (%)	LTM ROA (%)	LTM ROE (%)
1347 Property Insurance Holdings	FL	76	18	49	0.37	64.56	64.56	21	0.53	10.5	55.3	65.8	(0.12)	(0.17)
Alleghany Corporation	NY	23,928	13,443	7,650	1.76	31.97	31.26	5,112	0.58	54.6	33.8	88.4	2.68	8.45
Allstate Corporation	IL	107,117	69,755	21,298	3.28	19.88	18.96	35,629	NA	70.6	26.3	96.9	2.43	11.87
American Financial Group, Inc.	OH	49,424	37,107	4,984	7.45	10.08	9.62	5,945	0.83	60.9	33.3	94.2	0.82	7.68
American International Group, Inc.	NY	509,987	267,370	104,642	2.56	20.52	NA	63,781	NA	64.8	34.6	99.4	1.37	6.63
American National Insurance Co.	TX	23,319	16,813	4,495	3.74	19.28	19.28	2,997	NA	72.4	31.6	104.0	1.18	6.20
Ameriprise Financial, Inc.	MN	148,806	29,345	8,996	3.26	6.05	4.77	12,381	NA	93.8	15.7	109.5	1.32	21.19
AMERISAFE, Inc.	LA	1,534	943	473	1.99	30.82	30.82	409	0.84	61.6	22.6	84.2	4.04	13.20
AmTrust Financial Services, Inc.	NY	15,967	10,250	2,632	3.89	16.49	12.35	4,440	1.72	65.3	24.5	89.8	3.45	21.08
Assurant, Inc.	NY	30,842	19,930	4,828	4.13	15.65	12.31	10,569	NA	NA	NA	NA	0.88	5.26
Atlantic American Corporation	GA	313	156	107	1.45	32.25	31.72	166	NA	65.3	32.5	97.8	2.12	6.45
Atlas Financial Holdings, Inc.	IL	383	220	121	1.82	31.58	30.51	125	1.27	57.6	28.0	85.6	6.11	17.47
Baldwin & Lyons, Inc.	IN	1,126	541	405	1.34	36.01	NA	289	0.65	59.7	33.3	93.0	2.30	6.48
Berkshire Hathaway Inc.	NE	540,774	99,030	249,202	0.40	46.08	37.64	199,470	NA	78.3	18.2	96.5	3.49	7.53
Cincinnati Financial Corporation	OH	18,888	9,425	6,497	1.45	34.40	34.40	5,143	0.69	63.9	31.0	94.9	3.50	10.07
CNA Financial Corporation	IL	55,022	36,368	12,234	2.97	22.23	22.02	9,468	0.55	64.7	33.9	98.6	1.40	6.14
Donegal Group Inc.	PA	1,519	1,002	437	2.29	28.77	28.46	614	1.44	65.2	33.5	98.7	1.80	6.33
EMC Insurance Group Inc.	IA	1,520	922	515	1.79	33.91	33.86	611	1.14	62.8	31.7	94.5	3.17	9.41
Employers Holdings, Inc.	NV	3,811	2,696	715	3.77	18.75	17.78	753	0.99	63.0	32.7	95.7	2.31	12.83
Erie Indemnity Company	PA	18,069	8,807	8,162	1.08	45.17	NA	6,252	NA	71.1	28.7	99.8	3.90	8.69
Federated National Holding Co.	FL	601	332	231	1.44	38.50	38.50	206	0.85	50.1	NA	NA	7.43	19.55
First Acceptance Corporation	TN	387	191	107	1.79	27.59	26.65	289	NA	79.2	20.4	99.6	7.46	25.14
Hallmark Financial Services, Inc.	TX	1,042	658	262	2.51	25.18	20.53	358	1.39	66.1	28.4	94.5	1.89	7.46
Hanover Insurance Group, Inc.	MA	14,145	9,328	2,909	3.21	20.56	19.51	5,147	1.67	62.8	33.6	96.4	2.30	11.27
Hartford Financial Services Group	CT	241,020	78,834	18,227	4.33	7.56	7.37	18,688	NA	68.5	30.4	98.9	0.67	8.75
HCI Group, Inc.	FL	702	288	226	1.28	32.17	32.17	293	1.60	25.1	28.5	53.5	12.21	39.53
Heritage Insurance Holdings, Inc.	FL	854	328	312	1.05	36.54	36.54	348	1.34	33.8	24.7	58.5	13.64	32.69
Horace Mann Educators Corp.	IL	9,970	6,140	1,307	4.70	13.11	12.69	1,073	0.93	70.9	26.1	97.0	1.08	7.95
Infinity Property and Casualty Corp.	AL	2,465	1,334	703	1.90	28.50	26.25	1,474	1.99	77.1	18.7	95.8	2.52	8.76
Kemper Corporation	IL	8,055	4,793	2,012	2.38	24.98	21.89	2,208	NA	75.1	26.9	102.0	1.43	5.41

Exhibit IV-1 (continued)
Financial Performance Data for Public P&C and Multiline Insurance Companies

Company	State	Total Assets ($mil.)	Total Policy Reserves ($mil.)	Total Equity ($mil.)	Policy Resrvs./ Equity (x)	Total Equity/ Assets (%)	Tang. Equity/ Assets (%)	LTM Total Revenue ($mil.)	Net Prem. Written/ Avg.Eq. (x)	YTD Loss Ratio (%)	YTD Exp. Ratio (%)	YTD Comb. Ratio (%)	LTM ROA (%)	LTM ROE (%)
Kingstone Companies, Inc.	NY	137	84	41	2.07	29.78	28.68	55	1.22	68.0	29.9	97.9	4.09	13.82
Loews Corporation	NY	78,015	36,368	24,332	1.49	31.19	30.86	13,957	NA	64.7	33.9	98.6	1.09	3.46
Markel Corporation	VA	25,366	14,057	7,750	1.81	30.55	25.52	5,242	0.50	51.7	37.9	90.0	1.91	6.40
Mercury General Corporation	CA	4,586	2,141	1,848	1.16	40.29	39.27	2,913	1.53	71.3	27.5	98.8	1.00	2.44
National General Holdings Corp.	NY	4,708	2,499	1,297	1.93	27.55	21.08	2,123	1.66	62.6	29.9	92.5	2.89	11.16
National Interstate Corporation	OH	1,869	1,261	368	3.43	19.67	19.34	605	1.58	78.9	20.5	99.4	1.56	7.56
National Security Group, Inc.	AL	147	76	44	1.71	30.07	30.07	65	1.46	NA	NA	NA	5.50	19.73
Navigators Group, Inc.	CT	4,541	2,988	1,054	2.84	23.20	23.08	1,040	0.98	56.9	35.9	92.8	2.13	9.35
Old Republic International Corp.	IL	17,277	11,133	3,937	2.83	22.79	NA	5,506	NA	47.7	47.7	95.4	2.07	8.97
ProAssurance Corporation	AL	5,001	2,397	2,057	1.17	41.13	37.28	833	0.32	60.2	30.2	90.4	3.28	7.75
Progressive Corporation	OH	29,304	16,343	7,360	2.22	25.12	22.47	20,101	2.79	72.3	20.3	92.6	5.02	18.91
RLI Corp.	IL	2,815	1,573	868	1.81	30.83	29.01	801	0.80	42.6	42.0	84.6	4.88	15.68
Safety Insurance Group, Inc.	MA	1,725	977	646	1.51	37.48	37.48	790	1.07	97.4	28.6	126.0	(0.61)	(1.50)
Selective Insurance Group, Inc.	NJ	6,784	4,713	1,310	3.60	19.31	19.22	2,065	1.54	59.7	34.6	94.3	2.54	13.09
State Auto Financial Corporation	OH	2,801	1,655	878	1.89	31.33	31.29	1,259	1.47	66.9	33.4	100.3	3.87	12.06
State National Companies, Inc.	TX	2,149	1,744	252	6.93	11.71	11.45	165	0.48	NA	NA	NA	1.16	10.37
Travelers Companies, Inc.	MN	101,664	65,459	24,121	2.71	23.73	20.70	27,001	0.96	58.2	31.7	89.9	3.48	14.43
Trupanion, Inc.	WA	75	6	52	0.11	69.22	67.09	131	NA	NA	NA	NA	(26.45)	(48.93)
Unico American Corporation	CA	136	61	71	0.85	52.70	52.70	31	NA	70.0	21.0	91.0	(0.11)	(0.20)
United Fire Group, Inc.	IA	3,891	2,820	832	3.39	21.38	20.85	981	1.11	64.1	29.7	93.8	1.92	8.95
United Insurance Holdings Corp.	FL	790	340	219	1.55	27.79	27.40	313	1.52	60.9	39.5	100.4	4.06	12.52
Universal Insurance Holdings, Inc.	FL	1,047	568	255	2.22	24.38	NA	435	2.47	35.4	NA	NA	9.36	42.16
W. R. Berkley Corporation	CT	21,690	13,813	4,536	3.04	20.91	20.36	7,159	1.31	60.9	33.1	94.0	2.49	11.65
White Mountains Insurance Group	NH	10,429	4,143	4,459	0.93	42.75	40.73	2,523	0.46	53.7	35.2	88.9	1.58	3.88
Overall P&C/Multiline Median		4,564	2,598	1,175	1.96	28.14	26.65	1,166	1.14	64.0	30.7	95.2	2.37	8.96
Overall P&C/Multiline Mean		39,974	16,918	10,247	2.38	28.78	27.31	9,081	1.19	62.4	30.4	93.6	2.56	10.45

Source: SNL Financial.

Exhibit IV-2
Market Valuation Data for Public P&C and Multiline Insurance Companies

Company	Ticker	Exchange	State	Closing Price 8/11/15 ($)	Total Market Value ($mil.)	Price/ Book Value (%)	Price/ Tang. Book (%)	Price/ LTM EPS (x)	Price/ Oper. EPS (x)	Price/ 2015 Est. EPS (x)	Price/ LTM Rev. (x)	Price/ Total Assets (%)	Current Div. Yield (%)	One-Yr. Price Change (%)
1347 Property Insurance Holdings	PIH	NASDAQ	FL	7.66	49	99.4	99.4	NM	NA	NA	2.30	64.20	0.00	(11.03)
Alleghany Corporation	Y	NYSE	NY	496.98	7,936	103.9	107.4	12.67	14.95	17.67	1.55	33.17	0.00	18.87
Allstate Corporation	ALL	NYSE	IL	63.47	25,413	130.9	139.6	10.72	12.21	13.29	0.71	23.72	1.89	6.56
American Financial Group, Inc.	AFG	NYSE	OH	71.80	6,285	130.9	138.2	16.06	13.60	13.08	1.06	12.72	1.39	26.45
American International Group, Inc.	AIG	NYSE	NY	63.31	81,916	79.4	NA	12.46	13.27	12.64	1.28	16.06	1.77	19.68
American National Insurance Co.	ANAT	NASDAQ	TX	104.59	2,813	62.7	62.7	10.24	12.18	NA	0.94	12.06	3.06	(4.55)
Ameriprise Financial, Inc.	AMP	NYSE	MN	123.42	21,996	280.1	375.3	14.19	13.87	13.10	1.78	14.78	2.17	3.83
AMERISAFE, Inc.	AMSF	NASDAQ	LA	49.87	948	200.5	200.5	15.88	15.49	14.70	2.32	61.80	1.20	31.27
AmTrust Financial Services, Inc.	AFSI	NASDAQ	NY	66.22	5,475	275.4	443.4	11.95	10.75	11.70	1.23	34.29	1.81	50.02
Assurant, Inc.	AIZ	NYSE	NY	79.13	5,287	109.8	145.1	20.88	10.81	11.53	0.50	17.14	1.52	23.95
Atlantic American Corporation	AAME	NASDAQ	GA	3.68	76	74.3	76.2	12.27	NA	NA	0.46	23.13	0.54	(13.41)
Atlas Financial Holdings, Inc.	AFH	NASDAQ	IL	17.80	211	187.3	197.5	11.56	11.71	14.74	1.68	54.99	0.00	29.74
Baldwin & Lyons, Inc.	BWINB	NASDAQ	IN	22.77	346	84.4	NA	13.09	15.08	12.67	1.20	30.78	4.39	(11.74)
Berkshire Hathaway Inc.	BRK.A	NYSE	NE	214,500	352,245	143.3	204.0	19.63	20.95	19.22	1.77	65.14	0.00	8.33
Cincinnati Financial Corporation	CINF	NASDAQ	OH	55.96	9,183	141.3	141.3	14.13	17.71	19.46	1.79	48.62	3.29	18.99
CNA Financial Corporation	CNA	NYSE	IL	39.61	10,705	87.5	88.6	13.71	14.35	13.06	1.13	19.46	2.52	4.87
Donegal Group Inc.	DGICA	NASDAQ	PA	14.43	444	92.4	93.8	14.99	16.03	12.55	0.72	29.20	3.74	(6.84)
EMC Insurance Group Inc.	EMCI	NASDAQ	IA	22.68	469	90.9	91.1	9.80	10.45	10.80	0.77	30.84	2.94	11.61
Employers Holdings, Inc.	EIG	NYSE	NV	25.75	825	115.5	123.2	9.50	NA	15.25	1.10	21.64	0.93	20.67
Erie Indemnity Company	ERIE	NASDAQ	PA	86.02	3,973	614.5	NA	26.97	26.97	25.32	0.64	21.99	3.17	15.23
Federated National Holding Co.	FNHC	NASDAQ	FL	24.54	349	157.9	157.9	8.83	9.40	10.81	1.70	58.09	0.65	11.55
First Acceptance Corporation	FAC	NYSE	TN	2.99	123	114.9	120.6	4.98	NA	NA	0.42	31.71	0.00	17.72
Hallmark Financial Services, Inc.	HALL	NASDAQ	TX	11.24	216	82.5	107.4	11.47	13.38	14.05	0.60	20.72	0.00	20.09
Hanover Insurance Group, Inc.	THG	NYSE	MA	81.06	3,582	122.3	130.6	11.38	14.32	13.87	0.70	25.33	2.02	31.55
Hartford Financial Services Group	HIG	NYSE	CT	47.84	19,846	109.3	112.3	12.72	12.05	11.98	1.06	8.23	1.76	38.75
HCI Group, Inc.	HCI	NYSE	FL	41.33	450	187.9	187.9	6.20	NA	6.89	1.54	64.10	2.90	2.23
Heritage Insurance Holdings, Inc.	HRTG	NYSE	FL	20.02	601	192.4	192.4	7.05	NA	6.66	1.73	70.33	0.00	35.82
Horace Mann Educators Corp.	HMN	NYSE	IL	34.58	1,424	109.0	113.1	13.83	14.97	15.16	1.33	14.28	2.89	18.47
Infinity Property and Casualty Corp.	IPCC	NASDAQ	AL	77.78	886	126.5	141.7	14.70	15.25	17.74	0.60	35.92	2.21	15.08
Kemper Corporation	KMPR	NYSE	IL	38.40	1,989	98.9	117.4	17.78	23.85	19.13	0.90	24.69	2.50	7.96

Exhibit IV-2 (continued)
Market Valuation Data for Public P&C and Multiline Insurance Companies

Company	Ticker	Exchange	State	Closing Price 8/11/15 ($)	Total Market Value ($mil.)	Price/ Book Value (%)	Price/ Tang. Book (%)	Price/ LTM EPS (x)	Price/ Oper. EPS (x)	Price/ 2015 Est. EPS (x)	Price/ LTM Rev. (x)	Price/ Total Assets (%)	Current Div. Yield (%)	One-Yr. Price Change (%)
Kingstone Companies, Inc.	KINS	NASDAQ	NY	7.63	56	136.9	144.4	10.45	10.90	8.72	1.03	40.73	2.62	13.37
Loews Corporation	L	NYSE	NY	39.03	14,171	75.2	76.7	21.10	22.69	16.59	1.02	18.16	0.64	(7.40)
Markel Corporation	MKL	NYSE	VA	870.06	12,140	156.8	201.4	25.93	27.40	24.53	2.32	47.86	0.00	36.95
Mercury General Corporation	MCY	NYSE	CA	54.53	3,008	162.8	169.9	65.70	28.55	23.46	1.03	65.59	4.53	7.30
National General Holdings Corp.	NGHC	NASDAQ	NY	19.80	1,856	173.5	271.6	16.10	13.11	12.07	0.87	39.42	0.40	8.14
National Interstate Corporation	NATL	NASDAQ	OH	26.92	534	145.2	148.3	19.51	21.71	19.23	0.88	28.57	1.93	(2.78)
National Security Group, Inc.	NSEC	NASDAQ	AL	14.16	36	80.3	80.3	4.48	4.54	NA	0.54	24.15	1.13	34.47
Navigators Group, Inc.	NAVG	NASDAQ	CT	78.91	1,136	107.8	108.5	12.10	13.58	14.48	1.09	25.02	0.00	26.05
Old Republic International Corp.	ORI	NYSE	IL	16.63	4,346	110.4	NA	13.30	15.12	14.26	0.79	25.15	4.45	15.09
ProAssurance Corporation	PRA	NYSE	AL	48.64	2,610	127.7	150.1	16.32	16.38	18.31	3.13	52.19	2.55	9.03
Progressive Corporation	PGR	NYSE	OH	30.93	18,123	246.2	284.9	13.75	15.09	15.94	0.90	61.84	2.22	30.56
RLI Corp.	RLI	NYSE	IL	55.75	2,410	277.7	302.9	17.70	20.96	22.82	3.01	85.61	1.36	26.30
Safety Insurance Group, Inc.	SAFT	NASDAQ	MA	55.96	845	130.7	130.7	NM	NM	NA	1.07	48.97	5.00	4.29
Selective Insurance Group, Inc.	SIGI	NASDAQ	NJ	31.54	1,801	137.5	138.3	10.80	12.22	13.14	0.87	26.55	1.78	35.48
State Auto Financial Corporation	STFC	NASDAQ	OH	23.41	965	109.6	109.9	9.29	10.18	15.49	0.77	34.46	1.71	6.65
State National Companies, Inc.	SNC	NASDAQ	TX	10.53	468	186.1	191.0	NA	NA	10.86	2.84	21.79	0.38	NA
Travelers Companies, Inc.	TRV	NYSE	MN	105.89	32,954	136.6	162.8	9.73	9.87	10.93	1.22	32.41	2.30	16.80
Trupanion, Inc.	TRUP	NYSE	WA	8.32	235	454.9	501.7	NM	NA	NA	1.79	315.09	0.00	(17.95)
Unico American Corporation	UNAM	NASDAQ	CA	9.18	49	68.6	68.6	NM	NM	NA	1.59	36.15	0.00	(26.04)
United Fire Group, Inc.	UFCS	NASDAQ	IA	36.90	925	111.1	114.7	12.64	13.09	13.82	0.94	23.76	2.38	27.55
United Insurance Holdings Corp.	UIHC	NASDAQ	FL	14.50	312	142.2	145.0	11.89	NA	17.74	1.00	39.53	1.38	(4.73)
Universal Insurance Holdings, Inc.	UVE	NYSE	FL	29.49	1,054	412.4	437.8	11.75	NA	11.52	2.42	100.59	1.63	121.06
W. R. Berkley Corporation	WRB	NYSE	CT	57.23	7,060	155.7	161.1	13.99	16.83	16.65	0.99	32.55	0.84	25.42
White Mountains Insurance Group	WTM	NYSE	NH	730.05	4,351	109.5	120.2	20.89	NA	47.55	1.72	41.72	0.14	14.98
Overall P&C/Multiline Median				NA	1,612	129.2	140.4	12.72	14.32	14.15	1.07	32.06	1.73	15.09
Overall P&C/Multiline Mean				NA	12,546	154.8	166.6	14.63	15.26	15.55	1.28	41.80	1.68	15.89

Source: SNL Financial.

Exhibit V-1
Pro Forma Assumptions for Conversion Valuation

1. The initial offering price is assumed to be $10.00 per share and the number of shares offered is computed by dividing the estimated pro forma market value by the offering price.

2. The total amount of the net offering proceeds was fully invested at the beginning of the applicable period.

3. The net offering proceeds are invested to yield a return of 1.01%, which represents the yield on a three-year U.S. Treasury bond as of June 30, 2015. The effective income tax rate was assumed to be 34.0%, resulting in a net after-tax yield of 0.67%.

4. Expenses attributable to the stock offering are estimated to total 10.0% of the gross proceeds at the valuation midpoint and approximate $1.4 million.

5. The pro forma earnings calculation is based on the historically reported net income of PCA for the corresponding period.

6. No effect has been given in the pro forma equity calculation for the assumed earnings on the net proceeds.

7. The calculation of tangible equity excludes any intangible assets from total equity.

8. The calculation of operating income excludes the after-tax impact of net realized securities gains (or losses) and any extraordinary items.

