Pennsylvania Insurance Department

REVIEW OF THE ALLOCATION OF SUBSCRIPTION RIGHTS AND CONVERSION APPRAISALS OF

POSITIVE PHYSICIANS INSURANCE EXCHANGE

PROFESSIONAL CASUALTY ASSOCIATION

PHYSICIANS' INSURANCE PROGRAM EXCHANGE

As of May 1, 2018

REPORT DATE:
January 25, 2019

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Exhibits

I. INTRODUCTION AND OVERVIEW

SCOPE OF THE ASSIGNMENT

Boenning & Scattergood, Inc. ("**Boenning**") was engaged by the Pennsylvania Insurance Department (the "**Department**") to assist the Department in its review of the proposed Reciprocal-to-Stock Form Conversions (as hereinafter defined) of Positive Physicians Insurance Exchange, a Pennsylvania domiciled reciprocal and inter-insurance exchange ("**PPIX**"), Professional Casualty Association, a Pennsylvania domiciled reciprocal and inter-insurance exchange ("**PCA**") and Physicians' Insurance Program Exchange, a Pennsylvania domiciled reciprocal and inter-insurance exchange ("**PIPE**"). PPIX, PCA and PIPE are sometimes referred to individually as an "**Exchange**" or together as the "**Exchanges**." The Conversions are undertaken pursuant to Title 40 of the Pennsylvania Consolidated Statues ("**40 Pa.C.S.**"), Chapter 35 - Medical Professional Liability Reciprocal Exchange-to-Stock Conversion, Sections 3501 – 3517 (the "**Act**").

The Exchanges, under the direction of its Management ("**Management**") and Employees ("**Employees**") who are all employed by the management company called Diversus, Inc. ("**Diversus**"), filed a combined application with the Department for approval of each Exchange's required plan of conversion from reciprocal-to-stock form. The Plans, among other items required by the Act, describe the process for the allocation of Subscription Rights in connection with a Subscription Offering, use of the required Appraisal to determine the Appraised Value and Valuation Range and anticipated merger of each Exchange via its Conversion Corp. into a newly formed Pennsylvania corporation initially called "**PPIX Conversion Corp.**" but to be renamed "**Positive Physicians Insurance Company**" (all hereinafter defined).

Based upon the above contemplated actions, the scope of Boenning's engagement letter with the Department dated November 20, 2018, concerning PPIX, PCA and PIPE, includes the following items:

1. Assist in reviewing each Exchange's plans of conversion, including, but not limited to, providing an opinion that the Plans' method of allocating subscription rights is fair and equitable under 40 Pa.C.S. §3503(a)(3)(iii) and (b);

2. Review and render advice within a report to the Department regarding the methodologies and assumptions utilized by the Exchanges (or their advisors) in deriving the estimate of the pro forma market value of each Exchange in light of 40 Pa.C.S. § 3503(d);
3. Summarize the Merger transactions to occur after the Proposed Conversions, based on a review of information provided by the Exchanges;
4. Summarize the mechanical aspects of how subscribing Eligible Members [Subscribers] become stockholders and then are impacted through the subsequent, but related Merger transactions, indicating how the different components of the sequence of transactions influence the outcome for the subscribers;
5. Review the process by which the Exchanges determined to pursue the Proposed Conversions, Merger transactions, including but not limited to interviewing Management, Board members and advisors, as deemed necessary;
6. Examine and provide commentary on the measures taken by each Exchange to preserve independence and manage potential conflicts of interest among interested parties and the Exchanges' Directors;
7. Understand the alternatives, if any, to the transactions considered by the Exchanges in determining to proceed with the Transaction;
8. Review and analyze the financial terms and conditions of the Merger transactions. Review analysis and the opinion, if any, prepared by the Exchanges' financial and legal advisors and conduct interviews with such advisors to understand the analysis and opinions;
9. Testify, if requested, regarding specific findings resulting from work conducted for the Department;
10. Provide written commentary within the body of Boenning's report addressing the Exchanges' appraisal reports (including updates as of the time of Boenning's initial draft report);
11. Participate in working group meetings as requested;
12. Review the Exchanges' registration statement filed (by Positive Physicians Holdings, Inc.) with the Securities and Exchange Commission and subsequent updates;
13. Review the final pricing of the Proposed Conversions; and
14. Provide a written report (the "**Report**") to the Department summarizing Boenning's analysis and conclusions.

Boenning confirmed with the Attorneys-in-Fact's (as hereinafter defined) counsel (Steven & Lee) that the form, substance and references to the Act of each Exchange's Plan are identical to one another in all material respects. Thus, this Report summarizing Boenning's analysis and conclusions relating to the Plans will address the Exchanges and their Plans collectively, unless specifically noted otherwise for a particular exception. As described further later in this Report, Boenning also confirmed with the Exchanges' independent appraiser, Feldman Financial Advisors, Inc. ("**Feldman**"), the common elements between the appraisal reports completed for each Exchange as of May 1, 2018 ("**Appraisal**" or together as "**Appraisals**"), allowing our Report to address these common elements in a collective fashion.

This Report is based upon the materials available and Boenning's due diligence completed at the time of this Report which is January 25, 2019 with an Appraisal "as of date" of May 1, 2018. It should be read in its entirety and is subject to the limitations stated herein.

SUMMARY OF THE PROPOSED CONVERSIONS

The Proposed Conversions

On September 24, 2018, the Exchanges filed with the Department for its approval its "Plans of Conversion to Stock Form Pursuant to Pennsylvania Medical Professional Liability Reciprocal Exchange-to-Stock Conversion Act" (the "**Application**"). The Application contains each of the Exchanges' "Amended and Restated Plan of Conversion From Reciprocal to Stock Form" (the "**Plan**" or together as "**Plans**") which was adopted by each Exchange's attorney-in-fact on June 1, 2018. PPIX, PCA and PIPE's attorneys-in-fact are Specialty Insurance Services, LLC ("**SIS**"), Professional Third Party, L.P. ("**PTP**") and Physicians' Insurance Program Management Company ("**PIPMC**"), respectively ("**Attorney-in-Fact**" or collectively "**Attorneys-in-Fact**"). Each Attorney-in-Fact is a 100% wholly-owned subsidiary of Diversus and not part of the Conversion. The Attorneys-in-Fact are vested with management and governance authority for the Exchanges. In addition, the Board of Directors for each Attorney-in-Fact is the same as that of the corresponding Exchange ("**Directors**" or "**Board**" and collectively "**Directors**" or "**Boards**"). Section IV provides a listing of who is on each Board. The Application also includes the other following documents:

- The Appraisal containing the estimated pro forma market value, required by 40 Pa.C.S. § 3503(d), as performed by Feldman for each Exchange as of May 1, 2018;
- The forms of notice of the subscriber meeting of each individual Exchange, and the respective forms of proxy to be solicited from Eligible Subscribers (as hereinafter defined) of each Exchange, all required to be submitted under 40 Pa.C.S. §3502(c)(l)(ii), § 3502(c)(l)(iii) and § 3502(c)(l)(iv);
- Various materials relating to the organization of the stock companies PPIX Conversion Corp., PCA Conversion Corp. and PIPE Conversion Corp. (each a "**Conversion Corp**." or together the "**Conversion Corps.**"), with PPIX Conversion Corp changing its name to Positive Physicians Insurance Company and remaining the surviving insurance entity after the merger of the three companies ("**New Positive**"). As required by 40 Pa.C.S. § 3502(c)(l)(v), the proposed form of Articles of Incorporation and Bylaws for Positive Physicians Holdings, Inc. ("**Positive HoldCo**") the newly formed stock holding company. Additional documents include the transitory Articles of Incorporation and Bylaws for each Conversion Corp., and the permanent Articles of Incorporation and Bylaws of New Positive;
- Loan Document covering the exchangeable note between the Standby Purchasers and Positive Holdco;
- The Stock Purchase Agreement dated June 8, 2018 and Amendment dated September 21, 2018 between Insurance Capital Group, LLC, Positive Holdco and the Exchanges. This document also contains the Form of "Option Agreement" whereby each of Positive Holdco or Diversus may trigger a merger between Diversus and Positive Holdco;
- The New Management Agreement entered into between New Positive and Diversus; and
- The Amended and Restated Articles of Incorporation and Bylaws of Positive Holdco.

Based upon the Application and our discussions with the Exchanges' Management, over the last years preceding its Application, the Exchanges conducted several internal discussions and discussions with their respective financial advisor on the various strategic paths the Exchanges could pursue. While there was no formal material or analysis prepared, Management indicated that the scope of the analysis by the Attorneys-in-Fact incorporated many different possibilities, but that the realities of the Exchanges' reciprocal structure, market pressures and internal dynamics limited the number of viable options. Pursuing the proposed reciprocal-to-stock form Conversion and Merger (defined in the following pages) were ultimately selected as the strategic option that would, as stated in the S-1,

provide an increase in capitalization allowing for i) an increase in direct premium volume to the extent competitive conditions permit; (ii) an increase in net premium volume by decreasing reliance on reinsurance; and (iii) an enhancement in investment income by increasing the investment portfolio.

As stated in the Plans and confirmed with Management, each of the Boards of PPIX, PCA and PIPE and their Attorneys-in-Fact conducted a "careful study and consideration" of the merits of adopting their Plans. The dynamics of the current soft market in the Medical Professional Liability ("**MPL**") industry has led the Exchanges (as well as other market participants) to seek acquisitions in order to generate revenue growth, gain economies of scale and help combat premium rate decline. Further, the Exchanges' lack of an A.M. Best Company, Inc. ("**A.M. Best**") rating creates a significant disadvantage in the MPL market and requires enhancements to capital positions.

Based on these realities, the Boards of the Exchanges and Attorneys-in-Fact each determined, as stated in the Plans "that the merger conversion of the Exchanges into stock form will enhance the Exchanges' strategic and financial flexibility and is in the best interest of the Exchanges and their subscribers." Specifically, as stated in their form of Proxy Statements, the Attorneys-in-Fact considered that a merger conversion would, among other things:

(i) increase the capital of the Exchanges and strengthen their ability to honor contractual obligations to Policyholders as well as increase written premiums; and,
(ii) put the Exchanges' operations under management by Diversus' team of experienced and successful senior managers.

The Exchanges' Conversion (the "**Conversion**" or together "**Conversions**") consists of the following actions as cited in the Plans, first under Section I General.

The Exchanges will convert from reciprocal to stock form simultaneously and will convert from reciprocal to stock form through the mechanism of a merger with and into newly formed Pennsylvania corporations called PPIX Conversion Corp., PCA Conversion Corp. and PIPE Conversion Corp., respectively, ("**Conversion Corp.**" or together "**Conversion Corps.**") pursuant to each of their conversion merger agreements. Immediately after the merger, as indicated in the Plans, the Conversion Corps. will issue shares of their common stock to, and will become a wholly owned

subsidiary of, Positive Physicians Holdings, Inc., a newly formed Pennsylvania business corporation ("**HoldCo**"), as part of these Plans. Subsequent to the filing of the Plans, the Attorneys-in-Fact's legal advisor indicated to the Department that PCA and PIPE Conversion Corps. will not actually issue shares, as a ministerial matter and not a substantive matter, since they will immediately merge out of existence.

Immediately after the Exchanges have merged into their respective Conversion Corps., PCA and PIPE's Conversion Corps. will merge with and into PPIX Conversion Corp. and PPIX Conversion Corp. will be renamed "**Positive Physicians Insurance Company**" with this merger known as the "**PPIX Conversion Corps. Merger" or "Merger**."

On behalf of the Exchanges, the Attorneys-in-Fact have caused all three Conversion Corps. and HoldCo to be formed for purposes of the Plans. None of those corporations presently has issued any shares of its capital stock, has any assets or liabilities or conducts any business operations.

Further, the definition of Conversion shall include Positive HoldCo offering and selling its common stock ("**Common Stock**") in the Subscription Offering and Community Offering (including any Public Offering) (all individually defined below, but taken together as the "**Offering**") as cited as part of the formally defined term in Section 2.11 of the Plan.

The Plans provide for nontransferable rights to subscribe for Common Stock ("**Subscription Rights**") to be granted to each Exchange's Eligible Subscribers (collectively (the "**Participants**") and individually defined below) (the "**Subscription Offering**"). It should be clear that Participants of PPIX, PCA and PIPE are being granted Subscription Rights to purchase the same Common Stock in Positive HoldCo, an entity upon completion of the Conversions that will own PPIX, PCA and PIPE. In this way, PPIX, PCA and PIPE Policyholders are not purchasing stock in their respective entities discreetly or directly. The number of shares of Common Stock issued shall not exceed the maximum number of shares of Common Stock to be offered in the Offering which is equal to the Maximum of the Valuation Range (hereinafter defined) divided by the uniform purchase price to all purchasers in the Offering of $10.00 ("**Purchase Price**") ("**Number of Shares of Common to be Offered**").

Participant Eligibility

According to 40 Pa.C.S. § 3501, "eligible subscriber" is defined as:

> "A subscriber of a reciprocal insurer whose policy is in force on at least one of the following dates:
>
> (1) the date the reciprocal insurer or its attorney [in fact] adopts a plan of conversion; or
>
> (2) if a different date, on the record date for establishing subscribers eligible to vote on the plan of conversion."

Further, as it related to a person who is not an Eligible Subscriber, the Act prescribes the following under 3502(b):

> "(b) A person insured under a group policy that is otherwise an eligible subscriber also shall be an eligible subscriber. A person whose policy becomes effective after the adoption of the plan or the voting record date, if a later date, but before the plan's effective date is not an eligible subscriber but shall have the rights established under section 3507…."

The Plans, under Section 2.16 define an Eligible Subscriber as (i) any Person (defined as any individual, corporation, partnership, association, limited liability company, trust or any other entity) who is a named insured under a Qualifying Policy (defined as a policy of insurance issued by PPIX, PCA or PIPE and in force as of the close of business on June 1, 2018 (the "**Eligibility Record Date**") which is the date the Attorneys-in-Fact each adopted their Plans) that is a group policy, or (ii) a Person who is a named insured under a Qualifying Policy that is an individual policy ("**Eligible Subscriber**").

Boenning views this definition of Eligible Subscriber to be the same among each of the Exchanges and is consistent with the relevant section of the Act as cited above.

Section 6 of the Plans states that Subscription Rights to purchase shares of Common Stock at the Purchase Price in the Offering will be distributed by Positive HoldCo to the Participants in the following priorities:

"(a) Eligible Subscribers (First Priority). Each Eligible Subscriber shall receive, without payment, nontransferable Subscription Rights to purchase up to 5,000 shares of Common Stock in the Offering; *provided, however*, that the maximum number of shares that may be purchased by Eligible Subscribers in the aggregate shall be equal to the Maximum of the Valuation Range divided by the Purchase Price."

In the event of an oversubscription of shares of Common Stock, the Plans outline the following:

"In the event of an oversubscription for shares of Common Stock pursuant to this Section 6(a), available shares shall be allocated among subscribing Eligible Subscribers so as to permit each such Eligible Subscriber, to the extent possible, to purchase a number of shares which will make his or her total allocation equal to the lesser of (i) the number of shares that he or she subscribed for or (ii) 1,000 shares. Any shares of Common Stock remaining after such initial allocation will be allocated among the subscribing Eligible Subscribers whose subscriptions remain unsatisfied in the proportion in which (i) the aggregate number of shares as to which each such Eligible Subscriber's subscription remains unsatisfied bears to (ii) the aggregate number of shares as to which all such Eligible Subscribers' subscriptions remain unsatisfied; *provided, however*, that no fractional shares of Common Stock shall be issued. If, because of the magnitude of the oversubscription, shares of Common Stock cannot be allocated among subscribing Eligible Subscribers so as to permit each such Eligible Subscriber to purchase the lesser of 1,000 shares or the number of shares subscribed for, then shares of Common Stock will be allocated among the subscribing Eligible Subscribers in the proportion in which: (i) the aggregate number of shares subscribed for by each such Eligible Subscriber bears to (ii) the aggregate number of shares subscribed for by all Eligible Subscribers; *provided, however*, that no fractional shares of Common Stock shall be issued."

As stated in the Plans, the maximum each Eligible Subscriber can purchase in the Offering is 5,000 shares of Common Stock. The maximum number of shares that may be purchased by Eligible Subscribers in the aggregate shall be equal to the Maximum of the Valuation Range divided by the Purchase Price. The minimum for all Persons participating in the Offering is the lesser of 50 shares of

Common Stock or shares of Common Stock having an aggregate purchase price of $500.00. Management believed that this minimum was low enough such that it would enable all Eligible Subscribers who wish to participate in the Offering the opportunity to do so. Further, the maximum was thought by Management to not be so high as to provide wealthy Policyholders the opportunity to dominate the shareholder base. In both cases, Management believed that given their Policyholder base of many single practitioners, the minimum and maximum purchase amounts for Eligible Subscribers was the most democratic and most able to support the broadest ownership possible.

The Plans provide that Subscription Rights distributed under each Exchange's Plan by Positive HoldCo will be non-transferable, and be granted without charge, to purchase shares of Common Stock of Positive HoldCo in the Offering.

Feldman, in its Appraisal for each Exchange, determined separately the estimated pro forma market value and a corresponding range of value. Each of the Plans call for an Appraised Value (as defined under 2.3 of the Plans) to be determined by Feldman. It was assumed, and confirmed through discussion with Feldman and the Attorneys-in-Fact's legal advisor, that any discussion of a midpoint serves as the Appraised Value for purposes of the Plans. Further, the Plans, as it relates to the Offering, define value based on a range of the combined estimated aggregate pro forma market values of PPIX, PCA and PIPE ("**Valuation Range**"). To be clear, the Plans of PPIX, PCA and PIPE and the Registration Statement rely on the Valuation Range, which is based on the simple addition of PPIX, PCA and PIPE's appraised values each having been separately and independently determined by Feldman. Any reference, or linkage to the Valuation Range or derivative thereof is referring to the combined value of PPIX, PCA and PIPE as if they are one entity (e.g. Positive HoldCo). Feldman's Appraisals for PPIX, PCA and PIPE are each as of May 1, 2018 (using financial information through December 31, 2017) have been filed with the Department. Boenning confirmed that no updates to the Appraisals were provided by Feldman.

The Plans indicate that without the prior approval of the Commissioner, Directors and Officers (as defined in the Plan "**Officers**") of New Positive, the Attorneys-in-Fact, and Positive HoldCo, and their Affiliates (as defined in the Plans), shall be prohibited for a period of three (3) years following the date the Conversion Statement of Merger is filed in the office of the Department of State of the Commonwealth of Pennsylvania or such later date as may be specified in such Statement of Merger

("**Effective Date**") from purchasing outstanding shares of Positive HoldCo stock, except through a broker-dealer.

Even though it is not anticipated that Directors and Officers will purchase shares of Common Stock through the Community Offering (as hereinafter defined), the Plans indicate that:

> "Shares of Common Stock purchased by Directors and Officers in the Offering shall be subject to the restriction that such shares shall not be sold or otherwise disposed of for value for a period of one year following the date of purchase, except for any disposition of such shares following the death of the applicable Director or Officer. The shares of Common Stock issued by [Positive] HoldCo to Directors, Officers and their Affiliates shall bear the following legend giving appropriate notice of such one-year restriction."

Subject to the rights of the Standby Purchasers under the Stock Purchase Agreement (hereinafter defined), the Exchanges and Positive HoldCo have, in their absolute discretion, the authority to determine which proposed Persons and which subscriptions and orders in the Offering meet the criteria provided in the Plans for eligibility to purchase Common Stock and the number of shares eligible for purchase by any Person. As it relates to the Community Offering, the Exchanges and Positive HoldCo shall have absolute and sole discretion to accept or reject, in whole or in part, any offer to purchase that is made or received in the course of the Community Offering, irrespective of a Person's eligibility under the Plans to participate in the Community Offering.

The Registered Offering

As part of the Conversions, Positive HoldCo is conducting an Offering via one or more documents to be used in offering the Common Stock in the Subscription Offering and, to the extent applicable, the Community Offering, and for providing information to Persons in connection with the Offering (the "**Prospectus**"). Positive HoldCo initially submitted, on a confidential basis, a draft registration statement on September 21, 2018, and subsequently amended such draft registration statement on November 23, 2018, and again on December 27, 2018 (the "**Registration Statement**") with the Securities and Exchange Commission (the "**SEC**") related to the offer and sale of shares of Positive HoldCo Common Stock in connection with the Offering. The number of shares of Common

Stock required to be offered and sold by Positive HoldCo in the Offering is determined by the subscription level of the Eligible Subscribers, Diversus Purchasers and Standby Purchasers and the Valuation Range as derived by the sum of each of the Exchanges' valuation ranges determined by Feldman, the independent appraiser in accordance with 40 Pa.C.S. § 3503(d) of the Act. The valuation range for each Exchange is described in Feldman's Appraisals as consisting of a midpoint, a valuation fifteen percent (15.0%) above such midpoint and a valuation fifteen percent (15.0%) below such midpoint. Accordingly, through simple aggregation of each Exchange's midpoint, a midpoint ("**Midpoint**") is established. A valuation fifteen percent (15.0%) above such Midpoint (the "**Maximum of the Valuation Range**") and a valuation fifteen percent (15.0%) below such Midpoint (the "**Minimum of the Valuation Range**") is also established. Positive HoldCo will offer up to 4,830,000 shares of its Common Stock to Persons in the Offering. Thus, the number of shares of Common Stock to be offered by Positive HoldCo shall not exceed the quotient of the Maximum of the Valuation Range divided by the Purchase Price ("**Maximum Common Shares Offered**"). As stated above, the Plans of PPIX, PCA and PIPE and the Registrations Statement rely on the Valuation Range, which is based on the combination of PPIX, PCA and PIPE. Any reference, or linkage to the Valuation Range or derivative thereof, is referring to the combined value of PPIX, PCA and PIPE as if they are one entity (e.g. Positive HoldCo). This creates a dynamic by which an Eligible Subscriber of either PPIX, PCA or PIPE is eligible to subscribe for shares of Positive HoldCo, which represents the combined value of PPIX, PCA and PIPE and not just the value of their respective converting Exchange.

Section 4(d) and 4(e) of the Plans describes in conjunction with the Purchase Price and Maximum Shares Offered how the number of Common Shares to be sold is determined. It is reproduced below for completeness sake:

> "(d) Number of Shares of Common Stock to be Sold. The Appraiser will submit to [the Exchanges] the Appraised Value as of the end of the latest calendar quarter for which financial statements of PCA, PIPE, and PPIX are available prior to the adoption of this Plan. If the Gross Proceeds of the Offering do not equal or exceed the Minimum of the Valuation Range, then PPIX may cancel the Offering and terminate this Plan, establish a new Valuation Range and extend, reopen or hold a new Offering, or take such other action as it deems to be reasonably necessary.

