

PROASSURANCE CORP
Form DEF 14A
April 17, 2006

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14a
(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary proxy statement
- o Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))
- x Definitive proxy statement
- o Definitive additional materials
- o Soliciting material pursuant to Rule 14a-11(c) or Rule 14a-12

ProAssurance Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box):

- x No fee required
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

The filing fee of \$_____ was calculated on the basis of the information that follows:

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 3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:
 4. Proposed maximum Aggregate value of transaction:
 5. Total fee paid:
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**PROASSURANCE CORPORATION
100 Brookwood Place
Birmingham, Alabama 35209**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
to be held May 17, 2006**

To our Stockholders:

The Annual meeting of Stockholders of ProAssurance Corporation (ProAssurance) will be held at 10:00 a.m., local time, on Wednesday, May 17, 2006, at the headquarters of ProAssurance, located at 100 Brookwood Place, Birmingham, Alabama 35209, for the following purposes:

(1) To elect four (4) directors of ProAssurance, as Class II directors, to serve until the 2009 annual meeting and until their successors are elected and qualified; and

(2) To transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

The board of directors has set March 31, 2006, as the record date for the annual meeting. You will only be entitled to notice of, and to vote at, the annual meeting if you are a holder of record of shares of ProAssurance s common stock at the close of business on the record date. The stock transfer books will not be closed.

We may adjourn the annual meeting without notice other than announcement at the meeting or adjournments thereof, and any business for which notice is hereby given may be transacted at any such adjournment.

We have provided details concerning those matters to come before the annual meeting in the accompanying proxy statement. Whether you plan to attend the annual meeting or not, please sign, date and return the enclosed proxy card in the envelope provided. Returning your proxy card does not deprive you of your right to attend the annual meeting and to vote your shares in person.

A copy of ProAssurance s Annual Report to the Stockholders for the year ended December 31, 2005, is enclosed. We hope you will find it informative.

By order of the board of directors,

Jeffrey P. Lisenby
Secretary

April 17, 2006

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**PROASSURANCE CORPORATION
100 Brookwood Place
Birmingham, Alabama 35209**

**PROXY STATEMENT
Annual meeting of Stockholders
to be held May 17, 2006**

INTRODUCTION

We are mailing this proxy statement and proxy card to the stockholders of ProAssurance Corporation, which we sometimes refer to as ProAssurance, on behalf of ProAssurance's board of directors on or about April 17, 2006. Our board of directors is soliciting your proxy to vote your shares at the annual meeting of ProAssurance's Stockholders to be held at 10:00 a.m., local time, on Wednesday, May 17, 2006, at our headquarters located at 100 Brookwood Place, Birmingham, Alabama 35209, or at any adjournment or postponement thereof.

At the annual meeting, the stockholders will be asked to elect four (4) members to the board of directors of ProAssurance, as Class II directors, to serve until the 2009 annual meeting.

The board of directors has set March 31, 2006 as the record date for the annual meeting. You are entitled to notice of and to vote at the annual meeting if you own shares as of the close of business on our record date. At the close of business on the record date there were 31,193,819 outstanding shares of our common stock, par value, \$0.01 per share. You are entitled to one vote in person or by proxy on all matters properly to come before the annual meeting for each share of our common stock that you own on the record date.

Voting Instructions

If you are a record owner of our common stock you may vote your shares on matters properly presented at the annual meeting in any of four ways:

by signing and returning the enclosed proxy card in the enclosed envelope; or

by voting on the Internet in accordance with instructions on the enclosed proxy card; or

by using a touchtone telephone and following the instructions on the enclosed proxy card; or

by attending the meeting and voting in person.

If you hold shares in street name (that is, through a bank, broker or other nominee), such shares must be voted in accordance with instructions provided by the nominee. If your shares are held in the name of a nominee and you would like to attend the annual meeting and vote in person, you may contact the person in whose name your shares are registered and obtain a proxy from that person and bring it to the annual meeting.

If you properly cast your vote, and your vote is not subsequently revoked, your vote will be voted in accordance with your instructions. If you sign and return the enclosed proxy card but do not give instructions, the shares represented by that proxy will be voted FOR the election of each director nominee nominated by the board of directors.

You may revoke your proxy prior to the annual meeting by either (i) submitting to ProAssurance a properly executed proxy and bearing a later date, (ii) by voting by telephone or Internet at a later date or in person at the meeting, or (iii) by giving written notice of revocation to the Secretary of ProAssurance. The mailing address of ProAssurance is P.O. Box 590009, Birmingham, Alabama 35259-0009, and the street address is 100 Brookwood Place, Birmingham, Alabama 35209.