Exhibit V-2
Pro Forma Conversion Valuation Range
Professional Casualty Association

Historical Financial Data as of June 30, 2015
(Dollars in Thousands, Except Per Share Data)

	Minimum	*Midpoint*	*Maximum*
Shares offered	1,190,000	1,400,000	1,610,000
Offering price	$10.00	$10.00	$10.00
Gross offering proceeds	$ 11,900	$ 14,000	$ 16,100
Less: estimated expenses	(1,400)	(1,400)	(1,400)
Net offering proceeds	$ 10,500	$ 12,600	$ 14,700
Net Income:			
LTM ended June 30, 2015	$ 924	$ 924	$ 924
Pro forma income on net proceeds	70	84	98
Pro forma net income	$ 994	$ 1,008	$ 1,022
Pro forma earnings per share	$0.84	$0.72	$0.63
Operating Income:			
LTM ended June 30, 2015	$ 894	$ 894	$ 894
Pro forma income on net proceeds	70	84	98
Pro forma operating income	$ 964	$ 978	$ 992
Pro forma operating earnings per share	$0.81	$0.70	$0.62
Total Revenue:			
LTM ended June 30, 2015	$ 12,923	$ 12,923	$ 12,923
Pro forma revenue on net proceeds, pre-tax	106	127	148
Pro forma total revenue	$ 13,029	$ 13,050	$ 13,071
Total Equity:			
As of June 30, 2015	$ 13,067	$ 13,067	$ 13,067
Net offering proceeds	10,500	12,600	14,700
Pro forma total equity	$ 23,567	$ 25,667	$ 27,767
Pro forma book value per share	$19.80	$18.33	$17.25
Tangible Equity:			
As of June 30, 2015	$ 13,067	$ 13,067	$ 13,067
Net offering proceeds	10,500	12,600	14,700
Pro forma tangible equity	$ 23,567	$ 25,667	$ 27,767
Pro forma tangible book value per share	$19.80	$18.33	$17.25
Total Assets:			
As of June 30, 2015	$ 55,849	$ 55,849	$ 55,849
Net offering proceeds	10,500	12,600	14,700
Pro forma total assets	$66,349	$68,449	$70,549
Pro Forma Ratios:			
Price / LTM EPS	11.97	13.89	15.75
Price / Operating EPS	12.34	14.31	16.23
Price / LTM Revenue	0.91	1.07	1.23
Price / Book Value	50.49%	54.54%	57.98%
Price / Tangible Book Value	50.49%	54.54%	57.98%
Price / Total Assets	17.94%	20.45%	22.82%
Total Equity / Assets	35.52%	37.50%	39.36%
Tangible Equity / Assets	35.52%	37.50%	39.36%

FELDMAN FINANCIAL ADVISORS, INC.

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Physicians' Insurance Program Exchange

Upper Gwynedd, Pennsylvania

Conversion Valuation Appraisal Report

Valued as of August 11, 2015

Prepared By

Feldman Financial Advisors, Inc.
Washington, DC

FELDMAN FINANCIAL ADVISORS, INC.

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August 11, 2015

Board of Directors
Physicians' Insurance Program Exchange
311 North Sumneytown Pike, Suite 1B
Upper Gwynedd, Pennsylvania 19454

Members of the Board:

At your request, we have completed and hereby provide an independent appraisal (the "Appraisal") of the estimated pro forma market value of Physicians' Insurance Program Exchange ("PIPE") as of August 11, 2015. PIPE plans to convert from a Pennsylvania reciprocal insurance exchange to a Pennsylvania stock insurance company (the "Conversion"). In conjunction with the Conversion, PIPE will be merged with and into Professional Casualty Association ("PCA"), as converted to stock form, to form a single insurance company to be also called Professional Casualty Association, ("New PCA"), which will become a wholly owned subsidiary of Professional Casualty Holdings, Inc. ("PCH"), a newly created Pennsylvania corporation. Immediately after these series of transactions, Diversus, Inc., a Delaware corporation will be merged with and into PCH with PCH as the survivor. PCH is offering shares of its common stock for sale in an initial public offering (the "Offering") with preference granted in the subscription offering phase to, among others, policyholders and named insureds of PIPE and PCA, and any unsubscribed shares offered to other investors in community or syndicated offerings.

This Appraisal is furnished in accordance with PIPE's Plan of Conversion and Title 40 of the Pennsylvania Statutes ("40 P.S."), Chapter 35 - Medical Professional Liability Reciprocal Exchange-to-Stock Conversion, Sections 3501 to 3517. As specified by the Plan of Conversion and 40 P.S., Chapter 35, Section 3503(a)(d), the estimated pro forma market value of the capital stock of PIPE shall be determined by an independent valuation expert and shall represent the estimated pro forma market value of the stock company as successor to the reciprocal insurer. Furthermore, as permitted by Section 3503(a)(d), the pro forma market value may be stated as a range of value and may be that value that is estimated to be necessary to attract full subscription for the shares offered for sale.

Feldman Financial Advisors, Inc. ("Feldman Financial") is a financial consulting and economic research firm that specializes in financial valuations and analyses of business enterprises and securities in the financial services industries. The background of Feldman Financial is presented in Exhibit I.

In preparing the Appraisal, we conducted an analysis of PIPE that included discussions with PIPE's management and an onsite visit to PIPE's headquarters. We reviewed the unaudited financial statements of PIPE as prepared under generally accepting accounting principles ("GAAP") as of and for the years ended December 31, 2013 and 2014 and unaudited financial statements as of and for the six months ended June 30, 2014 and 2015. PIPE had available audited statutory financial statements for December 31, 2013 and 2014, but did not have audited GAAP financial statements for the corresponding periods. The unaudited GAAP financial statements furnished to us by PIPE for December 31, 2013 and 2014 were internally prepared based on the audited consolidated GAAP financial statements of Physicians' Insurance Program Management Company, ("PIPMC"), which serves as the attorney-in-fact for PIPE and administers and manages essentially all of the operations of PIPE.

In addition, where appropriate, we considered information based on other available published sources that we believe are reliable; however, we cannot guarantee the accuracy and completeness of such information. We also reviewed and analyzed: (i) financial and operating information with respect to the business, operations, and prospects of PIPE as furnished to us PIPE; (ii) publicly available information concerning PIPE that we believe to be relevant to our analysis; (iii) a comparison of the historical financial results and present financial condition of PIPE with those of selected publicly traded insurance companies that we deemed relevant; and (iv) financial performance and market valuation data of certain publicly traded insurance industry aggregates as provided by industry sources.

The Appraisal is based on PIPE's representation that the financial data and additional information materials furnished to us by PIPE are truthful, accurate, and complete. We did not independently verify the financial statements and other information provided by PIPE, nor did we independently value the assets or liabilities of PIPE. The Appraisal considers PIPE only as a going concern on a stand-alone basis and should not be considered as an indication of the liquidation value of PIPE.

It is our opinion that, as of August 11, 2015 (the "Valuation Date"), the estimated pro forma market value of PIPE was within a range (the "Valuation Range") of $9,350,000 to $12,650,000 with a midpoint of $11,000,000. The Valuation Range was based upon a 15% decrease from the midpoint to determine the minimum and a 15% increase from the midpoint to establish the maximum.

Our Appraisal is not intended, and must not be construed, to be a recommendation of any kind as to the advisability of purchasing shares of common stock of PCH in the Offering. Moreover, because the Appraisal is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time, no assurance can be given that persons who purchase shares of common stock of PCH in the Offering will thereafter be able to sell such shares at prices related to the foregoing estimate of PIPE's pro forma market value.

The Appraisal reflects only the Valuation Range as of the Valuation Date for the estimated pro forma market value of PIPE in connection with the Conversion and does not take into account any trading activity with respect to the purchase and sale of common stock of PCH in the secondary market on the date of issuance of such securities or at any time thereafter following the completion of the Offering. Feldman Financial is not a seller of securities within the meaning of any federal or state securities laws and any report prepared by Feldman Financial shall not be used as an offer or solicitation with respect to the purchase or sale of any securities.

The Valuation Range reported herein will be updated as appropriate. These updates will consider, among other factors, any developments or changes in PIPE's operating performance, financial condition, or management policies, and current conditions in the securities markets for insurance company common stocks. Should any such new developments or changes be material, in our opinion, to the estimated pro forma market value of PIPE, appropriate adjustments to the Valuation Range will be made. The reasons for any such adjustments will be explained in detail at that time.

Respectfully submitted,

Feldman Financial Advisors, Inc.

Trent R. Feldman
President

Peter W. L. Williams
Principal

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INTRODUCTION

As requested, Feldman Financial Advisors, Inc. ("Feldman Financial") has prepared an independent appraisal (the "Appraisal") of the estimated pro forma market value of Physicians' Insurance Program Exchange ("PIPE") as of August 11, 2015. PIPE plans to convert from a Pennsylvania reciprocal insurance exchange to a Pennsylvania stock insurance company (the "Conversion"). In conjunction with the Conversion, PIPE will be merged with and into Professional Casualty Association ("PCA"), as converted to stock form, to form a single insurance company to be also called Professional Casualty Association ("New PCA"), which will become a wholly owned subsidiary of Professional Casualty Holdings, Inc. ("PCH"), a newly created Pennsylvania corporation. Immediately after these transactions, Diversus, Inc. ("Diversus"), a Delaware corporation, will be merged with and into PCH with PCH as the survivor. PCH is offering shares of its common stock for sale in an initial public offering (the "Offering") with preference in the subscription phase to, among others, policyholders and named insureds of PIPE and PCA, and any unsubscribed shares offered to other investors in community or syndicated offerings.

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In preparing the Appraisal, we also reviewed and analyzed: (i) financial and operating information with respect to the business, operations, and prospects of PIPE as furnished to us PIPE; (ii) publicly available information concerning PIPE that we believe to be relevant to our analysis; (iii) a comparison of the historical financial results and present financial condition of

PIPE with those of selected publicly traded insurance companies that we deemed relevant; and (iv) financial performance and market valuation data of certain publicly traded insurance industry aggregates as provided by industry sources.

The Appraisal is based on PIPE's representation that the financial data and additional information materials furnished to us by PIPE are truthful, accurate, and complete. We did not independently verify the financial statements and other information provided by PIPE, nor did we independently value the assets or liabilities of PIPE. The Appraisal considers PIPE only as a going concern on a stand-alone basis and should not be considered as an indication of the liquidation value of PIPE.

Our Appraisal is not intended, and must not be construed, to be a recommendation of any kind as to the advisability of purchasing shares of common stock of PCH in the Offering. Moreover, because the Appraisal is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time, no assurance can be given that persons who purchase shares of common stock of PCH in the Offering will thereafter be able to sell such shares at prices related to the foregoing estimate of PIPE's pro forma market value.

The Appraisal reflects only the Valuation Range as of the Valuation Date for the estimated pro forma market value of PIPE in connection with the Conversion and does not take into account any trading activity with respect to the purchase and sale of common stock of PCH in the secondary market on the date of issuance of such securities or at any time thereafter following the completion of the Offering. Feldman Financial is not a seller of securities within the meaning of any federal or state securities laws and any report prepared by Feldman Financial shall not be used as an offer or solicitation with respect to the purchase or sale of any securities.

The Valuation Range reported herein will be updated as appropriate. These updates will consider, among other factors, any developments or changes in PIPE's operating performance, financial condition, or management policies, and current conditions in the securities markets for insurance company common stocks. Should any such new developments or changes be material, in our opinion, to the estimated pro forma market value of PIPE, appropriate adjustments to the Valuation Range will be made. The reasons for any such adjustments will be explained in detail at that time.

I. BUSINESS OF PIPE

General Overview

PIPE is a subscriber-based reciprocal insurance exchange domiciled in Pennsylvania. PIPE writes medical professional liability insurance primarily for physicians, physician groups, and allied healthcare providers who are licensed to practice in Pennsylvania and South Carolina. PIPE primarily markets its products through a network of approximately 12 independent producers. PIPE is headquartered in Upper Gwynedd, Pennsylvania.

At June 30, 2015, PIPE had total assets of $30.7 million and total subscribers' equity of $11.5 million. For the six months ended June 30, 2015, PIPE reported $3.4 million in direct written premiums and a net loss of -$268,000. For the year ended December 31, 2014, PIPE had $5.0 million in direct written premiums and a net loss of -$911,000. PIPE is subject to examination and comprehensive regulation by the Pennsylvania Insurance Department (the "Department"). PIPE has been assigned a financial strength rating of B+ (Good) by A.M. Best Company, Inc. ("A.M. Best").

Corporate History and Structure

PIPE is an unincorporated reciprocal insurance exchange formed for the purpose of insuring its subscribers against loss due to the imposition of legal liability. PIPE provides medical professional liability insurance consisting of claims-made and occurrence policies to its subscribers and also issues tail coverage to holders of claims-made policies. PIPE was organized on May 1, 2005, received its Certificate of Authority on August 24, 2005, and commenced operation as a Pennsylvania licensed carrier on November 5, 2005. The members of PIPE consist exclusively of PIPE's subscribers. Underwriting is based on the applicant's specialty, location, and claims history.

PIPE is managed by Physicians' Insurance Program Management Company ("PIPMC") pursuant to the terms of an Attorney-in-Fact Agreement between PIPE and PIPMC, effective August 24, 2005. Pursuant to the terms of the agreement, PIPMC provides marketing, underwriting, claims administration, information technology support, administrative and investment services to PIPE and pays certain expenses on behalf of PIPE (including agents' and other sales commissions) in exchange for compensation not exceeding 25% of direct premiums written.

Diversus was formed in 2013 for the purpose of acquiring and consolidating both fee-based and risk-bearing companies participating in the medical professional liability ("MPL") insurance market. On June 4, 2014, Diversus acquired the attorney-in-fact and management company for PCA. On July 7, 2015, Diversus entered into an agreement to acquire all of the outstanding capital stock of PIPMC and an agreement to acquire the medical professional liability insurance accounts, including a large number of PIPE insureds, from an insurance agency affiliate of PIPMC. Diversus expects the closing on the acquisition of PIPMC and the accounts to occur on or before the effective date of the Conversions of PIPE and PCA and the merger into PCH.

PIPMC has the power to direct the activities of PIPE that most significantly impact the economic performance of PIPE by acting as the common attorney-in-fact and decision maker for the subscribers at PIPE. All medical professional liability operations are owned by PIPE, and PIPMC functions solely as the management company. The stockholders of PIPMC, through the management fee, are deemed to have a controlling financial interest in PIPE; however, they have no other rights to or obligations arising from the assets and liabilities of PIPE.

Reciprocal Insurance Exchange

A reciprocal insurance exchange involves the organization of two separate entities: the reciprocal insurance exchange and the attorney-in-fact ("AIF"). The reciprocal insurance exchange functions as a form of unincorporated association in which subscribers exchange policies through an AIF in transaction that share or spread the risk. When a subscriber suffers a loss that is outlined in the exchange's agreement, the pooled premiums are used to pay the claim. Each member's liability ends according to the cost and terms of their individual policies. The reciprocal insurer is overseen by a board whose responsibilities typically include general oversight of the reciprocal, selection and monitoring of the AIF, and approval of vendor relationships.

The AIF is a separate legal entity that runs the day-to-day affairs of the reciprocal insurer. The policyholders of a reciprocal, usually called subscribers, provide a power of attorney to the AIF, giving the AIF legal authority to act on their behalf in managing and administering the reciprocal. A formal management contract is entered into between the AIF and the reciprocal. The AIF may be owned by the reciprocal itself (a proprietary AIF) or by an independent third party (a non-proprietary AIF) or a combination of both.

Product Lines and Distribution

PIPE primarily writes claims-made and occurrence based medical malpractice insurance for healthcare providers practicing in Pennsylvania and, to a much lesser extent, South Carolina. PIPE also issues tail occurrence policies to former claims-made policyholders. PIPMC administers and directs essentially all of the insurance operations of PIPE. In exchange for these services, PIPMC receives fee income paid from PIPE. PIPE primarily markets its products through a network of approximately 12 independent producers. Producers are compensated on a fixed commission rate with the commission rate linked to premium billings received by PIPE.

PIPE offers policy coverage to Pennsylvania physicians up to the statutory limits of $500,000 per each medical incident, with a $1.5 million annual aggregate. PIPE continues to work predominantly with producers who specialize in physician malpractice. In the midst of a marketplace that continues to be relatively soft, PIPE seeks to identify producers that already understand the MPL business and share its philosophy that the policyholders' interests are always primary. PIPE continues to place a high emphasis on business retention. In marketing its products, PIPE emphasizes that it understands that insurance coverage needs to be priced reasonably and that sound risk management practices help curb medical incidents. PIPE's goal is to make available the best priced products to its subscribers, as well as provide advice from a highly qualified team regarding the particular insurance needs of each subscribers.

On October 15, 2013, PIPE received a license to issue casualty policies in South Carolina. The medical malpractice rates to be offered in South Carolina by PIPE were approved on January 7, 2014. For the year ended December 31, 2014, PIPE generated $47,000 of direct premiums written in South Carolina. For the six months ended June 30, 2015, direct written premiums in South Carolina amounted to $30,000. PIPE plans to continue to expand its product marketing efforts in South Carolina.

Claims-made policies provide coverage for claims only when both the alleged incident and the resulting claim happen during the policy period, so long as there is sufficient aggregate limit available for the alleged event. Claims-made policies provide coverage so long as the insured continues to pay premiums for the initial policy and any subsequent renewals. Each succeeding year the policy is continuously renewed, the coverage period is extended. Once premiums stop the coverage stops. Claims made to the insurance company after the coverage period ends will not be covered, even if the alleged incident occurred while the policy was in force. A claims-made policy will cover claims after the coverage period only if the insured purchases extended reporting period or "tail" coverage.

Occurrence policies protect subscribers from any covered incident that "occurs" during the policy period, regardless of when a claim is filed. An occurrence policy will respond to claims that come in -- even after the policy has been canceled -- so long as the incident occurred during the period in which coverage was in force. In effect, an occurrence policy offers permanent coverage for incidents that occur during the policy period.

If the retroactive date is the beginning of the policy period, the claims-made policy is relatively inexpensive and is called "first-year" claims-made. However, as the number of years from the retroactive date increases, the policy "matures," and the premiums increase each year using "step factors" until reaching the mature level. Each year the policy continuously renews, the coverage period expands, and the insurance company's exposure to loss increases. Mature claims-made rates are typically very close occurrence rates for the same exposure.

Claims-made coverage has replaced occurrence coverage as the most common type of policy offered by MPL insurance companies. A number of factors are behind this evolution, including the fact that reduced carrier liability under claims-made policies can mean slightly lower premiums for insureds. PIPE has offered both claim-made and occurrence coverage policies since its inception in 2005. Approximately 67% its premium written over the past ten years has been for claims-made policies and the approximately 33% for occurrence products.

For the six months ended June 30, 2015, PIPE generated $3.4 million in direct premiums written and $2.0 million or 58.2% was comprised of claims-made policies and $1.4 million or

41.8% was for occurrence policies. Direct premiums written in South Carolina amounted to $30,000 or 0.9% of PIPE's overall total for the first half of 2015 with the remainder in Pennsylvania. For the year ended December 31, 2014, PIPE generated $5.0 million in direct premiums written and $2.9 million or 58.2% was comprised of claims-made policies and $2.1 million or 41.8% was for occurrence policies. Direct premiums written in South Carolina amounted to $47,000 or 0.9% of PIPE's overall total in 2014. For the year ended December 31, 2013, PIPE generated $5.8 million in direct premiums written and $3.1 million or 54.6% was for claims-made policies and $2.6 million or 45.4% comprised occurrence policies.

Executive Management

Eugene Ziemba, Sr. serves as the President and Chief Executive Officer of PIPE and has over 40 years experience in the medical professional liability field. Most of the years were spent in Pennsylvania and Massachusetts with the Medical Protective Company. Mr. Ziemba's experience includes all aspects of the business specializing in claims and underwriting. Mr. Ziemba is also the liaison for the Police Department and Fire Department in Upper Gwynedd Township, and active on both the community and the state level. He has a B.S. degree in Business Administration from King's College.

Daniel Payne, CPA, CFP, is the Chief Financial Officer and Secretary/Treasurer for PIPE. He is a veteran of the U.S. Air Force and has 20 years experience in the insurance industry as an agent, external auditor, consultant, and corporate employee. As a prior Partner in a CPA firm, Mr. Payne has worked in a variety of business environments including governmental, aviation, banking, insurance, non-profit, manufacturing, wholesale, and retail entities. He also provided individual, trust, and corporate tax services for clients along with investment management and insurance services. He remains a licensed investment adviser representative and insurance agent for both property/casualty and life. Mr. Payne has been working with PIPE since its inception in 2005.

Meredith Ziemba is the Vice President for PIPE. She received her B.S. degree in Communications from Villanova University. Ms. Ziemba has been involved in the insurance industry for 15 years, starting her own property and casualty insurance agency in 1998. As a result of this background, she is experienced in many aspects of the insurance industry. In 2005, she developed a direct relationship with PIPE, selling her agency in 2010, to take a permanent position with PIPE.

Reasons for the Conversion

Like most insurance companies, PIPE's premium growth and underwriting results have been, and continue to be, influenced by market conditions. The MPL insurance industry historically is cyclical in nature, characterized by periods of significant price competition and excess underwriting capacity (a soft market) followed by periods of high premium rates and shortages of underwriting capacity (a hard market). The MPL insurance industry is currently operating under soft market conditions as a result of abundant capacity, with significant competition and pressure on premium rates following several years of overall favorable claims trends. During 2008 through 2014, premium rates declined in PIPE's core Pennsylvania market, primarily as a result of improved claims frequency, and premium rates have remained relatively level in 2015.

PIPE competes with MPL specialty insurers and alternative risk arrangements, as well as other large national property and casualty insurance companies that write medical professional liability insurance. Theses competitors include companies that have substantially greater financial resources and solid financial strength ratings. PIPE also faces competition from other insurance companies for the services and allegiance of independent agents and brokers, on whose services PIPE depends in marketing its insurance products. PIPE seeks to compete based on quality and speed of service, but does not have the capital to engage in long-term price competition with some of its competitors. Over-capacity in the MPL market has led many market participants to seek acquisitions in order to generate revenue growth.

