

REFINITIV

DELTA REPORT

10-Q

PRA - PROASSURANCE CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	2582
CHANGES	379
DELETIONS	1215
ADDITIONS	988

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2023** **March 31, 2024** or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-16533

ProAssurance Corporation

(Exact name of registrant as specified in its charter)

Delaware

63-1261433

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

100 Brookwood

Place, Birmingham, AL

35209

(Address of principal executive offices)

(Zip Code)

(205) 877-4400

(Registrant's telephone number,
including area code)

(Former name, former address and
former

fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	PRA	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of **November 3, 2023** **May 1, 2024**, there were **50,969,343** **51,012,066** shares of the registrant's common stock outstanding.

Glossary of Terms and Acronyms

When the following terms and acronyms appear in the text of this report, they have the meanings indicated below.

Term	Meaning
AAD	Annual aggregate deductible
AOCI	Accumulated other comprehensive income (loss)
Board	Board of Directors of ProAssurance Corporation
BOLI	Business owned life insurance
CARES Act	Coronavirus Aid, Relief and Economic Security Act
Council of Lloyd's	The governing body for Lloyd's of London
CODM	Chief Operating Decision Maker
DDR	Death, disability and retirement
DPAC	Deferred policy acquisition costs
Eastern Re	Eastern Re, LTD, S.P.C.
EBUB	Earned but unbilled premium
ECO/XPL	Extra-contractual obligations/excess of policy limit claims
ERC	Employee Retention Credit
FAL	Funds at Lloyd's
FASB	Financial Accounting Standards Board
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association
FSMA	Financial Services and Markets Act
GAAP	Generally accepted accounting principles in the United States of America
GNMA	Government National Mortgage Association
HCPL	Healthcare professional liability
IBNR	Incurred but not reported
Inova Re	Inova Re, LTD, S.P.C.
Interest Rate Swaps	ProAssurance's two forward-starting interest rate swap agreements associated with its Revolving Credit Agreement and Term Loan
IRS	Internal Revenue Service
LLC	Limited liability company
Lloyd's	Lloyd's of London market
LP	Limited partnership
MPL	Medical professional liability
Medical Technology Liability	Medical technology and life sciences products liability
NAV	Net asset value
NOL	Net operating loss
NORCAL	NORCAL Insurance Company, formerly known as NORCAL Mutual Insurance Company
NRSRO	Nationally recognized statistical rating organization
NYSE	New York Stock Exchange
OCI	Other comprehensive income (loss)
PCAOB	Public Company Accounting Oversight Board
PPM RRG	Preferred Physicians Medical Risk Retention Group, a Mutual Insurance Company
Revolving Credit Agreement	ProAssurance's \$250 million revolving credit agreement
ROE	Return on equity
ROU	Right-of-use
SEC	Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
SPC	Segregated portfolio cell

Term	Meaning
Specialty P&C	Specialty Property and Casualty

Term	Meaning
Syndicate 1729	Lloyd's of London Syndicate 1729
Syndicate 6131	Lloyd's of London Syndicate 6131 was a Special Purpose Arrangement with Lloyd's of London Syndicate 1729.
TCJA	Tax Cuts and Jobs Act H.R.1 of 2017
Term Loan	ProAssurance's \$125 million delayed draw term loan
U.K.	United Kingdom of Great Britain and Northern Ireland
ULAE	Unallocated loss adjustment expenses
VIE	Variable interest entity
VOBA	Value of business acquired

Caution Regarding Forward-Looking Statements

Any statements in this Form 10-Q that are not historical facts or explicitly stated as an opinion are specifically identified as forward-looking statements. These statements are based upon our estimates and anticipation of future events and are subject to significant risks, assumptions and uncertainties that could cause actual results to vary materially from the expected results described in the forward-looking statements. Forward-looking statements are identified by words such as, but not limited to, "anticipate," "believe," "estimate," "expect," "hope," "hopeful," "intend," "likely," "may," "optimistic," "possible," "potential," "preliminary," "project," "should," "will" and other analogous expressions. There are numerous factors that could cause our actual results to differ materially from those in the forward-looking statements. Thus, sentences and phrases that we use to convey our view of future events and trends are expressly designated as forward-looking statements as are sections of this Form 10-Q that are identified as giving our outlook on future business.