(e) If the Gross Proceeds of the Offering equal or exceed the Minimum of the Valuation Range, the following steps will be taken:

(i) Subscription Offering Exceeds Maximum. If the number of shares to which Participants subscribe in the Subscription Offering multiplied by the Purchase Price is greater than the Maximum Offering, then HoldCo on the Effective Date shall issue shares of Common Stock to the subscribing Participants; provided, however, that the number of shares of Common Stock issued shall not exceed the number of shares of Common Stock offered in the Offering. In the event of an oversubscription in the Subscription Offering, shares of Common Stock shall be allocated among the subscribing Participants as provided in Section 6 below; provided, however, that no fractional shares of Common Stock shall be issued.

(ii) Subscription Offering Meets or Exceeds Minimum, but does not Exceed Maximum. If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range, but less than or equal to the Maximum Offering, then HoldCo on the Effective Date shall issue shares of Common Stock to the subscribing Participants in an amount sufficient to satisfy the subscriptions of such Participants in full. To the extent that shares of Common Stock remain unsold after the subscriptions of all Participants in the Subscription Offering have been satisfied in full, HoldCo shall have the right in its absolute discretion to accept, in whole or in part, orders received from purchasers in the Community Offering, including without limitation orders from the Standby Purchaser or from ICG [Standby Purchasers] pursuant to the Stock Purchase Agreement; provided, however, that the number of shares of Common Stock issued shall not exceed the Maximum of the Valuation Range; and, provided further, that no fractional shares of Common Stock shall be issued.

(iii) Subscription Offering Does Not Meet Minimum. If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering multiplied by the Purchase Price is less than the Minimum of the Valuation Range, then in such event HoldCo may accept orders received from purchasers in the Community Offering, including without limitation orders from the Standby Purchaser or from ICG [Standby Purchasers] pursuant to the Stock Purchase Agreement. If the aggregate number of shares of Common Stock subscribed for in

the Subscription Offering together with the orders for shares accepted in the Community Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range, then on the Effective Date HoldCo shall: (A) issue shares of Common Stock to subscribing Participants in an amount sufficient to satisfy the subscriptions of such Participants in full, and (B) issue to purchasers in the Community Offering whose orders have been accepted such additional number of shares of Common Stock such that the aggregate number of shares of Common Stock to be issued to subscribing Participants and to purchasers in the Community Offering multiplied by the Purchase Price shall be equal to the Minimum of the Valuation Range; provided, however, that no fractional shares of Common Stock shall be issued. HoldCo may in its absolute discretion elect to issue shares of Common Stock to purchasers in the Community Offering in excess of the number determined by reference to clause (B) of the preceding sentence; provided, however, that the number of shares of Common Stock issued shall not exceed the Maximum of the Valuation Range.

(iv) Offering Does Not Meet Minimum. If the aggregate number of shares of Common Stock subscribed for in the Subscription Offering together with the orders for shares accepted in the Community Offering multiplied by the Purchase Price is less than the Minimum of the Valuation Range, then in such event HoldCo and PPIX may (w) cancel the Offering and terminate this Plan, (x) establish a new Valuation Range, (y) extend, reopen or hold a new Offering, or (z) take such other action as they deem reasonably necessary. If a new Valuation Range is established and the Offering is extended, reopened or continued as part of a new Offering, Persons who previously submitted subscriptions or orders will be required to confirm, revise or cancel their original subscriptions or orders. If original subscriptions or orders are canceled, any related payment will be refunded (without interest). If, following a reduction in the Valuation Range, the aggregate number of shares of Common Stock for which orders have been accepted in the Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range (as such Valuation Range has been reduced), then HoldCo on the Effective Date shall: (i) issue shares of Common Stock to Participants in the Subscription Offering in an amount sufficient to satisfy the subscriptions of such subscribers in full, and (ii) issue to purchasers in the Community Offering whose orders have been accepted such additional number of shares of Common Stock such that the aggregate number of shares

of Common Stock to be issued multiplied by the Purchase Price shall be at least equal to the Minimum of the Valuation Range (as such Valuation Range has been reduced)."

LIMITATIONS OF BOENNING'S REPORT

Boenning has produced this Report in its capacity as advisor to the Department in its review of the Plans and the Appraisals, as prepared by Feldman. This Report may not be relied upon by anyone other than the Department. However, the Department, at its option, may make this report available to the public and may distribute copies, in its entirety, as requested. Boenning's Report may not be referred to or quoted in any way in a Registration Statement, Prospectus or proxy statement of PPIX, PCA, PIPE or Positive HoldCo, or any other party without Boenning's expressed written consent (see Exhibit I – Statement of General Assumptions and Limiting Conditions).

With respect to the requirement of an appraisal, Boenning conducted a review of the Feldman Appraisals. Boenning did not perform an independent evaluation of the pro forma market value of PPIX, PCA, PIPE or Positive HoldCo. Boenning did not attempt to ascertain the value that would be necessary to achieve a full subscription pursuant to the Act. Accordingly, this Report does not express an opinion on the pro forma market value at which Positive HoldCo may sell its Common Stock to Participants. Additionally, this Report does not express any opinion on the prices at which shares of Positive HoldCo may trade at any time in the future.

The as-of date of this Report is January 25, 2019. It is our understanding that Feldman may submit to PPIX, PCA or PIPE an update to its Appraisal as of the last day of the Offering or at any time Feldman believes is warranted in its capacity as an independent appraiser. The Department has requested that Boenning review each Appraisal update performed by Feldman and report our findings.

Boenning does not express any opinion on how Eligible Subscribers of each Exchange should vote on their respective Plans. This Report is not a recommendation and should not be construed as a recommendation on whether to purchase shares of Positive HoldCo as part of the Conversion in the Offering or sell them at any time thereafter. This Report is not a fairness opinion to the Policyholders, Board of Directors, or the Eligible Subscribers of any of the three Exchanges or any other Person that may purchase Common Stock as part of the Conversion in the Offering. Persons purchasing stock as

part of the Conversion in the Offering should make their own independent judgment regarding the market value and the advisability of purchasing such Common Stock.

Boenning was retained to assist the Department in its review of the Plan. Specifically, Boenning was requested to review the allocation of the Subscription Rights pursuant to Section 40 Pa.C.S. § 3503(a)(3)(iii) and (b) of the Act. Boenning considered the requirements of the Act with respect to the Plans. Boenning also considered whether the allocation of the Subscription Rights to Participants and the allocation in the event of an oversubscription to Participants is fair and equitable. We undertook a business review of the Plans in reaching our conclusions. Boenning is not a law firm and does not express any legal opinion regarding the Plans, the allocation of Subscription Rights, or any other documents, issues or items in the Conversion or Offering.

BACKGROUND AND INDEPENDENCE OF BOENNING

Boenning, as part of its investment banking business, is regularly involved in the valuation of assets, securities and companies in connection with various types of asset and security transactions, including mergers, acquisitions, private placements, public offerings and valuations for various other purposes, and in the determination of adequate consideration in such transactions. Exhibit III presents Boenning's background and the experience of the professional staff participating in this report. We believe that Boenning and its principals, Officers, Directors, employees, and related interests are independent of the Exchanges.

MATERIALS REVIEWED AND PROCEDURES UNDERTAKEN

In preparing this Report to the Department, Boenning visited the Exchanges' headquarters on December 12, 2018, and interviewed in person or by phone during the course of our engagement:

- Dr. Lewis S. Sharps, MD CEO of PPIX, PCA, PIPE and Diversus, Inc.
- Daniel Payne, CFO of PPIX, PCA, PIPE and Diversus, Inc.
- Leslie Latta, COO of PPIX, PCA, PIPE and Diversus, Inc.
- Greg Campbell, Chairman of the Board and Shareholder of Diversus, Inc.

On January 8, 2019, Boenning interviewed Trent Feldman and Peter Williams of Feldman via a telephonic call. Boenning also conducted follow-up phone calls with the Exchanges and their legal counsel. The scope of Boenning's analysis included, but was not limited to:

- Conducted discussions with the Exchanges' Management and their Attorneys-in-Fact concerning:
    - The strategic alternatives and factors considered in determining that the subscription rights method of conversion was the best alternative available to the Exchanges. The alternatives and factors are listed above in "The Proposed Conversion" section of this Report.
    - Current and historical operations of the Exchanges including:
        - Management discussion and analysis for the periods ended December 31, 2016 and 2017 contained in the Registration Statement;
        - GAAP balance sheets for December 31, 2016 and 2017 audited by EisnerAmper LLP for PPIX and by Baker Tilly Virchow Krause, LLP for PCA and PIPE and;
        - GAAP statements of operations and cash flow for the years ended December 31, 2016 and 2017 audited by EisnerAmper LLP for PPIX and by Baker Tilly Virchow Krause, LLP for PCA and PIPE
- Reviewed the minutes of the Board of Directors of the Exchanges' meetings for 2017 – 2018;
- Reviewed the Application and attachments thereto, including the Plans;
- Obtained and reviewed certain financial and other information regarding the business of the Exchanges (see attached data request in Exhibit IV);
- Reviewed and discussed the Plans with the Exchanges' Management;
- Reviewed PPIX, PCA and PIPE's audited statutory financial statements for the years ended 2013 through 2017;
- Reviewed and discussed the Feldman Appraisals as of May 1, 2018 with each Exchange's Management and Feldman;
- Reviewed the draft Registration Statement on Form S-1 as amended and filed with the SEC on December 27, 2018;
- Analyzed the business, economic and competitive environment, including the industry in which the Exchanges operate to provide context for current and anticipated industry trends;

- Reviewed the financial performance and market valuation of other property and casualty ("**P&C**") insurance companies that are publicly traded; and
- Considered such other information regarding the Exchanges, the insurance industry, and the market for insurance company common stock that Boenning believed appropriate.

Boenning reviewed various documents, both public and private, including certain regulatory reports with respect to PPIX, PCA and PIPE. This information was represented by the Exchanges' Management to be truthful, accurate and complete. In our review and analysis, we have assumed and relied upon the accuracy and completeness of all of the financial and other information provided to us (including information furnished to us verbally or otherwise discussed with us by the Exchanges' Management and their appraiser as well as information provided by recognized independent sources) or publicly available and have neither attempted to verify, nor assumed responsibility for verifying any such information. We have relied upon the assurances of the Exchanges' Management that they are not aware of any facts that would make such information inaccurate or misleading. Furthermore, we did not obtain or make, or assume any responsibility for obtaining or making, any independent evaluation or appraisal of any individual asset or liability (contingent or otherwise) of the Exchanges, nor were we furnished with an appraisal of individual assets or liabilities. We did not make any independent evaluation of the adequacy of the loss reserves and assume they reflect the best available estimates and judgments of the Exchanges' Management.

SUMMARY OF BOENNING'S CONCLUSIONS

In Boenning's review of the Plans and its opinion regarding the allocation of the Subscription Rights among Participants, Boenning compared the Plans with the requirements of the Act.

As part of its review of the Plans, in accordance with its engagement by the Department, Boenning considered whether the allocation of the Subscription Rights to Participants is fair and equitable. In order to reach conclusions, Boenning reviewed the allocation of Subscription Rights and the allocation of Common Stock in the event of an oversubscription as indicated by 40 Pa.C.S. § 3503(a)(3)(iii) and (b). It is our opinion that the allocation of the Subscription Rights among the Eligible Subscribers of the Exchanges is fair and equitable. Moreover, it is our opinion that the means for allocation of shares of Common Stock in the event of an oversubscription is fair and equitable. A

detailed review of our analysis of the allocation of Subscription Right is provided in Section II of this Report.

We were also requested to review the reasonableness of the methodologies and assumptions utilized by the Exchanges and their Attorneys-in-Fact (or their advisors) in deriving the estimate of the pro forma market value of each Exchange in light of 40 Pa.C.S.§ 3503(d). As discussed more fully in Section III of this Report, we believe that the conclusions of the Appraisals are reasonable given the factors considered, methods used, and assumptions made by Feldman.

II. REVIEW OF THE PLANS AND ALLOCATION OF SUBSCRIPTION RIGHTS

THE PLANS

Boenning was engaged by the Department to assist in reviewing each of the Plans, including, but not limited to, providing an opinion that each Plan's method of allocating subscription rights is fair and equitable under 40 Pa.C.S. § 3503(a)(3)(iii) and (b).

According to 40 Pa.C.S. § 3502, requirements of the Act relating to notification and voting rights of Eligible Subscribers in the Plans include paragraphs (g), and (h) as follows:

(g) Notice of subscribers' meeting. --The following shall apply:

(1) Eligible subscribers shall be sent notice of the subscribers ' meeting to vote upon the Plan. The notice must:

(i) briefly, but fairly describe the proposed conversion plan;
(ii) inform the subscriber of the subscriber's right to vote upon the Plan; and
(iii) be sent to each subscriber's last known address, as shown on the reciprocal insurer's records, at least 30 days before the time fixed for the meeting.

(2) If the reciprocal insurer holds an annual meeting of subscribers and the meeting to vote upon the Plan is held at the annual meeting, only a combined notice of meeting is required.

(h) Voting. --The Plan shall be voted upon by eligible subscribers and shall be deemed approved upon receiving the affirmative vote of at least two-thirds of the votes cast by eligible subscribers. Unless the governing documents of the reciprocal insurer establish a different date, the record date for determining subscribers eligible to vote on the Plan shall be the date of adoption of the Plan or other date set forth in the Plan that shall be no less than 30 nor more than 90 days before the date of the meeting. Eligible subscribers entitled to vote upon the proposed Plan may vote in person or by proxy. Unless the governing

documents of the reciprocal insurer provide otherwise, an eligible subscriber may cast one vote.

The Plans address these requirements as follows.

Management of the Exchanges indicated that after filing the Plans, the Exchanges each sent notices by e-mail or by first class mail to the Eligible Subscribers of each Exchange (as such e-mail or physical addresses appear on the records of the Exchanges) that advised Eligible Subscribers of the adoption of the Plans and its filing with the Department and how to request and receive a copy. Also, the mailing notified each Eligible Subscriber of their ability and procedures to provide the Insurance Commissioner ("**Commissioner**") and the Exchanges with comments on their respective Plans within 30 days of the date of the notice. The notices were sent beginning on October 12, 2018 and ending on October 16, 2018 to all Eligible Subscribers to either the e-mail or physical address that appears on the records of the Exchanges. In discussions with Management, they indicated a general and growing use of e-mail to communicate with Policyholders and used this method as a first attempt for the notification cited above. Of the total 3,258 Eligible Subscribers among the Exchanges, Management estimates 35% were notified via e-mail with an estimated 2% bounce back rate. Where e-mail addresses were not available or were bounced back, the Exchanges conducted a physical mailing of the notice to individual Eligible Subscribers. Accounting for failed e-mail notification, Management estimates that 2,250 physical mailed notifications were sent. This physical mailing process followed the same procedure applicable to the distribution of Policyholders' licenses and certificates of medical practice (including insurance) required by each individual Policyholder regardless of their membership in a larger insured group. Presumably since physical receipt of these licenses and certificates are required for each Policyholder to practice, then it would stand to reason that mailing the notices in this manner would have a high degree of likelihood of reaching each individual Policyholder. This gives Management a very high degree of confidence that the mailed notice reached each individual Policyholder even though they may be a part of a larger insured group.

On August 17, 2018, the Exchanges each ran a list of all their respective Policyholders in force as of June 1, 2018 (Eligible Subscribers). According to Management, this list was sufficient in order to identify any policies issued or reinstated after June 1, 2018 which were effective June 1, 2018 or prior, which would be additional Eligible Subscribers and any policies cancelled subsequent to June 2,

2018 where the cancellation was effective prior to June 1, 2018 (ineligible Policyholders). Based on the lists ran above, as of January 8, 2019 there were 3,259 Eligible Subscribers and 181 Post Adoptions Subscribers.

According to the Plans under Section 13, following the approval of the Plans by the Commissioner, the Exchanges will hold either combined or back-to-back meetings (the "**Special Meeting of Subscribers**") to vote separately on their respective Plans and Conversion Corp mergers. The Special Meetings shall be held by each Exchange in accordance with their bylaws and applicable law. The Boards of Directors of each Exchange shall establish a record date for subscribers entitled to vote at the special meeting in accordance with the Act and applicable Pennsylvania law (the "**Voting Record Date**"). The Plans indicate that a notice ("**Notice of the Special Meeting**") will be mailed by each Exchange to Persons who, on the Voting Record Date, are (i) a Person who is a named insured under a Qualifying Policy that is a group policy, or (ii) a Person who is a named insured under a Qualifying Policy that is an individual policy ("**Voting Subscriber**"). Notice of the Special Meeting will be given by each Exchange to Voting Subscribers by mailing:

(i) a Notice of Special Meeting;
(ii) a proxy statement; which will be accompanied by the Offering prospectus, order form and FAQs;
(iii) a form of proxy by which Voting Subscribers may vote in favor of or against their respective Plan and Conversion Corp. Merger; and
(iv) a copy of their respective Plan as approved by the Department.

The proxy statement mailing shall be made at least 30 days prior to the date of the Special Meeting. As outlined in the Plans, the proxy statement mailing will notify Eligible Subscribers that they may subscribe for the purchase of Positive HoldCo Common Stock pursuant to the Plans and the Prospectus. The exact timing of the commencement of the Offering shall be determined by Positive HoldCo in consultation with its advisors as detailed under Section 10(a) of the Plans. As stated in Section 7(d) of the Plans, Positive HoldCo may commence the Community Offering concurrently with, at any time during, or as soon as practicable after the end of the Subscription Offering. The Community Offering must be completed within 45 days after the completion of the Subscription Offering, unless

extended by Positive HoldCo. The Offering will remain open for a minimum of thirty (30) days after the date the proxy statement is mailed.

Pursuant to the Act, the Plans must be approved by the affirmative vote of at least two-thirds of the votes cast by the Voting Subscribers at the Special Meeting of Voting Subscribers. Each Voting Subscriber shall be entitled to one vote on each matter properly presented at the Special Meeting of Voting Subscribers regardless of the number of policies on which such Voting Subscriber is a named insured. The Plans note that voting may be in person or by proxy.

Notification Process of Eligible Subscribers

As stated earlier, the Exchanges will use such e-mail or physical addresses for each Eligible Subscriber as appears on the records of the Exchanges. Based on reliance of the established mailing protocol that delivers the licensing and certification documentation required by each Policyholder to practice, the Exchanges have a very high degree of confidence that any mailing made to its Policyholders concerning the Conversion would reach each individual Policyholder even if they are part of a larger group. For Eligible Subscribers who may have left a practice after the Eligibility Date, the Exchanges maintain a running list of these Policyholders. Forwarding addresses will be secured from the former practices for each Policyholder and each such eligible Policyholder will be contacted at his/her new address. The Exchanges' notification process consisted of the following actions:

1. In January 2019, the Exchanges anticipate posting a press release to its website announcing their respective Conversions to stock companies from reciprocal exchanges. These press releases would also be distributed to all independent agents representing the Exchanges.
2. On September 24, 2018, the Exchanges, via their Attorneys-in-Fact's legal counsel, submitted to the Department its Application and corresponding supporting documents which were publicly posted on the Department's website.
3. Beginning on October 12, 2018, the Exchanges began physically mailing or e-mailing their Notices of Adoption and Filing of Plans of Conversion with the Pennsylvania Insurance Commissioner to their respective Eligible Subscribers.

4. Once approved by the Department, the Exchanges intend to begin physically mailing or e-mailing their Notice With Respect to Polices Issued After June 1, 2018 to all Post-Adoption Subscribers estimated to be mailings to 181 Policyholders as of January 8, 2019.
5. Upon the Registration Statement becoming effective, the Exchanges plan to hold a series of Policyholder meetings in PA, NJ, DE, OH, MD, MI, and SC.

The Department may elect to hold a public hearing and at such time, Eligible Subscribers and Post-Adoption Subscribers may comment on the Plans, including the allocation of Subscription Rights. The Registration Statement provides a detailed description of PPIX, PCA and PIPE, Positive HoldCo, Diversus, the Plans, the Conversions, the Merger, and the procedure to subscribe for Positive HoldCo Common Stock. When the Offering process begins, Eligible Subscribers and Post-Adoption Subscribers with additional questions will be able to call or visit a staffed stock information center located at the offices of Positive HoldCo.

Voting Subscribers must approve separately the Plans and Conversion Corp. mergers by the affirmative vote of at least two-thirds of the votes cast by Voting Subscribers at their respective Special Meeting of Subscribers. As soon as practicable after the registration of the Common Stock and after all respective regulators have reviewed and provided comments on the Offering materials, the Common Stock shall be first offered for sale in the Subscription Offering.

As such, the process provides notification, information and opportunity for Eligible Subscribers to comment on their respective Plan and time for Eligible Subscribers to consider their options.

ALLOCATION OF SUBSCRIPTION RIGHTS

According to 40 Pa.C.S. § 3503(a) certain provisions relating to the allocation of Subscriptions Rights must be included in the Plan. These include:

1) The reasons for the Conversion:

As noted above in Section I of this Report, the Boards and Attorneys-in-Fact each conducted a "careful study and consideration" of the merits of pursuing their Conversion and adopting their

Plan. In determining to pursue a subscription rights Conversion and determining the allocation of subscription rights, each Exchange undertook a review of its strategic options with its financial advisor experienced in mutual-to-stock Conversions. Management considered that given the reciprocal nature of the Exchanges, the scope of viable options was very limited. However, they did consider remaining in the current reciprocal form of organization, reinsurance transactions, affiliations with other similar insurance companies or converting through legislation allowing for a reciprocal subscription rights Conversion. While we express no opinion regarding the advisability of each of the alternatives explored relative to each other, we understand the Exchanges' review took place over an extended period of time, utilized an external advisor familiar with similar situations to lead several discussions with the Board and appeared to be a thorough exploration of the Exchanges' options. The decision process also included the context of the Exchanges' financial condition and prospects and overall medical professional liability industry dynamics.

2) The effect of the Conversion on existing policies:

According to Section 15 of the Plans, each policy of insurance issued by PPIX, PCA and PIPE and in force on the Effective Date of the Conversion shall remain in force as a policy issued by New Positive in accordance with the terms of such policy except that, as of the Effective Date: (i) all voting rights (if any) of the holder of such policy shall be extinguished, (ii) all rights (if any) of the holder of such policy to share in the surplus of their respective Exchange or New Positive shall be extinguished, (iii) any assessment provisions contained in such policy shall be extinguished, and (iv) in the case of a participating policy, New Positive shall have the right on the renewal date of such policy to issue a nonparticipating policy as a substitute for the participating policy.

3) That subscription rights to Eligible Subscribers include, among other items:

The specific language from Section 40 Pa.C.S. § 3503(a)(3)(iii) and (b) dealing with subscription rights to Eligible Subscribers is included below:

"(iii) A provision that the subscription rights shall be allocated in whole shares among the eligible subscribers using a fair and equitable formula. This formula may, but need not, take into account how the different classes of policies of the eligible subscribers contributed to the surplus of the reciprocal insurer or any other factors that may be fair or equitable.