PIPE is currently assigned a financial strength rating of B+ (Good) with a negative outlook by A.M. Best. Financial strength ratings from A.M. Best are used by producers and customers as a means of assessing the financial strength and quality of insurers. To accomplish the goal of generating material growth in premiums written, PIPE recognizes that it must obtain an increased A.M. Best rating. In order to achieve a more favorable rating, PIPE believes that it needs to enhance operating performance to levels satisfactory to A.M. Best, as well as satisfy various other rating requirements. Therefore, the primary purpose of the stock conversion and merger into New PCA is to increase PIPE's access to capital resources, expand market share penetration, broaden premium growth opportunities, and improve the outlook for obtaining a higher financial strength rating.

As a result of the Conversion, PIPE will merge with and into New PCA, and PIPE will no longer exist as a separate company. The resulting increase in capitalization should permit New PCA to (i) increase direct premium volume to the extent competitive conditions permit; (ii) increase net premium volume by decreasing reliance on reinsurance; and (iii) enhance investment income by increasing New PCA's investment portfolio. Additionally, New PCA intends to pursue the assignment of a financial strength rating from A.M. Best.

The remainder of Chapter I examines in more detail the trends addressed in this section, including the impact of changes in PIPE's economic and competitive environment, and PIPE's recent financial performance. The discussion is supplemented by the exhibits in the Appendix. Exhibit III-1 displays PIPE's unaudited balance sheets as of December 31, 2013 and 2014 and June 30, 2015. Exhibit III-2 presents PIPE's unaudited income statements for the years ended December 31, 2013 and 2014 and the six months ended June 30, 2014 and 2015.

Financial Condition

Table 1 presents selected data concerning PIPE's financial position as of December 31, 2012 to 2014 and June 30, 2015. Exhibit III-1 presents PIPE's balance sheets as of December 31, 2013 and 2014 and June 30, 2015. The financial data presentation for PIPE in the tables below and in Exhibits III-1 to III-4 is derived from the GAAP financial statements of PIPE. Statutory financial data for PIPE is included in Exhibit III-5 and provides a five-year overview of PIPE's operating trends.

Table 1
Selected Financial Condition Data
As of December 31, 2012 to 2014 and June 30, 2015
(Dollars in Thousands)

	June 30,	December 31,		
	2015	2014	2013	2012
Balance Sheet Data				
Total assets	$30,691	$31,914	$32,679	$33,120
Total cash and investments	26,637	28,485	27,800	28,825
Total policy reserves (1)	15,555	16,262	15,930	16,047
Unearned premiums	2,959	2,121	2,436	2,560
Total liabilities	19,219	20,064	20,181	20,539
Total equity	11,472	11,850	12,497	12,581
Total equity / total assets	37.38%	37.13%	38.24%	37.99%
Cash and investments / total assets	86.79%	89.26%	85.07%	87.03%
Policy reserves / total assets	50.68%	50.96%	48.75%	48.45%

(1) Total policy reserves equal losses and loss adjustment expenses.

Source: PIPE, unaudited GAAP financial statements.

PIPE's total assets decreased by 2.3% from $32.7 million at December 31, 2013 to $31.9 million at December 31, 2014. The $765,000 million decrease in total assets primarily reflected a $1.8 million decrease in reinsurance recoverable to zero at year-end 2014 and a $508,000 decrease in prepaid reinsurance premiums to zero at year-end 2014. The reinsurance deposit increased from zero at year-end 2013 to $1.2 million at year-end 2014. PIPE changed its method of accounting for its reinsurance contract to the deposit method of accounting in response to a requirement by the Department following a recent examination. Receipts and disbursements related to the reinsurance contract are recorded through PIPE's deposit account, which had a balance of $1.2 million as of December 31, 2014.

The aggregate balance of cash and short-term investments increased by $2.9 million from $1.7 million at December 31, 2013 to $4.6 million at December 31, 2014 as a result of reinsurance commutation received on December 31, 2014. Investment securities declined by $2.2 million from $26.1 million at December 31, 2013 to $23.9 million at December 31, 2014 due to settlement payments from bond maturities. Total cash and investments increased by $686,000 or $2.5% from $27.8 million at December 31, 2013 to $28.5 million at December 31, 2014. Total cash and investments increased from 85.1% of total assets at year-end 2013 to 89.3% at year-end 2014.

Total policy reserves increased by $332,000 or 2.1% from $15.9 million at December 31, 2013 to $15.8 million at December 31, 2014. Total policy reserves are unpaid losses and loss expenses, which are estimates of future payments on reported and unreported claims for losses and related expenses. The increase in policy reserves in 2014 was primarily attributable to an increase in the estimated unpaid losses for occurrence coverage. Unearned premiums declined by $315,000 from $2.4 million at December 31, 2013 to $2.1 million at December 31, 2014. Total equity decreased by $647,000 or 5.2% from $12.5 million at year-end 2013 to $11.9 million at year-end 2014. Accordingly, the ratio of total equity to total assets decreased from 38.2% at December 31, 2013 to 37.1% at December 31, 2014.

PIPE's aggregate balance of cash and investments amounted to $28.5 million at December 31, 2014 and constituted a sizeable concentration (89.3%) of total assets. PIPE's primary sources of cash are premiums, investment income, and sales and maturities of investment securities. PIPE's primary uses of cash are policy acquisitions costs (primarily commissions), payments on claims, investment purchases, and general and administrative expenses. Cash and short-term investments amounted to $4.6 million at December 31, 2014 and investment securities totaled $23.9 million. Exhibit III-3 presents PIPE's investment portfolio as of December 31, 2014. All of PIPE's investment securities are classified as available for sale and carried at fair value, with unrealized gains of losses, net of any income tax effects, included in accumulated other comprehensive income. PIPE generally follows a buy-and-hold investment philosophy in managing its securities portfolio and seeks stable and consistent interest yields. PIPE does not have any investments in derivative financial instruments, mortgage loans, or real estate.

Consistent with its investment policy, PIPE's investment portfolio primarily comprises fixed-income debt securities. As of December 31, 2014, PIPE's investments securities totaled $23.9 million and consisted of $1.3 million (5.3%) of U.S. Government securities, $2.3 million (9.8%) of mutual funds holding equity securities and money market investments, $3.4 million (14.2%) of general obligations of states and political subdivisions of states, $7.1 million (29.8%) of mortgage-backed securities primarily issued or guaranteed by U.S. Government sponsored enterprises, and $9.8 million (40.9%) of corporate and industrial bonds. PIPE's net yield on invested assets was 2.74% for the year ended December 31, 2014, down from 3.50% for the year ended December 31, 2013.

Investment security ratings are issued by the National Association of Insurance Commissioners ("NAIC") and are similar to the rating agency designations for marketable bonds as prepared by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investors Services. NAIC ratings of 1 and 2 include bonds that are generally considered investment grade by such ratings organizations. NAIC ratings of 3 through 6 include bonds generally considered below investment grade. As of December 31, 2014, PIPE's bonds carried the following NAIC ratings: NAIC 1 - $14.8 million (70.2%); NAIC 2 - $3.2 million (15.2%); NAIC 3 - $2.0 million (9.6%); and NAIC 4 - $1.1 million (5.0%).

In accordance with insurance industry practice, PIPE reinsures a portion of its loss exposure and pays to the reinsurers a portion of the premiums received on all policies reinsured. Insurance policies written by PIPE are reinsured with other insurance companies principally to: (i) reduce net liability on individual risks; (ii) mitigate the effect of individual loss occurrences; (iii) stabilize underwriting results; (iv) decrease leverage; and (v) increase underwriting capacity. Reinsurance contracts do not relieve PIPE of its obligations to subscribers. PIPE currently has a reinsurance contract with Wesco Insurance Company ("Wesco"), a wholly owned subsidiary of AmTrust Financial Services, Inc. PIPE's relationship with Wesco began in 2008 and the current contract reflects a four-year term from January 1, 2012 to January 1, 2016. Wesco currently has an A.M. Best financial strength rating of A (Excellent).

The reinsurance coverage provides limits of $400,000 per claim in excess of a retention of $100,000 per claim in respect of policies issued by PIPE with limits of $500,000 or less (the overwhelming majority of PIPE insureds) and $800,000 per claim in excess of $200,000 per claim in respect of policies issued by PIPE with limits of greater than $500,000 per claim. PIPE ceded to its reinsurer $1.6 million and $508,000 of earned premiums for the years ended

December 31, 2013 and 2014, respectively. As mentioned previously, PIPE has a reinsurance deposit account that had an outstanding balance of $1.2 million as of December 31, 2014.

PIPE's total assets declined by 6.5% from $31.9 million at December 31, 2014 to $30.7 million at June 30, 2015. On the asset side of the balance sheet, the $1.2 million reduction in total assets was largely attributable to a decrease of $1.8 million in cash and investments. On the liability side of the balance sheet, total policy reserves decreased by $707,000 and advanced premiums declined by $896,000 from December 31, 2014 to June 30, 2015. PIPE's total equity capital, as measured under GAAP, decreased from $11.9 million (37.1% of total assets) at December 31, 2014 to $11.5 million (37.4% of total assets) at June 30, 2015. The decrease in PIPE's equity capital was due to unprofitable operations registered by PIPE during the year-to-date ("YTD") period ended June 30, 2015. In addition, equity capital was also affected by a decrease in the amount of net unrealized securities gains from $219,000 at December 31, 2014 to $103,000 at June 30, 2015.

Income and Expense Trends

Table 2 displays PIPE's earnings results and selected operating ratios for 2013 and 2014 and the first half of 2015. Exhibit III-2 displays PIPE's income statements for 2013 and 2014 and the first half of 2015. PIPE's operating results are influenced by factors affecting the MPL insurance sector in general. The performance of the MPL insurance sector is subject to significant variations due to competition, regulation, general economic conditions, claims reporting and settlement patterns, judicial decisions, impact of healthcare legislation and tort reform, fluctuations in interest rates, and other factors. PIPE's premium growth and underwriting results are influenced by market conditions. Pricing in the MPL insurance industry historically has been cyclical with the financial performance of insurers fluctuating from periods of low premium rates and excess underwriting capacity resulting from increased competition (soft market), followed by periods of high premium rates and a shortage of underwriting capacity resulting from decreased competition (hard market).

There has not been a hard market in the MPL arena in almost a decade. Rates have continued to decline across all healthcare subsectors and capacity has grown substantially as new players have entered the market. Underwriters are accepting what appears to be a permanent, competitive landscape. The main reason for the continuing soft market is that the ratio of supply to demand has never been greater. New carrier entrants to both the primary and excess marketplace, as well as the supply of ample reinsurance, offer buyers more options than ever. Overlay the tremendous consolidation among healthcare organizations and the trend toward the employment of physicians who had once been separately insured, and these forces have led to more carriers fighting over a shrinking customer base. As a result, pricing has naturally declined in this macro-economic environment.

For the Years Ended December 31, 2014 and 2013

PIPE recorded a net loss of -$911,000 for the year ended December 31, 2014, marking a decrease from net income of $741,000 for the year ended December 31, 2013. Although net premiums earned increased by $549,000 or $12.8% from $4.3 million in 2013 to $4.8 million in 2014, net investment income declined by $395,000 or 34.2% from $1.2 million in 2013 to $759,000 in 2014. As a result, total revenue increased moderately by 2.8% from $5.4 million in 2013 to $5.6 million in 2014. PIPE experienced a large underwriting loss in 2014 versus nearly breakeven underwriting results in 2013, which contributed to the net loss for 2014.

Direct premiums written decreased by 12.9% from $5.8 million in 2013 to $5.0 million in 2014. The ceded rate on direct premiums written declined from 27.6% in 2013 to 0.0% in 2014 as PIPE changed to the deposit method of accounting to record its reinsurance activity. As a result, net premiums written were equal to direct premiums written in 2014 with a corresponding result of $5.0 million that was 20.4% higher than net premiums written of $4.2 million in 2013. Loss and loss adjustment expenses increased by $2.4 million from $2.3 million for the year ended December 31, 2013 to $4.7 million for the year ended December 31, 2014. General operating expenses increased by 2.0% to $2.1 million in 2014.

A key measurement of the profitability of any insurance company for any period is its combined ratio, which is equal to the sum of its loss ratio and its expense ratio. However, investment income, federal income taxes and other non-underwriting income or expense are not reflected in the combined ratio. The profitability of property and casualty insurance companies depends on income from underwriting, investment, and service operations. Underwriting results are considered profitable when the combined ratio is under 100% and unprofitable when the combined ratio is over 100%.

Table 2
Selected Operating Performance Data
For the Years Ended December 31, 2013 and 2014
And the Six Months Ended June 30, 2014 and 2015
(Dollars in Thousands)

	Six Months Ended June 30,		For the Years Ended December 31,	
	2015	2014	2014	2013
Income Statement Data				
Direct premiums written	$ 3,359	$ 3,423	$ 5,022	$ 5,764
Net premiums written	3,359	2,490	5,022	4,172
Net premiums earned	$ 2,520	$ 2,012	$ 4,829	$ 4,280
Investment income, net of expenses	269	478	759	1,154
Total revenue	2,788	2,490	5,588	5,434
Losses and loss adjustment expenses	2,377	4,086	4,692	2,322
General operating expenses	907	1,110	2,053	2,012
Total claims and expenses	3,284	5,197	6,745	4,334
Income (loss) before income taxes	(496)	(2,707)	(1,157)	1,100
Income tax expense (benefit)	(228)	(620)	(247)	359
Net income (loss)	$ (268)	$(2,087)	$ (911)	$ 741
Operating Ratios				
Return on average assets (1)	-0.86%	-6.55%	-2.82%	2.31%
Return on average equity (1)	-2.25%	-17.93%	-7.48%	6.20%
Loss ratio (2)	94.34%	203.15%	97.18%	54.25%
Expense ratio (3)	36.00%	55.20%	42.51%	47.00%
Combined ratio (4)	130.34%	258.35%	139.68%	101.25%

(1) Annualized ratios for the six-month periods in 2014 and 2015.
(2) Losses and loss adjustment expenses divided by net premiums earned.
(3) Underwriting expenses divided by net premiums earned.
(4) Sum of the loss ratio and the expense ratio.

Source: PIPE, unaudited GAAP financial statements.

Table 3 provides underwriting performance summary data for PIPE for the years ended December 31, 2013 and 2014 and the six months ended June 30, 2014 and 2015.

Table 3
Underwriting Performance Data
For the Years Ended December 31, 2013 and 2014
And the Six Months Ended June 30, 2014 and 2015
(Dollars in Thousands)

	Six Months Ended June 30,		For the Years Ended December 31,	
	2015	2014	2014	2013
Net premiums earned	$ 2,520	$ 2,012	$ 4,829	$ 4,280
Losses and loss adjustment expenses	2,377	4,086	4,692	2,322
General operating expenses	907	1,110	2,053	2,012
Total claims and expenses	3,284	5,197	6,745	4,334
Underwriting profit (loss)	$ (764)	$(3,185)	$(1,916)	$ (54)
Operating Ratios				
Loss ratio (1)	94.34%	203.15%	97.18%	54.25%
Expense ratio (2)	36.00%	55.20%	42.51%	47.00%
Combined ratio (3)	130.34%	258.35%	139.68%	101.25%

(1) Losses and loss adjustment expenses divided by net premiums earned.
(2) Underwriting expenses divided by net premiums earned.
(3) Sum of the loss ratio and the expense ratio.

Source: PIPE, unaudited GAAP financial statements.

As shown in Table 3, PIPE's combined ratio increased from 101.3% in 2013 to 139.7% in 2014. The increase in PIPE's combined ratio was attributable to the higher loss ratio in 2014, which primarily reflects the increased level of losses and loss adjustment expenses incurred. The expansion of the loss ratio from 54.3% in 2013 to 97.2% in 2014 resulted mainly from negative underwriting results in the 2011 and 2009 occurrence years and an increase in the estimated unpaid losses for occurrence coverage. PIPE's expense ratio actually declined from 47.0% in 2013 to 42.5% in 2014. Reflective of the higher combined ratio, PIPE's experienced an underwriting loss of -$1.9 million for 2014 as compared to an underwriting loss of -$54,000 in 2013.

For the Six Months Ended June 30, 2015 and 2014

PIPE reported a net loss of -$268,000 for the six months ended June 30, 2015, compared to a net loss of -$2.1 million for the six months ended June 30, 2014. The narrowing of the net loss position was due primarily to a decrease of $1.9 million in losses and loss adjustment expenses from $4.1 million in the YTD 2014 period to $2.4 million in the YTD 2014 period, along with an increase of $508,000 in net premiums earned from $2.0 million in the first half of 2014 to $2.5 million for the first half of 2015. Net investment income declined to $269,000 for the YTD 2015 period, compared to $478,000 for the YTD 2014 period. General operating expense declined by 18.3% from $1.1 million for the YTD 2014 period to $907,000 for the YTD 2015 period.

PIPE's loss ratio declined from 203.2% for the six months ended June 30, 2014 to 94.3% for the six months ended June 30, 2015. Similarly, PIPE's expense ratio decreased from 55.2% for the six months ended June 30, 2014 to 36.0% for the six months ended June 30, 2015. Overall, the combined ratio decreased from 258.4% in the YTD 2014 period to 130.3% for the YTD 2015 period, but continued to signify negative underwriting results. PIPE's annualized return on average assets ("ROA") for the six months ended June 30, 2015 was -0.86% and its annualized return on average equity ("ROE") was -6.55% for the YTD 2015 period.

Statutory Financial Data Overview

State insurance laws and regulations require PIPE to file financial statements with state insurance departments everywhere it does business, and the operations of PIPE are subject to examination by those departments. PIPE prepares statutory financial statements in accordance with accounting practices and procedures prescribed or permitted by these departments. Certain accounting standards differ under statutory accounting practices ("SAP") as compared to GAAP. For example, premium income is recognized on a pro rata basis over the term covered by the insurance policy, while the related acquisition costs are expensed when incurred under SAP. Under GAAP, both premium income and the related policy acquisition costs are recognized on a pro rata basis over the term of the insurance policy. In addition, surplus notes are considered a part of policyholders' surplus under SAP, but are excluded from equity capital under GAAP. Therefore, the GAAP operating results and financial data for PIPE do not correspond to the SAP presentation.

Exhibit III-5 presents summary statutory financial data for PIPE over the five-year period for the years ended December 31, 2010 to 2014. As illustrated, PIPE's direct premiums written declined by 31.5% from $7.3 million in 2010 to $5.0 million. Concurrently, net underwriting results varied from breakeven to losses in different years over the five-year period. Reflective of general market and interest rate conditions, PIPE's net yield on invested assets declined from 4.13% in 2011 to 3.99%, 3.50%, and 2.74% in 2012, 2013, and 2014, respectively. On a statutory basis, PIPE's earnings remained positive in each year during the 2010 to 2014 period, supported by the investment returns. However, net underwriting losses contributed to a sharp downturn in net profits for 2014. PIPE's statutory surplus increased from $8.9 million at December 31, 2010 to $11.7 million at December 31, 2014.

II. INDUSTRY FUNDAMENTALS

Industry Performance and Outlook

The property and casualty ("P&C") segment of the insurance industry provides protection from risk into two basic areas. In general, property insurance protects an insured against financial loss arising out of loss of property or its use caused by an insured peril. Casualty insurance protects the insured against financial loss arising out of the insured's obligation to others for loss or damage to persons, including, with respect to workers compensation insurance, persons who are employees, or property. There are approximately 3,000 companies providing property and casualty insurance coverage in the United States. About 100 of these companies provide the majority of the property and casualty coverage.

Historically, the financial performance of the P&C insurance industry has tended to fluctuate in cyclical periods of aggressive price competition and excess underwriting capacity (known as a soft market), followed often by periods of high premium rates and shortages of underwriting capacity (or a hard market). Although an individual insurance company's financial performance is dependent on its own specific business characteristics, the profitability of most property and casualty insurance companies tends to follow this cyclical market pattern. During soft market conditions, premium rates are stable or falling and insurance coverage is readily available. During periods of hard market conditions, coverage may be more difficult to find and insurers increase premiums or exit unprofitable areas of business.

Although it comprises just over 2% of annual direct premiums for the U.S. P&C insurance industry, the MPL insurance sector is integral to the U.S. healthcare system, which accounts for almost one-fifth of the nation's gross domestic product. The MPL sector has historically been among the most volatile sectors in the insurance industry. The MPL sector has broadly outperformed the overall P&C sector as a result of strong pricing in the early 2000s, coupled with substantially reduced claims frequency. However, in the current market, historically strong operating margins are likely to come under pressure due to intense premium rate competition and lower fixed-income investment returns. MPL claims have been trending down since the past decade as a result of favorable judicial decisions, as well as state-level tort reform measures. As a result, most MPL insurers have reported favorable reserve development trends and continued profitability.

The year 2014 marked a year of financial stability for the MPL insurance industry, despite a continued decline in profitability. While the industry's operating ratio remained under 100%, it increased by several percentage points over the prior year as it has done for each year since 2010. Insurers continued to experience a decline in reserve releases, increased expenses, and diminished investment income. Despite the decline in profitability, the MPL industry returned a substantial portion of its income in 2014 as dividends to policyholders. Surplus grew slightly in 2014, leaving the industry in a financial position roughly consistent with where it has been since year-end 2011.

Direct premiums written in the MPL sector declined by 1.2% from $9.8 billion in 2013 to $9.7 billion in 2014, denoting the eighth consecutive years of decreases for the MPL industry. Premium rates continue to fall for many writers of MPL insurance, as evidenced by the declining premium volume of the industry as a whole. It is not uncommon for companies to find themselves forced to choose between writing policies at rates perceived to be inadequate or lose market share. MPL insurers are also faced with declining market share due to the acquisition of physician practices by hospitals and healthcare systems, as well as the preference of newly trained physicians to join these larger systems rather than enter into independent practices. Healthcare reform has only served to accelerate the trend in physician employment that was already well underway.