Forward-looking statements relating to our business include among other things: statements concerning future liquidity and capital requirements, investment valuation and performance, return on equity, financial ratios, net income, premiums, losses and loss reserve, premium rates and retention of current business, competition and market conditions, the expansion of product lines, the development or acquisition of business in new geographical areas, the pricing or availability of acceptable reinsurance, actions by regulators and rating agencies, court actions, legislative actions, payment or performance of obligations under indebtedness, payment of dividends and other matters.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following factors that could affect the actual outcome of future events:

- changes in general economic conditions, including the impact of inflation, or deflation including medical and social inflation, and unemployment;
- regulatory, legislative and judicial actions or decisions that could affect our business plans or operations;
- the enactment or repeal of tort reforms;
- formation or dissolution of state-sponsored insurance entities providing coverages now offered by ProAssurance which could remove or add sizable numbers of insureds from or to the private insurance market;
- changes in the interest and tax rate environment;
- resolution of uncertain tax matters and changes in tax laws;
- changes in laws or government regulations regarding financial markets or market activity that may affect our business;
- changes in the ability, or perception thereof, of the U.S. government to meet its obligations that may affect the U.S. economy and our business;
- performance of financial markets affecting the fair value of our investments or making it difficult to determine the value of our investments;
- changes in requirements or accounting policies and practices that may be adopted by our regulatory agencies, the governments of states in which we are domiciled, the FASB, the SEC, the PCAOB or the NYSE that may affect our business;
- changes in laws or government regulations affecting the financial services industry, the property and casualty insurance industry, the workers' compensation insurance industry or particular insurance lines underwritten by our subsidiaries or by Syndicate 1729; subsidiaries;
- the effect on our insureds, particularly the insurance needs of our insureds, and our loss costs, of changes in the healthcare delivery system and/or changes in the U.S. political climate that may affect healthcare policy or our business;
- consolidation of our insureds into or under larger entities which may be insured by competitors, or may not have a risk profile that meets our underwriting criteria or which may not use external providers for insuring or otherwise managing substantial portions of their liability risk;
- the effect of cyclical insurance industry trends on our underwriting, including demand and pricing in the insurance and reinsurance markets in which we operate;
- uncertainties inherent in the estimate of our loss and loss adjustment expense reserve and reinsurance recoverable;
- changes in the availability, cost, quality or collectability of insurance/reinsurance;
- the results of litigation, including pre- or post-trial motions, trials and/or appeals we undertake;
- effects on our claims costs from mass tort litigation that are different from that anticipated by us;
- allegations of bad faith which may arise from our handling of any particular claim, including failure to settle;
- loss or consolidation of independent agents, agencies, brokers or brokerage firms;
- changes in our organization, compensation and benefit plans;

- changes in the business or competitive environment may alter or limit the effectiveness of our business strategy and impact our revenues;

- our ability to retain and recruit senior management and other qualified personnel;
- the availability, integrity and security of our technology infrastructure and that of our third-party providers, including any susceptibility to cyber-attacks which might result in a loss of information, operating capability or actual monetary loss;
- the impact of new systems or systems consolidation on our information technology infrastructure;
- the impact of machine learning and artificial intelligence on the insurance industry as well as on our insureds and certain risks we insure;
- the impact of a catastrophe, natural or man-made, including a pandemic event, as it relates to our business and insurance operations, investment results and our insured risks;
- the impact of a catastrophic man-made event, such as acts of terrorism, acts of war and civil and political unrest;
- the effects of terrorism-related insurance legislation and laws;
- guaranty funds and other state assessments;
- changes to the ratings assigned by rating agencies to our holding company or insurance subsidiaries, individually or as a group;
- provisions in our charter documents, Delaware law and state insurance laws may impede attempts to replace or remove management or may impede a takeover;
- state insurance restrictions may prohibit assets held by our insurance subsidiaries, including cash and investment securities, from being used for general corporate purposes; and
- taxing authorities can take exception to our tax positions and cause us to incur significant amounts of legal and accounting costs and, if our defense is not successful, additional tax costs, including interest and penalties.