(b) Oversubscription. The plan shall provide a fair and equitable means for allocating shares of capital stock in the event of an oversubscription to shares by eligible subscribers exercising subscription rights received under subsection (a)(3)."

As noted above in Section I of this Report, the Plans provide for the allocation of Subscription Rights to Eligible Subscribers. Subscription Rights are only being granted to Eligible Subscribers as there are no other individuals or groups with any priority rights:

Class	**Number of Participants**	**Number of Groups**
1. PPIX Eligible Subscribers	1,053	984
2. PCA Eligible Subscribers	807	40
3. PIPE Eligible Subscribers	338	36
Total Subscription Rights	**2,198**	**1,061**

Boenning notes that doctor groups are themselves Eligible Subscribers and will receive a Subscription Right in addition to the individual Policyholders within the practice group that may also individually be an Eligible Subscriber. This breakdown is shown in the chart above. There are a total of 3,259 Subscription Rights being issued by the Exchanges in the Offering.

Section 6(a) of the Plans indicates that the Eligible Subscribers are the only class with priority in the Subscription Offering. The Plans did not indicate that any preferences were given among Eligible Subscribers based on the size of the policy, longevity as a Policyholder, or premium volume as well as no preference given related to which Exchange an Eligible Subscriber belonged. Management indicated that their only consideration was to keep the allocations of rights as "democratic" as possible. Thus, any Policyholder of any of the Exchanges who qualifies as an Eligible Subscriber received one Subscription Right yielding a total of 3,259 Subscription Rights noted above.

In the event of an oversubscription among Eligible Subscribers, which are only Eligible Subscribers in this case, the Plans provides that the oversubscription will be resolved in two stages. First, as laid out in the Plans:

> "In the event of an oversubscription for shares of Common Stock pursuant to this Section 6(a), available shares shall be allocated among subscribing Eligible Subscribers so as to permit each such Eligible Subscriber, to the extent possible, to purchase a number of shares which will make his or her total allocation equal to the lesser of (i) the number of shares

that he or she subscribed for or (ii) 1,000 shares. Any shares of Common Stock remaining after such initial allocation will be allocated among the subscribing Eligible Subscribers whose subscriptions remain unsatisfied in the proportion in which (i) the aggregate number of shares as to which each such Eligible Subscriber's subscription remains unsatisfied bears to (ii) the aggregate number of shares as to which all such Eligible Subscribers' subscriptions remain unsatisfied; *provided, however*, that no fractional shares of Common Stock shall be issued."

The Plans continue that if, because of the magnitude of the oversubscription, shares of Common Stock cannot be allocated among subscribing Eligible Subscribers so as to permit each such Eligible Subscriber to purchase the lesser of 1,000 shares or the number of shares subscribed for, then shares of Common Stock will be allocated among the subscribing Eligible Subscribers in the proportion in which: (i) the aggregate number of shares subscribed for by each such Eligible Subscriber bears to (ii) the aggregate number of shares subscribed for by all Eligible Subscribers; *provided, however*, that no fractional shares of Common Stock shall be issued.

Purchases of shares of Common Stock in the Offering by anyone (as defined in the Plans, to include purchases by any Person together with any Associates or group of Persons acting in concert), shall not exceed five percent (5%) of the total shares of Common Stock sold in the Offering, except that the Standby Purchasers may purchase such number of shares of Common Stock as provided in Section 8 of the Plans. The Plans note that the limit set forth above should not be construed to increase any other purchase limit provided in the Plans. Purchases of shares of Common Stock in the Offering by any Person other than the Standby Purchasers shall not exceed five percent (5%) of the total shares of Common Stock sold in the Offering irrespective of the different capacities in which such person may have received Subscription Rights under this Plan.

If the Appraised Value does not fall within the Valuation Range, then any of the Exchanges may cancel the Offering and terminate their Plan, establish a new Valuation Range and extend, reopen or hold a new Offering, or take such other action as it deems to be reasonably necessary. If, following any Exchange's decision to establish a new, lower Valuation Range and the aggregate number of shares of Common Stock for which orders have been accepted in the Offering multiplied by the Purchase

Price is equal to or greater than the Minimum of the Valuation Range (as such Valuation Range has been reduced), then the Plans indicate the following action:

> "[Positive] HoldCo on the Effective Date shall: (i) issue shares of Common Stock to Participants in the Subscription Offering in an amount sufficient to satisfy the subscriptions of such subscribers in full, and (ii) issue to purchasers in the Community Offering whose orders have been accepted such additional number of shares of Common Stock such that the aggregate number of shares of Common Stock to be issued multiplied by the Purchase Price shall be at least equal to the Minimum of the Valuation Range (as such Valuation Range has been reduced)."

In the event that the Appraised Value falls within the Valuation Range, the Plans lay out the following steps to be taken under Section 4(e):

> "(i) *Subscription Offering Exceeds Maximum.* If the number of shares to which Participants subscribe in the Subscription Offering multiplied by the Purchase Price is greater than the Maximum of the Valuation Range, then [Positive] HoldCo on the Effective Date shall issue shares of Common Stock to the subscribing Participants; *provided, however,* that the number of shares of Common Stock issued shall not exceed the number of shares of Common Stock offered in the Offering. In the event of an oversubscription in the Subscription Offering, shares of Common Stock shall be allocated among the subscribing Participants as provided in Section 6 below; provided, however, that no fractional shares of Common Stock shall be issued.
>
> (ii) *Subscription Offering Meets or Exceeds Minimum, but does not Exceed Maximum*. If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range, but less than or equal to the Maximum of the Valuation Range, then [Positive] HoldCo on the Effective Date shall issue shares of Common Stock to the subscribing Participants in an amount sufficient to satisfy the subscriptions of such Participants in full. To the extent that shares of Common Stock remain unsold after the subscriptions of all Participants in the Subscription Offering have been satisfied in full,

[Positive] HoldCo shall have the right in its absolute discretion to accept, in whole or in part, orders received from purchasers in the Community Offering, including without limitation orders from the Standby Purchaser or from ICG [Standby Purchasers] pursuant to the Stock Purchase Agreement; *provided, however*, that the number of shares of Common Stock issued shall not exceed the Maximum of the Valuation Range; and, *provided further*, that no fractional shares of Common Stock shall be issued.

(iii) *Subscription Offering Does Not Meet Minimum*. If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering multiplied by the Purchase Price is less than the Minimum of the Valuation Range, then in such event [Positive] HoldCo may accept orders received from purchasers in the Community Offering, including without limitation orders from the Standby Purchaser or from ICG [Standby Purchasers] pursuant to the Stock Purchase Agreement. If the aggregate number of shares of Common Stock subscribed for in the Subscription Offering together with the orders for shares accepted in the Community Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range, then on the Effective Date [Positive] HoldCo shall: (A) issue shares of Common Stock to subscribing Participants in an amount sufficient to satisfy the subscriptions of such Participants in full, and (B) issue to purchasers in the Community Offering whose orders have been accepted such additional number of shares of Common Stock such that the aggregate number of shares of Common Stock to be issued to subscribing Participants and to purchasers in the Community Offering multiplied by the Purchase Price shall be equal to the Minimum of the Valuation Range; *provided, however*, that no fractional shares of Common Stock shall be issued. [Positive] HoldCo may in its absolute discretion elect to issue shares of Common Stock to purchasers in the Community Offering in excess of the number determined by reference to clause (B) of the preceding sentence; *provided, however*, that the number of shares of Common Stock issued shall not exceed the Maximum of the Valuation Range.

(iv) *Offering Does Not Meet Minimum*. If the aggregate number of shares of Common Stock subscribed for in the Subscription Offering together with the orders for shares accepted in the Community Offering multiplied by the Purchase Price is less than the Minimum of the Valuation Range, then in such event [Positive] HoldCo and PIPE may (w)

cancel the Offering and terminate this Plan, (x) establish a new Valuation Range, (y) extend, reopen or hold a new Offering, or (z) take such other action as they deem reasonably necessary. If a new Valuation Range is established and the Offering is extended, reopened or continued as part of a new Offering, Persons who previously submitted subscriptions or orders will be required to confirm, revise or cancel their original subscriptions or orders. If original subscriptions or orders are canceled, any related payment will be refunded (without interest)."

Importantly, regarding the allocation of the rights and purchase mechanisms, the Plans note:

"Notwithstanding anything to the contrary set forth in this Plan [Subject to the rights of the Standby Purchasers under the Stock Purchase Agreement] [Exchanges] and [Positive] HoldCo shall have the absolute right, in their sole discretion and without liability to any Person, to reject any Order Form, including, but not limited to, any Order Form that is (i) improperly completed or executed, (ii) not timely received, (iii) not accompanied by the proper payment, or (iv) submitted by a Person whose representations [Exchanges] or [Positive] HoldCo believes to be false or who it otherwise believes, either alone, or acting in concert with others, is violating, evading or circumventing, or intends to violate, evade or circumvent, the terms and conditions of this Plan. [Positive] HoldCo and [Exchanges] may, but will not be required to, waive any irregularity on any Order Form or may require the submission of corrected Order Forms or the remittance of full payment for shares of Common Stock by such date as [Exchanges] and [Positive] HoldCo may specify. The interpretation of [Exchanges] and [Positive] HoldCo of the terms and conditions of the Order Forms shall be final and conclusive. Once [Positive] HoldCo receives an Order Form, the order shall be deemed placed and will be irrevocable; *provided, however*, that no Order Form shall be accepted until the Prospectus has been filed with the SEC and mailed or otherwise made available to the Persons entitled to Subscription Rights in the Offering, and any Order Form received prior to that time shall be rejected and no sale of Common Stock shall be made in respect thereof."

ADDITIONAL CRITERIA FOR THE SUBSCRIPTION RIGHTS

In addition, the Act lists several other criteria of the Subscription Rights that must be part of the Plans. We have reviewed these criteria below and discuss how they are addressed in the Exchanges' Plans.

Subsections (c) through (j) of Act 40 Pa.C.S. § 3503 prescribe the following:

"(c) *Shares not subscribed.* The plan shall provide that a share of capital stock not subscribed to by an eligible subscriber exercising subscription rights received under subsection (a)(3) shall be sold in a public offering through an underwriter or in another transaction approved by the commissioner. If the number of shares of capital stock not subscribed by eligible subscribers is so small in number or other factors exist that do not warrant the time or expense of a public offering, the plan of conversion may provide for sale of the unsubscribed shares through a private placement or other alternative method approved by the commissioner that is fair and equitable to eligible subscribers."

(d) *Market value of capital stock.* The following shall apply:

(1) The plan shall set the price of the capital stock equal to the estimated pro forma market value of the stock company as successor to the reciprocal insurer based upon an independent evaluation by a qualified expert.

(2) The pro forma market value may be the value that is estimated to be necessary to attract full subscription for the shares, as indicated by the independent evaluation and may be stated as a range of pro forma market value.

(3) If the attorney is a party to the Conversion either as the entity that grants subscription rights to subscribers or the attorney is simultaneously acquired by the stock company in connection with the Conversion, the incremental value of the attorney shall be included in the estimate of pro forma market value of the stock company as successor to the reciprocal insurer.

(4) The qualified expert shall consider the effect on the pro forma market value of a right of subscribers to a return of capital contained in the subscriber agreement or other operative document of the reciprocal insurer.

(e) *Purchase price of capital stock and minimum subscription amount.* The plan shall set the purchase price per share of capital stock equal to a reasonable amount. The minimum subscription amount required of an eligible subscriber, however, cannot exceed $500.00, but the plan may provide that the minimum number of shares a person may purchase under the plan is 25 shares.

(f) *Limitation on amount of capital stock purchase*. The plan shall provide that a person or group of persons acting in concert may not acquire, in the public offering or under the exercise of subscription rights, more than 5% of the capital stock of the stock company or the stock of another corporation that is participating in the conversion plan as provided in subsection (a)(3)(i), except with the approval of the commissioner. The limitation does not apply to an entity that is to purchase 100% of the capital stock of the converted company as part of the plan of conversion approved by the commissioner.

(g) *Limitation on Directors and Officers.* The plan shall provide that a Director or Officer or person acting in concert with a Director or Officer of the reciprocal insurer or the attorney may not acquire capital stock of the stock company or the stock of another corporation that is participating in the conversion plan, as provided in subsection (a)(3)(i), for three years after the effective date of the plan, except through a broker-dealer, without the permission of the commissioner. This subsection does not prohibit the Directors and Officers from making a block purchase of 1% or more of the outstanding common stock:

(1) Other than through a broker-dealer if approved in writing by the department;
(2) Through the exercise of subscription rights received under the plan; or
(3) From participating in a stock benefit plan permitted by shareholders under section 3509(b) (relating to conflict of interest).

(h) *Sale of stock by Directors and Officers.* The plan shall provide that a Director or Officer may not sell stock purchased under this section or section 3504(a) (related to optional provisions of plan of conversion) within one year after the effective date of the conversion.

(i) *Holders of surplus notes*. The plan shall provide that the rights of a holder of a surplus note to participate in the conversion shall be governed by the terms of the surplus note and the rights of subscribers to a return of capital shall be governed by the subscriber agreement or other operative document of the reciprocal insurer.

(j) *Repurchase of capital stock.* The plan shall provide that, without the prior approval of the Commissioner, a stock company, or a corporation participating in the conversion plan pursuant to subsection (a)(3)(i), may not for a period of three years from the date of the completion of the conversion repurchase any of its capital stock from a person. The restriction under this subsection shall not apply to either:

(1) A repurchase on a pro rata basis under an offer made to all shareholders of the stock company or a corporation participating in the conversion plan under subsection (a)(3)(i); or

(2) A purchase in the open market by a tax-qualified or non-tax-qualified employee stock benefit plan in an amount reasonable and appropriate to fund the plan."

COMPLIANCE WITH THE ADDITIONAL CRITERIA FOR THE SUBSCRIPTION RIGHTS

Act 40 Pa.C.S. § 3503(c) states that:

"(c) Shares not subscribed. The plan shall provide that a share of capital stock not subscribed to by an eligible subscriber exercising subscription rights received under subsection (a)(3) shall be sold in a public offering through an underwriter or in another transaction approved by the commissioner. If the number of shares of capital stock not subscribed by eligible subscribers is so small in number or other factors exist that do not warrant the time or expense of a public offering, the plan of conversion may provide for

sale of the unsubscribed shares through a private placement or other alternative method approved by the commissioner that is fair and equitable to eligible subscribers."

It is anticipated that any shares of Common Stock not subscribed for in the Subscription Offering, as set forth in Section 7 of the Plans, will be offered for sale by Positive HoldCo, in its sole and absolute discretion and subject to the terms of the Stock Purchase Agreement, in a Community Offering that would include i) 35 eligible stockholders as of January 3, 2019 of Diversus ("**Diversus Purchasers**" and ii) Insurance Capital Group ("**ICG**") and Enstar Holdings (US) LLC ("**Enstar**") in a 70% / 30% ratio (collectively "**Standby Purchasers**") ("**Community Offering**").

Any orders submitted by the Standby Purchasers in the Community Offering may be accepted by Positive HoldCo ahead of any other orders received in the Community Offering, which according to the Plans, can only come from Diversus Purchasers. While Management determined that the Diversus Purchasers (35 of the 40 Diversus stockholders) would be allowed to purchase a total of $2.8m in the Offering, there would be a pro rata cut back among this group to maintain the 5% maximum allowed from this group as prescribed by the Plans. However, Management indicated that they have not received or have any estimate for the anticipated level of participation from the Diversus Purchasers. In any event, any remaining Common Stock in the Offering after giving rise to purchases by Eligible Subscribers first and then Diversus Purchasers, will be purchased by the Standby Purchasers.

The Community Offering may commence concurrently with, at any time during, or as soon as practicable after the end of the Subscription Offering, and the Community Offering must be completed within 45 days after the completion of the Subscription Offering, unless extended by Positive HoldCo. All orders in the Community Offering will be prioritized ahead of the orders from the Public Offering which in this case will not occur.

Positive HoldCo may sell any shares of Common Stock remaining following the Subscription Offering and Community Offering in an underwritten firm commitment or best efforts offering to the public through an underwriter or broker-dealer ("**Public Offering**"). Again, given the anticipated outcome of the Community Offering noted above and the nature of the Standby Purchaser arrangement, it will not occur.

As provided for in Section 8 of the Plans and reproduced below, Positive HoldCo, through a stock purchase agreement dated June 8, 2018 ("**Stock Purchase Agreement**"), has a mechanism to ensure that the Offering reaches the Minimum of the Valuation Range.

> "If for any reason the aggregate number of shares of Common Stock subscribed for in the Subscription Offering together with the orders for shares accepted in the Community Offering multiplied by the Purchase Price is less than the Minimum of the Valuation Range, then in such event [Positive] HoldCo may sell to the Standby Purchaser at the Purchase Price such number of shares as the Standby Purchaser seeks to purchase; provided, however, that the total number of shares sold in the Offering shall not exceed the Maximum of the Valuation Range divided by the Purchase Price; and provided further, that no fractional shares shall be issued. Subject to the terms of the Stock Purchase Agreement, any order submitted by the Standby Purchaser in the Community Offering may be accepted by HoldCo prior to accepting any other order received in the Community Offering. The Standby Purchaser will purchase an exchangeable promissory note issued by Positive HoldCo in the principal amount of up to $750,000 (the "Exchangeable Note"). The outstanding principal balance of the Exchangeable Note will be converted into shares of Common Stock at the Effective Time at a price per share equal to the Purchase Price. The shares of Common Stock issuable upon conversion of the Exchangeable Note shall be considered part of the Offering and will be credited to the purchase requirements or rights of the Standby Purchaser hereunder."

Act 40 Pa.C.S. § 3503(d) states that:

"(d) *Market value of capital stock*. The following shall apply:

> (1) The plan shall set the price of the capital stock equal to the estimated pro forma market value of the stock company as successor to the reciprocal insurer based upon an independent evaluation by a qualified expert.
> (2) The pro forma market value may be the value that is estimated to be necessary to attract full subscription for the shares, as indicated by the independent evaluation and may be stated as a range of pro forma market value.

(3) If the attorney is a party to the conversion either as the entity that grants subscription rights to subscribers or the attorney is simultaneously acquired by the stock company in connection with the conversion, the incremental value of the attorney shall be included in the estimate of pro forma market value of the stock company as successor to the reciprocal insurer.

(4) The qualified expert shall consider the effect on the pro forma market value of a right of subscribers to a return of capital contained in the subscriber agreement or other operative document of the reciprocal insurer."

With regard to 40 Pa.C.S. § 3503(d), the Exchanges complied with this section of the Act by retaining an independent appraiser, Feldman in this case, to determine the pro forma market value or Valuation Range. Feldman performed separate and distinct appraisals for PPIX, PCA and PIPE. Details regarding Boenning's review of the Appraisals are found in Section III herein. As it relates to the Conversion and the Offering, the Plans provide the following description of the scope of work performed by Feldman under Section 4(a):

"Independent Appraiser. The Independent Appraiser has been retained by [the Exchanges] to determine the Valuation Range. The Valuation Range will consist of a midpoint valuation, a valuation fifteen percent (15%) above the midpoint valuation (the "Maximum of the Valuation Range") and a valuation fifteen percent (15%) below the midpoint valuation (the "Minimum of the Valuation Range"). The Valuation Range will be based upon the financial condition and results of operations of PCA, PIPE, and PPIX, the adjusted statutory surplus of PCA, PIPE, and PPIX on a combined basis as converted to a stock company, a comparison of PCA, PIPE, and PPIX with comparable publicly-held insurance companies, and such other factors as the Independent Appraiser may deem to be relevant, including that value which the Independent Appraiser estimates to be necessary to attract a full subscription for the Common Stock. The Independent Appraiser will submit to [the Exchanges] the Valuation Range and a related report that describes the data and methodology used to determine the Valuation Range."

As it relates to Act 40 Pa.C.S. § 3503(d)(3) concerning the Attorneys-in-Fact being included in the Conversion, Boenning is satisfied that this is not germane because each of the Attorneys-in-Fact

are owned by Diversus, which is not party to the Conversion. Based on this determination by the Exchanges, Feldman was not asked to include any value for the Attorneys-in-Fact and did not independently determine if there was or was not a need to do so.

The scope of the Feldman Appraisals, as confirmed in our interview with Feldman, did not consider any right of Subscribers to a return of capital as they were not made aware of, plans for such return of capital. Thus 40 Pa.C.S. § 3503(d)(4) of the Act was not relevant.

Act 40 Pa.C.S. § 3503(e) states that:

> "(e) *Purchase price of capital stock and minimum subscription amount.* The plan shall set the purchase price per share of capital stock equal to a reasonable amount. The minimum subscription amount required of an eligible subscriber, however, cannot exceed $500, but the plan may provide that the minimum number of shares a person may purchase under the plan is 25 shares."

Under Section 4(b) of the Plans, the Purchase Price is established as $10.00 per share which is consistent with the customary purchase price per share in these types of offerings. Section 9(a) of the Plans states that to the extent that shares of Common Stock are available, no Person may purchase fewer than the lesser of (i) 50 shares of Common Stock or (ii) shares of Common Stock having an aggregate purchase price of $500.00 in the Offering. Management believed that this minimum was low enough such that it would enable all Eligible Subscribers who wish to participate in the Offering the opportunity to do so, supporting a broad ownership. This complies with the Act.

Act 40 Pa.C.S. § 3503(f) states that:

> "(f) *Limitation on amount of capital stock purchase*. The plan shall provide that a person or group of persons acting in concert may not acquire, in the public offering or under the exercise of subscription rights, more than 5% of the capital stock of the stock company or the stock of another corporation that is participating in the conversion plan as provided in subsection (a)(3)(i), except with the approval of the commissioner. The limitation does not

apply to an entity that is to purchase 100% of the capital stock of the converted company as part of the plan of conversion approved by the commissioner."

The Plans limit purchases of shares of Common Stock that any Person, together with any Associate or group of Persons acting in concert may, directly or indirectly, subscribe for or purchase in the Offering to five percent (5.0%) of the total shares of Common Stock sold in the Offering. This limitation is inclusive of both the Subscription Offering and/or the Community Offering. However, the Plans in Section 9(b) do note the exception to this as it relates to the Standby Purchasers (in a 70% / 30% ratio) who may purchase such number of shares of Common Stock as provided for in Section 8 of the Plans (i.e. any number of shares of Common Stock available up to the Minimum of the Valuation Range should it not be met in the Offering). As provided for in Section 9(e), Directors, Officers, and Employees shall not be deemed to be Associates or a group acting in concert solely as a result of their capacities as such. This complies with the Act.

Section 9(f) of the Plans details action to be taken should Positive HoldCo increase or decrease any of the purchase limitations. This is not governed by any component of the Act, but would fall within the parameters set by the minimum subscription amount under 3503(e) and the maximum placed on purchases by Directors and Officers under 3504(b) discussed elsewhere in this Report and adhered to by the Plans. The Plans entitle Positive HoldCo to take this action, provided that in no event shall the maximum purchase limitation applicable to Eligible Subscribers be less than the maximum purchase limitation percentage applicable to any other class of subscribers or purchasers in the Offering other than the Standby Purchasers. Boenning's assessment is that adjustments to any purchase limitations do not violate the priority status of Eligible Subscribers and preserve the treatment of Eligible Subscribers called for elsewhere in the Plans. Further, Section 9(g) of the Plans is consistent with similar provisions from plans filed in prior subscription rights conversions.

