

BOENNING & SCATTERGOOD  
ESTABLISHED 1914

November 10, 2015

Stephen J. Johnson, CPA  
Deputy Insurance Commissioner  
Pennsylvania Insurance Department  
1345 Strawberry Square  
Harrisburg, PA 17120

Dear Mr. Johnson:

This letter will serve as the engagement agreement (“*Agreement*”) by which the Insurance Department of the Commonwealth of Pennsylvania (“*Department*”) engages Boenning & Scattergood, Inc. (“*Boenning*”) as financial advisor to the Department to review the proposed reciprocal-to-stock conversions (“*Proposed Conversions*”) of Physicians’ Insurance Program Exchange and Professional Casualty Association (the “*Companies*”). The Department and Boenning understand that Physicians’ Insurance Program Exchange and Professional Casualty Association have submitted a single regulatory filing but with individual plans of conversion and individual appraisals of the pro forma market value of the Companies. As such, two separate and distinct analysis will be completed by Boenning and two separate reports will be issued to the Department.

1. **Services of Boenning**

As financial advisor to the Department, Boenning will provide the following services as directed by the Department:

1. Assist in reviewing the Companies’ plans of conversion (“*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. §3501 et seq.
2. Review and render advice within reports to the Department regarding the methodologies and assumptions utilized by the Companies (or their advisors) in deriving the estimate of the pro forma market value of the Companies in light of 40 Pa.C.S. §3501 et seq.
3. Testify, if requested, regarding specific findings resulting from work conducted for the Department.
4. Provide written commentary within the body of Boenning’s reports addressing the Companies’ appraisal reports (including updates as of the time of Boenning’s initial draft reports).
5. Participate in working group meetings as requested.

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6. Review the Companies' registration statement filed with the Securities and Exchange Commission ("*Registration Statement*") and subsequent updates.
7. Review the final pricing of the Proposed Conversions, and,
8. Provide written reports ("*Reports*") to the Department summarizing Boenning's analysis and conclusions.

**2. Content and Distribution of Reports**

Unless otherwise requested by the Department, Boenning will issue the Reports as soon as they are completed. The Reports will state in substance, among other things, that they are given in reliance on the accuracy and completeness of information furnished to Boenning. The Reports will contain a description of the principal materials that Boenning reviewed and upon which Boenning relied and the principal assumptions upon which Boenning has relied. Boenning understands that its Reports will be made available to the public. Any requests for copies of the Reports will be made to the Department and the Department will distribute such copies of the Reports. All copies of the Reports will be distributed only in their entirety. The Reports may be referenced in material provided by the Department in its Decision and Order with respect to the Proposed Conversions.

**3. Fees and Expenses**

It is Boenning's understanding that the Companies will be responsible for the payment of Boenning's fees pursuant to 40 Pa.C.S. §3502. As financial advisor to the Department, Boenning will receive a fee of \$250,000 payable as follows:

- (i) \$50,000 upon execution of this Agreement;
- (ii) \$125,000 upon issuance of Boenning's draft reports; and,
- (iii) \$75,000 upon the earlier of: (a) forty-five (45) days after issuance of the draft reports noted in (ii) above, or, (b) issuance of Boenning's final Reports.
- (iv) In the event the Companies provide more than two appraisal update reports subsequent to the issuance of Boenning's initial draft reports (one such update expected to be the final or "bring down" update), and if the Department requests Boenning's review of said additional updates, each additional review would be compensated at a rate of \$15,000 per update. For the avoidance of doubt, if the Companies provide an appraisal update for each of the Companies as of the same date, such event will constitute one update for calculating Boenning's fee, not two updates.

Boenning will also be reimbursed on a timely basis for database costs and reasonable out-of-pocket expenses (e.g., travel, legal review of reports, copying, etc.) incurred in providing its services. Boenning shall, in addition, be reimbursed for reasonable attorneys' fees and related



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legal expenses incurred in connection with the negotiation and performance of this Agreement and the matters contemplated hereby.

The obligation to pay Boenning's fees is in no manner contingent upon conclusions in the Reports or the closing of the Proposed Conversions. It is Boenning's understanding that the Reports may be only one of a number of factors considered by the Department in reaching its decision regarding the Proposed Conversions.

#### 4. **Term of Engagement**

This Agreement shall commence upon the date hereof and will terminate upon the earlier to occur of (a) the delivery of the Services listed in "**1. Services of Boenning**" above or (b) the delivery of written notification from either party to the other of such party's intent to terminate this Agreement (the period during which this Agreement is in effect is referred to herein as the "**Term**"). Termination of the Agreement shall not affect Boenning's right (a) to reimbursement of expenses under this Agreement, or (b) to any amounts owed on or prior to the date of such termination. Without limiting the foregoing, notwithstanding the expiration of this Agreement, the provisions of Sections 3 through 8 shall remain operative in accordance with their respective terms.