Our results may differ materially from those we expect and discuss in any forward-looking statements. The principal risk factors that may cause these material differences are described in "Item 1A, Risk Factors" in our December 31, 2022 December 31, 2023 report on Form 10-K and other documents we file with the SEC, such as our quarterly reports on

We caution readers not to place undue reliance on any such forward-looking statements, which are based upon conditions existing only as of the date made, and advise readers that these factors could affect our financial performance and could cause actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements. Except as required by law or regulations, we do not undertake and specifically decline any obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

<u>ITEM 1.</u>	<u>FINANCIAL STATEMENTS</u>	
	<u>CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) - SEPTEMBER 30, 2023, MARCH 31, 2024 AND DECEMBER 31, 2022 2023</u>	<u>7</u>
	<u>CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL (UNAUDITED) - THREE AND NINE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022</u>	<u>8</u>
	<u>CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED) - THREE AND NINE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022</u>	<u>10 9</u>
	<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) - NINE THREE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022</u>	<u>11 10</u>
	<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)</u>	<u>13 12</u>
	<u>BASIS OF PRESENTATION</u>	<u>13 12</u>
	<u>FAIR VALUE MEASUREMENT</u>	<u>15 13</u>
	<u>INVESTMENTS</u>	<u>24 20</u>
	<u>INCOME TAXES</u>	<u>31 26</u>
	<u>RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSES</u>	<u>34 27</u>
	<u>COMMITMENTS AND CONTINGENCIES</u>	<u>36 28</u>
	<u>DEBT</u>	<u>37 29</u>
	<u>DERIVATIVES</u>	<u>38 29</u>
	<u>SHAREHOLDERS' EQUITY</u>	<u>39 30</u>
	<u>VARIABLE INTEREST ENTITIES</u>	<u>40 31</u>
	<u>EARNINGS (LOSS) PER SHARE</u>	<u>41 32</u>
	<u>SEGMENT INFORMATION</u>	<u>42 33</u>
<u>ITEM 2.</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>48 36</u>
<u>ITEM 3.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>104 78</u>
<u>ITEM 4.</u>	<u>CONTROLS AND PROCEDURES</u>	<u>107 81</u>

PART II. OTHER INFORMATION

<u>ITEM 1.</u>	<u>LEGAL PROCEEDINGS</u>	<u>107 81</u>
<u>ITEM 1A.</u>	<u>RISK FACTORS</u>	<u>107 81</u>
<u>ITEM 2.</u>	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>107 81</u>
<u>ITEM 5.</u>	<u>OTHER INFORMATION</u>	<u>107 81</u>
<u>ITEM 6.</u>	<u>EXHIBITS</u>	<u>108 82</u>
<u>SIGNATURE</u>		<u>109 83</u>

ProAssurance Corporation and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)
(In thousands, except share data)