As reported by Milliman, Inc., the combined ratio for the MPL industry was 96% in 2014, up from a low of 76% in 2008. The loss ratio for 2014 was 65%, higher than in any year since 2006 and an increase of 12 percentage points. The increase in the loss ratio has been driven largely by the decline in reserve releases. The industry's surplus increased slightly by 2% in 2014. The stabilization of the industry's capitalization level is in part due to the significant amount policyholder dividends that MPL writers have continued to pay.

Net investment income is an important revenue source for P&C insurers, historically accounting for 15%-20% of total revenues. For most insurers, cash flows available for investment have stabilized although persistently low investment yields continue to pressure investment income results. Net realized investment gains have increased in recent years on the heels of surging securities market valuations.

Continued reserve releases can be expected to mask deteriorating underwriting results on current MPL business, thereby prolonging the soft market and increasing the risk that rates may become inadequate. MPL insurers face other challenges to increasing profits, possible increases in frequency and severity, threats to the tort system and tort laws in various states, the continued impact of healthcare reform, and a decline in market size as hospitals continue to acquire physician practices. In light of the industry's fundamentals, the current soft market is likely to continue into the near future. The challenge for larger MPL carriers is to seek new sources of premium growth, and increasingly they seek this growth through acquisition.

Financial Strength Ratings by A.M. Best

A.M. Best is a widely recognized rating agency dedicated to the insurance industry. A.M. Best provides ratings that indicate the financial strength of insurance companies. The objective of A.M. Best's rating system is to provide an independent opinion of an insurer's financial strength and its ability to meet ongoing obligations to policyholders. The assigned financial strength rating is derived from an in-depth evaluation and analysis of a company's balance sheet strength, operating performance, and business profile. A.M. Best's ratings scale is comprised of 15 individual ratings grouped into 9 categories (excluding suspended ratings).

A.M. Best currently assigns a financial strength rating of B+ (Good) to PIPE, effective October 2, 2014. This rating is the sixth highest of 15 ratings and the category of "Good" represents the third highest of nine categories. Insurance companies rated B+ are considered by A.M. Best to have "a good ability to meet their ongoing obligations to policyholders." The recent rating for PIPE represented an affirmation of the B+ (Good) financial strength rating that was assigned initially on August 23, 2013. However, the outlook for the recent rating was downgraded from stable to negative.

In its recent ratings commentary on PIPE, A.M. Best indicated that the rating results reflected PIPE's adequate capitalization, historical profitability, and its specialty niche orientation and expertise in the MPL insurance segment. These positive rating aspects were offset by the material adverse reserve development reported by PIPE and the corresponding net operating losses incurred during the first half of 2014, culminating in a contraction in policyholders' surplus for the period. A.M. Best indicated that the adverse results of 2014 stemmed from, in part, higher than expected claim settlements combined with PIPE's limited reinsurance program.

A.M. Best expressed further concern about PIPE's elevated expense ratio, limited financial flexibility, and narrow business concentration -- both geographic and product. PIPE has a concentrated exposure in a volatile long tail line of business predominately in a single state. The expansion into South Carolina remains in the early stage and A.M. Best cited concern over the execution strategy given the operational and judicial/regulatory risks. In addition, A.M. Best noted PIPE's small size and the related susceptibility, the significant uncertainty in its pricing and reserving due to its relatively short operating history, and continuation of the low interest rate environment placing pressure on investment returns.

A.M. Best commented favorably on PIPE's balance sheet strength as supported by sound liquidity, modest underwriting and investment leverage, and better than average investment returns. A.M. Best also acknowledged the fact that senior management of PIPE has many years of experience in the MPL insurance sector and, up until recent periods, had produced solid earnings that had contributed to organic surplus growth. In assigning a negative outlook, A.M. Best emphasized the current challenges in the MPL industry and noted that it would be monitoring PIPE's profitability for a return to stable, positive earnings results.

III. COMPARISONS WITH PUBLICLY TRADED COMPANIES

General Overview

The comparative market approach provides a sound basis for determining estimates of going-concern valuations where a regular and active market exists for the stocks of peer institutions. The comparative market approach was utilized in determining the estimated pro forma market value of PIPE because: (i) reliable market and financial data are readily available for comparable institutions, and (ii) the comparative market method has been widely accepted as a valuation approach by the applicable regulatory authorities. The generally employed valuation method in initial public offerings ("IPOs"), where possible, is the comparative market approach, which also can be relied upon to determine pro forma market value in an insurance company stock conversion transaction. We considered other valuation approaches such as the asset-based valuation and income capitalization methods. However, we determined that because PIPE is a going-concern insurance company with highly variable earnings results and the fact that the Valuation will be utilized pursuant a stock conversion offering structure, the comparative market approach is the preferred valuation method for this assignment.

The comparative market approach derives valuation benchmarks from the trading patterns of selected peer institutions that, due to certain factors such as financial performance and operating strategies, enable the appraiser to estimate the potential value of the subject institution in a mutual-to-stock conversion offering. In Chapter III, our valuation analysis focuses on the selection and comparison of PIPE with a comparable group of publicly traded insurance companies (the "Comparative Group"). Chapter IV will detail any additional discounts or premiums that we believe are appropriate to PIPE's pro forma market value.

Selection Criteria

Selected market price and financial performance data for insurance companies listed on the New York and NYSE MKT Stock Exchanges or traded on the NASDAQ Stock Market are shown in Exhibit IV as compiled from data obtained from SNL Financial LC ("SNL Financial"), a leading provider of financial and market data focused on financial services industries, including banks and insurance companies. The insurance underwriting industry is differentiated by SNL Financial into six market segments: (i) life and health, (ii) managed care, (iii) mortgage and financial guaranty, (iv) multiline, (v) property and casualty, and (vi) title. For purposes of this selection screening, we focused primarily on publicly traded insurance companies in the P&C and multiline segments exclusive of announced acquisition targets ("Public P&C/Multiline Group"). Several criteria, discussed below, were used to select the individual members of the Comparative Group from the overall universe of publicly traded insurance companies.

- Operating characteristics – A company's operating characteristics are the most important factors because they affect investors' expected rates of return on a company's stock under various business and economic scenarios, and they influence the market's general perception of the quality and attractiveness of a given company. Operating characteristics, which may vary in importance during the business cycle, include financial variables such as profitability, capitalization, growth, risk exposure, liquidity, and other factors such as lines of business and management strategies.

- Degree of marketability and liquidity – Marketability of a stock reflects the relative ease and promptness with which a security may be sold when desired, at a representative current price, without material concession in price merely because of the necessity of sale. Marketability also connotes the existence of buying interest as well as selling interest and is usually indicated by trading volumes and the spread between the bid and asked price for a security. Liquidity of the stock issue refers to the organized market exchange process whereby the security can be converted into cash. We attempted to limit our selection to companies that have access to a regular trading market or price quotations. We eliminated from the selection process companies with market prices that were materially influenced by publicly announced or widely rumored acquisitions.

In determining the Comparative Group composition, we focused primarily on PIPE's size, market segment, and product lines. Attempting to concentrate on PIPE's financial characteristics and expand the Comparative Group to obtain a meaningful cluster of companies, we broadened the size range criterion to encompass a statistically significant number of companies. In addition, due to the ongoing consolidation activity within the insurance industry, we sought to include a sufficient number of companies in the event that one or several members of the Comparative Group are subsequently subject to acquisition as we update this Appraisal prior to completion of PIPE's Conversion.

Of the 54 companies composing the Public P&C/Multiline Group, there were only five companies with total assets less than $200 million and zero companies with assets less than $70 million or PIPE's total assets of $30.7 million. The median asset size of the Public P&C/Multiline Group was $4.6 billion and the average size was even larger at $40.0 billion, skewed by behemoth companies such as Berkshire Hathaway and American International Group with total assets each exceeding $500 billion. We applied the following selection criteria and focused principally on companies concentrated in the lower quartile of the Public P&C/Multiline Group based on asset size:

- Publicly traded – stock-form insurance company whose shares are traded on New York Stock Exchange, NYSE MKT, or NASDAQ Stock Market.
- Asset size – total assets less than $1.6 billion.
- Market segment – primary focus on market segments of property and casualty, with additional consideration accorded to multiline and life and health.
- Current financial data – publicly reported financial data on a GAAP basis for the last twelve months ("LTM") ended March 31, 2015 or June 30, 2015.
- Insurance product lines – companies providing specialty lines of coverage, particularly including medical malpractice, were granted additional consideration for inclusion.

As a result of applying the above criteria, the screening process produced a reliable representation of publicly traded insurance companies for valuation purposes. Eighteen companies met the asset size and market segment criterion outlined on the previous page. We included in the Comparative Group four of the five public P&C insurance companies with assets under $200 million. Trupanion, Inc., which provides medical insurance plans for cats and dogs was not included in the Comparative Group. Within the collection of 12 companies comprising the Public P&C/Multiline Group reporting assets between $200 million and $1.6 billion, we selected nine seven for inclusion in the Comparative Group.

A general operating summary of the 12 companies selected for the Comparative Group is presented in Table 4. In focusing on smaller publicly traded companies, the Comparative Group includes seven companies with total assets less than $500 million and five altogether below $200 million (1347 Property Insurance Holdings, American Independence Corp., Kingstone Companies, National Security Group, and Unico American Corporation). In addition, three of the Comparative Group companies are headquartered in the Mid-Atlantic region (Donegal Group in Pennsylvania and American Independence Corp. and Kingstone Companies in New York), similar to PIPE. The overall geographic mix of the companies in the Comparative Group reflects a wide distribution. One member of the Comparative Group companies completed an IPO within the past two years, specifically 1347 Property Insurance Holdings in March 2014. While no single company constitutes a perfect comparable and differences inevitably exist between PIPE and the individual companies, we believe that the chosen Comparative Group on the whole provides a meaningful basis of financial comparison for valuation purposes. Summary operating profiles of the publicly traded insurance companies selected for the Comparative Group are presented in the next section beginning on pages 35 to 41.

Table 4
General Operating Summary of the Comparative Group
As of June 30, 2015

	State	Ticker	Exchange	IPO Date	Total Assets ($Mil.)	Total Equity ($Mil.)	Total Equity/ Assets (%)
Physicians' Insurance Program Exchange	PA	NA	NA	NA	30.7	11.5	37.38
Comparative Group Median	NA	NA	NA	NA	357.1	106.2	31.16
Comparative Group Mean	NA	NA	NA	NA	572.1	181.7	37.01
Comparative Group							
1347 Property Insurance Holdings (1)	FL	PIH	NASDAQ	03/31/14	75.9	49.0	64.56
American Independence Corp.	NY	AMIC	NASDAQ	NA	182.4	96.6	52.96
Atlantic American Corporation	GA	AAME	NASDAQ	02/01/69	327.2	105.5	32.25
Donegal Group Inc.	PA	DGICA	NASDAQ	NA	1,519.4	437.1	28.77
EMC Insurance Group Inc.	IA	EMCI	NASDAQ	02/04/82	1,520.1	515.4	33.91
Federated National Holding Co.	FL	FNHC	NASDAQ	11/05/98	601.1	231.4	38.50
First Acceptance Corporation	TN	FAC	NYSE	NA	387.0	106.8	27.59
Hallmark Financial Services, Inc.	TX	HALL	NASDAQ	NA	1,041.9	262.3	25.18
Kingstone Companies, Inc. (1)	NY	KINS	NASDAQ	NA	137.4	40.9	29.78
National Security Group, Inc. (1)	AL	NSEC	NASDAQ	NA	147.0	44.2	30.07
Unico American Corporation (1)	CA	UNAM	NASDAQ	NA	135.6	71.4	52.70
United Insurance Holdings Corp.	FL	UIHC	NASDAQ	10/04/07	789.7	219.5	27.79

(1) As of March 31, 2015.

Source: PIPE; SNL Financial.

Summary Profiles of the Comparative Group Companies

1347 Property Insurance Holdings, Inc. (NASDAQ: PIH) – Tampa, Florida

1347 Property Insurance Holdings, Inc. ("1347 Property") was incorporated in October 2012 and holds all of the capital stock of Maison Insurance Company ("Maison") and Maison Managers Inc. ("MMI"). In March 2014, 1347 Property completed an IPO of its common stock. Prior to March 2014, 1347 Property was a wholly owned subsidiary of Kingsway America Inc. Through Maison, 1347 Property provides property and casualty insurance to individuals in Louisiana. Maison's insurance product offerings currently include homeowners insurance, manufactured home insurance, and dwelling fire insurance. Maison writes both full peril property policies as well as wind/hail only exposures. Maison distributes its policies through independent insurance agents. MMI serves as 1347 Property's services subsidiary, known as a managing general agency. MMI is responsible for marketing programs and other management services. 1347 Property plans, either organically or through acquisition, to expand into other coastal states that fit its selection criteria and when timing is appropriate. It intends to focus on those areas where industry leaders are seeking to decrease coastal risk exposure and locations where its management has experience in managing wind-risk and independent and captive agent contacts. Within Louisiana, 1347 Property seeks to take advantage of market opportunities presented by the planned shrinkage of a state-run program that operates as an insurer of last resort. In January 2015, 1347 completed the acquisition of ClaimCor, LLC, a Florida based company that provides claims and underwriting technical solutions to both commercial and personal lines insurance carriers throughout the Southern United States. 1347 Property is not currently rated by A.M. Best. As of March 31, 2015, 1347 Property had total assets of $75.9 million, total policy reserves of $18.2 million, total equity of $49.0 million, LTM total revenue of $21.2 million, and LTM net loss of -$81,000.

American Independence Corp. (NASDAQ: AMIC) – New York, New York

American Independence Corp. ("American Independence") is a holding company principally engaged in health insurance and reinsurance with executive offices located in New York, New York. American Independence focuses on niche health products and/or narrowly defined distribution channels and provides specialized health coverage and related services to commercial customers and individuals. Its wholly owned subsidiary, Independence American Insurance Company ("Independence American"), markets its products through IHC Risk Solutions, LLC ("Risk Solutions"), IHC Specialty Benefits, Inc., IPA Family, LLC, and IPA Direct, LLC, which are subsidiaries of AMIC, and through independent brokers, producers and agents. American Independence is affiliated with Independence Holding Company, which owns a majority of the common stock of American Independence. Independence American, which is domiciled in Delaware, is licensed to write property and/or casualty insurance in all 50 states and the District of Columbia, and has an A- (Excellent) financial strength rating from A.M. Best with a stable outlook. American Independence retains much of the risk that it underwrites, and sells or reinsures on the following lines of business: (i) medical stop-loss; (ii) fully insured medical including major medical and ancillary, (iii) pet insurance, (iv) occupational accident, and (iv) New York State disability benefits. Risk Solutions is a full-service direct writer of medical stop-loss insurance for self-insured employer groups. Risk Solutions markets, underwrites, collects premiums, administers and processes claims, and performs medical management services. As of June 30, 2015, American Independence had total assets of $182.4 million, total policy reserves of $61.1 million, total equity of $96.6 million, LTM total revenue of $170.9 million, and LTM net income of $5.7 million.

Atlantic American Corporation (NASDAQ: AAME) – Atlanta, Georgia

Atlantic American Corporation ("Atlantic American") is a holding company that operates through its subsidiaries in specialty markets within the life and health and property and casualty insurance industries. Its principal operating subsidiaries are American Southern Insurance Company and American Safety Insurance Company (together known as "American Southern") within the property and casualty insurance industry and Bankers Fidelity Life Insurance Company and Bankers Fidelity Assurance Company (together known as "Bankers Fidelity") within the life and health insurance industry. American Southern's primary product lines include business automobile insurance, general liability insurance, property insurance, and surety bonds. American Southern provides tailored business automobile insurance coverage, on a multi-year contract basis, to state governments, local municipalities and other large motor pools and fleets that can be specifically rated and underwritten. Bankers Fidelity and offers a variety of life and supplemental health products with a focus on the senior markets. Products offered by Bankers Fidelity include ordinary and term life insurance, Medicare supplement, and other accident and health insurance products. For the year ended December 31, 2014, health insurance operations accounted for approximately 59% of Atlantic American's net earned premiums. Bankers Fidelity markets its policies through three distribution channels all of which utilize commissioned, independent agents. The three channels utilized include traditional independent agents, broker-agents typically interested in a specific product of Bankers Fidelity, and special market agents who promote workplace, association and/or branded products. American Southern carries a current financial strength rating of A (Excellent) from A.M. Best and Bankers Fidelity has a financial strength rating of A- (Excellent), both with a stable ratings outlook. As of June 30, 2015, Atlantic American had total assets of $327.2 million, total policy reserves of $169.6 million, total equity of $105.5 million, LTM total revenue of $169.3 million, and LTM net income of $6.8 million.

Donegal Group, Inc. (NASDAQ: DGICA) – Marietta, Pennsylvania

Donegal Group, Inc. ("Donegal") is as an insurance holding company whose insurance subsidiaries offer personal and commercial lines of property and casualty insurance to businesses and individuals in 21 Mid-Atlantic, Midwestern, New England, and Southern states. Donegal owns insurance subsidiaries domiciled in the states of Iowa, Maryland, Michigan, Pennsylvania, Virginia and Wisconsin. For the year ended December 31, 2014, Donegal's direct premiums were generated primarily in the states of Pennsylvania (36.9%), Michigan (16.9%), Virginia (8.8%), Maryland (8.5%), and Delaware (5.8%). Donegal's insurance subsidiaries derive a substantial portion of their insurance business from smaller to mid-sized regional communities. Donegal believes this focus provides its insurance subsidiaries with competitive advantages in terms of local market knowledge, marketing, underwriting, claims servicing, and policyholder service. At the same time, Donegal believes its insurance subsidiaries have cost advantages over many smaller regional insurers that result from economies of scale they realize through centralized accounting, administrative, data processing, investment, and other services. Donegal has been an active consolidator of smaller "main street" property and casualty insurance companies. The personal lines products offered by Donegal consist primarily of homeowners and private passenger automobile policies, while the commercial lines products consist primarily of commercial automobile, commercial multi-peril, and workers compensation policies. Donegal was formed in 1986 as a downstream holding company by Donegal Mutual Insurance Company, which currently holds approximately 65% of the aggregate voting power of both classes of Donegal's common stock. Donegal's insurance subsidiaries carry current financial strength ratings of A (Excellent) from A.M. Best with a stable outlook. As of June 30, 2015, Donegal had total assets of $1.5 billion, total policy reserves of $1.0 billion, total equity of $437.1 million, LTM total revenue of $613.5 million, and LTM net income of $26.6 million.

EMC Insurance Group Inc. (NASDAQ: EMCI) – Des Moines, Iowa

EMC Insurance Group Inc. ("EMC") is an insurance holding company that was incorporated in Iowa in 1974 by Employers Mutual Casualty Company ("Employers Mutual") and became a public company in 1982 following the initial public offering of its common stock. EMC is approximately 58% owned by Employers Mutual, a multiple-line property and casualty insurance company organized as an Iowa mutual insurance company in 1911 that is licensed in all 50 states and the District of Columbia. EMC conducts operations in property and casualty insurance and reinsurance through its subsidiaries. EMC primarily focuses on the sale of commercial lines of property and casualty insurance to small and medium-sized businesses. These products are sold through independent insurance agents who are supported by a decentralized network of branch offices. Although EMC actively markets its insurance products in 40 states, the majority of its business is marketed and generated in the Midwest. EMC conducts its operations through the following subsidiaries: EMCASCO Insurance Company, Illinois EMCASCO Insurance Company and Dakota Fire Insurance Company, and its reinsurance operations through its subsidiary, EMC Reinsurance Company. The primary sources of revenue for EMC are generated from the following commercial lines of business: property, automobile, workers compensation, and liability. EMC's property and casualty insurance companies carry financial strength ratings from A.M. Best of A (Excellent) with a stable outlook. As of June 30, 2015, EMC had total assets of $1.5 billion, total policy reserves of $922.2 million, total equity of $515.4 million, LTM total revenue of $610.6 million, and LTM net income of $47.5 million.

Federated National Holding Company (NASAQ: FNHC) – Sunrise, Florida

Federated National Holding Company ("Federated"), formerly known as 21st Century Holding Company, is an insurance holding company that engages in the insurance underwriting, distribution and claims processes through its subsidiaries and contractual relationships with its independent agents and general agents. Federated is authorized to underwrite, and/or place through its owned subsidiaries, homeowners multi-peril, commercial general liability, federal flood, personal automobile, and various other lines of insurance in Florida and various other states. Federated markets and distributes its own and third-party insurers' products and its other services through a network of independent agents. Its principal insurance subsidiary is Federated

National Insurance Company ("FNIC"). Through contractual relationships with a network of approximately 3,600 independent agents, of which approximately 1,800 actively sell and service its products, FNIC is authorized to underwrite homeowners, commercial general liability, fire, allied lines, and personal and commercial automobile insurance in Florida. FNIC is licensed as an admitted carrier in Alabama, Louisiana, Georgia, and Texas and underwrites commercial general liability insurance in those states, homeowners insurance in Louisiana and personal automobile insurance in Georgia and Texas. During 2014, 91.4%, 3.3%, 3.3% and 2.0% of the premiums it underwrote were for homeowners, commercial general liability, personal automobile, and federal flood insurance, respectively. Although the homeowners policyholders of FNIC are disbursed throughout Florida, substantially all of them are located in Florida. FNIC is not currently rated by A.M. Best. As of June 30, 2015, Federated had total assets of $601.1 million, total policy reserves of $332.2 million, total equity of $231.4 million, LTM total revenue of $205.7 million, and LTM net income of $37.9 million.