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Quorum and Voting Requirements

Quorum

The presence, in person or by proxy, of the holders of one-third of the shares of common stock entitled to vote at the meeting will constitute a quorum to conduct business at the annual meeting. Proxies received but marked as abstentions and broker non-votes (which occur where shares held by brokers or nominees for beneficial owners are not voted on a matter) will be included in the calculation of the number of shares considered to be present at the meeting.

Voting Requirements

Directors will be elected by a plurality of the votes cast in person or by proxy at the annual meeting. With respect to the election of directors, you may vote for all of the nominees or withhold authority to vote for any or all of the nominees. Because directors are elected by a plurality of the votes cast, votes to withhold authority with respect to one or more nominees and broker non-votes will have no effect on the outcome of the election.

Expenses of Solicitation

ProAssurance will pay the expenses of the preparation of proxy materials and the solicitation of proxies for the annual meeting. In addition to the solicitation of proxies by mail, solicitation may be made by certain of our directors, officers or employees telephonically, electronically or by other means of communication and they will receive no additional compensation for such solicitation. We will reimburse brokers and other nominees for costs incurred by them in mailing proxy materials to beneficial owners in accordance with applicable rules.

Availability of Certain Documents

Our board of directors has adopted a Policy Regarding Determination of Director Independence, including categorical standards to assist in determining independence and has adopted charters for our Audit Committee, Compensation Committee, and Nominating/Corporate Governance Committee, as well as Corporate Governance Principles. All of these documents and policies, together with our Code of Ethics and Conduct, are available on our website at www.ProAssurance.com. Printed copies of our committee charters, Corporate Governance Principles, Code of Ethics and Conduct, and the Policy Regarding Determination of Director Independence may be obtained by contacting Frank O Neil, Senior Vice President, ProAssurance Corporation, either by mail at P.O. Box 590009, Birmingham, Alabama 35259-0009, or by telephone at (205) 877-4400 or (800) 282-6242 or by e-mail at Investor@ProAssurance.com. Our Policy Regarding Determination of Director Independence is also attached to this Proxy statement as Exhibit A.

We have enclosed a copy of our 2005 Annual Report to Stockholders, which includes our Annual Report on Form 10-K for the year ended December 31, 2005. **You also may obtain additional copies of our 2005 Annual Report to Stockholders and 2005 Annual Report on Form 10-K (including the financial statements and financial statement schedules) without charge by contacting Mr. O Neil at the address shown above, or by telephone at (205) 877-4400 or (800) 282-6242, or by e-mail at Investor@ProAssurance.com.** These documents also are available through our website at www.ProAssurance.com. Our Annual Report to Stockholders and Annual Report on Form 10-K are not proxy soliciting materials.

ELECTION OF DIRECTORS

Introduction

Our Certificate of Incorporation provides that our board of directors is comprised of at least three and not more than twenty-four directors, as determined by the board of directors. Our board of directors currently consists of ten members. The Certificate of Incorporation requires that our directors be divided into three classes as nearly equal as possible and that the directors serve staggered terms of three years. The remaining directors may fill any vacancies on the board of directors resulting from the death, resignation or removal of a

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director or from any increase in the number of directors. A director elected by the directors to fill a vacancy on the board of directors holds office until the next election of the class of directors for which such director has been chosen.

The board of directors has nominated John J. McMahon, Jr., John P. North, Jr., William H. Woodhams, and Wilfred W. Yeargan, Jr. for election as a director at the Annual meeting to fill the vacancy arising upon the expiration of each of their terms as a Class II Director.

Annual Meeting

At the Annual meeting, you will be asked to elect as directors John J. McMahon, Jr., John P. North, Jr., William H. Woodhams, and Wilfred W. Yeargan, Jr. as Class II directors, to hold office for terms ending at the annual meeting of stockholders to be held in 2009. The remaining six directors named below will continue in office. The persons named in the enclosed proxy have advised that us, unless a contrary direction is indicated on the enclosed proxy, they intend to vote the shares appointing them as proxies in favor of the nominees named herein. If the nominees should be unable to serve, and the board of directors knows of no reason to anticipate that this will occur, the persons named in the proxy will vote for such other person or persons as may be recommended by our Nominating/ Corporate Governance Committee and designated by the board of directors, or the board of directors may decide not to elect an additional person as a director. The persons named in the proxy will have no authority to vote for the election of any person other than the nominees or their substitutes in the election of directors.

All of the nominees currently are members of our board of directors and have been approved, recommended and nominated for re-election to the board of directors by our Nominating/ Corporate Governance Committee and by our board of directors in accordance with our Corporate Governance Principles. Set forth below is information regarding the nominees and the directors continuing in office, which was confirmed by them for inclusion in this proxy statement. Information regarding stock ownership with respect to each nominee and director is set forth in the table under Beneficial Ownership of our Common Stock .