Act 40 Pa.C.S. § 3503(g) states that:

"(g) *Limitation on Directors and Officers.* The plan shall provide that a Director or Officer or person acting in concert with a Director or Officer of the reciprocal insurer or the attorney may not acquire capital stock of the stock company or the stock of another corporation that is participating in the conversion plan, as provided in subsection (a)(3)(i),

for three years after the effective date of the plan, except through a broker-dealer, without the permission of the commissioner. This subsection does not prohibit the Directors and Officers from making a block purchase of 1% or more of the outstanding common stock:

(1) other than through a broker-dealer if approved in writing by the department;
(2) through the exercise of subscription rights received under the plan; or
(3) from participating in a stock benefit plan permitted by shareholders under section 3509(b) (relating to conflict of interest)."

Section 19 of the Plans tracks these requirements and is consistent with the intent of the Act. Although it should be noted, as stated elsewhere, that the Plans do not allow for the participation of Management, any Employees or Directors in such capacity.

Act 40 Pa.C.S. § 3503(h) states that:

"(h) *Sale of stock by Directors and Officers.* The plan shall provide that a Director or Officer may not sell stock purchased under this section or section 3504(a) (related to optional provisions of plan of conversion) within one year after the effective date of the conversion."

As Eligible Subscribers, Diversus Purchasers and Standby Purchasers are the only practical participants in the Offering as noted earlier, there is no anticipation that any Employee, Officer or Director will purchase Common Stock in the Offering solely in this capacity. The only exception to this is that one Board member of PCA and PIPE and their Attorneys-in-Fact, Thomas Siegel, is also a Policyholder and thus an Eligible Subscriber. In this capacity, Mr. Siegal can participate in the Offering in priority as an Eligible Subscriber.

Section 17(a) of the Plans indicated that Common Stock purchased by Directors and Officers in the Offering shall be subject to the restriction that such shares shall not be sold or otherwise disposed of for value for a period of one year following the date of purchase, except for any disposition of such shares following the death of the applicable Director or Officer. The Plans further indicate that shares of Common Stock issued by Positive HoldCo to Directors and Officers and any additional shares

resulting from stock dividends or splits will carry a legend giving appropriate notice of such one-year restriction. The Plans comply with the Act in this regard, however no Common Stock will be purchased by any Director or Officer in this capacity.

Act 40 Pa.C.S. § 3503 (i) states that:

"(i) *Holders of surplus notes*. The plan shall provide that the rights of a holder of a surplus note to participate in the conversion shall be governed by the terms of the surplus note and the rights of subscribers to a return of capital shall be governed by the subscriber agreement or other operative document of the reciprocal insurer."

There is one surplus note that was issued in October 2018 by Positive Physicians Captive Insurance Company (wholly owned by PPIX), to PIPE. As the provisions of this surplus note do not afford the holder (PIPE) any rights to participate in a conversion, Boenning does not believe that it falls under Act 40 Pa.C.S. § 3503 (i).

Act 40 P.S. § 3503 (j) states that:

"(j) *Repurchase of capital stock*. The plan shall provide that, without the prior approval of the Commissioner, a stock company, or a corporation participating in the conversion plan pursuant to subsection (a)(3)(i), may not for a period of three years from the date of the completion of the conversion repurchase any of its capital stock from a person. The restriction under this subsection shall not apply to either:

(1) A repurchase on a pro rata basis under an offer made to all shareholders of the stock company or a corporation participating in the conversion plan under subsection (a)(3)(i); or

(2) A purchase in the open market by a tax-qualified or non-tax-qualified employee stock benefit plan in an amount reasonable and appropriate to fund the plan."

The Plans comply with this provision of the Act as laid out under Section 20. Section 20 of the Plans indicates that without the prior approval of the Commissioner, neither New Positive nor Positive HoldCo shall, for a period of three (3) years from the Effective Date, repurchase any Positive HoldCo stock from any Person. However, the Plan provides the two exceptions stated below, both of which are consistent with the Act:

> "(a) A repurchase on a pro rata basis pursuant to an offer made to all shareholders of [Positive] HoldCo; or
> (b) A purchase in the open market by a Tax-Qualified or Non-Tax-Qualified Employee Stock Benefit Plan in an amount reasonable and appropriate to fund such Tax-Qualified or Non-Tax-Qualified Employee Stock Benefit Plan."

Optional Provision under Sections § 3504

The Act provides for optional provisions of a plan of conversion under Section 40 Pa.C.S. § 3504. We believe that the first two subsections of § 3504 dealing with (a) subscription rights, (b) maximum share purchased by Directors are aspects of the Plans and as such are stated below and commented on.

Act 40 Pa.C.S. § 3504 states that:

> "(a) Subscription rights. The plan may provide that the directors and officers of the attorney and the reciprocal insurer shall receive, without payment, nontransferable subscription rights to purchase capital stock of the stock company or the stock of another corporation that is participating in the conversion plan, as provided in section 3503(a)(3)(ii) (relating to contents of plan of conversion). The subscription rights shall be allocated among the directors and officers by a fair and equitable formula and shall be subordinate to the subscription rights of eligible subscribers. This chapter may not require the subordination of subscription rights received by directors and officers in their capacity as eligible subscribers.

(b) Maximum share purchase by directors and officers. The aggregate total number of shares that may be purchased by directors and officers of the attorney and the reciprocal insurer in their capacity under subsection (a) and in their capacity as eligible subscribers under section 3503(a)(3) may not exceed 35% of the total number of shares to be issued if total assets of the reciprocal insurer are less than $50,000,000 or 25% of the total number of shares to be issued if total assets of the reciprocal insurer are more than $500,000,000. For reciprocal companies with total assets of or between $50,000,000 and $500,000,000, the percentage of the total number of shares that may be purchased shall be interpolated.

The Registration statement states that only Directors, Officers and Employees who are Eligible Subscribers or Diversus Purchasers will be permitted to Purchase Shares of Common Stock in the Offering. There is only one Director of PCA and PIPE who is also an Eligible Subscriber. There are no other Directors, Officers or Employees who are eligible to participate in the Offering. Diversus Purchasers, as a group, are limited to 5% of the shares remaining to be sold in the Offering after satisfaction of all orders in the Subscription Offering. Management indicated that there are 40 Diversus stockholders, 35 of which are eligible and considered Diversus Purchasers. Management determined, based on their respective stock ownerships of Diversus, that Diversus Purchasers' allowable investment amount totals $2.8 million. Based on the 5% maximum investment amount in the Plans, the Diversus Purchasers would thus be cut back to purchase $1.8 million, $2.1 million and $2.4 million at the Minimum, Midpoint and Maximum of the Offering, respectively. Boenning's assessment is that the Plans in this regard, comply with the components of § 3504(b).

III. REVIEW OF THE APPRAISALS

Section 40 Pa.C.S. § 3503(d) of the Act states:

"(1) The plan shall set the price of the capital stock equal to the estimated pro forma market value of the stock company as successor to the reciprocal insurer based upon an independent evaluation by a qualified expert.

(2) This pro forma market value may be that value that is estimated to be necessary to attract full subscription for the shares, as indicated by the independent evaluation and may be stated as a range of pro forma market value.

(3) If the attorney is a party to the conversion either as the entity that grants subscription rights to subscribers or [the attorney is simultaneously acquired by the stock company] in connection with the conversion, the incremental value of the attorney shall be included in the estimate of pro forma market value of the stock company as successor to the reciprocal insurer.

(4) The qualified expert shall consider the effect on the pro forma market value of a right of subscribers to a return of capital contained in the subscriber agreement or other operative document of the reciprocal insurer."

In determining the pro forma market value of PPIX, PCA and PIPE pursuant to the Conversion, the Exchanges retained Feldman.

PPIX, PCA and PIPE, through Feldman's Appraisals, have complied with the Act. Feldman's Appraisals appropriately cover subsections 1 and 2 but do not cover subsections 3 and 4 because they are not applicable to this transaction for reasons stated in the prior section. Boenning was engaged to review Feldman's Appraisal of the pro forma market value of PPIX, PCA and PIPE as of May 1, 2018 pursuant to the Plans and Act as stated above. Specifically, Boenning was requested to advise the Department regarding the reasonableness of the methodologies and assumptions utilized by Feldman in deriving the estimate of the pro forma market value.

Feldman relied on the guideline company approach, further discussed below. Feldman selected a group of publicly traded insurance companies that it believes potential investors would compare to PPIX, PCA and PIPE. Feldman then considered relative adjustments to derive the estimated pro forma market value based on a quantitative and qualitative comparison of PPIX, PCA and PIPE with the selected group of publicly traded insurance companies. For PPIX, PCA and PIPE, Feldman used the same group of comparable companies, which Feldman indicated during our interview as reasonable given no discernable difference between the Exchanges. A summary of Feldman's valuations of the Exchanges and their implied multiples are shown below:

Table 1
Summary of Appraised Values

	PPIX	PCA	PIPE
Appraised Value ($000s)	18,000	13,000	11,000
Pro Forma P/B (%)	52.8	50.8	49.8

According to the May 1, 2018 letters from Feldman to the Boards of PPIX, PCA and PIPE, Feldman will submit to PPIX, PCA and PIPE, an update to the Appraised Value if appropriate. This update and any other updates will occur considering, among other factors, developments or changes in the Exchanges' operating performance, financial condition, or management policies, and current conditions in the securities market for insurance company common stocks. As of our January 8, 2019 interview with Feldman, they had not and do not plan to issue any update to the Appraisals.

In Boenning's review of the Appraisals, we considered:

(1) The factors considered by Feldman;
(2) The standard of value determined by Feldman;
(3) Feldman's choice and application of generally accepted appraisal methodologies;
(4) Feldman's selection of comparable companies and/or transactions;
(5) Various market value adjustments applied by Feldman; and
(6) Feldman's reconciliation of value from the values indicated by the various methodologies.

FACTORS CONSIDERED BY FELDMAN

Feldman's Appraisals were similar in form and methodology. Therefore, we address them collectively except where necessary to call out differences, which are primarily related to valuation. We reviewed the factors considered by Feldman in its Appraisals of PPIX, PCA and PIPE in light of Boenning's experience and those factors generally utilized within the appraisal industry. These factors include:

(1) **The nature, history and structure of the business, including its financial condition and future prospects –** Feldman conducted due diligence which for PPIX, PCA and PIPE, included reviews of the corporate histories and structures as reciprocal insurance exchanges, current business operations, product lines, policy types, marketing and distribution, executive management teams, and reasons for the Conversions. In conjunction with this, Feldman reviewed other items Feldman believed material to the Appraisals. A thorough discussion of Feldman's review of PPIX, PCA and PIPE is contained in its Appraisals.

(2) **The financial condition of the Exchanges –** Feldman's financial analyses of PPIX, PCA and PIPE considered relevant GAAP and statutory data in the analysis of an insurance company to assess the overall financial condition and prospects of the Exchanges and identify related income and expense trends. The data and analyses are presented in Feldman's Appraisals. Feldman's Appraisals did not indicate adjustments for any non-recurring items that would need to be considered to normalize earnings for appraisal purposes. Likewise, our analysis did not indicate such adjustments were needed nor did Management indicate any adjustments that it considered material. For each Appraisal, Feldman reviewed the last two full calendar years 2016 – 2017 on a GAAP basis and the five-year period from 2013 – 2017 on a statutory basis.

(3) **Industry performance and outlook –** Feldman's Appraisals contain a comprehensive review of the positions of PPIX, PCA and PIPE within the wider P&C segment of the insurance industry. This includes a historical perspective, current dynamics in the market generally, and views on the outlook of the MPL sector specifically. Analysis of the MPL insurance industry by Milliman, Inc. was included. Feldman also tracked relevant indices for publicly traded insurance companies in its Appraisal reports. Feldman's discussion appears relevant to the Appraisals and in our opinion, contains an appropriate amount of detail.

(4) **The book value of the Exchanges –** Feldman determined its estimate of pro forma market value for each Exchange independently principally through the examination of the price to book ("**P/B**") multiple. PPIX, PCA and PIPE's book values as of December 31, 2017 were utilized in Feldman's Appraisals. Book value was adjusted to take into consideration the impact of the Conversion. In analyzing the equity of insurance companies, it is often appropriate to consider earnings multiples, if available, of the comparable companies of PPIX, PCA and PIPE. As stated by Feldman, under Valuation Approach in Chapter IV, the comparative price to earnings ("**P/E**") approach is given less emphasis due to the uneven earnings of the Exchanges while "the comparative P/B approach takes on significant meaning as a valuation metric." For reasons discussed later in this report, we agree with Feldman's reliance on P/B. Feldman's Appraisals do not propose to value the Exchanges on an aggregate basis, but rather as separate entities consistent with the Act. As a result, transaction adjustments that will occur as a result of the Merger of the Exchanges are not factored into the P/B and P/E multiples and the Exchanges are compared to the public comparable group separate from one another.

Like Feldman, as briefly noted in Chapter III of the Appraisals, elaborated on during in person discussions and conveyed to us by Management, we believe that the future projections cannot be relied upon because: (i) the Exchanges' Management did not independently create forecasts or projections and instead relied on projections developed by Diversus; ii) they are highly speculative and (iii) the earnings results are highly variable. Because of this and the relatively large level of pro forma surplus resulting from a conversion, the use of price to book multiples would give a more reliable indication of value. As such, Feldman did not utilize a discounted cash flow approach in its Appraisal for the reason highlighted above. We concur that a discounted cash flow would not provide an appropriate indication of value.

(5) **Liquidation value –** The Appraisals consider PPIX, PCA and PIPE only as going concerns which is generally defined as the value of a business enterprise, assuming that its organization and assets remain intact and are used to generate future income and cash flows. Feldman did not independently value the assets or liabilities of PPIX, PCA or PIPE. Feldman utilized valuation ratios or multiples derived from selected comparable companies that incorporate the market value of the entire business enterprise. This would include all intangible assets which typically include goodwill, trademarks, patents, know-how, workforce, customer lists, and many others. Therefore, the value indications for PPIX, PCA and PIPE using these multiples include the value of goodwill and other intangible assets. Furthermore, PPIX, PCA and PIPE

do not intend to liquidate or sell their assets piecemeal. Boenning agrees with Feldman in its approach to assessing the value of PPIX, PCA and PIPE and believes it is appropriate to utilize valuation ratios or multiples derived from selected comparable companies when valuing a company as a going concern.

(6) **Sales of similar businesses and the prices of publicly-traded stocks in the business of the Exchanges –** Feldman considered the prices of publicly traded insurance companies in its Appraisals, but did not specifically consider a method using merger and acquisition transactions. We believe that, while such transactions would provide an indication of a controlling interest, or an interest in which a majority stake of a company is acquired, they would not provide a direct indication of value of a minority interest, or an interest in which a non-controlling stake of a company is acquired, which is the subject interest being valued in the Appraisals and prescribed by the Act. Since controlling interests typically require an additional premium over the price at which minority interests would trade, it would be inappropriate to consider controlling interest transactions. Not considering controlling interest is consistent with the approaches utilized in prior Appraisals of converting insurance entities. Additional discussion of publicly traded companies and transactions is provided later in this report.

STANDARDS OF VALUE

The Act requires that the price of the capital stock be equal to the estimated pro forma market value of the stock company as successor to the reciprocal insurer (PPIX, PCA and PIPE) based upon an independent evaluation by a qualified expert. The Act further states that the pro forma market value may be that value necessary to achieve a full subscription of the shares. In a conversion, the value of the underlying securities that are being offered for sale is of paramount importance and is best represented by the freely-traded minority share standard of value. Freely-traded minority share value refers to the value of a non-controlling ownership interest in an open and liquid market.

Feldman's Appraisals determined the value of stock of all the Exchanges as if the shares were freely-traded in the open market on a minority interest basis. We agree that this is the correct standard of value.

The use of a range in determining the pro forma market value is permitted in the Act per Section 40 Pa.C.S. § 3503(d)(2). Also, in appraisals generally, and for similar stock conversions specifically, ranges are common, and provide for flexibility in conducting an offering in a market environment that changes constantly. In addition, past appraisals of insurance company conversions in Pennsylvania and elsewhere have used a 15% range. The 15% range from the estimated pro forma market value, determined by Feldman, is reasonable and consistent in this context, though it does not guarantee that, based upon changing market conditions or financial performance of PPIX, PCA or PIPE, the range of values in the Appraisals would not need to be revised.

APPRAISAL METHODOLOGIES

In determining the freely-traded value of a business enterprise, such as PPIX, PCA or PIPE, an appraiser would typically consider two commonly utilized methodologies referred to as: (i) the market approach; and (ii) the income approach. A third methodology, the asset-based approach, is generally not utilized in the current context for reasons discussed below. A brief discussion of each approach follows:

The market approach measures the value of an asset by comparing it to the values of assets whose values are publicly known. There are two variations of the market approach. One variation of the market approach is the guideline company approach, which measures value through an analysis of publicly traded guideline companies operating in the same or similar lines of business. Stocks of these corporations are actively traded in a free and open market. When applied to the valuation of businesses, consideration is given to the financial condition and operating performance of the Exchanges being appraised relative to those of the publicly traded companies. Adjustments to account for significant differences between the subject company and the guideline companies are made to the valuation multiples of the comparable companies.

The other variation of the market approach is the merger & acquisition transaction approach. The transaction approach measures the value of a company through an analysis of transactions involving similar companies in the mergers and acquisitions market. The transaction approach yields “control” value instead of “minority share” discussed above as used in an appraisal of this nature.

The income approach measures the value of an asset by the present value of its future economic benefits. These benefits can include earnings, cost savings, tax deductions and proceeds from its disposition. When applied to equity interests in businesses, value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation and risks associated with the particular investment. The discount rate selected is generally based on rates of return available from alternative investments of similar type and quality as of the valuation date.

The asset based or cost approach measures the value of an asset by the cost to reconstruct or replace it with another of like utility. When applied to the valuation of equity interests in businesses, value is based on the net aggregate fair market value of the entity's underlying assets less liabilities. The technique entails a restatement of the balance sheet of the enterprise substituting the fair market value of its assets and liabilities for their book values. The resulting equity is reflective of a 100% ownership interest in the business.

In Chapter III of the Appraisals, Feldman comments that the comparative market approach provides a sound basis to determine estimates of going-concern valuation where a regular and active market exists for the stocks of peer institutions. The reliance on this methodology is documented in the Appraisals and discussed in more detail below. In each Appraisal, Feldman states that:

> "The comparative market approach was utilized in determining the estimated pro forma market value of [Exchange] because: (i) reliable market and financial data are readily available for comparable companies, and (ii) the comparative market or guideline company method has been widely accepted as a valuation approach by the applicable regulatory authorities. Moreover, a 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."

Further, Feldman's Appraisal comments on the applicability of other valuations approaches in the following manner:

> "We considered other valuation approaches such as the asset-based valuation and income capitalization methods. However, we determined that because [Exchange] is a going-concern insurance company with highly variable earnings results and the fact that the Valuation Range will be utilized pursuant to a stock conversion offering structure, the comparative market approach is the preferred valuation method for this purpose."

With respect to Feldman's exclusion of the income approach, Boenning agrees with Feldman that the unpredictable earnings profiles of PPIX, PCA and PIPE are challenging and cannot be relied upon because of reasons cited earlier. The ability of PPIX, PCA and PIPE to deploy their pro forma capital profitably and maintain positive earnings constitutes a significant operating challenge in the highly competitive P&C insurance marketplace and given the unfavorable trends in the MPL sector specifically. Beyond this, the Exchanges need to overcome the lack of economies of scale, critical mass, and geographic diversification in their fundamental business model.

Therefore, the discounted cash flow analysis cannot be utilized to provide a reliable indication of value. In addition, the cost approach is best utilized in determining the liquidation value of a company and generally not for situations where the subject business is valued as a going concern. We agree with Feldman that in the context of valuing a company for an equity offering in a reciprocal exchange-to-stock conversion, the market approach provides the best indicator of value because of the readily available market and financial data for comparable companies and transactions and is supported by historical precedent in similar appraisals.

MARKET APPROACH - GUIDELINE COMPANIES

The guideline company approach measures the value of an asset through an analysis of recent sales or offerings of comparable securities. The approach entails the following process: (i) identification of guideline companies; (ii) a comparison of the performance of the subject company to the guideline companies; (iii) the calculation of relevant valuation multiples or ratios for each of the guideline companies; (iv) choosing the appropriate valuation multiple for the subject company; and (v) application of the chosen multiple to the subject company's financial data.

Although it is clear that no two companies are entirely alike, the only restrictive requirement imposed by this approach is that the publicly traded companies selected as guideline companies be engaged in the same or similar lines of business. Other relevant factors such as location, exchange, size and profitability, are also considered.

FELDMAN'S SELECTION OF COMPARABLE COMPANIES

Feldman's Appraisals were based upon the market approach utilizing publicly traded comparable companies as a means of estimating the freely-traded value of a minority interest in PPIX, PCA and PIPE. With limited exception, as noted below, we believe the selection of the comparable companies presented a reasonable basis for performing the Appraisals and was consistent with valuations performed in similar stock conversions. We note that Feldman used the same comparable group for all three Exchanges. Feldman believed that comparing the three Exchanges to three different comparable groups did not make sense because the Exchanges are similar to each other and we concur with this assessment.

There generally does not exist one individual company or any set of comparable companies that is identical to the subject companies. This statement is particularly true of PPIX, PCA and PIPE as there are no small publicly traded medical malpractice companies. The selection of the comparable companies is based upon criteria established by the appraiser to develop a group that provides reliable insights into how the market would value the subject company. Feldman's Appraisal documents focused on publicly traded (on select U.S. exchanges) insurance companies in the property and casualty and multiline segments and in doing so, identified 55 companies that comprised a general comparable company universe ("**Public P&C/Multiline Insurance Group**"). The median asset size of this group is $3.8 billion. This is significantly larger than PPIX, PCA and PIPE and Boenning notes Feldman's observation that there are only five companies in the Public P&C/Multiline Insurance Group that have assets less than $200 million and no companies with total assets less than PPIX, PCA and PIPE's total assets of $67.2 million, $39.6 million and $26.6 million, respectively.

Feldman further evaluated the companies in the Public P&C/Multiline Insurance Group and refined the group by using several different operating, marketability, and liquidity criteria. From this, Feldman selected its comparable companies based primarily upon:

- company size based on assets;
- markets served; and
- comparability of product lines.