		September 30, 2023	December 31, 2022
March 31, 2024		March 31, 2024	December 31, 2023
Assets	Assets		
Investments	Investments		
Fixed maturities, available-for-sale, at fair value (amortized cost, \$3,742,234 and \$3,852,411, respectively; allowance for expected credit losses, \$560 as of September 30, 2023 and \$427 as of December 31, 2022)		\$3,355,312	\$3,472,472
Fixed maturities, trading, at fair value (cost, \$46,081 and \$45,048, respectively)		45,999	43,434
Equity investments, at fair value (cost, \$164,574 and \$162,429, respectively)		143,920	143,738
Investments			
Investments			
Fixed maturities, available-for-sale, at fair value (amortized cost, \$3,813,857 and \$3,758,720, respectively; allowance for expected credit losses, \$1,137 as of March 31, 2024 and \$555 as of December 31, 2023)			
Fixed maturities, available-for-sale, at fair value (amortized cost, \$3,813,857 and \$3,758,720, respectively; allowance for expected credit losses, \$1,137 as of March 31, 2024 and \$555 as of December 31, 2023)			
Fixed maturities, available-for-sale, at fair value (amortized cost, \$3,813,857 and \$3,758,720, respectively; allowance for expected credit losses, \$1,137 as of March 31, 2024 and \$555 as of December 31, 2023)			
Fixed maturities, trading, at fair value (cost, \$49,409 and \$48,449, respectively)			
Equity investments, at fair value (cost, \$150,099 and \$164,262, respectively)			
Short-term investments	Short-term investments	247,394	245,313
Business owned life insurance	Business owned life insurance	77,502	81,746
Investment in unconsolidated subsidiaries	Investment in unconsolidated subsidiaries	297,314	305,210
Other investments (at fair value, \$59,612 and \$92,447, respectively, otherwise at cost or amortized cost)		62,816	95,770
Other investments (at fair value, \$55,732 and \$62,604, respectively, otherwise at cost or amortized cost)			

Total Investments	Total Investments	4,230,257	4,387,683
Cash and cash equivalents	Cash and cash equivalents	62,110	29,959
Premiums receivable (allowance for expected credit losses, \$7,921 as of September 30, 2023 and \$7,658 as of December 31, 2022)		279,131	246,094
Premiums receivable, net (allowance for expected credit losses, \$8,072 as of March 31, 2024 and \$7,809 as of December 31, 2023)			
Premiums receivable, net (allowance for expected credit losses, \$8,072 as of March 31, 2024 and \$7,809 as of December 31, 2023)			
Premiums receivable, net (allowance for expected credit losses, \$8,072 as of March 31, 2024 and \$7,809 as of December 31, 2023)			
Receivable from reinsurers on paid losses and loss adjustment expenses	Receivable from reinsurers on paid losses and loss adjustment expenses	27,811	15,313
Receivable from reinsurers on unpaid losses and loss adjustment expenses	Receivable from reinsurers on unpaid losses and loss adjustment expenses	417,323	431,889
Prepaid reinsurance premiums	Prepaid reinsurance premiums	38,141	29,120
Deferred policy acquisition costs	Deferred policy acquisition costs	67,257	58,148
Deferred tax asset, net	Deferred tax asset, net	213,572	209,535
Real estate, net	Real estate, net	29,990	29,968
Operating lease ROU assets	Operating lease ROU assets	16,092	18,987
Intangible assets, net	Intangible assets, net	61,939	66,835
Goodwill	Goodwill	5,500	49,610
Other assets	Other assets	124,834	126,858
Total Assets	Total Assets	\$5,573,957	\$5,699,999
Liabilities and Shareholders' Equity	Liabilities and Shareholders' Equity		
Liabilities	Liabilities		
Liabilities			
Liabilities			
Policy liabilities and accruals	Policy liabilities and accruals		
Policy liabilities and accruals			
Policy liabilities and accruals			
Reserve for losses and loss adjustment expenses			
Reserve for losses and loss adjustment expenses			
Reserve for losses and loss adjustment expenses	Reserve for losses and loss adjustment expenses	\$3,395,651	\$3,471,147
Unearned premiums	Unearned premiums	492,950	422,950
Reinsurance premiums payable	Reinsurance premiums payable	32,018	28,514