Neither our board of directors nor our Nominating/ Corporate Governance Committee has implemented a formal policy regarding director attendance at the annual meeting. However, our board of directors typically holds its annual organizational meeting directly following the annual meeting, and it is customary for our directors to attend the annual meeting. Nine of our directors attended the annual meeting of our stockholders held on May 18, 2005.

Nominees for Election as Class II Directors for a Three-Year Term Expiring in 2009

John J. McMahon, Jr. (Age 63) has served as a director of ProAssurance since February 22, 2002. Mr. McMahon is chairman of Ligon Industries, a manufacturer of waste water treatment equipment, aluminum castings and hydraulic cylinders. He served as chairman of the executive committee of McWane, Inc. in Birmingham, Alabama, from 1999 until December 31, 2005. Mr. McMahon also serves as a director of Protective Life Corporation, Alabama National Bancorporation and John H. Harland Co., where he is a member of its audit committee.

John P. North, Jr. (Age 70) has served as a director of ProAssurance since it began operation in June 2001 upon completion of the consolidation of Medical Assurance, Inc. and Professionals Group, Inc. Prior to the consolidation, Mr. North had served as a director of Medical Assurance beginning in 1996. Mr. North is a certified public accountant who was a partner of the accounting firm of Coopers & Lybrand LLP until his retirement in September 1995.

William H. Woodhams M.D. (Age 68) has served as a director of ProAssurance since it began operation upon completion of the consolidation in June 2001. Prior to the consolidation, Dr. Woodhams served as a director of Professionals Group, Inc. (1996-2001) and its chairman (1999-2001) and as a director of one of our principal insurance subsidiaries, ProNational Insurance Company (1980-2001). Dr. Woodhams is a board certified family practice physician and has been in private practice in Kalamazoo, Michigan since 1964.

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Wilfred W. Yeargan, Jr. M.D. (Age 66) has served as a director of ProAssurance since 2002. Dr. Yeargan has practiced medicine in Tuscaloosa, Alabama, for over thirty years, specializing in ophthalmology. Dr. Yeargan has participated as member of the underwriting and claims advisory committees of one of our principal insurance subsidiaries, The Medical Assurance Company, Inc. (formerly Mutual Assurance, Inc.), since it began operations in 1977.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE NOMINEES NOMINATED FOR ELECTION AS DIRECTORS BY THE BOARD OF DIRECTORS.

Class III Directors Continuing in Office Term Expiring in 2007

Victor T. Adamo, Esq. CPCU (Age 58) has served as a director and Vice Chairman, President and Chief Operating Officer of ProAssurance since it began operation upon completion of the consolidation in June 2001. From 1996 until the consolidation, Mr. Adamo served as a director and president and chief executive officer of Professionals Group. Mr. Adamo also served as an officer of Professionals Group's subsidiary, ProNational Insurance Company, from 1987 until the consolidation. Prior to joining ProNational, Mr. Adamo was in private legal practice from 1975 to 1985.

Paul R. Butrus (Age 64) has served as a director of ProAssurance since it began operation upon completion of the consolidation in June 2001, and has served as Vice Chairman since September 2001. Prior to the consolidation, Mr. Butrus was a director and executive vice president and chief operating officer of Medical Assurance (since 1995). Mr. Butrus has held various positions with The Medical Assurance Company since 1977.

Class I Directors Continuing in Office Term Expiring in 2008

Lucian F. Bloodworth (Age 65) has served as a director of ProAssurance since August 22, 2002. Mr. Bloodworth is the chairman of Cain Manufacturing, a manufacturer of specialty parts for air distribution and roofing based in Birmingham, Alabama. Mr. Bloodworth is a director of First American Bank of Birmingham, Alabama, and served as its executive vice president from 1983 to 1987. Mr. Bloodworth has been a fellow of the Society of Actuaries and a member of the American Academy of Actuaries.

A. Derrill Crowe, M.D. (Age 69) has served as a director and as Chairman of the Board and Chief Executive Officer of ProAssurance since it began operation upon completion of the consolidation in June 2001. Dr. Crowe has served as a director and chairman, president and chief executive officer of Medical Assurance since its organization in 1995 and as president and chief executive officer and a director of The Medical Assurance Company from its inception in 1977 until October 30, 2005.

Robert E. Flowers, M.D. (Age 56) has served as a director of ProAssurance since it began operation upon completion of the consolidation in June 2001. From 1995 until the consolidation, Dr. Flowers served as a director of Medical Assurance. He also served as a director of The Medical Assurance Company from 1985 until the consolidation. Dr. Flowers practiced as a physician with Gynecology Associates of Dothan P.C., Dothan, Alabama, prior to his retirement in 2001.