Generally, Feldman utilized a size range criterion to encompass a statistically significant number of companies. Feldman's criteria resulted in 11 selected insurance companies ("**Comparative Group**") that it used for its comparisons to PPIX, PCA and PIPE. Feldman's Appraisal reports contain a description of each company in the Comparative Group and an indication of relevant differences and similarities with PPIX, PCA and PIPE. Feldman's methodology and criteria represent reasonable factors in the selection of the comparable companies. Also, Boenning was able to conduct its own screening of publicly traded insurance companies based on the parameters set out by Feldman and reproduced the results of both the Feldman Public P&C/Multiline Insurance Group and Comparative Group.

We note that nearly all of the companies in the Comparative Group have non-comparable characteristics that are major drivers of their business, rendering them not directly comparable to PPIX, PCA and PIPE outside of the fact that they are in the P&C sector. For example, there are no medical malpractice companies in the Comparative Group, due primarily to the size restriction. The only publicly traded company that is primarily an MPL writer is ProAssurance Corporation, but ProAssurance is a $2.2 billion market capitalization company. Four of the companies have less than $200 million in assets, and like Feldman, we agree their inclusion is important to give the Comparative Group better comparability with PPIX, PCA and PIPE based on size. Given the small size of PPIX, PCA and PIPE, it is very difficult to form a comparable group of publicly traded P&C/Multiline insurance companies that are similar in size to PPIX, PCA and PIPE while also keeping the number of constituents in the list to a meaningful enough statistical number. Feldman's Comparative Group included three companies with over $1.0 billion in assets (compared to $67.2 million, $39.6 million and $26.6 million for PPIX, PCA and PIPE, respectively).

The reasons for the inclusion of each of the companies in the Comparative Group are given in Feldman's Appraisals and we find nothing to suggest that the selected companies do not generally meet the criteria Feldman established. We note that of the 11 companies in the Comparative Group,

four of them write insurance predominantly in one state or a small handful: 1347 Property Insurance Holdings (only Florida, Louisiana and Texas), Federated National Holding Company (predominantly Florida), Kingstone Companies, Inc. (predominantly New York), and Unico American Corporation (predominantly California).

Nonetheless, given the unusual nature of PPIX, PCA and PIPE's position in the market relative to the other publicly traded P&C companies and financial condition (small size, predominantly single state, and 100% MPL), the use of publicly traded companies, and Feldman's Comparative Group specifically, provides a reasonable comparable group of publicly traded companies available and a good estimate of how the market would value PPIX, PCA and PIPE.

BOENNING'S SELECTION OF COMPARABLE COMPANIES

In order to assess the relevance of Feldman's Public P&C/Multiline Insurance Group and Comparative Group, and to understand Feldman's company selection process, we utilized SNL Financial to perform an independent comparable company analysis. As noted above, Boenning was able to recreate the screening methodology performed in the Appraisals and derive the constituents of the Public P&C/Multiline Insurance Group and Comparative Group. We believe that the criteria utilized by Feldman was reasonable particularly as it related to PPIX, PCA and PIPE's size, single state and single business line and statistical integrity of the analysis as summarized in PIPE's Appraisal below:

> "In determining the Comparative Group composition, we focused primarily on [the Exchanges'] capital base, asset size, market segment, and product lines. Attempting to concentrate on [the Exchanges'] financial characteristics and expand the Comparative Group to obtain a meaningful cluster of companies, we broadened the capital base and asset size criteria 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 [the Exchanges'] Conversion."

Given the limited number of available comparable companies as documented in the Feldman Appraisals, Boenning does not believe that there are significant changes to the Comparative Group that would materially change any of the resulting comparative results to PPIX, PCA or PIPE. However, in order to test Feldman's results, we did develop a universe of companies to compare to Feldman's Public P&C/Multiline Insurance Group as well as a narrower group to compare to Feldman's Comparative Group. The following documents our analysis undertaken and any results that differ from Feldman's.

In developing our universe, we identified the following criteria used by Feldman that could be modified to improve possibly the resulting companies:

1. Size restrictions – Our size restrictions were more simple and less restrictive than those of Feldman. We required that our selected comparable companies have equity values less than $500 million as opposed to including the additional requirements of assets less than $1.5 billion and market capitalization less than $350 million. As a result, one company, Donegal, was included in our list and excluded from Feldman's due to its $1.7 billion asset size.
2. Business mix – It was our view that it would be appropriate to exclude FedNat Holding Company due to its primary focus on Florida homeowners insurance.

It is our premise that modifying these criteria would not result in any companies that are less comparable to PPIX, PCA or PIPE than the companies identified by Feldman and possibly identify additional companies that would have been automatically screened out of Feldman's analysis.

Boenning's initial search yielded a universe of 61 insurance companies. This universe was comprised of the 60 companies defined as P&C or multiline by SNL Financial plus Infinity Property and Casualty Corporation which has been acquired, but was a publicly traded company as of May 1, 2018. Our universe was reduced to 55 ("**Publicly Traded Insurance Group**") after we excluded Advantage Insurance Inc. and Odyssey Re Holdings Corp. for having no pricing information and Affirmative Insurance Holdings, Inc., AssuranceAmerica Corporation, First Acceptance Corporation and GAINSCO, INC. for having securities that do not trade on a major U.S. exchange. This resulting group is identical to the 55 in Feldman's Public P&C/Multiline Insurance Group. PPIX and PIPE's total assets, total equity, return on assets ("**ROA**") and return on equity ("**ROE**") fall below the median

of Boenning's Publicly Traded Insurance Group. PCA's total assets and total equity are also below the medians of Boenning's Publicly Traded Insurance Group while its ROA and ROE are both significantly above the median.

To capture a valuation that does not contain a control premium, we excluded AmTrust Financial Services, Inc. and Infinity Property and Casualty Corporation that were merger targets as of May 1, 2018, reducing our number of comparable companies to 53. To refine our Publicly Traded Insurance Group to match to the profiles of PPIX, PCA and PIPE more closely, we introduced a constraint for size based on equity. As mentioned previously, Feldman's Appraisals used equity, assets, and market capitalization as the criteria to screen for size. While asset size is typical and customary for some financial institutions, Boenning believes that equity is a more appropriate and customary criteria when dealing with insurance companies. Selecting $500 million as an equity threshold reduced Boenning's Publicly Traded Insurance Group to 20 companies. Boenning reviewed the remaining group of 20 companies to determine comparability to PPIX, PCA and PIPE. Boenning further eliminated nine companies due to business line focus: AMERISAFE, Inc. (workers compensation), FedNat Holding Company (Florida homeowners multiple peril), HCI Group, Inc. (Florida homeowners), Heritage Insurance Holdings, Inc. (Florida homeowners and commercial), Kinsale Capital Group, Inc. (E&S lines), NI Holdings Inc. (multi-peril crop and crop hail insurance), Tiptree Inc. (part asset manager), Trupanion, Inc. (pet insurer) and Universal Holdings, Inc. (Florida homeowners).

Based on the refinements noted above to Boenning's Publicly Traded Insurance Group, we have identified 11 companies as comparable to PPIX, PCA and PIPE (the "**Boenning Comparable Group**"). The following table shows the mean and median assets, equity, ROA, ROE, price to revenue ("**P/R**"), P/B, price to assets ("**P/A**"), and price to earnings ("**P/E**") of the derived Boenning Comparable Group.

Table 2
Boenning Comparable Group

Company Name	Total Assets ($000s)	Total Equity ($000s)	ROA (%)	ROE (%)	Price / Revenue (%)	Price / Book (%)	Price / Assets (%)	Price / Earnings (x)
Donegal Group Inc.	1,737,920	448,696	0.42	1.6	0.53	92.3	22.3	NM
Protective Insurance Corporation	1,357,016	418,811	1.47	4.5	0.94	83.4	25.8	19.2
Hallmark Financial Services, Inc.	1,231,126	251,118	(0.96)	(4.4)	0.49	75.0	15.2	NM
Atlantic American Corporation	343,239	112,983	1.38	4.2	0.37	61.8	19.3	16.3
Kingstone Companies, Inc.	254,548	94,578	4.75	13.2	1.98	193.4	72.1	18.3
Atlas Financial Holdings, Inc.	482,503	90,645	(8.57)	(29.6)	0.58	143.6	26.5	NM
ICC Holdings, Inc.	152,335	64,102	0.48	1.2	0.99	84.5	31.4	NM
Unico American Corporation	130,299	59,945	(6.32)	(13.4)	1.11	68.2	31.4	NM
Conifer Holdings, Inc.	239,032	52,826	(9.82)	(35.1)	0.50	91.1	20.1	NM
National Security Group, Inc.	146,438	47,625	(0.81)	(2.5)	0.61	83.7	27.2	NM
1347 Property Insurance Holdings, Inc.	114,437	46,802	0.28	0.6	1.07	87.0	35.6	NM
Mean	562,627	153,466	(1.61)	(5.4)	0.83	96.7	29.7	17.9
Median	254,548	90,645	0.28	0.6	0.61	84.5	26.5	18.3
PPIX	67,161	17,532	(0.03)	(0.1)				
PCA	39,559	13,854	1.03	3.2				
PIPE	26,645	12,264	0.14	0.3				

Note: Financials as of December 31, 2017 unless noted. Pricing as of May 1, 2018.

Ten of the above companies are included among the 11 companies in Feldman's Comparative Group. FedNat Holding Company, included by Feldman, was not included in the Boenning Comparable Group because of its focus on Florida homeowners multiple peril insurance, a type of company that would likely be valued differently from PPIX, PCA and PIPE. The Boenning Comparable Group included Donegal Group Inc. which Feldman excluded due to its $1.7 billion asset size.

For comparative purposes, the following table summarizes the mean and median assets, equity, ROA and ROE of the Boenning Comparable Group against Feldman's Comparative Group. In addition, to test if either of the Boenning derived groups would result in an estimate of pro forma market value that is materially different than that estimated by Feldman, in the table below, we compared the mean and median P/R, P/B, P/A, and P/E ratios of the groups.

Table 3
Summary of Comparable Company Groups

	ROA (%)	ROE (%)	Price / Revenue (%)	Price / Book (%)	Price / Assets (%)	Price / Earnings (x)
Boenning Comparable Group						
Mean	(1.61)	(5.4)	0.83	96.7	29.7	17.9
Median	0.28	0.6	0.61	84.5	26.5	18.3
Feldman Comparative Group						
Mean	(1.59)	(5.4)	0.84	97.8	29.9	20.5
Median	0.28	0.6	0.61	84.5	26.5	18.7
PPIX	(0.03)	(0.1)				
PCA	1.03	3.2				
PIPE	0.14	0.3				

Note: Financials as of December 31, 2017 unless noted. Pricing as of May 1, 2018.

In comparing the 11 comparable companies identified in Feldman's Comparative Group, Boenning has focused primarily on P/B based on its appropriateness as discussed earlier. P/R, P/A, and P/E of the Boenning Comparable Group bears similar relationships to the ratios of the Feldman Comparative Group. The mean and median P/B ratios for Feldman's Comparative Group were 97.8% and 84.5%, respectively. The mean and median P/B ratios for the Boenning Comparable Group were 96.7% and 84.5%, respectively. There exist no difference between the medians of the Boenning and Feldman groups and only a very small, not significant difference between the means. As a result, there is no meaningful difference between Feldman's view on the valuation of comparable companies and Boenning's.

Although our results of the guideline company approach differ slightly from that of Feldman's Appraisals, we believe that the criteria Feldman used to choose a comparable company group represents reasonable factors in the selection of the comparable companies and, therefore Feldman selected a reasonable group for appraisal purposes. Additionally, we do not believe our selected group would result in a material change to the conclusions reached in Feldman's Appraisals.

DISCOUNTS APPLIED

After arriving at an appropriate pro forma multiple (in this case, primarily the P/B multiple) in the guideline company analysis, the appraiser must make adjustments to the ratio to develop the applicable multiples for the subject company. Market value adjustments or discounts were applied to derive the pro forma market values. Discounts considered by Feldman included:

(1) Earnings prospects;

(2) Management;

(3) Liquidity of the issue;

(4) Subscription interest;

(5) Stock market conditions; and

(6) New issue discount.

Importantly, the application of discounts is a subjective exercise and is not precisely quantifiable.

Feldman calculated the median and mean P/B for the Comparative Group of companies as of May 1, 2018. Based on the Appraisal estimation of the appropriate discounts, to account for differences in PPIX, PCA and PIPE versus the guideline companies and factors and risks related to the Conversion, Feldman determined a pro forma midpoint P/B ratio of 52.8%, 50.8% and 49.8%, implying a discount of 37.5%, 39.9% and 41.0% from the median of the Comparative Group for PPIX, PCA and PIPE, respectively.

Feldman concluded that the appropriate discount range on the P/B valuation metric was 33.3% to 42.5%, 35.6% to 44.9% and 36.7% to 46.0% for PPIX, PCA and PIPE, respectively. The factors Feldman considered are adjustments or discounts that a knowledgeable investor would consider. The factors considered by Feldman included: (i) the earnings prospects of PPIX, PCA and PIPE compared to those of the comparable companies; (ii) management; (iii) liquidity of the issue; (iv) subscription interest; (v) stock market conditions; (vi) and new issue discount.

Table 4
Summary of Discounts and Implied Valuation

(%)	**PPIX**	**PCA**	**PIPE**
Feldman Comparable Group Median P/B	84.5	84.5	84.5
Discount Maximum	42.5	44.9	46.0
Discount Midpoint	37.5	39.9	41.0
Discount Minimum	33.3	35.6	36.7
P/B Valuation Minimum	48.6	46.6	45.6
P/B Valuation Midpoint	52.8	50.8	49.8
P/B Valuation Maximum	56.4	54.4	53.4

The first two factors are company-specific and relate to the relative degree of risk of PPIX, PCA and PIPE compared to that of the comparable group, where risk incorporates the uncertainty of achieving future results. The other four factors are related to the prospects of the stocks given current economic and stock market conditions. As such, these factors include, not only issue-specific factors, but factors outside of the control of the Exchanges and their management teams.

In the following sections, we review each factor and describe our method of estimating a range of appropriate discounts. The application of discounts is a subjective exercise and not precisely quantifiable; therefore, Boenning, using valuation industry convention, has expressed its estimate of appropriate discounts as a range.

Earnings Prospects

In determining the appropriate valuation multiple, an investor comparing PPIX, PCA and PIPE to comparative publicly traded companies would consider the future earnings prospects of the Exchanges. This analysis would incorporate revenue growth prospects as well as profitability expectations, and the risk of achieving the expected results. In determining future prospects and risks, such an investor would consider the historical operating results and performance of PPIX, PCA and PIPE compared to those of the publicly traded companies. Boenning reviewed PPIX, PCA and PIPE's available GAAP results for the full years 2016 – 2017 as well as their last five years of statutory financial statements to assess their financial condition relative to the conclusions drawn by Feldman.

The direct premiums written of PPIX have grown substantially from $8.9 million in 2013 to $15.3 million in 2017—a $6.4 million increase. In contrast, the direct premiums written of PCA and PIPE have been in a long-term decline as evidenced by the $7.1 million decrease from $14.8 million in 2013 to $7.7 million in 2017 for PCA and the $7.1 million decrease from $14.8 million in 2013 to $7.7 million in 2017 for PIPE. The negative premium trend seen in PCA and PIPE is consistent with the wider landscape in the MPL sector which is currently suffering from low rates, excess capacity, and a shrinking market. PCA and PIPE have also been impacted by brokers knowing that Positive HoldCo will be the ultimate entity and therefore, are sending business to PPIX versus the others. If they were truly independent freestanding companies, Management indicates that all three would have

similar outlooks from a financial statement standpoint. In addition, when looking at historical financial results, PIPE and PCA were each impacted by unusual or one-time events including PIPE's loss of its CEO and PCA's loss of a very large client.

Net premiums written and net premiums earned have followed a similar pattern as direct premiums written for all three companies, although PPIX's growth in net premiums written and net premiums earned has been inconsistent from 2013 to 2017.

PPIX, PCA and PIPE all saw significant increases in their combined ratio which increased from 93.2% to 112.6%, 93.5% to 107.1% and 100.8% to 115.3% from 2013 to 2017 for PPIX, PCA and PIPE, respectively. While the expense ratio increased for all three companies, the main contributor to the increase in the combined ratio was an increase in losses. During the same time period, the net investment income of PPIX has generally grown in line with its underwriting business, while PCA's has declined slightly and PIPE's has declined by nearly half. The underwriting losses of PPIX, PCA and PIPE combined with the poor net investment income performance of PCA and PIPE casts doubt on the ability of the Exchanges to generate profit.

As a result, the Exchanges' net income has suffered from large swings and has been largely inconsistent and negative, with a large decline for each Exchange between 2016 and 2017. PPIX's and PIPE's ROA of (0.03%) and 0.14%, respectively and ROE of (0.1%) and 0.3%, respectively were below that of the Boenning Comparable Group median ROA and ROE of 0.28% and 0.6%, respectively. PCA outperforms the Boenning Comparable Group median with a ROA and ROE of 1.03% and 3.2%, respectively. Further, the earnings dynamics of the Exchanges and underperformance of PPIX and PIPE make it difficult to make any reasonable assessment of how earnings might develop in future periods.

Based on this review, it appears that, as far as earnings prospects are concerned, PPIX, PCA and PIPE present a challenging dynamic to consider reliably and have track records that are inferior to those of the Boenning Comparable Group. As a result, we believe that market multiples should be discounted on this basis.

Management

Feldman believes that PPIX, PCA and PIPE are professionally and knowledgably managed and that no adjustment was warranted. We believe that investors looking at the poor earnings history of the Exchanges would hold Management at least partially responsible and incorporate this factor in their estimate of earnings prospects. As such, the discount for earnings prospects includes a discount for management performance. Therefore, we concur with Feldman that no further or separate adjustment would be warranted.

Liquidity of the Issue

Feldman states that the companies in their Comparative Group are all traded on major stock exchanges. In our analysis of trading volume, five of the eleven guideline companies chosen by Feldman are fairly thinly traded, with average weekly volume of less than 0.50% of the issued outstanding shares. Because of the low trading volume, we believe that a discount for lack of liquidity may be implicit to some degree in the price of those shares. Similar to Feldman, we believe that the shares of PPIX, PCA and PIPE are not likely, on average, to achieve a level of trading at least comparable to that of Boenning's Comparable Group. Beyond this, Feldman notes, and we again agree, that in general, companies with lower levels of market capitalization also tend to experience restrained trading volumes and frequent price volatility due to limited shares outstanding and other factors. For these reasons, we agree that a downward adjustment is warranted.

Subscription Interest

There is always a risk that the Subscription Offering will not result in the expected number of shares being sold.

Based on information from the Q1 2018 Thompson Reuters Equity Capital Markets Review, global equity capital markets activity reached a three year high with $200.7bn in issuance—a 3% increase over the prior year. Global IPOs were even stronger growing 34% over the prior year and reaching a four year high of $45.8bn. While United States equity capital markets declined 7.6% to $60.7bn, IPOs in the United States reached a 7 year high of $12.1bn. The 36 IPOs in the US represented

a 17.1% increase over the prior year. The VIX Index of 16.00 on May 1, 2018 was 17.6% lower than the average of 19.41 since January 1, 1990, 19.8% lower than the average of 19.96 since 1/2/2000, 8.6% lower than the average of 17.51 since 1/2/2018, but 23.8% higher than the average of 12.92 over the prior year.

The size, industry, financial condition and earnings prospects of other IPO candidates are likely different from those of the Exchanges and, as such, have limited comparability for valuation purposes. For comparison purposes, the average IPO in the first quarter of 2018 was $337.0 million in size.

Since the Offering will occur in the future, the current level of volatility of the markets should not be overly considered in this context. Further, the results of the Offering are hard to forecast and are, as of the date of this Report, unknown.

Taking all these factors into account, we agree with Feldman's conclusion that no adjustment is needed to attract subscription interest. Given the historically low volatility in the market and healthy IPO market globally and in the United States, we believe that a discount in excess of a standard new issue discount does not need to be applied to induce potential shareholders to purchase shares and attract a full subscription.

Stock Market Conditions

Feldman gives a detailed review of the condition of the stock market, including a discussion of the strong performance of the P&C Insurance industry and its decline in volatility in the market from levels in the past. Based on the liquid and active trading markets for the Boenning Comparable Group and Feldman's Comparative Group, any factors affecting value due to stock market conditions are likely priced in the securities. Most importantly, however, the range of value of +/- 15.0% can absorb the volatility over any given short-term period. Thus, we agree with Feldman that no discount is necessary related to stock market conditions.

New Issue Discount

Stock prices in an IPO are typically discounted from the expected trading price. Though several theories regarding underpricing exist, in the case of insurance companies, capital adequacy requirements would cause insurance IPOs to seek to ensure that the entire subscription is sold, such that proceeds are maximized. Studies have shown that typical IPO discounts (based on the percentage change from the offer price to the price at the end of the first day of trading) range from roughly 10.0% to 20.0%. One study[1] found that discounts during 2015 and 2016 averaged 16% and 12%, respectively. Another study[2] suggests that greater uncertainty about a firm's value will result in higher expected underpricing. Feldman also cites the uncertainty of the P&C industry in its opinion that a discount to the value of the Exchanges is warranted due to their status as new issues. We agree with Feldman's assessment and have factored a new issue discount for PPIX, PCA and PIPE into our analysis.

Other Factors

Other factors that were not listed specifically by Feldman in its determination of a discount include the Exchanges' size and lack of geographic diversification. PPIX, PCA and PIPE's pro forma total assets estimated to be approximately $83.7 million, $51.3 million and $36.5 million, respectively (using the Midpoint) are approximately 26%, 16% and 10% of the size of the median for the Boenning Comparable Group. From a revenue perspective, Exchanges' pro forma revenues of approximately $13.6 million, $8.3 million and $3.9 million, respectively are less than those of all of the companies in the Boenning Comparable Group. It should also be noted that relative to the comparable companies, Exchanges are currently heavily concentrated in one or two states. Also, Exchanges are much smaller than most of the comparable companies. These factors collectively have an impact on the stability and valuation of the earnings of the Exchanges as perceived by investors in the market relative to the comparable companies. Likewise, the Boenning Comparable Group on average has greater geographic diversification, and thus less risk relative to Exchanges. Therefore, for these factors, Exchanges are inferior to the Boenning Comparable Group and additional discount is warranted.

[1] WilmerHale, "2017 IPO Report."
[2] Beatty, R. and J. Ritter, 1986, "Investment Banking, Reputation, and the Underpricing of Initial Public Offerings," Journal of Financial Economics, 15: 213-232.

Comparison With Feldman

Feldman did not conclude on a discount for each individual factor, but instead concluded that a combined discount range of 33.3% to 42.5%, 35.6% to 44.9% and 36.7% to 46.0% for PPIX, PCA and PIPE, respectively based on book value was reasonable and appropriate for determining the pro forma market value. We agree with their assessment that discounts and/or premiums may not be additive and that in some instances, offset or overlay each other. The discounts applied are not easy to quantify and are almost always based upon the subjective judgment of the appraiser. Boenning concluded to an approximate range of discounts based on the facts summarized below, of 35.0% to 45.0%, 40.0% to 50.0% and 40.0% to 50.0% for PPIX, PCA and PIPE, respectively. This range reflects the multiple discounts utilized and the possible ranges for each discount. Below we summarize Feldman's conclusion on the impact of each factor, and the relative direction of such discount, where downward is a higher discount and therefore a lower valuation multiple.