First Acceptance Corporation (NYSE: FAC) – Nashville, Tennessee

First Acceptance Corporation ("First Acceptance") is a retailer, servicer, and underwriter of non-standard personal automobile insurance based in Nashville, Tennessee. First Acceptance currently writes non-standard personal automobile insurance in 12 states and is licensed as an insurer in 13 additional states. First Acceptance owns and operates three insurance company subsidiaries: First Acceptance Insurance Company, Inc., First Acceptance Insurance Company of Georgia, Inc., and First Acceptance Insurance Company of Tennessee, Inc. First Acceptance is a vertically integrated business and believes that its business model allows it to identify and satisfy the needs of its target customers and eliminates many of the inefficiencies associated with a non-integrated automobile insurance model. First Acceptance operates over 350 retail locations, staffed with employee-agents. The employee-agents primarily sell non-standard personal automobile insurance products underwritten by First Acceptance as well as certain commissionable ancillary products. In most states, First Acceptance's employee-agents also sell a complementary insurance product providing personal property and liability coverage for renters underwritten by First Acceptance. In addition to its retail locations, First Acceptance is able to complete the entire sales process over the telephone via its call center or through the internet via its consumer-based website or mobile platform. The principal operating subsidiaries of First Acceptance carry current financial strength ratings from A.M. Best of B (Fair) with a stable outlook. As of June 30, 2015, First Acceptance had total assets of $387.0 million, total policy reserves of $191.4 million, total equity of $106.8 million, LTM total revenue of $289.3 million, and LTM net income of $24.9 million.

Hallmark Financial Services, Inc. (NASDAQ: HALL) – Fort Worth, Texas

Hallmark Financial Services, Inc. ("Hallmark") is a diversified property and casualty insurance group that serves businesses and individuals in specialty and niche markets. Hallmark offers standard commercial insurance, specialty commercial insurance, and personal insurance in selected market subcategories that are characteristically low-severity and predominately short-tailed risks. Hallmark markets, distributes, underwrites and services property and casualty insurance products primarily through five business units, each of which has a specific focus. The standard commercial P&C business unit primarily handles standard commercial insurance and occupational accident insurance. The workers compensation business unit specializes in small and middle-market workers compensation business. The excess and surplus commercial business unit handles primarily commercial insurance products and services in the excess and surplus lines market. The select business unit offers (i) general aviation insurance products and services, (ii) low and middle market commercial umbrella and excess liability insurance, (iii) medical professional liability insurance products and services, and (iv) satellite launch insurance products. The personal lines business unit focuses on non-standard personal automobile insurance and complementary personal insurance products and services. Hallmark's business is geographically concentrated in the South Central and Northwest regions of the United States, except for its general aviation business, which is written on a national basis. Hallmark's insurance subsidiaries carry current financial strength ratings of A- (Excellent) with a negative outlook. As of June 30, 2015, Hallmark had total assets of $1.0 billion, total policy reserves of $657.6 million, total equity of $262.3 million, LTM total revenue of $358.1 million, and LTM net income of $18.9 million.

Kingstone Companies, Inc. (NASDAQ: KINS) – Kingston, New York

Kingstone Companies, Inc. ("Kingstone") offers property and casualty insurance products to small businesses and individuals in the State of New York through its wholly owned subsidiary, Kingstone Insurance Company ("KICO"). KICO is a licensed property and casualty insurance company in New York. KICO also has obtained a license to write property and casualty insurance in Pennsylvania; however, KICO has only nominally commenced writing business in Pennsylvania. Kingstone is a multi-line regional property and casualty insurance company writing business exclusively through independent retail and wholesale agents and brokers. Kingstone's largest line of business is personal lines, consisting of homeowners, dwelling fire, 3-4 family dwelling package, condominium, renters, mechanical breakdown, service line, and personal umbrella policies. Commercial liability is another product line through the offering of business owners' policies that consist primarily of small business retail risks without a residential exposure. Commercial automobile represents a third product line as Kingstone provides physical damage and liability coverage for light vehicles owned by small contractors and artisans. Personal lines, commercial liability, and commercial automobile policies accounted for 74.5%, 14.4%, and 4.0% of gross written premiums for the year ended December 31, 2014. Kingstone also writes for-hire vehicle physical damage only policies for livery and car service vehicles and taxicabs as well as canine legal liability policies. These other product lines accounted for 6.9% of gross written premiums in the year ended December 31, 2014. Kingstone's financial strength rating from A.M. Best is B+ (Good) with a positive outlook. As of March 31, 2015, Kingstone had total assets of $137.4 million, total policy reserves of $84.5 million, total equity of $40.9 million, LTM total revenue of $54.6 million, and LTM net income of $5.4 million.

National Security Group, Inc. (NASDAQ: NSEC) – Elba, Alabama

National Security Group, Inc. ("National Security") is an insurance holding company that, through its property and casualty subsidiaries, primarily writes personal lines coverage including dwelling fire and windstorm, homeowners, and mobile homeowners lines of insurance in ten states. Through its life insurance subsidiary, National Security offers a basic line of life and health and accident insurance products in six states. Property and casualty insurance is the most significant segment accounting for 89% of total premium revenues in 2013 and is conducted through National Security Fire & Casualty Company ("NSFC") and Omega One Insurance Company ("Omega"). NSFC is licensed to write insurance in the states of Alabama, Arkansas, Florida, Georgia, Kentucky, Mississippi, Oklahoma, South Carolina, Tennessee and West Virginia. Omega is licensed to write insurance in Alabama and Louisiana. Another subsidiary, National Security Insurance Company, conducts the life insurance business. Dwelling fire and homeowners, collectively referred to as the dwelling property line of business, is the largest segment of property and casualty operations composing 96% of total property and casualty premium revenue. National Security focuses on providing niche insurance products within the markets it serves. National Security ranks in the top twenty dwelling property insurance carriers in its two largest states, Alabama and Mississippi. However, due to the large concentration of business among the top five carriers, its total combined market share in these two states is less than 2%. NSFC and Omega products are marketed through a network of independent agents and brokers, who are independent contractors and generally maintain relationships with one or more competing insurance companies. National Security's property and casualty companies currently carry an A.M. Best group financial strength rating of B++ (Good) with a stable outlook. As of March 31, 2015, National Security had total assets of $147.0 million, total policy reserves of $75.6 million, total equity of $44.2 million, LTM total revenue of $65.7 million, and LTM net income of $7.9 million.

Unico American Corporation (NASDAQ: UNAM) – Woodland Hills, California

Unico American Corporation ("Unico American") is an insurance holding company that underwrites property and casualty insurance through its insurance company subsidiary; provides property, casualty, and health insurance through its agency subsidiaries; and provides insurance premium financing and membership association services through its other subsidiaries. The insurance company operation is conducted through Crusader Insurance Company ("Crusader"), which is a multiple line P&C insurance company that began transacting business on January 1, 1985. Since 2004, all Crusader business has been written in the state of California. During the year ended December 31, 2014, approximately 98% of Crusader's business was commercial multiple peril policies. Commercial multiple peril policies provide a combination of property and liability coverage for businesses. Commercial property coverage insures against loss or damage to buildings, inventory and equipment from natural disasters, including hurricanes, windstorms, hail, water, explosions, severe winter weather, and other events such as theft and vandalism, fires, storms, and financial loss due to business interruption resulting from covered property damage. However, Crusader does not write earthquake coverage. In addition to commercial multiple peril policies, Crusader also writes separate policies to insure commercial property and commercial liability risks on a mono-line basis. Crusader is domiciled in California and is licensed as an admitted insurance carrier in the states of Arizona, California, Nevada, Oregon, and Washington. Unico American sells its insurance policies through Unifax Insurance Systems, Inc., Crusader's sister corporation and exclusive general agent. All policies are produced by a network of brokers and retail agents. During 2014, Crusader continued to introduce new products as well as product changes such as revised rates, eligibility guidelines, rules and coverage forms. In order to improve service, Crusader is currently customizing and configuring a new policy administration system that is primarily focused upon transacting business through the internet, as well as providing more options to make the brokers' and agents' time more efficient. In November 2014, A.M. Best affirmed the financial strength rating of A- (Excellent) for Crusader with a stable outlook. As of March 31, 2015, Unico American had total assets of $135.6 million, total policy reserves of $60.8 million, total equity of $71.4 million, LTM total revenue of $30.9 million, and LTM net loss of -$142,000.

United Insurance Holdings Corp. (NASDAQ: UIHC) – St. Petersburg, Florida

Unted Insurance Holdings Corp. ("United Insurance") serves as the holding company for United Property & Casualty Insurance Company and its affiliated companies ("UPC Insurance"). UPC Insurance is primarily engaged in the residential property and casualty insurance business and currently write policies in Florida, Louisiana, Massachusetts, New Jersey, North Carolina, Rhode Island, South Carolina, and Texas. Its target markets consist of areas where the perceived threat of natural catastrophe has caused large national insurance carriers to reduce their concentration of policies. In such areas, United Insurance believes an opportunity exists for UPC Insurance to write profitable business. UPC Insurance has been operating continuously in Florida since 1999, and has managed its business through various hurricanes, tropical storms, and other weather related events. Homeowners policies and related coverage account for the vast majority of the business that it writes. In 2014, homeowners policies produced written premium of $418.1 million and accounted for 96% of total written premium. In addition to homeowners policies, UPC Insurance writes flood policies, which accounted for 3%, and commercial residential policies, which accounted for the remaining 1% of its 2014 written premium. On the flood policies, it earns a commission while retaining no risk of loss, since all such risk is ceded to the federal government via the National Flood Insurance Program. UPC Insurance currently markets and distributes its policies to consumers through over 4,000 independent agencies. Approximately 69% of its policies in-force as of December 31, 2014 were in Florida. United Insurance is not currently rated by A.M. Best. As of June 30, 2015, United Insurance had total assets of $789.7 million, total policy reserves of $339.8 million, total equity of $219.5 million, LTM total revenue of $312.7 million, and LTM net income of $25.5 million.

Recent Financial Comparisons

Table 5 summarizes certain key financial comparisons between PIPE and the Comparative Group. Financial data for PIPE, the Comparative Group, and the Public P&C/ Multiline Group are shown as of or for the LTM ended June 30, 2015. The Public P&C/ Multiline Group includes all the companies presented in Exhibit IV.

PIPE's total assets of $30.7 million as of June 30, 2015 measured below the Comparative Group median and mean of $357.1 million and $572.1 million, respectively. There are five companies in the Comparative Group with total assets less than $200 million. Overall, the Comparative Group includes seven companies with total assets less than $500 million, two companies with assets of $500 million to $1 billion, and three companies with assets between $1 billion and $1.6 billion. The median asset size of the Public P&C/Multiline Group was much larger at $4.6 billion based on the latest financial data as of June 30, 2015.

The P&C insurance industry is a highly competitive business in the areas of price, coverage, and service. The P&C industry includes insurers ranging from large companies offering a wide variety of products worldwide to smaller, specialized companies in a single state or region offering only a single product. Smaller insurance companies may find themselves competing with many insurance companies of substantially greater financial resources, more advanced technology, larger volumes of business, more diversified insurance coverage, broader ranges of projects, and higher ratings. Competition centers not only on the sale of products to customers, but also on the recruitment and retention of qualified agents and producers. Large national insurers may have certain competitive advantages over smaller regional companies, including increased name recognition, increased loyalty of their customer base, greater efficiencies and economies of scale and reduced policy acquisition costs.

PIPE's ratio of total policy reserves to total equity measured 1.36x, evidencing both its historical capital position and lack of growth in recent years. The Comparative Group median and mean ratios of policy reserves to equity were 1.66x and 1.55x, respectively. Among the Comparative Group, Federated, United Insurance, and Atlantic American displayed ratios in range of PIPE's ratio at 1.44x, 1.55x, and 1.61x, respectively. Overall, PIPE's capital ratios were higher than those of the Comparative Group and those of the Public P&C/Multiline Group aggregate. PIPE's ratio of equity to assets was 37.38% at June 30, 2015. As of June 30, 2015, the Comparative Group median and mean ratios of equity to assets were 31.16% and 37.01%, respectively, while the Public P&C/Multiline Group median and mean equity capital ratios were slightly lower at 28.14% and 28.78%, respectively. Among the Comparative Group companies, Federated's equity to assets ratio of 38.50% and EMC's corresponding ratio of 33.91% were similar to PIPE's ratio of equity to assets.

PIPE's ratio of cash and investments to total assets was 86.8% as of June 30, 2015, and was positioned above the Comparative Group median and mean ratios of 71.2% and 72.1%, respectively. PIPE's higher concentration of invested assets reflected comparatively lower levels of receivables in the form of reinsurance receivables and premium receivables. PIPE's premium income levels and reinsurance activity have stagnated over the past four years. PIPE's total assets decreased by 1.3% over the LTM period ended June 30, 2015, whereas the Comparative Group reflected median and mean asset growth rates of 8.8% and 18.6% for the corresponding period. Most members of the Comparative Group experienced moderate asset growth over the past year, while a few reported significant asset increases due to a stock offering (1347 Property), business expansion spurred by a corporate acquisition (United Insurance), and increases in total revenue and net income (Federated and First Acceptance).

Table 5
Comparative Financial Condition Data
PIPE and the Comparative Group
As of or for the Last Twelve Months Ended June 30, 2015

	Total Assets ($mil.)	Total Policy Resrvs. ($mil.)	Total Equity ($mil.)	LTM Asset Growth (%)	Policy Resrvs./ Equity (x)	Cash & Invest./ Assets (%)	Total Equity/ Assets (%)	Tang. Equity/ Assets (%)
Physicians' Insurance Program Exchange	30.7	15.6	11.5	(1.26)	1.36	86.79	37.38	37.38
Comparative Group Median	357.1	180.5	106.2	8.80	1.66	71.18	31.16	30.90
Comparative Group Mean	572.1	326.2	181.7	18.56	1.55	72.10	37.01	35.83
Public P&C/Multiline Group Median	4,563.9	2,597.6	1,175.4	3.53	1.96	71.17	28.14	26.65
Public P&C/Multiline Group Mean	39,974.6	16,918.5	10,246.7	9.51	2.38	68.42	28.78	27.31
Comparative Group								
1347 Property Insurance Holdings (1)	75.9	18.2	49.0	77.03	0.37	88.52	64.56	64.56
American Independence Corp.	182.4	61.1	96.6	13.30	0.63	60.51	52.96	46.84
Atlantic American Corporation	327.2	169.6	105.5	(2.84)	1.61	79.36	32.25	31.72
Donegal Group Inc.	1,519.4	1,002.0	437.1	3.90	2.29	59.21	28.77	28.46
EMC Insurance Group Inc.	1,520.1	922.2	515.4	4.88	1.79	91.80	33.91	33.86
Federated National Holding Co.	601.1	332.2	231.4	46.69	1.44	76.92	38.50	38.50
First Acceptance Corporation	387.0	191.4	106.8	30.67	1.79	65.21	27.59	26.65
Hallmark Financial Services, Inc.	1,041.9	657.6	262.3	5.51	2.51	65.45	25.18	20.53
Kingstone Companies, Inc. (1)	137.4	84.5	40.9	10.66	2.07	54.56	29.78	28.68
National Security Group, Inc. (1)	147.0	75.6	44.2	6.94	1.71	80.88	30.07	30.07
Unico American Corporation (1)	135.6	60.8	71.4	1.95	0.85	78.86	52.70	52.70
United Insurance Holdings Corp.	789.7	339.8	219.5	24.00	1.55	63.95	27.79	27.40

(1) As of or for the period ended March 31, 2015.

Source: PIPE; SNL Financial.

Table 6 compares PIPE with the Comparative Group and Public P&C/Multiline Group based on selected measures of profitability.

Table 6
Comparative Operating Performance Data
PIPE and the Comparative Group
For the Last Twelve Months Ended June 30, 2015

	Total Revenue ($mil.)	LTM Net Prem. Written/ Avg.Eq. (x)	LTM Net Income/ Total Revenue (%)	LTM ROA (%)	LTM ROE (%)	YTD Comb. Ratio (%)	YTD ROA (%)	YTD ROE (%)
Physicians' Insurance Program Exchange	5.9	0.52	15.44	2.91	7.99	130.3	(0.86)	(2.25)
Comparative Group Median	188.3	1.30	5.29	3.28	8.51	97.8	2.13	6.93
Comparative Group Mean	241.8	1.19	6.27	3.45	10.62	95.6	1.89	6.34
Public P&C/Multiline Group Median	1,166.3	1.14	8.31	2.37	8.96	95.2	2.16	8.42
Public P&C/Multiline Group Mean	9,080.6	1.19	8.94	2.56	10.45	93.6	2.20	9.44
Comparative Group								
1347 Property Insurance Holdings (1)	21.2	0.53	(0.38)	(0.12)	(0.17)	85.9	(5.61)	(8.75)
American Independence Corp.	170.9	NA	3.35	3.40	6.11	NA	1.94	3.58
Atlantic American Corporation	169.3	NA	4.00	2.12	6.45	97.8	2.54	7.60
Donegal Group Inc.	613.5	1.44	4.33	2.54	7.60	98.7	1.79	6.25
EMC Insurance Group Inc.	610.6	1.14	7.77	3.17	9.41	94.5	3.85	11.22
Federated National Holding Co.	205.7	0.85	18.41	7.43	19.55	NA	7.46	19.05
First Acceptance Corporation	289.3	NA	8.60	7.46	25.14	99.6	0.45	1.49
Hallmark Financial Services, Inc.	358.1	1.39	5.29	1.89	7.46	94.5	2.31	9.03
Kingstone Companies, Inc. (1)	54.6	1.22	9.87	4.09	13.82	97.9	4.00	13.47
National Security Group, Inc. (1)	65.3	1.46	NA	5.50	19.73	NA	2.64	8.84
Unico American Corporation (1)	30.9	NA	(0.46)	(0.11)	(0.20)	91.0	(0.42)	(0.79)
United Insurance Holdings Corp.	312.7	1.52	8.16	4.06	12.52	100.4	1.70	5.10

(1) As of or for the period ended March 31, 2015.

Source: PIPE; SNL Financial.

PIPE's ROA for the LTM period ended June 30, 2015 was 2.91% and measured above the Comparative Group median and mean ROA results of 3.28% and 3.45%, respectively. The Public P&C/Multiline Group reported median and mean LTM ROA results of 2.37% and 2.56%, respectively. PIPE's ROE for the recent LTM period was 7.99% and below the Comparative Group median and mean ROE results of 8.51% and 10.62%, respectively. PIPE's higher profitability reflects its underwriting profit for the LTM period after incurring large underwriting losses for the prior six-month period in the first half of 2014.

Profitability levels among the Comparative Group companies were led by First Acceptance, Federated, and National Security with LTM ROA results of 7.46%, 7.43%, and 5.50%, respectively, and LTM ROE results of 25.14%, 19.55%, and 19.73%, respectively The lower performers in the Comparative Group based on profitability included 1347 Property and Unico American with net losses and LTM ROA results of -0.12% and -0.11%, respectively. Those companies reporting positive earnings similar to PIPE's profitability included American Independence, United Insurance, and Kingstone with ROA results of 3.40%, 4.06%, and 4.09%, respectively.

On a YTD basis through June 30, 2015, PIPE reported negative earnings and ROA and ROE results of -0.86% and -2.25%, respectively. The Comparative Group median and mean YTD ROA were higher at 2.13% and 1.89%, respectively, and its median and mean YTD ROE were 6.93% and 6.34%, respectively. Contributing to PIPE's negative earnings for the YTD period was its relatively high combined ratio at 130.3%, compared to the median and mean of 97.8% and 95.6% for the Comparative Group, respectively. Only two members of the Comparative Group, 1347 Property and Unico American recorded negative earnings for the YTD period.

PIPE's profitability level relative to total revenue was above the median and mean levels exhibited by the Comparative Group. PIPE's 15.44% ratio of LTM net income to total revenue exceeded the Comparative Group median and mean of 5.29% and 6.27%, respectively. PIPE's heightened ratio is reflective of its favorable underwriting results for the LTM period and the continuing trend of a declining revenue base due to sluggish premium volume and decreasing investment returns. PIPE's written premium generation relative to average equity considerably lagged the Comparative Group. PIPE reported a ratio of 0.52x of LTM net premiums written to average equity versus the Comparative Group median and mean of 1.30x and 1.19x, respectively. As mentioned earlier, PIPE's net premiums written have not increased over the past five years.

IV. MARKET VALUE ADJUSTMENTS

General Overview

This concluding chapter of the Appraisal identifies certain adjustments to PIPE's estimated pro forma market value relative to the Comparative Group. The adjustments discussed in this chapter are made from the viewpoints of potential investors, which would include policyholders and other eligible individuals with subscription rights and unrelated parties who might purchase stock in a community or syndicated offering. It is assumed that these potential investors are aware of all relevant and necessary facts as they would pertain to the value of PIPE relative to other publicly traded insurance companies and relative to alternative investments.

Our appraised value is predicated on a continuation of the current operating environment for PIPE and insurance companies in general. Changes in PIPE's operating performance along with changes in the regional and national economies, the stock market, interest rates, the regulatory environment, and other external factors may occur from time to time, often with great unpredictability, which could impact materially the pro forma market value of PIPE or the trading market values of insurance company stocks in general. Therefore, the Valuation Range provided herein is subject to a more current re-evaluation prior to the actual completion of the Conversion.