Ann F. Putallaz (Age 60) has served as a director of ProAssurance since it began operation upon completion of the consolidation in June 2001. Prior to the consolidation, Ms. Putallaz served as a director of Professionals Group (1996-2001), and its vice chairman (1999-2001). For the past five years, Ms. Putallaz has been the vice president and director of Data and Communication Services of Munder Capital Management, an investment advisor to The Munder Funds, an open end investment company registered under the Investment Company Act of 1940.

On December 8, 2005, ProAssurance and Physicians Insurance Company of Wisconsin, Inc., or PIC-Wisconsin, executed an Agreement and Plan of Merger pursuant to which PIC-Wisconsin will merge with a subsidiary of ProAssurance and will continue its business after the merger as a wholly owned subsidiary of

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ProAssurance. The merger agreement provides that upon completion of the merger, PIC-Wisconsin will have the right to nominate one person for election as a director of ProAssurance. The nominee must:

be a physician; and

consent to serving as a director and to being named as a nominee in ProAssurance's next proxy statement for an annual meeting; and

be found by our Board of Directors to be an independent director consistent with our policy for determining director independence.

PIC-Wisconsin will nominate one person to serve on our board if the merger is completed. Completion of the merger is subject to obtaining requisite regulatory approvals and a favorable vote of the shareholders of PIC-Wisconsin. If the merger is completed and PIC-Wisconsin nominates a person who meets the above requirements, our board of directors expects to elect PIC-Wisconsin's nominee as a director of ProAssurance promptly after the completion of the merger. PIC-Wisconsin's nominee will be elected to serve as a Class III director whose term will expire at the 2007 annual meeting. ProAssurance has agreed to nominate PIC-Wisconsin's nominee for election as a director at the 2007 annual meeting to serve for a three year term expiring in 2010.

Independent Directors

As required by The New York Stock Exchange Corporate Governance Listing Standards, our board of directors has determined that a majority of the directors on our board of directors are independent directors. In compliance with the corporate governance requirements of Sarbanes-Oxley Act of 2002 and the applicable rules of the New York Stock Exchange, or NYSE, our board of directors has adopted a policy that a director will be presumed to be independent if he or she satisfies certain specified criteria. A complete description of the criteria adopted by our board of directors in determining the independence of our directors is set forth in Exhibit A to this proxy statement

Our board of directors has determined that the following directors satisfy the independence criteria described above, and therefore constitute independent directors:

John J. McMahon, Jr.

John P. North, Jr.

William H. Woodhams M.D.

Lucian F. Bloodworth

Robert E. Flowers

Wilfred W. Yeagan, Jr. M.D.

Ann Putallaz satisfies all of the independence criteria except that Ms. Putallaz received fees in 2003 in the amount of \$3,000 for service on the Investment Committee of our former subsidiary, MEEMIC Holdings, Inc. She continued to serve on that Investment Committee at our request after her term as a director of MEEMIC Holdings expired. Prior to that time, Ms. Putallaz received director compensation for her service on the board of MEEMIC Holdings and its committees, including the investment committee. Our board of directors found that Ms. Putallaz is independent notwithstanding her receipt of compensation for service on MEEMIC Holdings' investment committee because: she otherwise satisfies the Independence Criteria;

her services on the investment committee were consistent with those previously performed by Ms. Putallaz in her capacity as a director of MEEMIC Holdings; and

the compensation for such services was not material, and when added to her director compensation in 2003, did not exceed the \$100,000 compensation threshold for independence under the NYSE's corporate governance rules.

Meetings and Committees of the Board of Directors

Our board of directors held six meetings during 2005. Each of our incumbent directors attended at least 75% of the meetings of the board of directors and the committees of the board on which he or she served

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during 2005 (in each case, which were held during the period for which he or she was a director). Our Bylaws establish four standing committees of the board of directors: the Nominating/ Corporate Governance Committee, the Compensation Committee, the Audit Committee and the Executive Committee, each of which is described below.

Nominating/ Corporate Governance Committee

Our Nominating/ Corporate Governance Committee consists of three independent directors, and operates pursuant to a written charter that was adopted in December 2003, which is available on our website at www.ProAssurance.com. The primary purposes of the Nominating/ Corporate Governance Committee are to:

identify individuals qualified to become directors and recommend to the board of directors for its consideration the candidates for all directorships to be filled by the board of directors or to be elected by the stockholders;

advise the board with respect to the board composition, procedures and committees;

develop and recommend to the board a set of corporate governance principles applicable to ProAssurance;

oversee the evaluation of the board and the evaluation of ProAssurance's management; and

otherwise take a leadership role in shaping the corporate governance of ProAssurance.

The Nominating and Corporate Governance Committee is empowered to engage a third party search firm to assist in identifying and evaluating director candidates. However, the committee did not hire any search firm during 2005 and, accordingly, paid no fees to any such company.