	PPIX		PCA		PIPE	
	Feldman	**Boenning**	**Feldman**	**Boenning**	**Feldman**	**Boenning**
Earnings Prospects	Downward	Downward	Downward	Downward	Downward	Downward
Management	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Liquidity	Downward	Downward	Downward	Downward	Downward	Downward
Subscription Interest	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Stock Market Conditions	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
New Issue Discount	Downward	Downward	Downward	Downward	Downward	Downward
Size/Other	N/A	Downward	N/A	Downward	N/A	Downward
Discount Range:	*33.3%-42.5%*	*35.0%-45.0%*	*35.6%-44.9%*	*40.0%-50.0%*	*36.7%-46.0%*	*40.0%-50.0%*

We agree with Feldman that an overall discount is appropriate because of the nature of the Conversion as well as company-specific factors compared to the comparable companies. Furthermore, discounting in the context of a conversion transaction or new issues is typical. The amount of the discount is not easy to quantify and is based upon subjective judgment of the appraiser. We believe that Feldman correctly applied these discounts and that their chosen discount ranges for PPIX, PCA and PIPE compare reasonably with the ranges determined by Boenning.

Evidence from Prior Conversions

Table 5
Prior Demutualizations

Company Name	Year Date	Discount Midpoint
Nodak Mutual Insurance Company	2017	40.0%
Illinois Casualty Company	2017	45.0%
Standard Mutual Insurance Company	2016	40.0%
ARI Mutual Insurance Company	2015	45.0%
First Nonprofit Insurance Company	2012	34.0%
Penn Millers Holding Corporation	2009	25.0%
Eastern Insurance Holdings, Inc. (Educators)	2006	42.0%
Fremont Michigan Insuracorp, Inc. (est)	2004	58.0%
Mercer Insurance Group	2003	46.0%
NCRIC Group, Inc. (est)	2003	15.0%
American Physicians Capital, Inc.	2000	36.0%
MEEMIC Holdings, Inc. (est)	1999	67.0%
Old Guard Group, Inc.	1997	45.0%
Median		42.0%

Discounts for the transactions noted above are estimates based on information available in public filings.

The discounts found by the appraisers for several prior (Pennsylvania) mutual-to-stock conversions using the subscription rights method, Old Guard, Mercer, Educators, and ARI, concluded on discounts of 45.0%, 46.0%, 42.0% and 45.0%, respectively for a median of 45.0%. The discounts of these demutualizations as well as the median discount for demutualizations overall of 42.0% are both well within a reasonable range of the median discount for PPIX, PCA and PIPE of 37.5%, 39.9% and 41.0%, respectively.

RECONCILIATION OF VALUE

Pro forma market value for an insurance company can potentially be determined through P/E, P/B, P/R and P/A ratios. We have relied solely on the P/B ratio as a metric to analyze Feldman's estimate of the Exchanges' pro forma market value relative to the comparable company group.

As discussed earlier in the document, we believe the P/B ratio provides a reasonable estimate of pro forma market value when compared to the P/B ratio of the comparable companies after

considering the discounts discussed above. As shown in the following table, we believe that Feldman's conclusions are reasonable and are consistent with our findings. Feldman's Comparative Group, as well as the Boenning Comparable Group are both encapsulated by the discount range of 35.0% to 50.0%.

Table 6
Price / Book Ratio Comparison

		Price/Book (%)	Discount on Price / Book 35.0%	40.0%	45.0%	50.0%
Feldman						
PPIX	Max	56.4				
	Midpoint	52.8				
	Min	48.6				
PCA	Max	54.4				
	Midpoint	50.8				
	Min	46.6				
PIPE	Max	53.4				
	Midpoint	49.8				
	Min	45.6				
Feldman's Comparable Group						
Mean		97.8	63.5	58.7	53.8	48.9
Median		84.5	54.9	50.7	46.5	42.2
Boenning Comparable Group						
Mean		96.7	62.9	58.0	53.2	48.4
Median		84.5	54.9	50.7	46.5	42.2

Boenning reviewed the potential applicability of the P/E, P/A, P/E ratios, but, similar to Feldman, we did not believe the ratios would provide reliable indications of value. This is supported by erratic and absolute levels of profitability, as well as the importance subscription rights conversion investors traditionally place on the P/B metric.

CONCLUSION REGARDING THE FELDMAN APPRAISALS

Based on our analysis and review of Feldman's Appraisals, as well as discussions with Feldman, we believe Feldman's Appraisals considered the appropriate factors, analysis and approaches and that the Appraisal reports are complete. We believe the methodologies utilized and assumptions made were reasonable in light of 40 Pa.C.S. § 3503(d).

Furthermore, the pro forma market values as of May 1, 2018, determined by Feldman in the Appraisals are reasonable. The Midpoint pro forma value of PPIX, PCA and PIPE was estimated at $18.0 million, $13.0 million and $11.0 million, respectively. Applying a range of value of 15% above and below the midpoint, resulted in a minimum value of $15.3 million, $11.1 million and $9.4 million, respectively and a maximum value of $20.7 million, $15.0 million and $12.7 million, respectively.

IV. REVIEW OF PPIX CONVERSION CORP. MERGER

Boenning's Engagement Letter with the Department included the following:

"3. Summarize the Merger transactions to occur after the Proposed Conversions, based on a review of information provided by the Exchanges.
4. Summarize the mechanical aspects of how subscribing Eligible Members become stockholders and then are impacted through the subsequent, but related Merger transactions, indicating how the different components of the sequence of transactions influence the outcome for the subscribers.
5. Review the process by which the Exchanges determined to pursue the Proposed Conversions, Merger transactions, including but not limited to interviewing management, board members and advisors, as deemed necessary.
6. Examine and provide commentary on the measures taken by each Exchange to preserve independence and manage potential conflicts of interest among interested parties and the Exchanges' Directors.
7. Understand the alternatives, if any, to the transactions considered by the Exchanges in determining to proceed with the Transaction.
8. Review and analyze the financial terms and conditions of the Merger transaction. Review analysis and the opinion, if any, prepared by the Exchanges' financial and legal advisors and conduct interviews with such advisors to understand the analysis and opinions."

In accordance with the engagement letter, Boenning analyzes the topics listed above and provides its observations and analysis in the following sections of the Report.

SUMMARY OF MERGER TRANSACTION

"Summarize the Merger transactions to occur after the Proposed Conversions, based on a review of information provided by the Exchanges."

Each of PPIX, PCA and PIPE has operated as an independent medical professional liability-focused insurer since 2004, 2003 and 2005, respectively. The Plans contemplate that on the closing date, upon the Conversion of each Exchange and merger into their respective Conversion Corps., that PCA Conversion Corp and PIPE Conversion Corp will then be merged with and into PPIX Conversion

Corp. defined earlier as New Positive, with the transaction known as the PPIX Conversion Corp. Merger also defined earlier. After the PPIX Conversion Corp. Merger, New Positive will become a wholly-owned subsidiary of Positive Holdco. As soon as practicable after the registration of its Common Stock and after receipt of all required regulatory approvals, Positive Holdco will offer its Common Stock for sale in the Offering as detailed earlier in the Report. In sum, the proposed transactions involved the following:

1. Each Exchange will convert to a stock insurance company and the converted stock insurance companies will merge into a single entity called New Positive.
2. Positive HoldCo will be formed and first issue its Common Stock to Eligible Subscribers, then to Diversus Purchasers and the Standby Purchasers in the Community Offering, creating the new post-conversion public company.

As indicated in the Appraisals and Registration Statement and confirmed in discussion with Management of the Exchanges, the MPL market changed significantly since the Exchanges were formed. Further, because of an ongoing soft market (although moving slowly toward a hard market as conveyed by Management to its Boards), growth is deemed unlikely from organic opportunities only. Without growth, the Exchanges' relatively high expense and infrastructure costs would continue to constrain profits and ultimately, surplus growth. Accordingly, the Attorneys-in-Fact examined the possibility of growing the Exchanges through an acquisition strategy. Such a strategy could be enabled and enhanced with the size and scale offered by the Merger. In addition, Management indicated that combining the three separate but substantially overlapping entities into a single entity would eliminate redundant and unnecessary overhead and operating costs.

Management, the Boards and Attorneys-in-Fact of the Exchanges each reviewed alternatives and determined that ongoing independent operations of the Exchanges was not a viable strategy due to the Exchanges' high cost structure, realities of the MPL market, limited growth opportunities and historically poor financial results.

Table 7 Summary Financial Data			
	PPIX	**PCA**	**PIPE**
Total Assets	58,975	36,281	25,837
Total Liabilities	42,092	22,691	13,800
Total Capital and Surplus	16,882	13,591	12,037
Net Premiums Written	13,051	6,323	3,028
Net Underwriting Gain (Loss)	(1,870)	42	(428)
Net Income	(440)	566	171
Feldman Midpoint of Appraised Value	18,000	13,000	11,000

Note: Financials in thousands as of year ended December 31, 2017 unless noted.

The direct premiums written of PPIX have grown substantially from $8.9 million in 2013 to $15.3 million in 2017—a $6.4 million increase. In contrast, the direct premiums written of PCA and PIPE have been in a long-term decline as evidenced by the $7.1 million decrease from $14.8 million in 2013 to $7.7 million in 2017 for PCA and the $7.1 million decrease from $14.8 million in 2013 to $7.7 million in 2017 for PIPE. The negative premium trend seen in PCA and PIPE is consistent with the wider landscape in the MPL sector which is currently suffering from low rates, excess capacity, and a shrinking market. PCA and PIPE have also been impacted by brokers knowing that Positive HoldCo will be the ultimate entity and therefore, are sending business to PPIX versus the others. If they were truly independent freestanding companies, Management indicates that all three would have similar outlooks from a financial statement standpoint. In addition, when looking at historical financial results, PIPE and PCA were each impacted by unusual or one-time events including PIPE's loss of its CEO and PCA's loss of a very large client.

Net premiums written and net premiums earned have followed a similar pattern as direct premiums written for all three companies, although PPIX's growth in net premiums written and net premiums earned has been inconsistent from 2013 to 2017.

PPIX, PCA and PIPE all saw significant increases in their statutory combined ratio which increased from 93.2% to 112.6%, 93.5% to 107.1% and 100.8% to 115.3% from 2013 to 2017 for PPIX, PCA and PIPE, respectively. While the expense ratio increased for all three companies, the main contributor to the increase in the combined ratio was an increase in losses. During the same time period, the net investment income of PPIX has generally grown in line with its underwriting business, while PCA's has declined slightly and PIPE's has declined by nearly half. The underwriting losses of PPIX,

PCA and PIPE combined with the poor net investment income performance of PCA and PIPE casts doubt on the ability of the Exchanges to generate consistent profits.

The Exchanges' net income has suffered from large swings and has been largely inconsistent and negative, with a large decline for each Exchange between 2016 and 2017. PPIX's and PIPE's ROA of (0.03%) and 0.14%, respectively and ROE of (0.1%) and 0.3%, respectively were below that of the Boenning Comparable Group median ROA and ROE of 0.28% and 0.6%, respectively. PCA outperforms the Boenning Comparable Group median with a ROA and ROE of 1.03% and 3.2%, respectively. Further, the earnings dynamics of the Exchanges and underperformance of PPIX and PIPE make it difficult to make any reasonable assessment of how earnings might develop in future periods.

The Merger will be completed in the following steps:

1. Each of the Exchanges will form Conversion Corps to effect the Conversion from reciprocal to stock form;
2. The PCA and PIPE Conversion Corps. will merge with and into PPIX Conversion Corp. and be renamed Positive Physicians Insurance Company or New Positive;
3. Positive HoldCo will own 100% of New Positive;
4. Positive HoldCo will offer its Common Stock in the Offering to Eligible Subscribers of the converted Exchanges first and then to the Diversus Purchasers and the Standby Purchasers in the Community Offering;
5. Once the Offering is complete, Positive Holdco will be the single public holding company and will own directly or indirectly each of the converted Exchanges merged as one single subsidiary called New Positive.

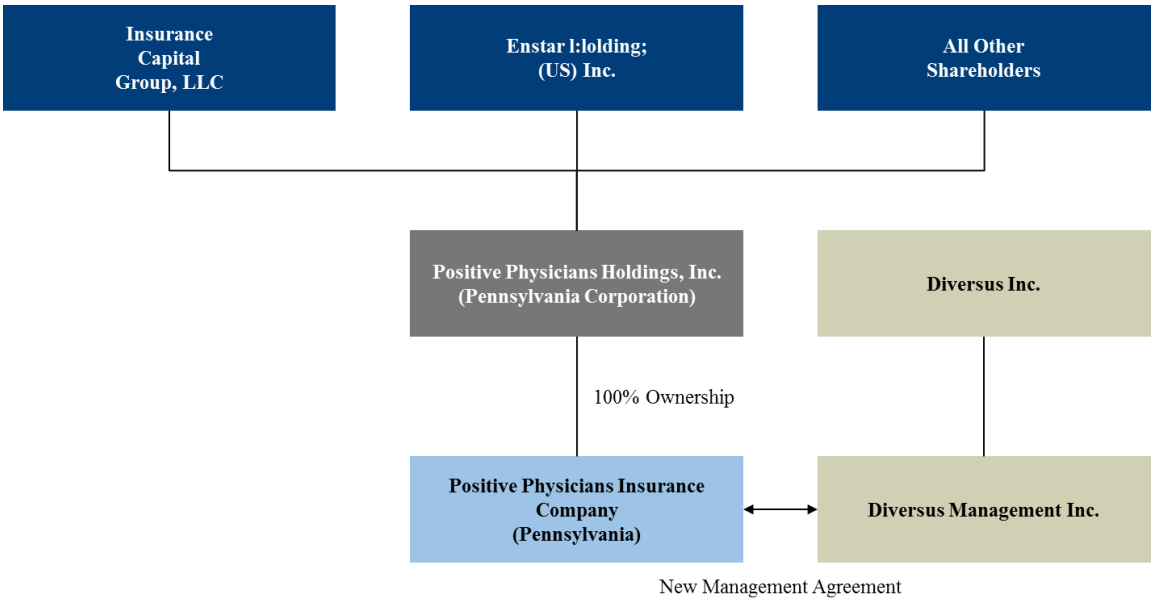

Table 8 Summary of Relative Appraised Values				
	PPIX	**PCA**	**PIPE**	**Total**
Feldman Midpoint of Appraised Value ($000s)	18,000	13,000	11,000	42,000
Percent of Total Value (%)	42.9	31.0	26.2	100.0

The summary pro forma financials, per Management's analysis, are as follows:

Table 9 Pro Forma Income Statement				
	Combined	**Interest Income[1]**	**Pro Forma[1]**	**Post Merger 2019E[2]**
Pre-Tax Income	505	557	1,062	3,328
Taxes	50	117	167	758
Net Income	**454**	**440**	**894**	**2,569**
EPS ($)	**0.11**	**0.50**	**0.21**	**0.61**

Note: Financials in thousands unless noted.

1 Represents the annual interest income from the Offering's net proceeds less the $10mm payment to Diversus; assumes interest income earned at the 3 year US Treasury yield of 1.98% as of December 31, 2017 with a tax rate of 21%

2 Figures based on the budget for PPIC less $668,000 in holding company expenses and plus the annual interest income from the Offering's net proceeds less the $10mm payment to Diversus; assumes interest income earned at the 3 year US Treasury yield of 1.98%

MECHANISM AND IMPACT OF MERGER

Summarize the mechanical aspects of how subscribing Eligible Subscribers become stockholders and then are impacted through the subsequent, but related Merger transactions, indicating how the different components of the sequence of transactions influence the outcome for the subscribers.

As noted in the previous section, the mechanical aspects of the Offering and Merger involves the following:

The Merger of the 3 Exchanges will be completed in the following steps:

1. Each of the Exchanges will form Conversion Corps. to effect the Conversion from reciprocal to stock form;
2. The PCA and PIPE Conversion Corps. will merge with and into PPIX Conversion Corp. and be renamed Positive Physicians Insurance Company or New Positive;
3. Positive HoldCo will own 100% of New Positive;
4. Positive HoldCo will offer its Common Stock in the Offering to Eligible Subscribers of the converted Exchanges first and then to the Diversus Purchasers and Standby Purchasers in the Community Offering;
5. Once the Offering is complete, Positive Holdco will be the single public holding company and will own directly or indirectly each of the converted Exchanges merged as one single subsidiary called New Positive.

As a result, an Eligible Subscriber who chooses to utilize their Subscription Right to purchase Common Stock in the Offering, becomes a stockholder, not in their respective converted Exchange, but in Positive HoldCo. For example, an Eligible Subscriber who subscribes in the Offering as a Policyholder in PIPE will own a share of Positive HoldCo, not PIPE.

Nothing that we are aware of in the statutes of the Act HB159, Title 40, Chapter 35, Sec 3501 - 3517 addresses the procedure for aggregating the multiple appraisals of converting exchanges (or simultaneous mergers among post-converted companies for that matter) as the basis for purchasing common stock in a newly formed holding company. However, the Act under 3503(a)(3)(ii)(A) does

allow for an Eligible Subscriber to receive a subscription in a holding company (Positive HoldCo) that will act as the holding company for the stock of the converted Exchange. Absent any further guidance from the Act, Boenning is unable to make conclusions as to the Application's compliance with the Act on this specific matter. The following therefore serves only as commentary/observations for the Department's review:

a. Eligible Subscribers in the Offering have the only (highest) priority and if all Eligible Subscribers exercised their Subscription Rights, they could buy the entire Offering.
b. The relative values of the Exchanges do not limit any Eligible Subscriber purchases (i.e. Eligible Subscribers are not restricted based on their status as Eligible Subscribers of any of the three Exchanges but instead are limited only by the maximum purchase limitation described earlier in this report).
c. Because the Offering is being conducted for shares in Positive Holdco as allowed in the Act under 3503(a)(3)(ii)(A), there is no change in an Eligible Subscriber's subscribed amount relative to their ownership in Positive HoldCo (i.e. should an Eligible Subscriber subscribe for 250 shares in the Offering as an Eligible Subscriber in any one of the Exchanges, that Eligible Subscriber will own that same number of shares in Positive HoldCo).
d. There are three Transaction Adjustments that are part of the Conversion transactions as a whole ("**Transaction Adjustments**[3]"). These are estimated by Management as part of the preparation of their pro forma analysis to include:
    a. Approximately $38mm in net proceeds from the Offering at the midpoint
    b. Payment of $10mm to Diversus
    c. Potential $5mm purchase of reinsurance
e. The Transaction Adjustments ultimately affect the Eligible Subscribers' purchase of Common Stock relative to their expectation stemming from the alternative of purchasing common stock based on the Appraisal of their respective Exchange alone and without the effect of these Transaction Adjustments. Eligible Subscribers who review their respective Appraisal will note that the pro forma price-to-book indicated does not reflect the pro forma price-to-book of the Common Stock of Positive HoldCo being purchased in the Offering. The resultant effect of the

[3] The potential $5mm purchase of ADC reinsurance is excluded from the calculation of the post-merger book value of Positive HoldCo in Boenning's analysis. The expense serves to protect against future claims and strengthen the balance sheet of Positive HoldCo, making the investment less risky. In addition, it is not certain that this purchase will be made or what the actual cost might be. Therefore, it would be speculative to consider it with planned transaction-related adjustments in the calculation of the post-merger book value.

Transaction Adjustments creates a pro forma price-to-book that is 8% to 14% higher compared to the individual P/B multiples of the Exchanges.

f. Illustratively, if all of PCA Eligible Subscribers purchase PCA's Appraised Value and both PIPE's and PPIX's Eligible Subscribers do not participate in the Offering, the Diversus Purchasers and Standby Purchasers would purchase all remaining Common Stock available up to the Minimum of the Offering. This would have the effect of diluting the PCA Eligible Subscribers to less than 100% in the Offering vs 100% under the same assumptions if PCA attempted a standalone offering. Boenning notes that the likelihood of this is very remote as historical participation among Eligible Subscribers tends to be low. Although their percentage ownership would hypothetically be diluted, this would not have the effect of diluting the book value of the PCA Eligible Subscribers.

Table 10
Summary of Pro Forma and Post Merger Valuation

	PPIX	PCA	PIPE	Total
Feldman Midpoint of Appraised Value ($000s)	18,000	13,000	11,000	42,000[1]
Pro Forma P/B (%)	52.8	50.8	49.8	51.4
Subscription Price ($)	10.00	10.00	10.00	10.00
Post Merger Book Value ($000s)	—	—	—	73,880[2]
Post Merger P/B (%)	—	—	—	56.8
Discount to Median of Feldman Comparable Group (%)	—	—	—	*(32.7)*

1 Represents the sum of the book values of the Exchanges before Transaction Adjustments are deducted
2 Represents the sum of the book values of the Exchanges after Transaction Adjustments are deducted

MERGER REVIEW AND DECISION PROCESS

Review the process by which the Exchanges determined to pursue the Proposed Conversions, Merger transactions, including but not limited to interviewing Management, Board members and advisors, as deemed necessary.

As noted earlier, Boenning interviewed members of Exchanges' management team as well as their advisors. Management indicated that the Exchanges did not receive any analysis or opinions from financial or legal advisors regarding the terms of the Merger. As noted earlier, Management and the Boards of the Attorneys-in-Fact and Exchanges determined that the current operating situation as small independent exchanges is ultimately unsustainable and, as such, that a transformative transaction was necessary to create a more sustainable company capable of competing in the current and evolving

environment. The Merger was assumed to be the only viable strategy to meet its goals and, as such, was not compared to any other strategy. Management indicated that it felt there was no likelihood of the Exchanges remaining independent and that the chosen transactions "would always be the strategy."

Management noted the following benefits of the transactions:

a. The Merger of the Exchanges via their Conversion Corps eliminates duplicate expenses relating to their independence.
b. Back office, compliance, reporting, reinsurance etc. should all see reduced expenses from the combination.
c. The Attorneys-in-Fact management fee will be reduced from 25% under the current agreement to 12% or less, resulting in significant expense reduction.
d. Positive HoldCo's public structure would be viewed as a source of strength. Post-transaction, Positive HoldCo is planning to retain, at the midpoint of the Offering range, approximately $26 million in capital which should provide benefits to the insurance company going forward.
e. A combined Exchange is better than the individual Exchanges in terms of positioning to make acquisitions and possibly improve size, scale and geographic diversification.
f. More substantial size and scale, and arguably business prospects, such that it would support the potential for a more successful offering.