Total Policy Liabilities and Accruals	Total Policy Liabilities and Accruals	3,920,619	3,922,611
Operating lease liabilities	Operating lease liabilities	16,926	20,008
Operating lease liabilities			
Operating lease liabilities			
Other liabilities	Other liabilities	197,990	226,379
Debt less unamortized debt issuance costs	Debt less unamortized debt issuance costs	426,579	426,983
Total Liabilities	Total Liabilities	4,562,114	4,595,981
Shareholders' Equity	Shareholders' Equity		
Common shares (par value \$0.01 per share, 100,000,000 shares authorized, 63,576,311 and 63,427,796 shares issued, respectively)		636	634
Common shares (par value \$0.01 per share, 100,000,000 shares authorized, 63,616,659 and 63,576,932 shares issued, respectively)			
Common shares (par value \$0.01 per share, 100,000,000 shares authorized, 63,616,659 and 63,576,932 shares issued, respectively)			
Common shares (par value \$0.01 per share, 100,000,000 shares authorized, 63,616,659 and 63,576,932 shares issued, respectively)			
Additional paid-in capital	Additional paid-in capital	402,144	397,919
Accumulated other comprehensive income (loss) (net of deferred tax expense (benefit) of (\$80,975) and (\$80,810), respectively)		(296,839)	(298,607)
Accumulated other comprehensive income (loss) (net of deferred tax expense (benefit) of (\$55,743) and (\$55,738), respectively)			
Retained earnings	Retained earnings	1,375,604	1,423,286
Treasury shares, at cost (12,606,968 and 9,464,160 shares, respectively)		(469,702)	(419,214)
Treasury shares, at cost (12,606,968 shares as of each respective period end)			
Total Shareholders' Equity	Total Shareholders' Equity	1,011,843	1,104,018
Total Liabilities and Shareholders' Equity	Total Liabilities and Shareholders' Equity	\$5,573,957	\$5,699,999

See accompanying notes.

ProAssurance Corporation and Subsidiaries
Condensed Consolidated Statements of Changes in Capital (Unaudited)
(In thousands)

	Accumulated Other					
	Common Stock	Additional Paid-in Capital	Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
Balance at July 1, 2023	\$ 636	\$ 400,705	\$ (267,480)	\$ 1,425,038	\$ (439,185)	\$ 1,119,714

Common shares reacquired	—	—	—	—	(30,517)	(30,517)
Share-based compensation	—	1,443	—	—	—	1,443
Net effect of restricted and performance shares issued	—	(4)	—	—	—	(4)
Other comprehensive income (loss)	—	—	(29,359)	—	—	(29,359)
Net income (loss)	—	—	—	(49,434)	—	(49,434)
Balance at September 30, 2023	\$ 636	\$ 402,144	\$ (296,839)	\$ 1,375,604	\$ (469,702)	\$ 1,011,843

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2022	\$ 634	\$ 397,919	\$ (298,607)	\$ 1,423,286	\$ (419,214)	\$ 1,104,018
Common shares reacquired	—	—	—	—	(50,488)	(50,488)
Common shares issued for compensation	—	1,064	—	—	—	1,064
Share-based compensation	—	3,817	—	—	—	3,817
Net effect of restricted and performance shares issued	2	(656)	—	—	—	(654)
Dividends to shareholders	—	—	—	(2,701)	—	(2,701)
Other comprehensive income (loss)	—	—	1,768	—	—	1,768
Net income (loss)	—	—	—	(44,981)	—	(44,981)
Balance at September 30, 2023	\$ 636	\$ 402,144	\$ (296,839)	\$ 1,375,604	\$ (469,702)	\$ 1,011,843

Continued on the following page.

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2023	\$ 636	\$ 403,554	\$ (204,489)	\$ 1,381,981	\$ (469,702)	\$ 1,111,980
Common shares issued for compensation	(1)	(1,044)	—	—	—	(1,045)
Share-based compensation	—	945	—	—	—	945
Net effect of restricted and performance shares issued	1	(970)	—	—	—	(969)
Other comprehensive income (loss)	—	—	(2,472)	—	—	(2,472)
Net income (loss)	—	—	—	4,626	—	4,626
Balance at March 31, 2024	\$ 636	\$ 402,485	\$ (206,961)	\$ 1,386,607	\$ (469,702)	\$ 1,113,065

Continued from the previous page.