In addition to the comparative operating fundamentals discussed in prior chapters, it is important to address additional market value adjustments based on certain financial and other criteria, which include, among other factors:

(1) Earnings Prospects
(2) Management
(3) Liquidity of the Issue
(4) Subscription Interest

(5) Stock Market Conditions
(6) New Issue Discount

Earnings Prospects

Earnings prospects are dependent upon the ability to grow revenue and control expenses and the effectiveness of managing the combined ratio (ratio of loss and operating expenses to net premiums earned). PIPE's revenue is generated primarily from net premiums earned, net investment income, and net realized investments gains or losses. PIPE's expenses mainly comprise losses and loss adjustment expenses, policy acquisition costs, and other general and administrative expenses. PIPE's revenue growth is affected by various factors, including competitive pricing, agent relationships, product strategy, business development, customer service and client retention, reinsurance arrangements, and investment performance. PIPE's operating efficiency affects the degree to which it can profitably leverage its distribution system and cost infrastructure. Many of the earnings challenges faced by PIPE are systemic to smaller insurers that lack economies of scale, diverse distribution channels, geographic diversity, or enhanced technological resources.

PIPE has experienced stagnant premium growth over the past five years. The MPL industry is currently operating under soft market conditions both nationally and in Pennsylvania as a result of abundant capacity, with significant competition and pressure on premium rates following several years of overall favorable claims trends. During 2008 through 2014, premium rates declined in PIPE's core Pennsylvania market, primarily as a result of improved claims frequency, and premium rates have remained relatively level in 2015. As discussed earlier, PIPE competes with MPL specialty insurers and alternative risk arrangements, as well as other large national P&C insurance companies that write MPL insurance. These competitors include companies that have substantially greater financial resources and a solid A.M. Best financial strength rating that is lacking by PIPE. Furthermore, PIPE does not have the capital to engage in long-term price competition with some of its competitors or support aggressive geographic and product diversification.

The uncertainties surrounding the ultimate success of PIPE's recent strategic initiatives to increase revenue and earnings, including its expansion into South Carolina, place PIPE at a disadvantage with regard to the Comparative Group, which overall is reporting steadier levels of profitability. PIPE reported a net loss for the year ended December 31, 2015 and a net loss for the six months ended June 30, 2015. These setbacks raise concerns about future adverse reserve development and its potential impact on prospective development. We therefore believe that, given PIPE's recent earnings trends and the restrained ability to generate substantial improvements in its profitability over the near term, a downward adjustment is warranted for PIPE's earnings prospects with respect to the Comparative Group.

Management

Management's principal challenges are to implement strategic objectives, generate revenue growth, control operating costs, and monitor asset quality and underwriting risks while PIPE competes in the highly competitive P&C insurance industry. The challenges facing PIPE in attempting to generate improvements in profitability and enhance its competitiveness are paramount because of the inherent competitive disadvantages faced by smaller specialty insurers in general and specifically, with respect to PIPE, companies that have a recent operating history of capital erosion and negative earnings.

We believe that investors will take into account that PIPE is professionally managed by a team of experienced insurance executives that has focused extensively on and gained a wealth of knowledge and expertise in PIPE's specialty niche market. PIPE has emphasized its historical operating strengths in attempting to cultivate and maintain a loyal client base. We also note that investors will likely rely upon top-line premium growth and bottom-line earnings results as the means of evaluating the future performance of management. Based on these considerations, we believe no adjustment is warranted based on management.

Liquidity of the Issue

All of the 12 members of the Comparative Group are traded on major stock exchanges. Eleven companies are listed on the NASDAQ Global Market and one company (First Acceptance) is traded on the New York Stock Exchange. As of August 11, 2015, the market capitalizations of the Comparative Group reflected a median of $104.2 million and ranged from $35.5 million for National Security Group to $468.8 million for EMC Insurance Group. Included among the Comparative Group were four companies with a current market capitalization under $60 million. In contrast, the median market capitalization for the Public P&C/Multiline Group was $1.6 billion as of August 11, 2015.

The development of a public market having the desirable characteristics of depth, liquidity, and orderliness depends upon the presence in the marketplace of a sufficient number of willing buyers and sellers at any given time and the existence of market makers to facilitate stock trade transactions. Given the estimated range of PIPE's pro forma market value, it is highly uncertain that an active and liquid trading market for its shares could develop or that PIPE would have qualified for and maintained listing requirements on a major stock exchange.

As of August 11, 2015, the lowest market capitalizations reported by a public insurance company listed on a major exchange were $35.5 million, $48.7 million, $49.0 million, and $56.0 million for National Security, 1347 Property, Unico American, and Kingstone -- all of which are traded on NASDAQ and included in the Comparative Group. The lowest market capitalization reported by a public insurance company not listed on a major exchange but instead quoted on the over-the-counter securities market as of August 11, 2015 was $22.3 million for the life and health insurer, Investors Heritage Capital Corporation (exclusive of companies that had closing stock prices below $1.00 and have been experiencing severe financial deterioration). We recognize that companies with lower levels of market capitalization tend to experience restrained trading volumes and frequent price volatility due to limited shares outstanding and other factors. Such issues may not have access to a major stock exchange having the desirable characteristics of depth, liquidity, and orderliness. Therefore, we believe that at the present time a downward adjustment is necessary to address these collective factors.

Subscription Interest

While mutual-to-stock conversions are commonplace in the savings institution industry, such conversions and demutualizations are less common in the insurance industry. In recent years, IPOs of savings institution stocks have attracted a great deal of investor interest and this speculative fervor continued through 2014 and 2015. In contrast, since 2000 there have only been a handful of insurance company demutualization transactions utilizing a subscription rights offering (including stand-alone or sponsor-affiliation transactions).

In connection with the Conversion, policyholders and named insureds of PIPE, along with directors, officers and employees of PIPMC, will be offered subscription rights to purchase shares of common stock in the Offering. At the present time, we are not aware of any particular marketing factors or transaction circumstances that would suggest either an overwhelming or suppressed level of interest in purchasing shares in the Conversion. Therefore, absent actual results from the subscription phase of the Offering, we do not believe that any adjustment is necessary at this juncture.

Stock Market Conditions

Table 7 summarizes the recent performance of various insurance stock indexes maintained by SNL Financial, along with selected industry and broad market indexes. The SNL Insurance Index of all publicly traded insurance companies increased 20.9% in the past year through August 11, 2015. The SNL Insurance Index outperformed the broader markets indexes as reflected by the Dow Jones Industrials Average ("DJIA") increasing 5.0% and the Standard & Poor's ("S&P") 500 Stock Index advancing 7.6%. Over the past three years ended August 11, 2015, the SNL Insurance Index was up 87.4%, while the DJIA had increased 31.8% and the S&P 500 advanced 48.2%. The SNL P&C Index and the S&P 500 P&C Index also outperformed the broader indexes, increasing by 63.6% and 70.0%, respectively, over the prior three-year period.

Financial stocks have performed well in the economic recovery and insurance stocks have participated fully in this sustained market rally. A number of announced acquisitions of insurance companies have contributed to the sustained performance of insurance stocks thus far in 2015. In the year-to-date periods, announced acquisition targets such as Cigna Corporation, Chubb Corporation, Humana Inc., and StanCorp Financial Group have registered notable price gains. However, as shown in Table 7, smaller insurance companies have not experienced the robust stock price appreciation as their larger counterparts. Over the past year through August 11, 2015, the SNL Insurance < $250 Million-Assets Index was down 12.2% and the SNL Insurance Micro Cap (< $250 Million) Index was down 11.7%.

On a YTD basis through August 11, 2015, the SNL Insurance < $250 Million-Assets Index had advanced 1.8% and the SNL Insurance Micro Cap Index had declined 14.7%. Through YTD August 11, 2015, the DJIA was down 2.4% and the S&P 500 was up 1.2%, while the SNL U.S. Insurance Index had advanced 8.0%.

Table 7
Selected Stock Market Index Performance
For the Period Ended August 11, 2015

	Index Value	Percent Change (%) Year-to-Date	One Year	Three Years
SNL Insurance Indexes				
SNL U.S. Insurance	767.57	7.98	20.92	87.44
SNL U.S. Insurance Underwriter	758.75	8.32	21.43	88.99
SNL U.S. Insurance Broker	1,176.96	3.37	13.87	67.01
S&P 500 Insurance	320.41	4.36	13.22	70.42
NASDAQ Insurance	7,165.04	5.58	16.99	60.09
S&P 500 Insurance Brokers	489.72	4.03	15.99	82.30
S&P 500 Multiline Insurance	112.84	9.37	14.80	84.92
SNL Sector Indexes				
SNL U.S. Insurance Property & Casualty	726.43	4.01	15.81	63.60
SNL U.S. Insurance Multiline	175.34	3.04	16.48	104.53
SNL U.S. Insurance Life & Health	842.71	3.01	7.35	76.70
SNL U.S. Reinsurance	1,001.56	11.90	19.84	68.87
SNL U.S. Managed Care	2,049.99	26.21	54.18	164.39
SNL U.S. Title Insurer	1,587.33	14.40	39.84	127.02
SNL U.S. Mortgage & Financial Guaranty	76.22	(2.50)	11.76	112.19
S&P 500 Property & Casualty	392.63	3.07	18.73	70.01
S&P 500 Life & Health	343.93	2.30	6.80	67.40
SNL Asset Size Indexes				
SNL U.S. Insurance < $250M	659.36	1.75	(12.19)	14.52
SNL U.S. Insurance $250M-$500M	772.61	9.14	(3.96)	84.49
SNL U.S. Insurance $500M-$1B	690.84	(7.92)	21.38	84.49
SNL U.S. Insurance $1B-$2.5B	1,561.88	0.86	14.53	47.71
SNL U.S. Insurance $2.5B-$10B	1,019.53	13.61	32.57	93.40
SNL U.S. Insurance > $10B	718.52	8.14	20.95	89.20
SNL U.S. Insurance > $1B	788.92	8.35	21.47	89.02
SNL U.S. Insurance < $1B	907.20	(1.74)	11.41	90.14
SNL Market Cap Indexes				
SNL Micro Cap U.S. Insurance	299.05	(14.73)	(11.69)	50.73
SNL Small Cap U.S. Insurance	747.27	(8.36)	3.73	52.42
SNL Mid Cap U.S. Insurance	598.52	8.22	23.01	95.04
SNL Large Cap U.S. Insurance	700.05	8.52	21.59	90.46
Broad Market Indexes				
Dow Jones Industrials Average	17,402.84	(2.36)	5.03	31.76
S&P 500	2,084.07	1.22	7.60	48.24
S&P Mid-Cap	1,496.14	3.01	7.97	55.53
S&P Small-Cap	704.68	1.38	7.14	56.02
S&P 500 Financials	338.78	1.64	12.38	68.58
NASDAQ	5,036.79	6.35	14.44	66.73
NASDAQ Financials	3,350.46	6.63	12.92	56.05

Source: MSCI; SNL Financial.

Strengthening fundamentals in the overall insurance industry have included fortified capital positions, improved product pricing, and increased demand for products as consumers and businesses accumulate additional cash flow in the rebounding economy. Insurance industry earnings have been challenged by the low interest rate environment, which has restrained the growth of investment income. Additionally, pricing on policies has been decelerating, particularly for commercial lines of insurance. The expansion of regulatory reform from the banking industry to other financial services industries, such as insurance companies and asset managers has led to increased costs for compliance, controls, and regulatory systems.

While P&C insurers historically have been very volatile due to cyclical market conditions and catastrophic losses, the stock performance of these issues has evidenced lesser volatility. The industry's improved capital position provides a solid buffer against catastrophic losses. The valuation support for many P&C companies will focus on incremental additions to book value from stable earnings and capital deployment strategies such as leverage, mergers, dividend payments, and share repurchases to provide price momentum going forward.

Viewing the broader trends, the overall health of the industry, which endured significant pricing pressure and reduced exposure since the latest recession, has recently improved with the stepped-up macro economy. While encountering short term resistance to premium rate increases, the industry may be poised to experience margin expansion. Although a more competitive pricing environment is expected to impact insurers' ability to raise premium rates, the overall operating climate is projected to remain stable and therefore we believe no specific adjustment is necessary.

New Issue Discount

A "new issue" discount that reflects investor concerns and investment risks inherent in all IPOs is a factor to be considered for purposes of valuing companies converting from mutual to stock form. The magnitude of the new issue discount typically expands during periods of declining stock prices as investors require larger inducements, and narrows during stronger market conditions. The necessity to build a new issue discount into the stock price of a converting insurance company continues to prevail in recognition of the uncertainty among investors as a result of the lack of a seasoned trading history for the converting company, its operation in an intensely competitive industry, underlying concerns regarding business cycle and interest rate trends, volatility in the stock market, and intensifying competition and product marketing in the insurance marketplace. We therefore believe that a new issue discount is reasonable and necessary in the pricing of PIPE's pro forma market value.

Adjustments Conclusion

PIPE's pro forma valuation should be discounted relative to the Comparative Group because of earning prospects, liquidity of the issue, and the new issue discount. Individual discounts and premiums are not necessarily additive and may, to some extent, offset or overlay each other. On the whole, we conclude that PIPE's pro forma valuation should be discounted relative to the Comparative Group. It is the role of the appraiser to balance the relative dynamics of price-to-book and price-to-earnings discounts and premiums. We have concluded that a discount of approximately 40% to 50% based on the price-to-book valuation metric is reasonable and appropriate for determining PIPE's pro forma Valuation Range relative to the Comparative Group's trading ratios.

Valuation Approach

In determining the estimated pro forma market value of PIPE, we have employed the comparative market valuation approach and considered the following pricing ratios: price-to-book value per share ("P/B"), price-to-tangible book value per share ("P/TB"), and price-to-earnings per share ("P/E"). Table 8 displays the trading market price valuation ratios of the Comparative Group as of August 11, 2015. Exhibit V displays the pro forma assumptions and calculations utilized in analyzing PIPE's valuation ratios. In reaching our conclusions of the Valuation Range, we evaluated the relationship of PIPE's pro forma valuation ratios relative to the Comparative Group's market valuation data.

Investors continue to make decisions to buy or sell P&C insurance company stocks based upon consideration of P/E and P/B comparisons. The P/E ratio is an important valuation ratio in the current insurance stock environment. However, PIPE's uneven earnings performance renders the comparative P/E approach somewhat less emphasis. Thus, the comparative P/B approach takes on significant meaning as a valuation metric.

As of August 11, 2015, the median P/B ratio for the Comparative Group was 92.0% and the mean was 102.7%. In comparison, the Public P&C/Multiline Group median and mean P/B ratios were positioned higher at 129.2% and 154.8%, respectively. In consideration of the foregoing analysis along with the additional adjustments discussed in this chapter, we have determined a pro forma midpoint P/B ratio of 52.1% for PIPE, which reflects an aggregate midpoint value of $11.0 million based on the assumptions summarized in Exhibit V. Applying a range of value of 15% above and below the midpoint, the resulting minimum of $9.35 million reflects a P/B ratio of 48.0% and the resulting maximum of $12.65 million reflects a P/B ratio of 55.6%. To price a converting company such as PCA at 90% of pro forma book value, because of the arithmetic of the calculation, would require very large increases in valuations and produce very marginal returns on equity. This would likely produce price declines in aftermarket trading. Accordingly, IPOs of converting insurance companies and savings institutions continue to be priced at substantial discounts to comparable publicly traded companies.

PIPE's pro forma P/B valuation ratios reflect discounts to the Comparative Group's median P/B ratio of 92.0%, with discounts measuring 39.6% at PIPE's maximum valuation, 43.4% at the midpoint valuation, and 47.8% at the minimum valuation. PIPE's P/TB valuation ratios reflect discounts to the Comparative Group's mean P/TB ratio of 102.7%, measuring 45.9% at PIPE's maximum valuation, 49.3% at the midpoint valuation, and 53.3% at the minimum valuation. In our opinion, these levels of discounts are appropriate to reflect the differences in operating fundamentals discussed in Chapter III and the aforementioned adjustments specified for earnings prospects, the new issue discount, and liquidity of the issue. In addition, we also took into consideration the low returns on equity that would be anticipated by PIPE on a pro forma stand-alone basis as its capital levels reach levels ranging from a 50.3% pro forma equity-to-assets ratio at the minimum valuation to 52.4% at the midpoint valuation and 54.2% at the maximum valuation. PIPE's pro forma equity-to-assets ratios would considerably exceed the Comparative Group's median of 31.2% and mean of 37.0%. PIPE's ability to deploy the pro forma capital profitably and to generate top-line premium growth and improved earnings constitutes a significant operating challenge in the highly competitive MPL insurance marketplace saddled by soft market conditions wherein PIPE strives to overcome the lack of economies of scale, critical mass, and geographic diversification in its fundamental business model.

The Comparative Group's median and mean P/E ratios were 11.0x and 10.4x, respectively, as of August 11, 2015. Based on PIPE's historical earnings for the LTM ended June 30, 2015 and the assumed returns from re-investment of the net capital proceeds, PIPE's pro forma P/E ratios range from 9.7x at the minimum valuation and 11.3x at the midpoint valuation to 12.9x at the maximum valuation. PIPE's pro forma P/E ratios reflect a discount to the Comparative Group median of 11.8% at the maximum valuation and premiums of 2.7% at the midpoint valuation and 17.3% at the maximum valuation. As discussed earlier, the challenge confronting PIPE would be to redeploy and leverage the additional equity capital to produce meaningful increases in premium volume and earnings while reducing its reliance on a declining stream of investment income to generate profitability.

Based on the price-to-assets ("P/A") measure, PIPE's midpoint valuation of $11.0 million reflects a P/A ratio of 27.3%, ranging from 24.2% at the minimum valuation to 30.1% at the maximum valuation. In contrast, the Comparative Group exhibited median and mean P/A ratios of 33.9% and 37.1%, respectively. Reviewing another valuation metric, price-to-total revenue, PIPE's pro forma ratios range from 1.57x at the minimum valuation to 2.11x at the maximum valuation with a midpoint of 1.84x, which is positioned at a premium to the Comparative Group median and mean ratios of 0.75x and 0.97x, respectively. PIPE's valuation premium on the P/A ratio basis is reflective of its strong capital position on a pro forma basis, while the premium on the price-to-total revenue basis is indicative of the additional underwriting capacity that would be afforded PIPE and the opportunity to leverage its increased equity to produce growth in revenue and earnings.

Valuation Conclusion

It is our opinion that, as of August 11, 2015, the aggregate estimated pro forma market value of Physicians' Insurance Program Exchange was within the Valuation Range of $9,350,000 to $12,650,000 with a midpoint of $11,000,000. The Valuation Range was based upon a 15% decrease from the midpoint to determine the minimum and a 15% increase to establish the maximum. Exhibit V displays the assumptions and calculations utilized in determining PIPE's estimated pro forma market value.

Table 8
Comparative Market Valuation Analysis
Physicians' Insurance Program Exchange and the Comparative Group
Market Price Data as of August 11, 2015

Company	Closing Stock Price ($)	Total Assets ($mil.)	Total Market Value ($mil.)	Price/ Book Value (%)	Price/ Tang. Book (%)	Price/ LTM EPS (x)	Price/ Oper. EPS (x)	Price/ Total Rev. (x)	Price/ Total Assets (%)	Total Equity/ Assets (%)	Current Div. Yield (%)
Physicians' Insurance Program Exchange											
Pro Forma Minimum	**10.00**	**38.7**	**9.4**	**48.0**	**48.0**	**9.7**	**9.7**	**1.57**	**24.17**	**50.33**	**0.00**
Pro Forma Midpoint	**10.00**	**40.3**	**11.0**	**52.1**	**52.1**	**11.3**	**11.2**	**1.84**	**27.27**	**52.36**	**0.00**
Pro Forma Maximum	**10.00**	**42.0**	**12.7**	**55.6**	**55.6**	**12.9**	**12.8**	**2.11**	**30.13**	**54.23**	**0.00**
Comparative Group Median	**NA**	**357.1**	**104.2**	**92.0**	**103.7**	**11.0**	**10.7**	**0.75**	**33.93**	**31.16**	**0.60**
Comparative Group Mean	**NA**	**572.1**	**188.6**	**102.7**	**108.6**	**10.4**	**10.8**	**0.97**	**37.12**	**37.01**	**1.08**
Public P&C/Multiline Median	**NA**	**4,563.9**	**1,612.4**	**129.2**	**140.4**	**12.7**	**14.3**	**1.07**	**32.06**	**28.14**	**1.73**
Public P&C/Multiline Mean	**NA**	**39,974.6**	**12,546.4**	**154.8**	**166.6**	**14.6**	**15.3**	**1.28**	**41.80**	**28.78**	**1.68**
Comparative Group											
1347 Property Insurance Holdings	7.66	75.9	48.7	99.4	100.0	NM	NA	2.30	64.20	64.56	0.00
American Independence Corp.	10.61	182.4	85.7	91.7	118.2	14.9	NA	0.50	47.00	52.96	0.00
Atlantic American Corporation	3.68	327.2	75.7	74.3	76.2	12.3	NA	0.45	23.13	32.25	0.54
Donegal Group Inc.	14.43	1,519.4	443.7	92.4	93.8	15.0	16.0	0.72	29.20	28.77	3.74
EMC Insurance Group Inc.	22.68	1,520.1	468.8	90.9	91.1	9.8	10.5	0.77	30.84	33.91	2.94
Federated National Holding Co.	24.54	601.1	349.2	157.9	157.9	8.8	9.4	1.70	58.09	38.50	0.65
First Acceptance Corporation	2.99	387.0	122.7	114.9	120.6	5.0	NA	0.42	31.71	27.59	0.00
Hallmark Financial Services, Inc.	11.24	1,041.9	215.9	82.5	107.4	11.5	13.4	0.60	20.72	25.18	0.00
Kingstone Companies, Inc.	7.63	137.4	56.0	136.9	144.4	10.5	10.9	1.03	40.73	29.78	2.62
National Security Group, Inc.	14.16	147.0	35.5	80.3	80.3	4.5	4.5	0.54	24.15	30.07	1.13
Unico American Corporation	9.18	135.6	49.0	68.6	68.6	NM	NM	1.59	36.15	52.70	0.00
United Insurance Holdings Corp.	14.50	789.7	312.2	142.2	145.0	11.9	NA	1.00	39.53	27.79	1.38

Source: PIPE; SNL Financial; Feldman Financial.