Regarding item "e." above, Management elaborated on its M&A strategy. Commentary included:

a. Ongoing discussions with a number of the targets.
b. Maintenance of a target list.
c. Expectations that the small medical malpractice insurance market will continue to seek consolidation in order to survive in the current negative environment and
d. The competition that New Positive will face includes larger competitors and regional competitors.
    a. Management believes larger competitors view the small medical malpractice providers as less important and do not ascribe market rate values to these small transactions.

b. New Positive believes that it will be very well-positioned relative to regional competitors for acquisitions because of its strong pro forma capital position and management and board expertise in the area of mergers & acquisitions.

PRESERVATION OF INDEPENDENCE AND CONFLICT MANAGEMENT

Examine and provide commentary on the measures taken by each Exchange to preserve independence and manage potential conflicts of interest among interested parties and the Exchanges' Directors.

There are multiple parties to the Conversion and Merger contemplated including the Attorneys-in-Fact owned by Diversus, the Exchanges, Policyholders, Diversus, Directors and others. For purposes of this section, Boenning asked Management of potential conflicts of interest affecting the Exchanges and their Policyholders.

In accordance with its Engagement Letter, Boenning reviewed advice provided to, and the measures taken by, the Exchanges and its Attorneys-in-Fact to preserve independence and manage potential conflicts of interest. Boenning's review focused on:

(i) potential differences in the fiduciary duties/incentives of the Directors, Officers, employees and Attorneys-in-Fact as opposed to the Policyholders/stockholders;
(ii) potential conflicts between the Exchanges themselves; and,
(iii) potential conflicts for Directors who will become stockholders and Directors of the ongoing entity, PPH.

To provide a basis for review and to summarize the various constituents and related parties, Boenning asked for and was provided the two tables below that include the individuals related to the Exchanges, Attorneys-if-Fact, Diversus and Diversus stockholders:

Table 11
Summary of Directors and Officers

Position	Specialty Insurance Services LLC & Positive Physicians Insurance Exchange	Professional Third Party LLC & Professional Casualty Association	Physicians Insurance Program Mgmt Co Physicians Insurance Program Exchange	Diversus Inc	Diversus Management Inc
Chairman of the Board	Lewis Sharps***	Lewis Sharps***	Lewis Sharps***	Greg Campbell**	
Manager/Director	Mark Keyser	Mark Keyser	Mark Keyser	Lewis Sharps***	Lewis Sharps***
Manager/Director	Scott Penwell***	Thomas Siegel*	Thomas Siegel*	Scott Penwell***	Daniel Payne
Manager/Director	Alan Caniglia	Ian Meirdiercks	Ian Meirdiercks	James Zech***	
Manager/Director	William Daggett	Andrew Speaker	Andrew Speaker	Paul Brockman***	
Manager/Director	William Hitselberger	William Hitselberger	William Hitselberger		
Manager/Director	Francis Lavelle	Allen Weil	Allen Weil		
Manager/Director	Allen Weil				
Manager/Director	Stephen Johnson***				
President	Lewis Sharps***	Lewis Sharps***	Lewis Sharps***	Lewis Sharps***	Lewis Sharps***
Treasurer	Daniel Payne	Daniel Payne	Daniel Payne	Daniel Payne	Daniel Payne
Secretary	Daniel Payne	Daniel Payne	Daniel Payne	Scott Penwell***	Daniel Payne
CEO	Lewis Sharps***	Lewis Sharps***	Lewis Sharps***		Lewis Sharps***
CFO	Daniel Payne	Daniel Payne	Daniel Payne		Daniel Payne
COO	Leslie Latta	Leslie Latta	Leslie Latta		Leslie Latta
VP of Finance				Daniel Payne	

* This Director is also a Policyholder and thus, an Eligible Subscriber and can participate in the Offering in this capacity

** This Director is also a shareholder of Diversus and thus, a Diversus Purchaser and can participate in the Offering in this capacity

*** Indicates Director proposed to become a Director of Positive HoldCo

Diversus, Inc.
List of Eligible Diversus Stockholders January 3, 2019

Shareholder	Series A Common Stock	Series B Common Stock	Series A Preferred Stock	Total Shares Outstanding	Percentage Ownership (%)	Total Investment Allowed ($000s)
2012 Sara M. Carpenter Irrevocable Trust	-	500,000	15,000	515,000	10.47	15,000
The Diane P. Campbell 2013 Irrevocable Trust	-	530,000	-	530,000	10.78	57,750
Mikala Irrevocable Trust	-	10,000	-	10,000	0.20	-
June 22, 2006	-	10,000	-	10,000	0.20	-
Joycian Limited	-	500,000	-	500,000	10.17	-
CDV Capital LLC	-	150,000	-	150,000	3.05	173,250
CDV Insure, LP	-	-	42,500	42,500	0.86	42,500
Steven Vujacic	20,000	-	40,000	60,000	1.22	106,000
Klaus Gebhardt	-	-	-	-	-	-
Northrock Real Estate Investments Inc	10,000	-	25,000	35,000	0.71	58,000
JMSB Investments, LLC	25,000	-	25,000	50,000	1.02	107,500
Steven Lubell	-	-	249,999	249,999	5.08	249,999
Mark Rosen	-	-	249,999	249,999	5.08	249,999
David Rocke	95,000	-	25,000	120,000	2.44	250,000
Michael Jones	15,000		25,000	40,000	0.81	74,500
Enstar Holdings (US) Inc	1,000,000		500,000	1,500,000	30.50	-
Barton Post			100,000	100,000	2.03	100,000
Jasmine Sommer			10,000	10,000	0.20	10,000
James A Davidson Roth IRA	10,000			10,000	0.20	33,000
36,169			10,000	10,000	0.20	10,000
U/D 12/12/2012	2,000		2,000	4,000	0.08	8,600
U/D 12/12/2012	2,000		2,000	4,000	0.08	8,600
U/D 12/12/2012	2,000		2,000	4,000	0.08	8,600
James and Jacqui O'Shaughnessy	5,000		5,000	10,000	0.20	21,500
Jeffrey Ingelman	2,000		4,000	6,000	0.12	10,600
Siegel Trust dated 2/3/1989.			25,000	25,000	0.51	25,000
Anesthesia PC PSP f/b/o Ricardo Borrego			25,000	25,000	0.51	25,000
Alex Kullman	25,000		35,000	60,000	1.22	117,500
Ling Zeng	-		12,500	12,500	0.25	12,500
Lixin Zeng	2,500		12,500	15,000	0.31	20,750
Northaven Partners II, L.P.	15,000			15,000	0.31	49,500
James MacGregor Zech 2005 Trust	50,000			50,000	1.02	165,000
Jane Monroe Zech 2005 Trust	50,000			50,000	1.02	165,000
Emily Scott Zech 2005 Trust	50,000			50,000	1.02	165,000
Mary Westerlund Zech 2005 Trust	50,000			50,000	1.02	165,000
Tuscarora Wayne Insurance Company	100,000			100,000	2.03	250,000
Alan Mooney	150,000			150,000	3.05	49,500
David Koleos	16,666			16,666	0.34	5,500
Greg Campbell	20,000			20,000	0.41	6,600
Kurt Gingrich	57,638			57,638	1.17	19,021
Totals	**1,774,804**	**1,700,000**	**1,442,498**	**4,917,302**	**100.00**	**2,836,268**

The Plans allow for the Eligible Subscribers to participate in the Offering in Priority ahead of all others and up to the Maximum of the Offering should they choose to do so (subject to individual maximum purchase limitations). As part of the Community Offering, any amount of unsold Common Stock can be purchased by the Diversus Purchasers (up to a collective 5% of the Offering) and the Standby Purchasers (with no purchase limit). Based on the Stock Purchase Agreement with the Standby Purchasers, they will purchase all remaining Common Stock unsold up to the Minimum of the Valuation Range. In a practical sense, these mechanics do not allow for any other Participants in the Offering, be it employees, Officers, Directors, the Attorneys-in-Fact or any other individual included in the above two tables.

Potential conflicts are alleviated in this regard as no one Exchange, its Attorney-in-Fact, Diversus, employees, Officers or Directors are being advantaged over the other. Further, no employee, Officer, or Director in their capacity in those roles are even being given the opportunity to participate in the Offering. The exceptions to this are 1) Thomas Siegal, a Director of PCA and PIPE is also a Policyholder and thus an Eligible Subscriber, and 2) Greg Campbell, a director of Diversus, is also a Diversus Purchaser. In these capacities, Mr. Siegal and Mr. Campbell can participate in the Offering, but are subject to all the same restrictions and limitations of the Plans as other Eligible Subscribers and Diversus Purchasers.

Further, there does not seem to be any concerning overlap among any of the Directors and Officers of the Exchanges or their Attorneys-in-Fact and the Diversus Purchasers. A majority of the Directors of the Exchanges and their Attorneys-in-Fact are independent within the meaning of the Pennsylvania Insurance Holding Companies Act. This means, among other things, that a majority of the Directors of the Exchanges and their Attorneys-in-Fact do not hold Officer, Director or employee positions with Diversus.

The Attorneys-in-Fact retained the law firm of Stevens & Lee to provide guidance and an overview of fiduciary duty. Boenning reviewed the presentation and, although not a law firm, recognizes the presentation as similar in nature to other law firm-provided presentations to boards of Directors on such a topic.

The presentation indicates fiduciary duty of the Board or Board of the Attorneys-in-Fact, as the case may be. These duties are described in the presentation and segregated /explained relative to defined “constituencies” (the presentation identifies duties to the Exchanges, members, Policyholders and others). The presentation describes three core requirements for Directors including:

- Good Faith and Fair Dealing
- Duty of Care
- Duty of Loyalty

The presentation does not specifically address methods to manage conflicts of interest.

In addition to reviewing the Stevens & Lee presentation relating to this issue, Boenning also reviewed the S-1, AIF/Boards of Directors' minutes, and interviewed the senior management team of the Exchanges/Attorneys-in-Fact for history, background and additional information relating to this issue.

Observations from such review included:

a. Because they are treating each Exchange and Policyholders/Eligible Subscribers in the Conversion the same in terms of their Plans and priority within the Offering, there does not appear to be any conflicts between the Policyholders/Eligible Subscribers of the Exchanges.

b. Eligible Subscribers have the only priority to participate in the Offering, as described in Section III, so no other interested party in the Conversion or Offering is in a position of conflict to the interests or rights of Policyholders/Eligible Subscribers

c. Management, officers and employees, who are all Diversus employees, have no right to participate in the Subscription Offering, and due to the Standby Purchasers agreement, have no practical ability to participate in the Community Offering. This helps mitigate the potential whereby this group could attempt to suppress the interest among Eligible Subscribers in favor of their own. However, since Management, Officers and Employees cannot participate in the Offering, they are not incentivized in this way to act in a way counter to the best interests of the Policyholders.

d. Directors of the Exchanges, the Attorneys-in-Fact and Diversus have no right to participate in the Subscription Offering and due to the Standby Purchasers Agreement, have no practical ability to participate in the Community Offering at all unless they are also an Eligible Subscribers (one Director noted above) or are a stockholder of Diversus (one Diversus director noted above). This helps mitigate the potential whereby Directors of any of the Exchanges or Attorneys-in-Fact could attempt to suppress the interest among Eligible Subscribers in favor of their own. However, since Directors cannot participate in the Offering, they are not incentivized in this way to act in a way counter to the best interests of Policyholders.

a. Directors' investment/purchases are limited therefore they do not have the ability to squeeze out Policyholders from the Offering to benefit Directors, even if they would desire to take such an action.
b. Lack of ability to participate in the Offering could potentially serve as a negative in that Directors who are invested as stockholders could be expected to have a financial incentive to serve stockholder interests, stockholders in this case, who are Policyholders who choose to subscribe in the Offering. Please note that there is one Director who is also a Policyholder and can therefore, participate in the Offering in that capacity, subject to the purchase limitations noted elsewhere in this Report.

e. The 35 Diversus Purchasers are limited as a group to 5% of the Offering and can only participate as part of the Community Offering after the purchases from Eligible Subscribers. Diversus Purchasers participating in the Offering only after Eligible Subscribers, avoids the potential conflict that the interests of the Diversus shareholders are met ahead of the Policyholders. However, participation from the Diversus Purchasers is a potentially positive way to align the motivations and interests with Policyholders through the Conversion and Merger and in support of the stated strategy by Management.

f. To help manage the separate interests and duties of the Exchanges, Management, during the integration of the Exchanges, made a specific effort to establish "Ethical Firewalls" as stated in their December 7, 2017 Board minutes, to maintain the individual corporate underwriting and quoting of each Exchange.

g. Flexibility is afforded by the Pennsylvania Business Corporation Law to consider several factors in determining whether certain actions are in the best interests of Positive HoldCo.

Boenning noted the following benefits from the Conversion and Merger which seem to support all constituents discussed in this section in some fashion, indicating alignment of interests and reducing any concern of conflicts of interest:

a. Size/scale
b. Additional capital
c. More attractive pro forma financial results

d. Stock form of ownership and public nature (although likely controlled by two institutional investors)
e. Potential for acceptable AM Best rating

While the above items benefit the Exchanges and the Directors from a corporate positioning and potential value standpoint, these items also benefit Policyholders generally and also those who choose to subscribe for ownership. There do not appear to be any conflicts of interest.

TRANSACTION ALTERNATIVES CONSIDERED

Understand the alternatives, if any, to the transactions considered by the Exchanges in determining to proceed with the Transaction.

As noted in Summary of Merger Transaction and Merger Review and Decision Process, Management and the Board of the Attorneys-in-Fact and the Exchanges did not indicate or consider any alternatives to the Conversion and Merger. Management and the Boards of the Attorneys-in-Fact and the Exchanges determined that the current operating situation as a small independent exchange was ultimately unsustainable and, as such, some form of transformative transaction was necessary to enable them to create a more sustainable company capable of competing in the current and evolving MPL market. Converting all three Exchanges in a simultaneous and combined transaction was assumed to be the only viable strategy relative to the entities post-Conversion, and as such was not expressly analyzed as compared to converting one or more of the Exchanges on a standalone basis. Management indicated that it felt there was no likelihood of the Exchanges remaining independent and that the Conversion and Merger "would always be the strategy."

Please refer to Merger Review and Decision Process for benefits of the transactions including:

1. Improved expense structure
2. Improved positioning in the market
3. Positive HoldCo would be viewed as a source of strength and is planning to retain, at the midpoint of the Offering range, approximately $26 million in capital which should provide benefits to the insurance company going forward
4. A converted combined Exchange is better positioned than the individual converted Exchanges to make acquisitions and possibly improve size, scale and geographic diversification

Boenning understands the Exchanges' respective and collective decision to pursue a Conversion and Merger and believes it to be a reasonable strategy. As noted earlier, Management and the Boards of the Attorneys-in-Fact and Exchanges determined that the current operating situation as small independent exchanges is ultimately unsustainable and, as such, that a transformative transaction was necessary to create a more sustainable company capable of competing in the current and evolving MPL market. Converting all three Exchanges in a simultaneous and combined transaction was assumed to be the only viable strategy relative to the entities post-Conversion, and as such was not expressly analyzed as compared to converting one or more of the Exchanges on a standalone basis. Management indicated that it felt there was no likelihood of the Exchanges remaining independent and that the chosen transactions "would always be the strategy." Boenning concurs, given the historically low percentage of participation among Policyholders who subscribe in conversions, that this strategy might well fail to meet the required minimum Offering size. Further, Boenning notes that a standby investor, frequently used in such cases to minimize or eliminate the risk of meeting the minimum offer size, would likely not participate in such a small-scale standalone conversion (the resulting company, as noted earlier, would not be profitable and would not have scale to compete as a standalone entity). Boenning noted a potential alternative to utilize an entity to "acquire" the Exchange post-Conversion. However, given the Exchanges' desire to grow and continue to provide insurance to Policyholders via a responsive, locally owned company, this solution would not be a consistent method to fulfill management's stated goals.

Boenning notes that Eligible Subscribers are subscribing for Common Stock in an entity that is not the entity in which they are a Policyholder. As noted earlier, there are reasons to believe that a standalone conversion of one or all of the Exchanges would likely fail and therefore the theoretical possibility of such a transaction as an alternative to the proposed Conversion and Merger is not a practical alternative. The Eligible Subscribers are really exchanging their current position (a right to subscribe in an Offering of their Exchange that likely would not succeed in a conversion) for a Subscription Right in Positive HoldCo (that is the result of the Merger of the Exchanges and that is better positioned to complete a conversion successfully).

Supporting the conclusions about a standalone conversion mentioned above, the median market capitalization of the public P&C insurance companies listed in Boenning's "P&C Insurance Review" is $1,325.0 million, while the lowest decile is $52.8 million. The pro forma equity of PPIX,

PCA and PIPE on a standalone basis would be $34.1 million, $25.6 million and $22.0 million, respectively—essentially too small to be a viable public entity, especially with negative profitability.

FINANCIAL TERMS AND CONDITIONS OF THE MERGER

Review and analyze the financial terms and conditions of the Merger transaction. Review analysis and the opinion, if any, prepared by the Exchanges' financial and legal advisors and conduct interviews with such advisors to understand the analysis and opinions.

As noted earlier in this Report, Management prepared pro forma transaction accounting adjustments and illustrated the effects of the Offering and Merger on stockholders of Positive HoldCo. The Exchanges did not receive any analysis or opinion from financial or legal advisors regarding the financial terms and conditions of the Merger transaction.

The table below summarizes various metrics for each Exchange from their Appraisals and on a combined basis, giving rise to the Offering, Merger and Transaction Adjustments.

Table 12
Summary of Pro Forma and Post Merger Valuation Compared to Peers

	PPIX	PCA	PIPE	Combined
Net Income	(22)	436	39	453
Total Equity	17,532	13,854	12,264	43,650
Pro Forma EPS ($)	0.13	0.48	0.18	0.25
Pro Forma Book Value Per Share ($)	18.95	19.69	20.07	19.47
Subscription Price ($)	10.00	10.00	10.00	10.00
Pro Forma P/B (%)	52.8	50.8	49.8	51.4
Post Merger Book Value Per Share ($)	—	—	—	17.59
Post Merger P/B (%)	—	—	—	56.8
Boenning Peer Group				
P/B (%)	84.5	84.5	84.5	84.5
P/E (x)	18.3	18.3	18.3	18.3
Feldman Peer Group				
P/B (%)	84.5	84.5	84.5	84.5
P/E (x)	18.7	18.7	18.7	18.7

Note: Financials in thousands as of year ended December 31, 2017 unless noted.

As noted earlier, the pro forma price to book value after the Merger is complete, is different from the pro forma price to book for each Exchange documented in their respective Appraisals. For

example, PIPE is appraised by Feldman at 49.8% of pro forma book value while a subscriber from PIPE in the Offering purchases Positive HoldCo at a pro forma price to book of 56.8% due to the $1.88 dilution in book value per share from $19.47 to $17.59 or 9.7%.

Boenning does not believe that this difference is material enough to prejudice the interests of Policyholders who participate in the Offering. The differential results in a pro forma price to book that is close to the pro forma price to book (at the maximum) established by Feldman (i.e. 56.4%, 54.4% and 53.4% for PPIX, PCA and PIPE, respectively). Further, the difference should not be unanticipated by an Eligible Subscriber because the pro formas in the S-1 itself indicate that there would be a dilution to the pro forma book value (and therefore an increase in price to book value) from the Transaction Adjustments (as shown on page 40 of the S-1). In addition to the S-1, for all the reasons detailed in the foregoing pages of this Report, Positive HoldCo is significantly better positioned financially and strategically than the Exchanges are individually. A greater price to book value under these circumstances is reasonable. Importantly, the price to book value of 56.8% continues to represent a material discount of 28.9% to the Feldman Comparable Group (and Boenning Comparable Group). Additionally, based on Management's projections for 2019 (illustratively, the first full year of integration), Positive HoldCo as a combined entity will generate approximately $2.6 million or $0.61 per share, representing a P/E ratio of 16.3x, which is a discount to the 18.3x multiple of Feldman's peer group.

Exhibit I

STATEMENT OF GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report is subject to the following general assumptions and limiting conditions.

1. No investigation has been made of, and no responsibility is assumed for, the legal description of the property being valued or legal matters, including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is assumed to be free and clear of any liens, easements or encumbrances unless otherwise stated.

2. Information furnished by others, upon which all or portions of this appraisal is based, is believed to be reliable, but has not been verified except as set forth in this report. No warranty is given as to the accuracy of such information.

3. This report has been made only for the purpose stated and shall not be used for any other purpose. Neither this report nor any portions thereof (including, without limitation, any conclusions as to value, the identity of Boenning & Scattergood, Inc. ("**Boenning**") or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties, except via the Department's website, by any means without the prior written consent and approval of Boenning.

4. Neither Boenning nor any individual signing or associated with this report shall be required by reason of this report to give further consultation, provide testimony, or appear in court or other legal proceeding unless specific arrangements therefore have been made.

5. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions which occur subsequent to the date hereof.

6. The date of value to which the opinion expressed in this report applies is set forth in the letter of transmittal. Our financial opinion is based on the purchasing power of the United States dollar as of that date.

7. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can readily be obtained or renewed for any property use on which the financial estimates contained in this report are based.

Exhibit I

STATEMENT OF GENERAL ASSUMPTIONS AND LIMITING CONDITIONS (continued)

8. Full compliance with all applicable federal, state and local zoning, use, environmental and similar laws and regulations is assumed, unless otherwise stated.

9. Responsible ownership and competent management are assumed.

10. Any opinions of value are predicated on the financial structure prevailing as of the date of this report.

11. We were not engaged nor are we qualified to detect the existence of hazardous material which may or may not be present on or near the properties in question. The presence of potentially hazardous substances such as asbestos, urea formaldehyde foam insulation, industrial wastes, etc., may affect the value of the company. Any value estimate herein is predicated on the assumption that there is no such material on, in, or near the property that would cause a loss in value. No responsibility is assumed for any such condition or for any expertise or engineering knowledge required to discover them. The client should retain an expert in this field if further information is desired.

12. This report may not be included or referred to in any Securities and Exchange Commission filing or other public document unless separate arrangements have been made with Boenning.

13. Boenning's maximum liability relating to services rendered under this report (regardless of form of action, whether in contract, negligence, or otherwise) shall be limited to the charges paid to Boenning for the portion of its services or work products giving rise to liability. In no event shall Boenning be liable for consequential, special, incidental, or punitive losses, damages, or expenses (including, without limitation, lost profits, opportunity costs, etc.) even if it has been advised of their possible existence.

Exhibit II

CERTIFICATION

We certify that, to the best of our knowledge and belief:

- The facts and data reported by the reviewer and used in the review process are true and correct;
- The analyses, opinions, and conclusions in this Appraisal are limited only by the assumptions and limiting conditions stated in this Appraisal, and are our personal, impartial and unbiased professional analyses, opinions and conclusions;
- We have no present or prospective interest in the property that is the subject of this Appraisal, and we have no personal interest or bias with respect to the parties involved;
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results;
- Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report;
- We have made a personal visit to the Exchanges

Anthony A. Latini, Jr.