Under our Corporate Governance Principles, the Nominating/ Corporate Governance Committee will consider a nominee proposed by a stockholder for a vacancy on our board when such nomination has been submitted in accordance with the provisions contained in our Bylaws, which are described under "Stockholder Proposals" in this proxy statement. A vacancy does not exist where:

the board of directors desires to re-nominate an incumbent director for an additional term and, the director consents to stand for re-election and to serve on our board if elected, or

the Nominating/ Corporate Governance Committee has recommended to our board of directors a candidate to fill a vacancy and, prior to the receipt of a properly submitted stockholder nomination, such nominee has agreed to stand for election and serve on our board if elected.

Our board of directors may, at any time, elect not to fill a vacancy arising on the board. The board may elect to not recommend a director candidate nominated by a stockholder even if such director candidate is the only candidate submitted to the Nominating/ Corporate Governance Committee to fill a vacancy.

The Nominating/ Corporate Governance Committee is responsible for determining the appropriate composition of our board and for the selection of individual candidates consistent with such determination. Our Corporate Governance Principles do not establish any firm requirement of minimum qualifications or skills that an individual candidate must possess other than the maximum age requirements described in the Corporate Governance Principles. Rather, the Corporate Governance Principles direct our Nominating/ Corporate Governance Committee to take into account all factors it considers appropriate, including a candidate's reputation for ethical business dealings, knowledge, skill, experience, expertise, and the extent to which the candidate would fill a present need in the composition of the board.

Subject to the qualifications described above, our Nominating/ Corporate Governance Committee will consider a director candidate nominated by a stockholder in the same manner as candidates brought before the Nominating/ Corporate Governance Committee from other sources. Generally, the Nominating/ Corporate Governance Committee initially evaluates a prospective nominee on the basis of his or her résumé and other background information that has been made available to the Nominating/ Corporate Governance Committee. A member of the Nominating/ Corporate Governance Committee will contact for further review those

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candidates who the committee believes are qualified, who may fulfill a specific board need and who the committee believes would otherwise best make a contribution to the board. If, after further discussions with the candidate, and other further review and consideration as necessary, the Nominating/ Corporate Governance Committee believes that it has identified a qualified candidate, it will make a recommendation to the board.

The members of our Nominating/ Corporate Governance Committee are John J. McMahon, Jr., Chairman, Robert E. Flowers, and William H. Woodhams. Our board of directors has found that each member of our Nominating/ Corporate Governance Committee is independent within the meaning of the rules of the NYSE. During 2005, our Nominating/ Corporate Governance Committee met two times.

Compensation Committee

Our Compensation Committee consists of three independent directors, and operates pursuant to a written charter that was adopted in December 2003, which is available on our website at www.ProAssurance.com. The primary purposes of the Compensation Committee are to:

represent and assist the board of directors in discharging its oversight responsibility relating to compensation matters, including determining the compensation arrangements for the chief executive officer and reporting its determination to the board of directors for ratification by a majority of independent directors and making recommendations to the board of directors regarding the compensation arrangements for other senior management personnel; and

prepare the report required by the rules and regulations of the Securities and Exchange Commission, or SEC, to be included in our annual proxy statement.

The Compensation Committee also administers the ProAssurance Corporation Incentive Compensation Stock Plan and the ProAssurance Corporation 2004 Equity Incentive Plan. The members of the Compensation Committee are Robert E. Flowers, Chairman, John J. McMahon, Jr. and Wilfred W. Yeagan, Jr. Our board of directors has determined that each member of the Compensation Committee is independent within the meaning of the rules of the NYSE and, as required by the Compensation Committee charter, no member of the Compensation Committee has any interlocking relationships required to be disclosed under federal securities laws.

During 2005, our Compensation Committee met two times. This year's report of the Compensation Committee is included elsewhere in this proxy statement.

Audit Committee

Our Audit Committee consists of three independent directors, and operates pursuant to a written charter that was amended and restated in December 2003, which is available on our website at www.ProAssurance.com.

The primary purposes of our Audit Committee are to represent and assist the board of directors in discharging its oversight responsibility relating to:

the accounting, reporting, and financial practices of ProAssurance and its subsidiaries, including the integrity of our financial statements;

the surveillance of our administration and financial controls and compliance with legal and regulatory requirements;

the outside auditor's qualifications and independence; and

the performance of our internal auditors.

The Audit Committee also prepares the report, included elsewhere in this proxy statement, required by the rules of the SEC to be included in our annual proxy statements.

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Our Audit Committee is responsible for carrying out all of the duties and responsibilities required for audit committees under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the corporate governance rules of the NYSE for listed companies. A description of the specific duties and responsibilities of our Audit Committee can be found in its charter. Our Audit Committee and board of directors have established a procedure which establishes a confidential means for complaints or concerns with respect to accounting, internal controls and auditing matters to be submitted to the Committee, which is described under the caption titled "Other Matters - Policies on Reporting of Concerns Regarding Accounting and Other Matters and Communicating with Directors" in this proxy statement.