#### 5. **Other Services**

If Boenning is requested by the Department or the Companies to perform any financial advisory or investment banking services which are not within the scope of this Agreement, the fees for such services shall be mutually agreed upon by Boenning and the Department in writing, in advance, and shall be in addition to the fees and expenses described hereinabove. Except as set forth in the immediately preceding sentence, if Boenning is requested to render services directly or indirectly relating to the subject matter of this Agreement (including producing documents, answering interrogatories, giving depositions and giving expert or other testimony (such testimony being in addition to the testimony contemplated under "**Section 1. (3)**" above), whether by subpoena, court process or order, or otherwise), the Department shall pay the standard hourly rates for the persons involved in the time expended in rendering such services, including time for meetings, conferences, preparation and travel, and all related reasonable out-of-pocket costs and expenses (including the reasonable legal fees and expenses of Boenning's legal counsel incurred in connection therewith).

#### 6. **Information Provided to Boenning**

In performing the services described above, the Department agrees to furnish or cause to be furnished to Boenning such information as Boenning reasonably believes appropriate to permit Boenning to provide the services contemplated by this Agreement (all such information so furnished being the "**Information**"). The Department recognizes and confirms that Boenning (a) will use and rely primarily on the Information and on information available from generally recognized public sources in performing the services contemplated hereby without having independently verified any of the same, (b) does not assume responsibility for the accuracy or



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completeness of the Information and such other information, and (c) will not make any appraisal of any of the assets or liabilities of the Companies.

7. **Confidentiality**

All information and materials produced or obtained in the course of Boenning's analysis will be considered confidential and may only be reproduced or distributed with the prior written consent of the Department. Boenning will be permitted to retain one copy of all information and materials, which is necessary for Boenning's professional work record.

8. **Miscellaneous**

(a) This Agreement and all controversies arising from or related to performance under this Agreement shall be governed by the internal laws of the Commonwealth of Pennsylvania without regard to its rules concerning conflicts of laws. To the full extent lawful, each of the parties to this Agreement hereby consents irrevocably to personal jurisdiction, service and venue (a) in connection with any claim arising out of this Agreement, in the courts of the Commonwealth of Pennsylvania located in Montgomery County, Pennsylvania and in the federal courts in the Eastern District of Pennsylvania, and (b) solely for the purpose of allowing any person to enforce its reimbursement or contribution rights hereunder, in any court in which any action is brought in respect of which any such right is asserted.

(b) This Agreement may not be amended or otherwise modified except by a writing signed by each of the parties to this Agreement. No party may assign this Agreement without the prior written consent of the other parties. This Agreement embodies the entire agreement and understanding among the parties and supersedes any prior agreements and understandings relating to its subject matter. If any provision of this Agreement shall be determined to be invalid or unenforceable in any respect, such determination shall not affect such provision in any other respect or any other provision of this Agreement, which shall remain in full force and effect. This Agreement is made solely for the benefit of the Department and Boenning and their respective successors and assigns, heirs and personal representatives, and no other person shall have or acquire any rights under or by virtue of this Agreement.

(c) Upon the consummation of this engagement, Boenning may, at its own expense, place announcements in financial and other newspapers and periodicals (such as a customary "tombstone" advertisement) describing its services in connection therewith. The content of such advertisement may include the use of the Department's logos, trademarks or other identifying marks; however, such advertisement shall not disclose the financial terms of any Proposed Conversions without the Department's prior written approval, other than such financial terms disclosed in press releases, public filings, or the media.

(d) This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. Either party's execution and delivery of this Agreement may be evidenced by either physical delivery or facsimile communication of such executed Agreement or executed counterpart to the other party.

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(e) The parties understand that Boenning is being engaged hereunder as an independent contractor to provide the services described above solely to the Department, and that Boenning is not acting as a fiduciary of the Department, the security holders or creditors of the Department or any other persons in connection with this engagement.


(f) Boenning understands that this engagement has been offered by the Department conditioned on Boenning's representation that no conflict of interest currently exists between the Companies and Boenning. Boenning will immediately notify the Department should a conflict of interest become known during the engagement or arise during the Term of the engagement.

(g) The Boenning engagement team will be comprised of members of Boenning's investment banking team and lead by Mr. Anthony A. Latini, Jr. CFA.

(h) The engagement will commence upon your authorization. We will endeavor to deliver a draft report within 60 days from your execution of this agreement (or other such time as the Department and Boenning shall mutually agree upon), assuming prompt receipt of the valuation information.

Please indicate your acceptance of the foregoing by executing and returning the enclosed copy of this letter.

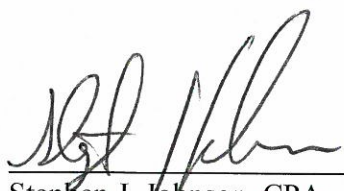
BOENNING & SCATTERGOOD, INC.



By: \_\_\_\_\_  
Anthony A. Latini, Jr. CFA  
Managing Director

Accepted by:

PENNSYLVANIA INSURANCE DEPARTMENT

By:  \_\_\_\_\_  
Stephen J. Johnson, CPA  
Deputy Insurance Commissioner

11/10/2015  
Date