James W. Adducci

Raffi H. Pounardjian

January 25, 2019

Exhibit III

PROFESSIONAL BACKGROUNDS

Anthony A. Latini, Jr., CFA – Managing Director

Tony leads the firm's insurance practice and has over 25 years of experience with the property/casualty and life segments. His merger & acquisition transaction experience includes approximately $2 billion in transaction value and he has assisted in raising in excess of $1 billion in debt and junior capital. Prior to joining Boenning & Scattergood, Mr. Latini was Managing Director of Curtis Financial Group's financial services industry group. He has also held positions at Berwind Financial L.P., Evans & Company, Inc. and CoreStates Financial Corp. Tony received his Bachelor of Science degree in Economics with a concentration in Finance from the Wharton School of the University of Pennsylvania. He holds the Chartered Financial Analyst designation and the FINRA Series 7, 24, 63, and 79 licenses.

James Adducci – Director

James has 14 years of investment banking experience working with public and private companies executing exclusive sale assignments, buy-side transactions, financings and various other strategic advisory assignments. James has completed more than 60 transactions totaling more than $1 billion in value. James has been involved with multiple deals involving companies in the insurance sector. Prior to joining Boenning in 2004, James worked in the diversified industrials group at Dresdner Kleinwort in New York where he focused on cross-border M&A transactions. James received his BA in economics from Carleton College. He is registered with FINRA and holds the Series 7 and 63 licenses.

Raffi Pounardjian – Associate

Raffi joined Boenning & Scattergood in 2018 as an Associate. Prior to joining Boenning, Raffi was an Associate Director in UBS Investment Bank's Financial Institutions Group with a focus on banks, insurance, specialty finance and Latin America coverage. He previously worked as a Financial Analyst for PNC Financial Services Group and National City Corporation before its acquisition by PNC. Raffi earned a BS and an MS in Finance from Case Western Reserve University and an MBA with a specialization in Banking and Business Law from the Stern School of Business at New York University. He is registered with FINRA and holds the Series 79 and 63 licenses.

Exhibit IV

Information Request List

Positive Physicians Insurance Exchange ("PPIX")

Professional Casualty Association ("PCA")

Physicians' Insurance Program Exchange ("PIPE")

The following list is intended to indicate the information Boenning & Scattergood requires to complete its analysis. We understand that certain items may only be available for "on-site" review and/or are better answered in the management interview process. For each item, please consider the relevance of the information for PPIX, PCA, PIPE and/or their AIFs Specialty Insurance Services, LLC ("SIS"), Profession Third Party, L.P. ("PTP") and Physicians Insurance Program Management Company ("PIPMC"), respectfully v. any affiliated companies and provide for the relevant entity. For items that management believes are best or fully answered in materials previously provided to the Department, please indicate exact reference in the Plan or other filings (section, page numbers etc.)

	Diligence Item	Status			Comments
		PPIX	PCA	PIPE	
I.	Financial				
	A. Annual audited financial statements (GAAP and Stat, as available) for the past five fiscal years; most recent internal year to date results (with comparative year to date period from prior year); if available, schedule of Stat to GAAP adjustments.				
	B. Any long-term financial projections or strategic plans.				
	C. Data/research utilized to substantiate projections.				
	D. Copies of recent Board package.				
	E. Accountant's Management Letter.				

	Diligence Item	Status			Comments
		PPIX	PCA	PIPE	
	F. Risk based capital calculations.				
	G. Copies of any loan documents and description of financial ratio covenants, repayment schedules.				
	H. Loss and LAE reserve internal calculations - please note under/over reserve assessment. Most recent external actuarial report				
	I. Investment portfolio report, most current.				
II.	Business Description				
	A. Principal Markets (by geography and insurance lines) and Competition.				
	B. Policyholders by type of product, premium and geography.				
	C. Distributor or Policyholder concentration, if any.				
	D. Competition - include names, market shares, and principal means of competing.				
	E. Summary of reinsurance program.				
	F. Listing of agents/brokers with production volume (last 3 years).				
	G. Listing of all subsidiaries and affiliates (corporate organization chart).				
	H. Listing of states licensed.				
	I. Significant processes, policies and contracts				
	J. Marketing plan and growth strategy.				
	K. New business data (5 most recent years if available):				
	L. New policies by year.				

	Diligence Item	Status			Comments
		PPIX	PCA	PIPE	
	M. Statistics on renewal of policies.				
	N. Calculation of expense ratios.				
	O. Claims statistics for the last three years (open cases, filed claims, closed without payment). Indicate your avg. loss per claim and trend.				
	P. Claims/Loss assessment and reserves.				
	Q. Describe pricing and regulation and any plans for premium rates going forward.				
	R. Discuss capital expenditures plan and note any material deferred items.				
	S. Commissions/Agent and Broker Relationships. – 3 year new business volume history and commission rates/amounts.				
	T. Underwriting and delegation of binding authority.				
	U. Policyholder and Stockholder Dividends.				
	V. Description of Facilities and Operations including:				
	a. Location.				
	b. Describe any plan to close current office locations and any financial impact.				
	c. Capacities and required capital investment.				
	d. Schedule of fair market value of real estate owned (include appraisals or cost-basis), if available.				
	e. Equipment description (include for significant equipment only and give useful life remaining, estimated replacement costs, etc.).				

	Diligence Item	Status			Comments
		PPIX	PCA	PIPE	
III.	Management and Personnel				
	A. Organization chart.				
	B. List of officers including title, age, length of service, former affiliation, and salary (list terms of any employment agreements including incentive compensation).				
	C. Number of employees and employee benefit plans (including post retirement costs and funding status).				
	D. Employees by function				
	E. Change in control or employment agreements				
IV.	Other				
	A. Discussion of federal or state tax returns unsettled and any tax treatments in contention.				
	B. Discussion of significant regulatory issues, in particular, any issues in contention.				
	C. Discussion of significant or unusual leases.				
	D. Schedule of pending litigation.				
	E. Minutes of Board meetings for past two years.				
	F. Most recent regulatory examination (including market conduct study).				
	G. Discussion of known and potential environmental liabilities.				
	H. Most recent actuarial letter/report.				
	I. Copies of any material agreements with vendors.				
	J. Copies of By-Laws.				

	Diligence Item	Status			Comments
		PPIX	PCA	PIPE	
	K. Agreements and other documentation relating to conversion				
V.	Corporate Strategic Actions				
	A. Describe any offers to purchase the company, include any correspondence with potential buyers.				
	B. Descriptions of any acquisitions made by the company in past five years				
	C. Plan of Conversion – method of allocation of subscriber rights and method for verification of all members included				
	D. Plan of Conversion – rationale and strategy; alternatives considered; copies of board presentations				
	E. Census showing number of Eligible Subscribers, Post-Adoption Subscribers and Directors, Officers and Employees.				
	F. Timeline and documents related to Eligible Subscriber, etc. notification process.				
	G. Proforma Financials related to the combined companies post conversion				
	H. Fairness Opinion related to Merger into Holdco post conversion or Diversus transactions				

Exhibit V-1
Positive Physicians Insurance Exchange
Statutory Balance Sheet

(in $000s)	2013	2014	2015	2016	2017
ASSETS					
Investments:					
Bonds	33,836	35,934	38,661	39,368	43,697
Preferred Stocks	-	-	-	-	-
Common Stocks	2,303	2,837	1,703	2,491	2,807
Mortgage Loans	-	-	-	-	-
Real Estate	-	-	-	-	-
Contract Loans	-	-	-	-	-
Derivatives	-	-	-	-	-
Cash & Short Term Investments	4,447	5,457	5,424	5,046	2,110
Other Investments	1,041	1,131	1,877	2,135	4,116
Total Cash & Investments	**41,627**	**45,359**	**47,664**	**49,040**	**52,729**
Other Assets	2,938	3,700	4,884	8,431	6,246
Total Assets	**44,565**	**49,059**	**52,548**	**57,471**	**58,975**
LIABILITIES					
Loss Reserves	21,222	22,352	23,998	23,824	26,541
Loss Adjustment Expense Reserves	5,734	5,694	5,953	5,935	5,723
Total Loss & LAE Reserves	**26,957**	**28,046**	**29,951**	**29,759**	**32,264**
Unearned Premium Reserve	4,269	5,447	6,554	5,828	6,440
Other Liabilities	461	1,236	887	4,396	3,389
Total Liabilities	**31,687**	**34,729**	**37,392**	**39,983**	**42,092**
CAPITAL AND SURPLUS					
Common Capital Stock	-	-	-	-	-
Preferred Capital Stock	-	-	-	-	-
Surplus Notes	537	537	537	537	-
Unassigned Surplus	6,157	7,557	8,351	11,044	11,368
Other Including Gross Contributed	6,184	6,236	6,268	5,907	5,514
Total Capital and Surplus	**12,878**	**14,330**	**15,156**	**17,487**	**16,882**
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	**44,565**	**49,059**	**52,548**	**57,471**	**58,975**

Exhibit V-2
Positive Physicians Insurance Exchange
Statutory Statements of Income

	2013	2014	2015	2016	2017
Underwriting Revenue					
Commercial P&C Direct Premiums	8,884	10,191	12,595	13,799	15,327
Accident & Health Direct Premiums	-	-	-	-	-
Direct Premiums Written	**8,884**	**10,191**	**12,595**	**13,799**	**15,327**
Net Reinsurance Premiums	1,075	532	366	4,327	2,276
Net Premiums Written	**7,809**	**9,658**	**12,228**	**9,471**	**13,051**
Change in U/E Premiums Reserve	(350)	1,178	1,107	726	612
Net Premiums Earned	**8,159**	**8,481**	**11,121**	**8,745**	**12,439**
Losses and LAE Incurred	4,494	3,861	5,814	3,920	7,733
Other Underwriting Expense Incurred	2,976	3,482	4,347	4,568	6,577
Other Underwriting Deductions	-	-	-	-	-
Net Income Protected Cells	-	-	-	-	-
Net Underwriting Gain (Loss)	**689**	**1,138**	**960**	**258**	**(1,870)**
Policyholder Dividends (PHD)	-	-	-	-	-
Net Investment Income	681	723	789	1,093	1,029
Net Realized Capital Gains (Losses)	11	277	(102)	38	(66)
Other Income	-	-	-	-	-
Finance Service Charges	-	-	-	-	-
All Other Income	-	-	-	-	-
Net Income after capital gains (loss) before tax	**1,381**	**2,138**	**1,647**	**1,388**	**(907)**
Federal Income Tax	355	559	464	477	(467)
Net Income	**1,026**	**1,580**	**1,183**	**911**	**(440)**
Loss Ratio	55.1	45.5	52.3	44.8	62.2
Expense Ratio	38.1	36.0	35.6	48.2	50.4
Combined Ratio	93.2	81.6	87.8	93.0	112.6

Exhibit V-3
Professional Casualty Association
Statutory Balance Sheet

(in $000s)	2013	2014	2015	2016	2017
ASSETS					
Investments:					
Bonds	45,085	43,871	41,031	30,924	25,953
Preferred Stocks	-	-	-	-	-
Common Stocks	-	-	2,204	2,394	3,083
Mortgage Loans	-	-	-	-	-
Real Estate	-	-	-	-	-
Contract Loans	-	-	-	-	-
Derivatives	-	-	-	-	-
Cash & Short Term Investments	8,496	5,455	3,534	5,798	4,243
Other Investments	-	-	-	6	7
Total Cash & Investments	**53,581**	**49,326**	**46,769**	**39,122**	**33,286**
Other Assets	2,159	2,298	2,622	2,883	2,995
Total Assets	**55,741**	**51,624**	**49,391**	**42,005**	**36,281**
LIABILITIES					
Loss Reserves	18,211	16,552	16,540	14,113	11,990
Loss Adjustment Expense Reserves	11,189	9,974	9,135	7,164	5,127
Total Loss & LAE Reserves	**29,401**	**26,526**	**25,675**	**21,277**	**17,117**
Unearned Premium Reserve	9,947	10,694	8,118	5,214	4,137
Other Liabilities	3,221	2,133	2,550	1,895	1,436
Total Liabilities	**42,568**	**39,353**	**36,343**	**28,386**	**22,691**
CAPITAL AND SURPLUS					
Common Capital Stock	-	-	-	-	-
Preferred Capital Stock	-	-	-	-	-
Surplus Notes	2,656	1,578	500	500	-
Unassigned Surplus	8,167	8,344	10,198	10,770	11,242
Other Including Gross Contributed	2,349	2,349	2,349	2,349	2,349
Total Capital and Surplus	**13,172**	**12,271**	**13,047**	**13,619**	**13,591**
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	**55,741**	**51,624**	**49,391**	**42,005**	**36,281**

Exhibit V-4
Professional Casualty Association
Statutory Statements of Income

	2013	2014	2015	2016	2017
Underwriting Revenue					
Commercial P&C Direct Premiums	14,788	15,324	15,122	11,941	7,684
Accident & Health Direct Premiums	-	-	-	-	-
Direct Premiums Written	**14,788**	**15,324**	**15,122**	**11,941**	**7,684**
Net Reinsurance Premiums	2,514	2,611	2,637	2,099	1,361
Net Premiums Written	**12,274**	**12,713**	**12,485**	**9,842**	**6,323**
Change in U/E Premiums Reserve	48	747	(1,231)	(2,904)	(1,077)
Net Premiums Earned	**12,226**	**11,966**	**13,717**	**12,746**	**7,400**
Losses and LAE Incurred	6,362	7,831	7,974	6,550	4,012
Other Underwriting Expense Incurred	5,087	4,463	4,537	4,628	3,346
Other Underwriting Deductions	-	-	-	-	-
Net Income Protected Cells	-	-	-	-	-
Net Underwriting Gain (Loss)	**776**	**(328)**	**1,205**	**1,568**	**42**
Policyholder Dividends (PHD)	-	-	-	-	-
Net Investment Income	614	554	619	638	540
Net Realized Capital Gains (Losses)	67	32	42	(10)	13
Other Income	-	-	-	-	-
Finance Service Charges	-	-	-	-	-
All Other Income	-	-	-	-	-
Net Income after capital gains (loss) before tax	**1,458**	**258**	**1,866**	**2,196**	**595**
Federal Income Tax	413	(31)	392	523	28
Net Income	**1,044**	**289**	**1,474**	**1,673**	**566**
Loss Ratio	52.0	65.4	58.1	51.4	54.2
Expense Ratio	41.4	35.1	36.3	47.0	52.9
Combined Ratio	93.5	100.5	94.5	98.4	107.1

Exhibit V-5
Physicians' Insurance Program Exchange
Statutory Balance Sheet

(in $000s)	2013	2014	2015	2016	2017
ASSETS					
Investments:					
Bonds	25,123	21,154	21,117	16,448	21,213
Preferred Stocks	-	-	-	-	-
Common Stocks	1,059	2,347	3,945	1,994	1,695
Mortgage Loans	-	-	-	-	-
Real Estate	-	-	-	-	-
Contract Loans	-	-	-	-	-
Derivatives	-	-	-	-	-
Cash & Short Term Investments	1,695	4,624	1,298	7,479	1,836
Other Investments	7	0	0	2	135
Total Cash & Investments	**27,885**	**28,125**	**26,360**	**25,923**	**24,878**
Other Assets	1,945	3,162	3,190	1,101	959
Total Assets	**29,829**	**31,287**	**29,551**	**27,024**	**25,837**
LIABILITIES					
Loss Reserves	9,801	11,351	10,305	8,434	8,779
Loss Adjustment Expense Reserves	3,859	4,447	4,583	3,818	2,826
Total Loss & LAE Reserves	**13,661**	**15,797**	**14,888**	**12,252**	**11,605**
Unearned Premium Reserve	1,928	2,121	1,681	1,271	1,185
Other Liabilities	2,330	1,652	1,843	1,472	1,010
Total Liabilities	**17,918**	**19,570**	**18,412**	**14,995**	**13,800**
CAPITAL AND SURPLUS					
Common Capital Stock	-	-	-	-	-
Preferred Capital Stock	-	-	-	-	-
Surplus Notes	-	-	-	-	-
Unassigned Surplus	3,874	3,674	3,088	3,978	3,986
Other Including Gross Contributed	8,037	8,043	8,051	8,051	8,051
Total Capital and Surplus	**11,911**	**11,717**	**11,139**	**12,029**	**12,037**
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	**29,829**	**31,287**	**29,551**	**27,024**	**25,837**

Exhibit V-6
Physicians' Insurance Program Exchange
Statutory Statements of Income

	2013	2014	2015	2016	2017
Underwriting Revenue					
Commercial P&C Direct Premiums	5,764	5,022	4,736	4,172	3,647
Accident & Health Direct Premiums	-	-	-	-	-
Direct Premiums Written	**5,764**	**5,022**	**4,736**	**4,172**	**3,647**
Net Reinsurance Premiums	1,592	-	-	709	620
Net Premiums Written	**4,172**	**5,022**	**4,736**	**3,463**	**3,028**
Change in U/E Premiums Reserve	(108)	193	(227)	(410)	(86)
Net Premiums Earned	**4,280**	**4,829**	**4,963**	**3,873**	**3,114**
Losses and LAE Incurred	2,322	4,227	3,495	210	1,823
Other Underwriting Expense Incurred	1,942	1,940	1,600	1,695	1,719
Other Underwriting Deductions	-	-	-	-	-
Net Income Protected Cells	-	-	-	-	-
Net Underwriting Gain (Loss)	**16**	**(1,339)**	**(132)**	**1,968**	**(428)**
Policyholder Dividends (PHD)	-	-	-	-	-
Net Investment Income	988	734	542	(253)	518
Net Realized Capital Gains (Losses)	166	26	(84)	(253)	51
Other Income	-	-	-	-	-
Finance Service Charges	-	-	-	-	-
All Other Income	-	-	-	-	-
Net Income after capital gains (loss) before tax	**1,170**	**(579)**	**327**	**1,462**	**141**
Federal Income Tax	403	(588)	(167)	931	(30)
Net Income	**767**	**8**	**493**	**531**	**171**
Loss Ratio	54.3	87.5	70.4	5.4	58.5
Expense Ratio	46.5	38.6	33.8	48.9	56.8
Combined Ratio	100.8	126.2	104.2	54.4	115.3

Exhibit VI-1

Positive Physicians Insurance Exchange and Subsidiaries

Consolidated Balance Sheet — GAAP Basis	**Year Ended**	
(in thousands of dollars)	**2017**	**2016**
Assets		
Total investments, cash, and cash equivalents	52,819	48,827
Premiums and other receivables	5,712	4,142
Reinsurance receivable	6,117	8,670
Deferred acquisition costs	2,504	1,714
Deferred income taxes	(42)	560
Other assets	50	150
Total Assets	**67,161**	**64,063**
Liabilities		
Losses and loss adjustment expenses	38,029	34,814
Unearned and advance premiums	8,689	7,961
Note payable	187	782
Other liabilities	2,724	3,626
Total Liabilities	**49,629**	**47,183**
Equity		
Surplus	17,532	16,880
Total Equity	**17,532**	**16,880**
Total Liabilities and Equity	**67,161**	**64,063**

Exhibit VI-4
Professional Casualty Association and Subsidiaries
Consolidated Statements of Operations — GAAP Basis
(in thousands of dollars)

	Year Ended 2017	Year Ended 2016
Revenues		
Direct premiums written	7,684	11,941
Net premiums written	6,323	9,842
Net premiums earned	7,480	13,310
Net investment income	584	623
Total Revenues	**8,064**	**13,933**
Expenses		
Losses and loss adjustment expenses	4,012	6,550
Other underwriting expenses	3,375	5,457
Interest expense	31	0
Total Expenses	**7,419**	**12,007**
Income (loss) before income taxes	**645**	**1,926**
Income tax expense (benefit)	209	671
Net income (loss)	**436**	**1,255**
Other comprehensive (loss) income	259	162
Comprehensive (loss) income	**695**	**1,418**
Performance Ratios:		
Losses and loss adjustment expenses ratio (%) (1)	53.6	49.2
Expense ratio (%) (2)	45.1	41.0
Combined ratio (%) (3)	98.7	90.2
Return on average equity (%)	3.2	9.7
Statutory Data:		
Statutory net income (loss)	566	1,673
Statutory surplus	13,591	13,619
Ratio of net premiums written to statutory surplus	46.5	72.3

(1) Calculated by dividing losses and loss adjustment expenses by net premiums earned.
(2) Calculated by dividing amortization of deferred policy acquisition costs and net underwriting and administrative expenses by net premiums earned.
(3) The sum of the losses and loss adjustment expenses ratio and the underwriting expense ratio. A combined ratio of less than 100% means a company is making an underwriting profit.

Exhibit VI-5
Physicians' Insurance Program Exchange and Subsidiaries
Consolidated Balance Sheet — GAAP Basis
(in thousands of dollars)

	Year Ended	
	2017	**2016**
Assets		
Total investments, cash, and cash equivalents	25,017	26,092
Premiums and other receivables	680	645
Reinsurance receivable	156	91
Deferred acquisition costs	385	422
Deferred income taxes	152	331
Other assets	255	217
Total Assets	**26,645**	**27,798**
Liabilities		
Losses and loss adjustment expenses	11,761	12,343
Unearned and advance premiums	2,211	2,643
Note payable	0	0
Other liabilities	409	581
Total Liabilities	**14,381**	**15,567**
Equity		
Surplus	12,264	12,231
Total Equity	**12,264**	**12,231**
Total Liabilities and Equity	**26,645**	**27,798**

Exhibit VI-6
Physicians' Insurance Program Exchange and Subsidiaries
Consolidated Statements of Operations — GAAP Basis
(in thousands of dollars)

	Year Ended 2017	Year Ended 2016
Revenues		
Direct premiums written	3,647	4,172
Net premiums written	3,028	3,463
Net premiums earned	3,148	3,793
Net investment income	571	462
Total Revenues	**3,719**	**4,255**
Expenses		
Losses and loss adjustment expenses	1,823	210
Other underwriting expenses	1,756	1,744
Interest expense	0	898
Total Expenses	**3,579**	**2,852**
Income (loss) before income taxes	**140**	**1,403**
Income tax expense (benefit)	101	305
Net income (loss)	**39**	**1,098**
Other comprehensive (loss) income	92	319
Comprehensive (loss) income	**131**	**1,417**
Performance Ratios:		
Losses and loss adjustment expenses ratio (%) (1)	57.9	5.5
Expense ratio (%) (2)	55.8	46.0
Combined ratio (%) (3)	113.7	51.5
Return on average equity (%)	0.3	9.3
Statutory Data:		
Statutory net income (loss)	171	531
Statutory surplus	12,037	12,029
Ratio of net premiums written to statutory surplus	25.2	28.8

(1) Calculated by dividing losses and loss adjustment expenses by net premiums earned.
(2) Calculated by dividing amortization of deferred policy acquisition costs and net underwriting and administrative expenses by net premiums earned.
(3) The sum of the losses and loss adjustment expenses ratio and the underwriting expense ratio. A combined ratio of less than 100% means a company is making an underwriting profit.