John P. North, Jr. is the chairman, and Lucian F. Bloodworth and Ann F. Putallaz are the other members of our Audit Committee. Our Nominating/ Corporate Governance Committee and our board of directors have determined that each member of the Audit Committee is independent within the meaning of the rules of both the NYSE and the SEC. Our board has also determined that each member of the Audit Committee is financially literate as such qualification is defined under the rules of the NYSE and that John P. North, Jr., based upon his education and extensive experience in public accounting, including his leadership role at Coopers and Lybrand, is an audit committee financial expert within the meaning of the rules of the SEC. No member of the Audit Committee is presently serving on the audit committee of another company.

During 2005, the Audit Committee held seven meetings. This year's report of the Audit Committee is included elsewhere in this proxy statement.

Executive Committee.

Our executive committee has the authority during intervals between the meetings of the board of directors to exercise all powers and authority of the board of directors in the management of the business and affairs of ProAssurance, except that the Executive Committee may not:

alter or repeal any resolution adopted by the board of directors that by its terms is not subject to amendment or repeal by the Executive Committee or any resolution relating to the establishment or membership of the Executive Committee;

act with respect to matters required to be passed upon by the full Board, the independent directors, or by a committee comprised of independent directors; or

act on any matter which has been delegated to the Audit Committee, the Nominating/ Corporate Governance Committee or the Compensation Committee in their respective charters.

The Bylaws provide that the Executive Committee have at least three members including the chairman and chief executive officer and the vice chairman of the Board. The members of the Executive Committee are: A. Derrill Crowe, Chairman, Victor T. Adamo, Paul R. Butrus and Robert E. Flowers. The Executive Committee did not meet during 2005.

Director Compensation

During the first quarter in 2005, non-management directors received a monthly retainer in the amount of \$2,000 per month plus \$1,000 for each day that a director attended a board or committee meeting, except that in the case of the audit committee, the chairman received a monthly retainer of \$3,000 per month and the other members received monthly retainers of \$2,500 per month.

Effective April 1, 2005, the monthly retainer for members of the Audit Committee was increased to \$2,667 per month, and the Chairman of the Audit Committee receives an additional \$500 per month. In addition, meeting fees were increased to \$2,000 for each day the director attends a Board meeting and \$1,000 for Committee meetings that are not held on the same day as Board meetings. Directors continue to be eligible to participate in the ProAssurance Corporation Stock Ownership Plan.

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On May 18, 2005, our board of directors adopted the ProAssurance Corporation Director Deferred Stock Compensation Plan to facilitate director stock compensation approved by the Compensation Committee. The plan provides that the Compensation Committee will meet before the annual meeting each year to consider whether or not to provide stock compensation to non-management directors. The stock compensation is payable in shares of our common stock that are reserved for issuance under the ProAssurance Corporation 2004 Equity Incentive Plan. Directors may elect either to receive the shares of common stock currently or to defer the receipt of the shares until their service as a director has ended. In 2005, the Compensation Committee approved the issuance of 1,000 shares of common stock as stock compensation to each of the non-management directors.

Management directors do not receive any additional cash or stock compensation for their service as directors.

Non-Management Directors Meetings

Our Corporate Governance Principles require our non-management directors to hold executive sessions at which management, including the chief executive officer, is not present, on a regularly scheduled basis and not less than two times per year. The Corporate Governance Principles further provide that the non-management directors on the board will select one of the non-management directors to preside at each executive session. At the annual meeting in May 2005, the non-management directors agreed to hold executive sessions after at least two of the regularly scheduled board meetings and selected John P. North as the non-management director to preside at each meeting, but did not designate him as a lead director. The schedule for the executive sessions and selection of Mr. North as the director to preside at those meetings are each subject to change by the non-management directors. During 2005, our non-management directors held three executive sessions after regularly scheduled Board meetings.

BENEFICIAL OWNERSHIP OF OUR COMMON STOCK**Owners of More than 5% of Our Common Stock**

Stockholders (1)	Amount & Nature of Beneficial Ownership	Percent of Class
T. Rowe Price Associates, Inc.(2) 100 East Pratt Street Baltimore, Maryland 21202	2,377,294	7.6%

(1) A. Derrill Crowe, M.D., the President and Chief Executive Officer, is a beneficial owner of over five percent (5%) of the Common Stock. The holdings of Dr. Crowe are reflected in his capacity as an executive officer and a director in the table below.