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
Balance at July 1, 2022	\$ 634	\$ 395,540	\$ (234,188)	\$ 1,423,865	\$ (415,962)	\$ 1,169,889
Common shares reacquired	—	—	—	—	(3,252)	(3,252)
Share-based compensation	—	1,291	—	—	—	1,291
Net effect of restricted and performance shares issued	—	(56)	—	—	—	(56)
Dividends to shareholders	—	—	—	(2,698)	—	(2,698)
Other comprehensive income (loss)	—	—	(90,053)	—	—	(90,053)
Net income (loss)	—	—	—	(9,125)	—	(9,125)
Balance at September 30, 2022	\$ 634	\$ 396,775	\$ (324,241)	\$ 1,412,042	\$ (419,214)	\$ 1,065,996

Common
Stock

		Accumulated					
		Common	Additional	Other	Retained	Treasury	
		Stock	Paid-in	Comprehensive	Earnings	Stock	Total
			Capital	Income (Loss)			
Balance at December 31, 2021		\$ 633	\$392,941	\$ 16,284	\$1,434,491	\$(415,962)	\$1,428,387
Common shares reacquired		—	—	—	—	(3,252)	(3,252)
Common Stock							
Common Stock							
Balance at December 31, 2022							
Common shares issued for compensation							
Common shares issued for compensation							
Common shares issued for compensation	Common shares issued for compensation	—	1,068	—	—	—	1,068
Share-based compensation	Share-based compensation	—	3,681	—	—	—	3,681
Net effect of restricted and performance shares issued	Net effect of restricted and performance shares issued	1	(915)	—	—	—	(914)
Dividends to shareholders	Dividends to shareholders	—	—	—	(8,105)	—	(8,105)
Other comprehensive income (loss)	Other comprehensive income (loss)	—	—	(340,525)	—	—	(340,525)
Net income (loss)	Net income (loss)	—	—	—	(14,344)	—	(14,344)
Balance at September 30, 2022		\$ 634	\$396,775	\$ (324,241)	\$1,412,042	\$(419,214)	\$1,065,996
Balance at March 31, 2023							

See accompanying notes.

ProAssurance Corporation and Subsidiaries
Condensed Consolidated Statements of Income and Comprehensive Income (Unaudited)
(In thousands, except per share data)

		Three Months Ended September 30		Nine Months Ended September 30			
		Three Months Ended March 31		Three Months Ended March 31		Three Months Ended March 31	
		2023		2023		2024	
Revenues	Revenues						
Net premiums earned							
Net premiums earned							

Net premiums earned	Net premiums earned	\$242,420	\$258,355	\$730,068	\$ 771,337
Net investment income	Net investment income	32,754	24,745	94,714	67,132
Equity in earnings (loss) of unconsolidated subsidiaries	Equity in earnings (loss) of unconsolidated subsidiaries	(61)	(6,852)	5,450	5,948
Net investment gains (losses):	Net investment gains (losses):				
Impairment losses					
Impairment losses	Impairment losses	(141)	—	(3,117)	(972)
Portion of impairment losses recognized in other comprehensive income (loss) before taxes	Portion of impairment losses recognized in other comprehensive income (loss) before taxes	—	—	—	419
Net impairment losses recognized in earnings	Net impairment losses recognized in earnings	(141)	—	(3,117)	(553)
Other net investment gains (losses)	Other net investment gains (losses)	(2,561)	(8,262)	6,273	(45,099)
Total net investment gains (losses)	Total net investment gains (losses)	(2,702)	(8,262)	3,156	(45,652)
Other income	Other income	3,336	5,097	6,864	13,215
Total revenues	Total revenues	275,747	273,083	840,252	811,980
Expenses					
Net losses and loss adjustment expenses	Net losses and loss adjustment expenses	208,891	198,073	605,245	585,166
Net losses and loss adjustment expenses					
Net losses and loss adjustment expenses					
Underwriting, policy acquisition and operating expenses:	Underwriting, policy acquisition and operating expenses:				
Operating expense					
Operating expense	Operating expense	41,132	45,847	118,394	127,595
DPAC amortization	DPAC amortization	32,882	34,832	100,385	102,193
SPC U.S. federal income tax expense (benefit)	SPC U.S. federal income tax expense (benefit)	(175)	433	1,351	1,424
SPC dividend expense (income)	SPC dividend expense (income)	(2,518)	183	3,171	1,697
Interest expense	Interest expense	5,514	5,513	16,478	14,872