Exhibit I
Background of Feldman Financial Advisors, Inc.

Overview of Firm

Feldman Financial Advisors provides consulting and advisory services to financial services companies in the areas of corporate valuations, mergers and acquisitions, strategic planning, branch sales and purchases, developing and implementing regulatory business and capital plans, and expert witness testimony and analysis. Our senior staff members have been involved in the mutual to stock conversion process since 1982 and have valued more than 350 converting institutions.

Feldman Financial Advisors was incorporated in February 1996 by a group of consultants who were previously associated with Credit Suisse First Boston and Kaplan Associates. Each of the officers of Feldman Financial Advisors has over 30 years of experience in consulting to financial institutions and financial services companies. Our senior staff collectively has worked with more than 1,000 commercial banks, savings institutions, mortgage companies, and insurance companies nationwide. The firm's office is located in Washington, D.C.

Background of Senior Professional Staff

Trent Feldman - President. Trent is a nationally recognized expert in providing strategic advice to and valuing financial service companies, and advising on mergers and acquisitions. Trent was with Kaplan Associates for 14 years and was one of three founding principals at that firm. Trent also has worked at the Federal Home Loan Bank Board and with the California legislature. Trent holds Bachelors and Masters Degrees from the University of California, Los Angeles.

Peter Williams - Principal. Peter specializes in merger and acquisition analysis, stock and other corporate valuations, strategic business plans, and retail delivery analysis. Peter was with Kaplan Associates for 13 years. Peter also worked as a Corporate Development Analyst with the Wilmington Trust Company in Delaware. Peter holds a BA in Economics from Yale University and an MBA in Finance and Investments from George Washington University.

Exhibit II
Statement of Contingent and Limiting Conditions

This Appraisal is made subject to the following general contingent and limiting conditions:

1. The analyses, opinions, and conclusions presented in this Appraisal apply to this engagement only and may not be used out of the context presented herein. This Appraisal is valid only for the effective date specified herein and only for the purpose specified herein.

2. Neither all nor any part of the contents of this Appraisal is to be referred to or quoted in any registration statement, prospectus, public filing, loan agreement, or other agreement or document without our prior written approval. In addition, our Appraisal and analysis are not intended for general circulation or publication, nor are they to be reproduced or distributed to other third parties without our prior written consent.

3. Neither our Appraisal nor our valuation conclusion is to be construed as a fairness opinion as to the fairness of an actual or proposed transaction, a solvency assessment, or an investment recommendation. For various reasons, the price at which the subject interest might be sold in a specific transaction between specific parties on a specific date might be significantly different from the valuation conclusion expressed herein.

4. Our analysis assumes that as of the effective valuation date, PIPE and its assets will continue to operate as a going concern. Furthermore, our analysis is based on the past and present financial condition of PIPE and its assets as of the effective valuation date.

5. We assume no responsibility for legal matters including interpretations of the law, contracts, or title considerations. We assume that the subject assets, properties, or business interests are appraised free and clear of any or all liens or encumbrances unless otherwise stated.

6. We assume that there is full compliance with all applicable federal, state, and local regulations and laws unless the lack of compliance is stated, defined, and considered in the Appraisal.

7. We do not express an opinion or any other form of assurance on the reasonableness of management's projections reviewed by us or on the underlying assumptions.

8. We assume responsible ownership and competent management with respect to the subject assets, properties, or business interests.

9. The information furnished by others is believed to be reliable. However, we issue no warranty or other form of assurance regarding its accuracy.

Exhibit III-1
Physicians' Insurance Program Exchange
Balance Sheets
As of December 31, 2013 and 2014 and June 30, 2015
(Dollars in Thousands)

	June 30, 2015	December 31, 2014	December 31, 2013
Assets			
Cash, cash equivalents, and short-term investments	$ 2,183	$ 4,624	$ 1,695
Investment securities	24,454	23,861	26,104
Accrued investment income	206	186	218
Premiums receivable	251	917	1,212
Reinsurance recoverable	-	-	1,755
Prepaid reinsurance premiums	-	-	508
Reinsurance deposit	1,975	1,221	-
Deferred policy acquisition costs	740	530	609
Deferred tax assets	93	-	478
Income taxes recoverable	791	575	89
Other assets	-	0	11
Total Assets	$30,691	$31,914	$32,679
Liabilities and Subscribers' Equity			
Insurance reserves:			
Losses and loss adjustment expenses	$15,555	$16,262	$15,930
Unearned premiums	2,959	2,121	2,436
Advanced premiums	243	1,139	1,259
Deposits and amounts held for others	17	33	110
Reinsurance payable	164	202	273
Accounts payable and accrued expenses	225	127	24
Deferred tax liability	-	29	-
Payable to attorney-in-fact	55	151	150
Total Liabilities	19,219	20,064	20,181
Subscribers' Equity			
Members' equity	11,369	11,630	12,534
Accumulated other comprehensive income (loss)	103	219	(37)
Total Subscribers' Equity	11,472	11,850	12,497
Total Liabilities and Subscribers' Equity	$30,691	$31,914	$32,679

Source: PIPE, unaudited GAAP financial statements.

Exhibit III-2
Physicians' Insurance Program Exchange
Income Statements
For the Years Ended December 31, 2013 and 2014
And the Six Months Ended June 30, 2014 and 2015
(Dollars in Thousands)

	Six Months June 30,		Year Ended December 31,	
	2015	2014	2014	2013
Revenue				
Net premiums earned	$ 2,520	$ 2,012	$ 4,829	$ 4,280
Investment income, net of expenses	269	478	759	1,154
Total revenue	2,788	2,490	5,588	5,434
Claims and Expenses				
Losses and loss adjustment expenses	2,377	4,086	4,692	2,322
General operating expenses	907	1,110	2,053	2,012
Total claims and expenses	3,284	5,197	6,745	4,334
Income (loss) before taxes	(496)	(2,707)	(1,157)	1,100
Income tax expense (benefit)	(228)	(620)	(247)	359
Net income (loss)	$ (269)	$ (2,088)	$ (911)	$ 741

Source: PIPE, unaudited GAAP financial statements.

Exhibit III-3
Physicians' Insurance Program Exchange
Investment Securities Portfolio
As of December 31, 2013 and 2014
(Dollars in Thousands)

	December 31, 2014		December 31, 2013	
	Fair Value ($000s)	Percent of Total (%)	Fair Value ($000s)	Percent of Total (%)
Debt securities:				
U.S. Government securities	$ 1,254	5.25	$ 1,987	7.61
States and subdivisions obligations	3,383	14.18	3,564	13.65
Mortgage-backed securities	7,111	29.80	8,185	31.36
Corporate and industrial bonds	9,766	40.93	11,309	43.32
Total debt securities	21,514	90.16	25,045	95.94
Equity securities:				
Common and preferred stocks	2,347	9.84	1,059	4.06
Total investment securities	$ 23,861	100.00	$ 26,104	100.00

Source: PIPE, financial statement data.

Exhibit III-4
Physicians' Insurance Program Exchange
Investment Securities Portfolio
As of June 30, 2014 and 2015
(Dollars in Thousands)

	June 30, 2015		June 30, 2014	
	Fair Value ($000s)	Percent of Total (%)	Fair Value ($000s)	Percent of Total (%)
Bonds	$ 23,344	95.46	$ 23,471	94.44
Common and preferred stocks	1,110	4.54	1,381	5.56
Total investment securities	$ 24,454	100.00	$ 24,852	100.00

Source: PIPE, internal financial data.

Exhibit III-5
Physicians' Insurance Program Exchange
Statutory Financial Data
As of or For the Years Ended December 31, 2010 to 2014
(Dollars in Thousands)

	As of or For the Years Ended December 31,				
	2014	2013	2012	2011	2010
Selected Balance Sheet Data					
Total Assets	$31,287	$29,829	$29,831	$30,382	$29,628
Total Cash and Investments	28,125	27,885	27,757	28,040	26,726
Loss Reserves	11,351	9,801	10,122	10,882	10,080
Loss Adjustment Expense (LAE) Reserves	4,447	3,859	4,707	4,832	4,938
Total Loss and LAE Reserves	15,797	13,661	14,830	15,714	15,019
Unearned Premium Reserve	2,121	1,928	2,036	2,485	2,469
Total Liabilities	19,570	17,918	18,798	20,445	20,777
Surplus Notes	0	0	0	0	0
Capital and Surplus	11,717	11,911	11,033	9,938	8,852
Capital and Surplus / Assets (%)	37.45	39.93	36.99	32.71	29.88
Reserves / Capital and Surplus (%)	134.82	114.69	134.41	158.12	169.67
Selected Income Statement Data					
Direct Premiums Written (DPW)	$5,022	$5,764	$6,633	$7,146	$7,328
Net Reinsurance Premiums	0	(1,592)	(1,900)	(1,923)	(2,099)
Net Premiums Written (NPW)	5,022	4,172	4,733	5,223	5,229
Net Premiums Earned	4,829	4,280	5,182	5,208	5,008
Net Loss and LAE Incurred	4,227	2,322	3,095	2,937	3,802
Net Underwriting Expense Incurred	1,940	1,942	2,052	2,199	2,200
Net Underwriting Gain (Loss)	(1,339)	16	35	71	(994)
Net Investment Income	734	988	1,142	1,145	1,058
Net Realized Capital Gains	26	166	180	114	460
Income Tax Expense (Benefit)	(588)	403	377	448	354
Net Income	8	767	981	881	171
Premiums Written By Major Segment (%)					
Personal Lines - DPW	0.00	0.00	0.00	0.00	0.00
Commercial Lines - DPW	100.00	100.00	100.00	100.00	100.00
Personal Lines - NPW	0.00	0.00	0.00	0.00	0.00
Commercial Lines - NPW	100.00	100.00	100.00	100.00	100.00
Operating Ratios (%)					
Growth Rate - DPW	(12.87)	(13.11)	(7.18)	(2.48)	(2.32)
Growth Rate - NPW	20.37	(11.85)	(9.39)	(0.12)	(1.97)
Loss and LAE Ratio	87.55	54.25	59.72	56.41	75.92
Expense Ratio	38.63	46.55	43.35	42.11	42.06
Combined Ratio	126.18	100.80	103.07	98.51	117.98
Operating Ratio	110.99	77.71	81.03	76.53	96.86
Effective Tax Rate	NM	34.46	27.74	33.73	67.42
Net Yield on Invested Assets	2.74	3.50	3.99	4.13	4.08
Return on Average Equity	0.03	2.58	3.24	2.98	0.62
Return on Average Assets	0.08	6.92	9.82	10.03	2.06

Exhibit III-5 (continued)
Physicians' Insurance Program Exchange
Statutory Financial Data
As of or For the Years Ended December 31, 2010 to 2014
(Dollars in Thousands)

	For the Years Ended December 31,				
	2014	2013	2012	2011	2010
Underwriting Revenue					
Direct Premiums Written	$5,022	$5,764	$6,633	$7,146	$7,328
Personal P&C Direct Premiums	0	0	0	0	0
Commercial P&C Direct Premiums	5,022	5,764	6,633	7,146	7,328
Net Reinsurance Premiums	0	(1,592)	(1,900)	(1,923)	(2,099)
Net Premiums Written	5,022	4,172	4,733	5,223	5,229
Change in Unearned Premiums Reserve	193	(108)	(449)	16	221
Net Premiums Earned	4,829	4,280	5,182	5,208	5,008
Underwriting Deductions					
Net Losses Paid - Personal	0	0	0	0	0
Net Losses Paid - Commercial	293	1,686	2,558	945	926
Net Losses Paid	293	1,686	2,558	945	926
Net LAE Paid	1,798	1,805	1,421	1,297	949
Change in Loss Reserves - Personal	0	0	0	0	0
Change in Loss Reserves - Commercial	1,549	(321)	(760)	802	1,144
Change in LAE Reserves	587	(848)	(125)	(106)	784
Net Change in Loss and LAE Reserves	2,137	(1,169)	(885)	696	1,927
Losses and LAE Incurred	4,227	2,322	3,095	2,937	3,802
Other Underwriting Expense Incurred	1,940	1,942	2,052	2,199	2,200
Net Underwriting Gain (Loss)	(1,339)	16	35	71	(994)
Investment Income					
Net Investment Income (Loss)	734	988	1,142	1,145	1,058
Net Realized Capital Gains	26	166	180	114	460
Other Income					
Finance Service Charges	0	0	0	0	1
All Other Income	0	0	0	0	0
Net Income					
Net Income (Loss) Before Taxes	(579)	1,170	1,357	1,330	525
Federal Income Tax Expense (Benefit)	(588)	403	377	448	354
Net Income	8	767	981	881	171
Change in Capital and Surplus					
Capital and Surplus, Beginning of Period	$11,911	$11,033	$9,938	$8,852	$8,187
Net Income	8	767	981	881	171
Net Unrealized Capital Gains (Losses)	(50)	0	76	113	170
Change in Surplus Notes	0	0	0	0	0
All Other Changes in Surplus	(159)	104	(55)	(22)	61
Capital and Surplus, End of Period	$11,717	$11,911	$11,033	$9,938	$8,852

Exhibit III-5 (continued)
Physicians' Insurance Program Exchange
Statutory Financial Data
As of or For the Years Ended December 31, 2010 to 2014
(Dollars in Thousands)

	For the Years Ended December 31,				
	2014	2013	2012	2011	2010
Operating Ratios (%)					
Loss Ratio	38.15	31.89	34.70	33.54	41.32
Loss Adjustment Expense Ratio	49.40	22.36	25.02	22.87	34.60
Loss and LAE Ratio	87.55	54.25	59.72	56.41	75.92
Net Commission Ratio	10.01	13.83	14.21	13.93	11.65
Salaries and Benefits Ratio	13.70	19.56	18.13	18.11	0.00
Tax, License and Fees Ratio	3.08	3.01	3.02	2.95	3.03
Admin. and Other Expense Ratio	11.84	10.15	7.99	7.12	27.38
Expense Ratio	38.63	46.55	43.35	42.11	42.06
Combined Ratio	126.18	100.80	103.07	98.51	117.98
Operating Ratio	110.99	77.71	81.03	76.53	96.86
Premium Analysis					
Direct Premiums Written (DPW)	$5,022	$5,764	$6,633	$7,146	$7,328
Gross Premiums Written (GPW)	5,022	5,764	6,633	7,146	7,328
Net Premiums Written (NPW)	5,022	4,172	4,733	5,223	5,229
Annual Growth DPW (%)	(12.87)	(13.11)	(7.18)	(2.48)	(2.32)
Annual Growth GPW (%)	(12.87)	(13.11)	(7.18)	(2.48)	(2.32)
Annual Growth NPW (%)	20.37	(11.85)	(9.39)	(0.12)	(1.97)
DPW by Line of Business (%)					
Major Segment - Personal (est.)	0.00	0.00	0.00	0.00	0.00
Major Segment - Commercial (est.)	100.00	100.00	100.00	100.00	100.00
Medical Malpractice	100.00	100.00	100.00	100.00	100.00
Commerical Multi-Peril Combined	0.00	0.00	0.00	0.00	0.00
Workers Compensation	0.00	0.00	0.00	0.00	0.00
Other Commercial	0.00	0.00	0.00	0.00	0.00
Loss and LAE Ratio by Line of Business (%)					
Major Segment - Personal (est.)	NA	NA	NA	NA	NA
Major Segment - Commercial (est.)	87.54	54.25	59.71	56.42	75.91
Medical Malpractice	87.54	54.25	59.71	56.42	75.91
Commerical Multi-Peril Combined	NA	NA	NA	NA	NA
Workers Compensation	NA	NA	NA	NA	NA
Other Commercial	NA	NA	NA	NA	NA
Combined Ratio by Line of Business (%)					
Major Segment - Personal (est.)	NA	NA	NA	NA	NA
Major Segment - Commercial (est.)	126.17	100.80	103.07	98.52	117.98
Medical Malpractice	126.17	100.80	103.07	98.52	117.98
Commerical Multi-Peril Combined	NA	NA	NA	NA	NA
Workers Compensation	NA	NA	NA	NA	NA
Other Commercial	NA	NA	NA	NA	NA

Exhibit III-5 (continued)
Physicians' Insurance Program Exchange
Statutory Financial Data
As of or For the Years Ended December 31, 2010 to 2014
(Dollars in Thousands)

	For the Years Ended December 31,				
	2014	2013	2012	2011	2010
Investment Income					
Net Investment Income	$734	$988	$1,142	$1,145	$1,058
Realized Capital Gains	26	166	180	114	460
Unrealized Capital Gains	(50)	0	76	113	170
Investment Portfolio Composition (%)					
Total Cash and Investments	$28,125	$27,885	$27,757	$28,040	26,726
Bonds	75.21	90.09	90.30	88.14	86.75
Common Stocks	8.34	3.80	3.98	2.94	0.26
Preferred Stocks	0.00	0.00	1.46	0.00	0.00
Cash and Short-term Investments	16.44	6.08	4.26	8.92	12.98
Other Investments	0.00	0.03	0.00	0.00	0.00
Investment Yields by Type (%)					
Net Yield on Invested Assets	2.74	3.50	3.99	4.13	4.08
Gross Yield - Bonds	3.76	3.99	4.51	4.66	4.68
Gross Yield - Cash and Short-term Investments	0.39	0.43	0.42	0.92	1.31
Gross Yield - Other Investments	0.00	0.00	16.47	0.00	0.00
Bond Portfolio Composition (%)					
Total Bonds	$21,154	$25,273	$25,065	$24,714	23,184
U.S. Government	16.41	17.37	18.18	0.00	2.24
Foreign Government	0.47	0.00	0.00	0.00	0.00
States, Territories and Possessions	0.95	0.79	2.07	1.29	1.93
Political Subdivisions	9.96	9.90	9.87	11.89	10.26
Special Revenue	25.31	26.43	34.74	54.77	51.36
Industrial	46.90	45.50	35.14	32.06	34.21
Bond Average Asset Quality (NAIC Des# 1-6)					
Total Bonds	1.49	1.51	1.37	1.23	1.26
U.S. Government	1.00	1.00	1.00	NA	1.00
Foreign Government	1.00	NA	NA	NA	NA
States, Territories and Possessions	1.00	1.00	1.00	1.00	1.00
Political Subdivisions	1.00	1.00	1.00	1.00	1.00
Special Revenue	1.05	1.04	1.03	1.01	1.00
Industrial	2.03	2.11	2.03	1.71	1.76
Bonds Rated 3 - 6 / Total Bonds (%)	14.61	14.04	11.36	6.90	8.67
Bonds Rated 3 - 6 / Capital and Surplus (%)	26.37	29.80	25.80	17.17	22.72
Equity Investments					
Total Common Stock	$2,347	$1,059	$1,104	$824	$70
Total Preferred Stock	0	0	404	0	0
Other Investments					
Total Mortgage Loans	$0	$0	$0	$0	0
Total Real Estate	0	0	0	0	0

Source: SNL Financial, statutory financial data.