(2) In a Schedule 13G filed with the SEC, T. Rowe Price Associates, Inc., an investment adviser, disclosed that as of December 31, 2005, it had sole voting power with respect to 760,200 shares of Common Stock and sole dispositive power with respect to 2,377,294 shares of Common Stock.

Ownership by Our Directors and Executive Officers

In December 2005, our board of directors, upon the recommendation of its Compensation Committee, adopted stock ownership targets for our directors and executive officers to further align their interests with our stockholders. The target for non-management directors is a level of stock ownership that is five times their annual cash compensation as directors. The level of stock ownership for executive officers varies by position and their stock ownership targets are as follows: five times base salary for our chief executive officer; three times base salary for our vice chairmen and president; and two times base salary for other executive officers of ProAssurance. Directors and executive officers are encouraged to achieve these levels within the first five years of service.

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The following table sets forth, as of March 31, 2006, information regarding the ownership of Common Stock by:

our executive officers named in the Summary Compensation Table under Executive Compensation which we refer to as the Named Executive Officers;

our directors; and

all of our directors and officers as a group.

Stockholders	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Directors		
Victor T. Adamo, Esq., CPCU(2)(4)	66,614	*
Lucian F. Bloodworth(4)	3,737	*
Paul R. Butrus(2)	434,695	1.4%
A. Derrill Crowe, M.D.(2)(3)	2,207,939	7.1%
Robert E. Flowers, M.D.(4)	26,977	*
John J. McMahon, Jr.(4)	3,870	*
John P. North (4)	3,848	*
Ann F. Putallaz(4)	12,144	*
William H. Woodhams, M.D.(4)	14,146	*
Wilfred W. Yeargan(4)	7,258	*
Other Named Executive Officers		
Edward L. Rand, Jr., C.P.A.	9,897	*
Howard H. Friedman(6)	84,433	*
All Directors and Officers as a Group (16 Persons)(2)(4)	3,036,519	9.6%

* Less than 1%.

- (1) Except as otherwise indicated, the persons named in the above table have sole voting power and investment power with respect to all shares of Common Stock shown as beneficially owned by them. The information as to beneficial ownership of Common Stock has been furnished by the respective persons listed in the above table. Unless otherwise indicated, the information also includes the number of shares that may be acquired pursuant to unexercised options on or before May 30, 2006.
- (2) Includes 458,472 shares that may be acquired by all officers and directors as a group upon exercise of stock options on or before May 30, 2006. Of this amount the named officers and directors hold options for the following number of shares: Mr. Adamo 22,500 shares; Mr. Butrus 203,738 shares; Dr. Crowe 50,000 shares; Mr. Friedman 70,000 shares; and Mr. Rand 7,000 shares. Also includes 29,835 shares owned of record by all officers and directors as a group in ProAssurance's Retirement Plan. Of this amount, the named officers and directors hold the following: 391 shares in the account of Mr. Adamo, 9,602 shares in the account of Mr. Butrus, and 11,742 shares in the account of Dr. Crowe.
- (3) Includes 1,162,791 owned of record by Crowe Family Partners, Ltd., a Colorado limited partnership of which Dr. Crowe is the sole general partner, 1,305 shares owned of record by Dr. Crowe's wife, and 51,468 shares owned of record by four trusts which Dr. Crowe is named as a trustee that were created in 1998 for the benefit of the minor children of Dr. Crowe and his wife.
- (4)

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Includes 7,295 shares subject to forfeiture by all officers and directors as a group under ProAssurance's Stock Ownership Plan. Of this amount the named officers and directors hold the following: 586 shares in the accounts of each of Messrs. Adamo, Bloodworth; Flowers, Friedman, McMahon, North, Woodhams and Ms Putallaz, and 315 shares in the account of Dr. Yeargan.

- (5) Includes 300 shares held by Yeargan Family Investment Partnership, LLC; 4,812 shares due to Dr. Yeargan under provisions of the Medical Assurance, Inc. Deferred Compensation Plan. These shares were awarded to Dr. Yeargan for service prior to becoming a director of ProAssurance.
- (6) Includes 173 shares held in an individual retirement account for Mr. Friedman's spouse.

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EXECUTIVE COMPENSATION

Report of Our Compensation Committee

The executive compensation policy of ProAssurance, or the Company, is designed to offer a competitive compensation package to the senior executives of the Company, including the CEO, so as to attract and retain qualified executives and to reward them based on performance that the Committee believes will increase the value of ProAssurance. With the assistance of a compensation consultant, the Compensation Committee reviews base salaries and incentive compensation in comparison to compensation data from other comparable publicly traded property/casualty insurance groups. There are three components of executive compensation:

Base salary compensation;

Annual incentive compensation; and

Long-term incentive compensation.

Our goal is to establish base salaries that are competitive and that reflect our executives' scope of responsibilities, education and training, level of experience, individual performance, and contribution to the Company. In establishing base salaries, we review these factors in light of executive compensation survey data compiled by our consultant from other comparable publicly traded property/casualty insurance groups.

We award annual incentive compensation to the senior executives based upon our assessment of the Company's performance against:

Certain established corporate goals under the organization's strategic plans;

The Net Income per share earned by the Company;

The market performance of ProAssurance common stock as compared with an insurance industry benchmark index; and

The contribution made by each senior executive to the Company's current and future performance.

In order to further our goal of encouraging stock ownership by senior executives, the annual incentive awards for 2005 have been paid partly in cash and partly in grants of common stock.

Long-term incentive compensation is designed to reward senior executives for taking action that contributes to ProAssurance's long-term growth and success and to link the interests of the senior executives to those of ProAssurance's stockholders. For 2005, as for prior years, long term incentive compensation was in the form of options awarded under ProAssurance's 2004 Equity Incentive Plan. For 2006, the Committee has approved a long-term incentive program based upon a combination of option and performance shares awarded under ProAssurance's 2004 Equity Incentive Plan.

ProAssurance's executive officers are also eligible to participate in compensation and benefit programs generally available to other employees, such as the stock ownership plan, 401(k) plan, health care and supplemental life insurance, disability insurance programs, and deferred compensation plans.

For 2005, the Company's chief executive officer was A. Derrill Crowe, M.D., Chairman and Chief Executive Officer. The Summary Compensation Table shows the amounts and type of compensation paid to Dr. Crowe for 2005. Dr. Crowe's base salary was determined using survey data of peer executives after giving consideration to the success of Dr. Crowe's leadership at the Company. For 2005, Dr. Crowe was awarded an annual incentive award as a result of the Committee's evaluation of Dr. Crowe's strategic leadership of the Company and the achievement of corporate goals. Evidence of Dr. Crowe's leadership can be found in the Company's financial results during 2005 including an increase in net income and book value; excellent claims-paying-ability ratings; and the continuing growth of the ProAssurance's medical malpractice insurance business through merger and acquisition activity. We also examined the performance of ProAssurance common stock, which was substantially better than the performance of the property and casualty insurance industry as a whole and the financial benefits derived through the sale of MEEMIC Insurance

Company. The key judgment we made in determining Dr. Crowe's 2005 compensation was our assessment of his ability and

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dedication to enhancing the long-term value of ProAssurance for its stockholders by continuing to provide the leadership and vision that he has provided throughout his tenure at ProAssurance and its predecessors. For these reasons, we deem Dr. Crowe's compensation package to be appropriate.

The Compensation Committee:

Robert E. Flowers, Chairman

John J. McMahon, Jr.

Wilfred W. Yeargan, Jr.

February 24, 2006

Compensation Committee Interlocks and Insider Participation

No executive officer of ProAssurance served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of such committee, the entire board) of another entity, one of whose executive officers served on the compensation committee of ProAssurance. No executive officer of ProAssurance served as a director of another entity, one of whose executive officers served on the compensation committee of ProAssurance.

Compensation Of Executive Officers

The following table sets forth a summary of the compensation paid or accrued by ProAssurance and its subsidiaries during each of the last three fiscal years with respect to ProAssurance's chief executive officer and the four most highly compensated persons considered to be executive officers or their equivalent.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long Term Compensation			All Other Compensation(5)	
		Salary	Bonus(1)	Awards		Payout		
				Other Annual Compensation(2)	Restricted Stock Award(3)			Options/SARS(4)
Year	(\$)	(\$)	(\$)	(\$)	(#)	(\$)	(\$)	
A. Derrill Crowe, Chairman and Chief Executive Officer of ProAssurance	2005	680,000	709,500	69,055	-0-	50,000	-0-	20,075
	2004	650,000	646,320	85,373	-0-	50,000	-0-	20,750
	2003	600,000	545,025	-0-	-0-	50,000	-0-	25,537
Victor T. Adamo, Vice Chairman and President of ProAssurance	2005	490,000	365,500	-0-	6,000	37,500	-0-	24,565
	2004	486,720	290,379	-0-	6,000	37,500	-0-	20,750
	2003	468,000	259,922	-0-	6,000	37,500	-0-	72,108
Paul R. Butrus, President, Vice Chairman of ProAssurance	2005	465,000	188,125	-0-	-0-	12,500	-0-	22,470
	2004	460,000	171,060	-0-	-0-	12,500	-0-	20,750
	2003	457,600	144,502	-0-	-0-	12,500	-0-	25,537
Edward L. Rand, Jr.(6)	2005	360,000	243,500	-0-	-0-	25,000	-0-	325

Chief Financial
Officer
and Senior Vice
President

2004	51,500	166,342	-0-	-0-	10,000	-0-	118,903
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