Exhibit IV-1
Financial Performance Data for Public P&C and Multiline Companies

Company	State	Total Assets ($mil.)	Total Policy Reserves ($mil.)	Total Equity ($mil.)	Policy Resrvs./ Equity (x)	Total Equity/ Assets (%)	Tang. Equity/ Assets (%)	LTM Total Revenue ($mil.)	Net Prem. Written/ Avg.Eq. (x)	YTD Loss Ratio (%)	YTD Exp. Ratio (%)	YTD Comb. Ratio (%)	LTM ROA (%)	LTM ROE (%)
1347 Property Insurance Holdings	FL	76	18	49	0.37	64.56	64.56	21	0.53	10.5	55.3	65.8	(0.12)	(0.17)
Alleghany Corporation	NY	23,928	13,443	7,650	1.76	31.97	31.26	5,112	0.58	54.6	33.8	88.4	2.68	8.45
Allstate Corporation	IL	107,117	69,755	21,298	3.28	19.88	18.96	35,629	NA	70.6	26.3	96.9	2.43	11.87
American Financial Group, Inc.	OH	49,424	37,107	4,984	7.45	10.08	9.62	5,945	0.83	60.9	33.3	94.2	0.82	7.68
American International Group, Inc.	NY	509,987	267,370	104,642	2.56	20.52	NA	63,781	NA	64.8	34.6	99.4	1.37	6.63
American National Insurance Co.	TX	23,319	16,813	4,495	3.74	19.28	19.28	2,997	NA	72.4	31.6	104.0	1.18	6.20
Ameriprise Financial, Inc.	MN	148,806	29,345	8,996	3.26	6.05	4.77	12,381	NA	93.8	15.7	109.5	1.32	21.19
AMERISAFE, Inc.	LA	1,534	943	473	1.99	30.82	30.82	409	0.84	61.6	22.6	84.2	4.04	13.20
AmTrust Financial Services, Inc.	NY	15,967	10,250	2,632	3.89	16.49	12.35	4,440	1.72	65.3	24.5	89.8	3.45	21.08
Assurant, Inc.	NY	30,842	19,930	4,828	4.13	15.65	12.31	10,569	NA	NA	NA	NA	0.88	5.26
Atlantic American Corporation	GA	327	156	107	1.45	32.25	31.72	166	NA	65.3	32.5	97.8	2.12	6.45
Atlas Financial Holdings, Inc.	IL	383	220	121	1.82	31.58	30.51	125	1.27	57.6	28.0	85.6	6.11	17.47
Baldwin & Lyons, Inc.	IN	1,126	541	405	1.34	36.01	NA	289	0.65	59.7	33.3	93.0	2.30	6.48
Berkshire Hathaway Inc.	NE	540,774	99,030	249,202	0.40	46.08	37.64	199,470	NA	78.3	18.2	96.5	3.49	7.53
Cincinnati Financial Corporation	OH	18,888	9,425	6,497	1.45	34.40	34.40	5,143	0.69	63.9	31.0	94.9	3.50	10.07
CNA Financial Corporation	IL	55,022	36,368	12,234	2.97	22.23	22.02	9,468	0.55	64.7	33.9	98.6	1.40	6.14
Donegal Group Inc.	PA	1,519	1,002	437	2.29	28.77	28.46	614	1.44	65.2	33.5	98.7	1.80	6.33
EMC Insurance Group Inc.	IA	1,520	922	515	1.79	33.91	33.86	611	1.14	62.8	31.7	94.5	3.17	9.41
Employers Holdings, Inc.	NV	3,811	2,696	715	3.77	18.75	17.78	753	0.99	63.0	32.7	95.7	2.31	12.83
Erie Indemnity Company	PA	18,069	8,807	8,162	1.08	45.17	NA	6,252	NA	71.1	28.7	99.8	3.90	8.69
Federated National Holding Co.	FL	601	332	231	1.44	38.50	38.50	206	0.85	50.1	NA	NA	7.43	19.55
First Acceptance Corporation	TN	387	191	107	1.79	27.59	26.65	289	NA	79.2	20.4	99.6	7.46	25.14
Hallmark Financial Services, Inc.	TX	1,042	658	262	2.51	25.18	20.53	358	1.39	66.1	28.4	94.5	1.89	7.46
Hanover Insurance Group, Inc.	MA	14,145	9,328	2,909	3.21	20.56	19.51	5,147	1.67	62.8	33.6	96.4	2.30	11.27
Hartford Financial Services Group	CT	241,020	78,834	18,227	4.33	7.56	7.37	18,688	NA	68.5	30.4	98.9	0.67	8.75
HCI Group, Inc.	FL	702	288	226	1.28	32.17	32.17	293	1.60	25.1	28.5	53.5	12.21	39.53
Heritage Insurance Holdings, Inc.	FL	854	328	312	1.05	36.54	36.54	348	1.34	33.8	24.7	58.5	13.64	32.69
Horace Mann Educators Corp.	IL	9,970	6,140	1,307	4.70	13.11	12.69	1,073	0.93	70.9	26.1	97.0	1.08	7.95
Infinity Property and Casualty Corp.	AL	2,465	1,334	703	1.90	28.50	26.25	1,474	1.99	77.1	18.7	95.8	2.52	8.76
Kemper Corporation	IL	8,055	4,793	2,012	2.38	24.98	21.89	2,208	NA	75.1	26.9	102.0	1.43	5.41

Exhibit IV-1 (continued)
Financial Performance Data for Public P&C and Multiline Insurance Companies

Company	State	Total Assets ($mil.)	Total Policy Reserves ($mil.)	Total Equity ($mil.)	Policy Resrvs./ Equity (x)	Total Equity/ Assets (%)	Tang. Equity/ Assets (%)	LTM Total Revenue ($mil.)	Net Prem. Written/ Avg.Eq. (x)	YTD Loss Ratio (%)	YTD Exp. Ratio (%)	YTD Comb. Ratio (%)	LTM ROA (%)	LTM ROE (%)
Kingstone Companies, Inc.	NY	137	84	41	2.07	29.78	28.68	55	1.22	68.0	29.9	97.9	4.09	13.82
Loews Corporation	NY	78,015	36,368	24,332	1.49	31.19	30.86	13,957	NA	64.7	33.9	98.6	1.09	3.46
Markel Corporation	VA	25,366	14,057	7,750	1.81	30.55	25.52	5,242	0.50	51.7	37.9	90.0	1.91	6.40
Mercury General Corporation	CA	4,586	2,141	1,848	1.16	40.29	39.27	2,913	1.53	71.3	27.5	98.8	1.00	2.44
National General Holdings Corp.	NY	4,708	2,499	1,297	1.93	27.55	21.08	2,123	1.66	62.6	29.9	92.5	2.89	11.16
National Interstate Corporation	OH	1,869	1,261	368	3.43	19.67	19.34	605	1.58	78.9	20.5	99.4	1.56	7.56
National Security Group, Inc.	AL	147	76	44	1.71	30.07	30.07	65	1.46	NA	NA	NA	5.50	19.73
Navigators Group, Inc.	CT	4,541	2,988	1,054	2.84	23.20	23.08	1,040	0.98	56.9	35.9	92.8	2.13	9.35
Old Republic International Corp.	IL	17,277	11,133	3,937	2.83	22.79	NA	5,506	NA	47.7	47.7	95.4	2.07	8.97
ProAssurance Corporation	AL	5,001	2,397	2,057	1.17	41.13	37.28	833	0.32	60.2	30.2	90.4	3.28	7.75
Progressive Corporation	OH	29,304	16,343	7,360	2.22	25.12	22.47	20,101	2.79	72.3	20.3	92.6	5.02	18.91
RLI Corp.	IL	2,815	1,573	868	1.81	30.83	29.01	801	0.80	42.6	42.0	84.6	4.88	15.68
Safety Insurance Group, Inc.	MA	1,725	977	646	1.51	37.48	37.48	790	1.07	97.4	28.6	126.0	(0.61)	(1.50)
Selective Insurance Group, Inc.	NJ	6,784	4,713	1,310	3.60	19.31	19.22	2,065	1.54	59.7	34.6	94.3	2.54	13.09
State Auto Financial Corporation	OH	2,801	1,655	878	1.89	31.33	31.29	1,259	1.47	66.9	33.4	100.3	3.87	12.06
State National Companies, Inc.	TX	2,149	1,744	252	6.93	11.71	11.45	165	0.48	NA	NA	NA	1.16	10.37
Travelers Companies, Inc.	MN	101,664	65,459	24,121	2.71	23.73	20.70	27,001	0.96	58.2	31.7	89.9	3.48	14.43
Trupanion, Inc.	WA	75	6	52	0.11	69.22	67.09	131	NA	NA	NA	NA	(26.45)	(48.93)
Unico American Corporation	CA	136	61	71	0.85	52.70	52.70	31	NA	70.0	21.0	91.0	(0.11)	(0.20)
United Fire Group, Inc.	IA	3,891	2,820	832	3.39	21.38	20.85	981	1.11	64.1	29.7	93.8	1.92	8.95
United Insurance Holdings Corp.	FL	790	340	219	1.55	27.79	27.40	313	1.52	60.9	39.5	100.4	4.06	12.52
Universal Insurance Holdings, Inc.	FL	1,047	568	255	2.22	24.38	NA	435	2.47	35.4	NA	NA	9.36	42.16
W. R. Berkley Corporation	CT	21,690	13,813	4,536	3.04	20.91	20.36	7,159	1.31	60.9	33.1	94.0	2.49	11.65
White Mountains Insurance Group	NH	10,429	4,143	4,459	0.93	42.75	40.73	2,523	0.46	53.7	35.2	88.9	1.58	3.88
Overall P&C/Multiline Median		4,564	2,598	1,175	1.96	28.14	26.65	1,166	1.14	64.0	30.7	95.2	2.37	8.96
Overall P&C/Multiline Mean		39,975	16,918	10,247	2.38	28.78	27.31	9,081	1.19	62.4	30.4	93.6	2.56	10.45

Source: SNL Financial.

Exhibit IV-2
Market Valuation Data for Public P&C and Multiline Insurance Companies

Company	Ticker	Exchange	State	Closing Price 8/11/15 ($)	Total Market Value ($mil.)	Price/ Book Value (%)	Price/ Tang. Book (%)	Price/ LTM EPS (x)	Price/ Oper. EPS (x)	Price/ 2015 Est. EPS (x)	Price/ LTM Rev. (x)	Price/ Total Assets (%)	Current Div. Yield (%)	One-Yr. Price Change (%)
1347 Property Insurance Holdings	PIH	NASDAQ	FL	7.66	49	99.4	99.4	NM	NA	NA	2.30	64.20	0.00	(11.03)
Alleghany Corporation	Y	NYSE	NY	496.98	7,936	103.9	107.4	12.67	14.95	17.67	1.55	33.17	0.00	18.87
Allstate Corporation	ALL	NYSE	IL	63.47	25,413	130.9	139.6	10.72	12.21	13.29	0.71	23.72	1.89	6.56
American Financial Group, Inc.	AFG	NYSE	OH	71.80	6,285	130.9	138.2	16.06	13.60	13.08	1.06	12.72	1.39	26.45
American International Group, Inc.	AIG	NYSE	NY	63.31	81,916	79.4	NA	12.46	13.27	12.64	1.28	16.06	1.77	19.68
American National Insurance Co.	ANAT	NASDAQ	TX	104.59	2,813	62.7	62.7	10.24	12.18	NA	0.94	12.06	3.06	(4.55)
Ameriprise Financial, Inc.	AMP	NYSE	MN	123.42	21,996	280.1	375.3	14.19	13.87	13.10	1.78	14.78	2.17	3.83
AMERISAFE, Inc.	AMSF	NASDAQ	LA	49.87	948	200.5	200.5	15.88	15.49	14.70	2.32	61.80	1.20	31.27
AmTrust Financial Services, Inc.	AFSI	NASDAQ	NY	66.22	5,475	275.4	443.4	11.95	10.75	11.70	1.23	34.29	1.81	50.02
Assurant, Inc.	AIZ	NYSE	NY	79.13	5,287	109.8	145.1	20.88	10.81	11.53	0.50	17.14	1.52	23.95
Atlantic American Corporation	AAME	NASDAQ	GA	3.68	76	74.3	76.2	12.27	NA	NA	0.46	23.13	0.54	(13.41)
Atlas Financial Holdings, Inc.	AFH	NASDAQ	IL	17.80	211	187.3	197.5	11.56	11.71	14.74	1.68	54.99	0.00	29.74
Baldwin & Lyons, Inc.	BWINB	NASDAQ	IN	22.77	346	84.4	NA	13.09	15.08	12.67	1.20	30.78	4.39	(11.74)
Berkshire Hathaway Inc.	BRK.A	NYSE	NE	214,500	352,245	143.3	204.0	19.63	20.95	19.22	1.77	65.14	0.00	8.33
Cincinnati Financial Corporation	CINF	NASDAQ	OH	55.96	9,183	141.3	141.3	14.13	17.71	19.46	1.79	48.62	3.29	18.99
CNA Financial Corporation	CNA	NYSE	IL	39.61	10,705	87.5	88.6	13.71	14.35	13.06	1.13	19.46	2.52	4.87
Donegal Group Inc.	DGICA	NASDAQ	PA	14.43	444	92.4	93.8	14.99	16.03	12.55	0.72	29.20	3.74	(6.84)
EMC Insurance Group Inc.	EMCI	NASDAQ	IA	22.68	469	90.9	91.1	9.80	10.45	10.80	0.77	30.84	2.94	11.61
Employers Holdings, Inc.	EIG	NYSE	NV	25.75	825	115.5	123.2	9.50	NA	15.25	1.10	21.64	0.93	20.67
Erie Indemnity Company	ERIE	NASDAQ	PA	86.02	3,973	614.5	NA	26.97	26.97	25.32	0.64	21.99	3.17	15.23
Federated National Holding Co.	FNHC	NASDAQ	FL	24.54	349	157.9	157.9	8.83	9.40	10.81	1.70	58.09	0.65	11.55
First Acceptance Corporation	FAC	NYSE	TN	2.99	123	114.9	120.6	4.98	NA	NA	0.42	31.71	0.00	17.72
Hallmark Financial Services, Inc.	HALL	NASDAQ	TX	11.24	216	82.5	107.4	11.47	13.38	14.05	0.60	20.72	0.00	20.09
Hanover Insurance Group, Inc.	THG	NYSE	MA	81.06	3,582	122.3	130.6	11.38	14.32	13.87	0.70	25.33	2.02	31.55
Hartford Financial Services Group	HIG	NYSE	CT	47.84	19,846	109.3	112.3	12.72	12.05	11.98	1.06	8.23	1.76	38.75
HCI Group, Inc.	HCI	NYSE	FL	41.33	450	187.9	187.9	6.20	NA	6.89	1.54	64.10	2.90	2.23
Heritage Insurance Holdings, Inc.	HRTG	NYSE	FL	20.02	601	192.4	192.4	7.05	NA	6.66	1.73	70.33	0.00	35.82
Horace Mann Educators Corp.	HMN	NYSE	IL	34.58	1,424	109.0	113.1	13.83	14.97	15.16	1.33	14.28	2.89	18.47
Infinity Property and Casualty Corp.	IPCC	NASDAQ	AL	77.78	886	126.5	141.7	14.70	15.25	17.74	0.60	35.92	2.21	15.08
Kemper Corporation	KMPR	NYSE	IL	38.40	1,989	98.9	117.4	17.78	23.85	19.13	0.90	24.69	2.50	7.96

Exhibit IV-2 (continued)
Market Valuation Data for Public P&C and Multiline Insurance Companies

Company	Ticker	Exchange	State	Closing Price 8/11/15 ($)	Total Market Value ($mil.)	Price/ Book Value (%)	Price/ Tang. Book (%)	Price/ LTM EPS (x)	Price/ Oper. EPS (x)	Price/ 2015 Est. EPS (x)	Price/ LTM Rev. (x)	Price/ Total Assets (%)	Current Div. Yield (%)	One-Yr. Price Change (%)
Kingstone Companies, Inc.	KINS	NASDAQ	NY	7.63	56	136.9	144.4	10.45	10.90	8.72	1.03	40.73	2.62	13.37
Loews Corporation	L	NYSE	NY	39.03	14,171	75.2	76.7	21.10	22.69	16.59	1.02	18.16	0.64	(7.40)
Markel Corporation	MKL	NYSE	VA	870.06	12,140	156.8	201.4	25.93	27.40	24.53	2.32	47.86	0.00	36.95
Mercury General Corporation	MCY	NYSE	CA	54.53	3,008	162.8	169.9	65.70	28.55	23.46	1.03	65.59	4.53	7.30
National General Holdings Corp.	NGHC	NASDAQ	NY	19.80	1,856	173.5	271.6	16.10	13.11	12.07	0.87	39.42	0.40	8.14
National Interstate Corporation	NATL	NASDAQ	OH	26.92	534	145.2	148.3	19.51	21.71	19.23	0.88	28.57	1.93	(2.78)
National Security Group, Inc.	NSEC	NASDAQ	AL	14.16	36	80.3	80.3	4.48	4.54	NA	0.54	24.15	1.13	34.47
Navigators Group, Inc.	NAVG	NASDAQ	CT	78.91	1,136	107.8	108.5	12.10	13.58	14.48	1.09	25.02	0.00	26.05
Old Republic International Corp.	ORI	NYSE	IL	16.63	4,346	110.4	NA	13.30	15.12	14.26	0.79	25.15	4.45	15.09
ProAssurance Corporation	PRA	NYSE	AL	48.64	2,610	127.7	150.1	16.32	16.38	18.31	3.13	52.19	2.55	9.03
Progressive Corporation	PGR	NYSE	OH	30.93	18,123	246.2	284.9	13.75	15.09	15.94	0.90	61.84	2.22	30.56
RLI Corp.	RLI	NYSE	IL	55.75	2,410	277.7	302.9	17.70	20.96	22.82	3.01	85.61	1.36	26.30
Safety Insurance Group, Inc.	SAFT	NASDAQ	MA	55.96	845	130.7	130.7	NM	NM	NA	1.07	48.97	5.00	4.29
Selective Insurance Group, Inc.	SIGI	NASDAQ	NJ	31.54	1,801	137.5	138.3	10.80	12.22	13.14	0.87	26.55	1.78	35.48
State Auto Financial Corporation	STFC	NASDAQ	OH	23.41	965	109.6	109.9	9.29	10.18	15.49	0.77	34.46	1.71	6.65
State National Companies, Inc.	SNC	NASDAQ	TX	10.53	468	186.1	191.0	NA	NA	10.86	2.84	21.79	0.38	NA
Travelers Companies, Inc.	TRV	NYSE	MN	105.89	32,954	136.6	162.8	9.73	9.87	10.93	1.22	32.41	2.30	16.80
Trupanion, Inc.	TRUP	NYSE	WA	8.32	235	454.9	501.7	NM	NA	NA	1.79	315.09	0.00	(17.95)
Unico American Corporation	UNAM	NASDAQ	CA	9.18	49	68.6	68.6	NM	NM	NA	1.59	36.15	0.00	(26.04)
United Fire Group, Inc.	UFCS	NASDAQ	IA	36.90	925	111.1	114.7	12.64	13.09	13.82	0.94	23.76	2.38	27.55
United Insurance Holdings Corp.	UIHC	NASDAQ	FL	14.50	312	142.2	145.0	11.89	NA	17.74	1.00	39.53	1.38	(4.73)
Universal Insurance Holdings, Inc.	UVE	NYSE	FL	29.49	1,054	412.4	437.8	11.75	NA	11.52	2.42	100.59	1.63	121.06
W. R. Berkley Corporation	WRB	NYSE	CT	57.23	7,060	155.7	161.1	13.99	16.83	16.65	0.99	32.55	0.84	25.42
White Mountains Insurance Group	WTM	NYSE	NH	730.05	4,351	109.5	120.2	20.89	NA	47.55	1.72	41.72	0.14	14.98
Overall P&C/Multiline Median				NA	1,612	129.2	140.4	12.72	14.32	14.15	1.07	32.06	1.73	15.09
Overall P&C/Multiline Mean				NA	12,546	154.8	166.6	14.63	15.26	15.55	1.28	41.80	1.68	15.89

Source: SNL Financial.

Exhibit V-1
Pro Forma Assumptions for Conversion Valuation

1. The initial offering price is assumed to be $10.00 per share and the number of shares offered is computed by dividing the estimated pro forma market value by the offering price.

2. The total amount of the net offering proceeds was fully invested at the beginning of the applicable period.

3. The net offering proceeds are invested to yield a return of 1.01%, which represents the yield on a three-year U.S. Treasury bond as of June 30, 2015. The effective income tax rate was assumed to be 34.0%, resulting in a net after-tax yield of 0.67%.

4. Expenses attributable to the stock offering are estimated to total approximately 12.3% of the gross proceeds at the valuation midpoint and equal $1.35 million.

5. The pro forma earnings calculation is based on the historically reported net income of PIPE for the corresponding period.

6. No effect has been given in the pro forma equity calculation for the assumed earnings on the net proceeds.

7. The calculation of tangible equity excludes any intangible assets from total equity.

8. The calculation of operating income excludes the after-tax impact of net realized securities gains (or losses) and any extraordinary items.

Exhibit V-2
Pro Forma Conversion Valuation Range
Physicians' Insurance Program Exchange
Historical Financial Data as of June 30, 2015
(Dollars in Thousands, Except Per Share Data)

	Minimum	*Midpoint*	*Maximum*
Shares offered	935,000	1,100,000	1,265,000
Offering price	$10.00	$10.00	$10.00
Gross offering proceeds	$ 9,350	$ 11,000	$ 12,650
Less: estimated expenses	(1,350)	(1,350)	(1,350)
Net offering proceeds	$ 8,000	$ 9,650	$ 11,300
Net Income:			
LTM ended June 30, 2015	$ 909	$ 909	$ 909
Pro forma income on net proceeds	53	64	75
Pro forma net income	$ 962	$ 973	$ 984
Pro forma earnings per share	$1.03	$0.88	$0.78
Operating Income:			
LTM ended June 30, 2015	$ 914	$ 914	$ 914
Pro forma income on net proceeds	53	64	75
Pro forma operating income	$ 967	$ 978	$ 989
Pro forma operating earnings per share	$1.03	$0.89	$0.78
Total Revenue:			
LTM ended June 30, 2015	$ 5,887	$ 5,887	$ 5,887
Pro forma revenue on net proceeds, pre-tax	81	97	114
Pro forma total revenue	$ 5,968	$ 5,984	$ 6,001
Total Equity:			
As of June 30, 2015	$ 11,472	$ 11,472	$ 11,472
Net offering proceeds	8,000	9,650	11,300
Pro forma total equity	$ 19,472	$ 21,122	$ 22,772
Pro forma book value per share	$20.83	$19.20	$18.00
Tangible Equity:			
As of June 30, 2015	$ 11,472	$ 11,472	$ 11,472
Net offering proceeds	8,000	9,650	11,300
Pro forma tangible equity	$ 19,472	$ 21,122	$ 22,772
Pro forma tangible book value per share	$20.83	$19.20	$18.00
Total Assets:			
As of June 30, 2015	$ 30,691	$ 30,691	$ 30,691
Net offering proceeds	8,000	9,650	11,300
Pro forma total assets	$38,691	$40,341	$41,991
Pro Forma Ratios:			
Price / LTM EPS	9.72	11.31	12.86
Price / Operating EPS	9.67	11.25	12.79
Price / LTM Revenue	1.57	1.84	2.11
Price / Book Value	48.02%	52.08%	55.55%
Price / Tangible Book Value	48.02%	52.08%	55.55%
Price / Total Assets	24.17%	27.27%	30.13%
Total Equity / Assets	50.33%	52.36%	54.23%
Tangible Equity / Assets	50.33%	52.36%	54.23%