Goodwill impairment		44,110	—	44,110	—
Total expenses					
Total expenses					
Total expenses	Total expenses	329,836	284,881	889,134	832,947
Income (loss) before income taxes	Income (loss) before income taxes	(54,089)	(11,798)	(48,882)	(20,967)
Income (loss) before income taxes					
Income (loss) before income taxes					
Provision for income taxes:	Provision for income taxes:				
Current expense (benefit)					
Current expense (benefit)					
Current expense (benefit)	Current expense (benefit)	(1,228)	1,953	(453)	1,411
Deferred expense (benefit)	Deferred expense (benefit)	(3,427)	(4,626)	(3,448)	(8,034)
Total income tax expense (benefit)	Total income tax expense (benefit)	(4,655)	(2,673)	(3,901)	(6,623)
Net income (loss)	Net income (loss)	(49,434)	(9,125)	(44,981)	(14,344)
Other comprehensive income (loss), after tax, net of reclassification adjustments	Other comprehensive income (loss), after tax, net of reclassification adjustments	(29,359)	(90,053)	1,768	(340,525)
Comprehensive income (loss)	Comprehensive income (loss)	\$ (78,793)	\$ (99,178)	\$ (43,213)	\$ (354,869)
Earnings (loss) per share:	Earnings (loss) per share:				
Basic	Basic	\$ (0.95)	\$ (0.17)	\$ (0.85)	\$ (0.27)
Basic					
Basic					
Diluted	Diluted	\$ (0.95)	\$ (0.17)	\$ (0.85)	\$ (0.27)
Weighted average number of common shares outstanding:	Weighted average number of common shares outstanding:				
Basic	Basic	51,837	53,990	53,205	54,023
Basic					
Basic					
Diluted	Diluted	52,006	54,124	53,339	54,151
Cash dividends declared per common share	Cash dividends declared per common share	\$ —	\$ 0.05	\$ 0.05	\$ 0.15

See accompanying notes.

ProAssurance Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

Nine Months Ended September 30					
Three Months Ended March 31		Three Months Ended March 31			
	2023	2022	2024	2023	

Operating Activities	Operating Activities		
Net income (loss)	Net income (loss)	\$ (44,981)	\$ (14,344)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Goodwill impairment		44,110	—
Net income (loss)			
Net income (loss)			
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization, net of accretion	Depreciation and amortization, net of accretion	20,085	30,046
Depreciation and amortization, net of accretion			
Depreciation and amortization, net of accretion			
(Increase) decrease in cash surrender value of BOLI			
(Increase) decrease in cash surrender value of BOLI			
(Increase) decrease in cash surrender value of BOLI	(Increase) decrease in cash surrender value of BOLI	4,244	528
Net investment (gains) losses	Net investment (gains) losses	(3,156)	45,652
Share-based compensation	Share-based compensation	3,817	3,681
Deferred income tax expense (benefit)	Deferred income tax expense (benefit)	(3,448)	(8,034)
Policy acquisition costs, net of amortization (net deferral)	Policy acquisition costs, net of amortization (net deferral)	(9,109)	(6,077)
Equity in (earnings) loss of unconsolidated subsidiaries	Equity in (earnings) loss of unconsolidated subsidiaries	(5,450)	(5,948)
Distributed earnings from unconsolidated subsidiaries	Distributed earnings from unconsolidated subsidiaries	7,048	28,500
Other, net	Other, net	884	(534)
Other, net			
Other, net			

Change in:	Change in:		
Premiums receivable	Premiums receivable		
Premiums receivable	Premiums receivable	(33,037)	(30,822)
Reinsurance related assets and liabilities	Reinsurance related assets and liabilities	(3,449)	(6,533)
Other assets	Other assets	5,320	16,506
Reserve for losses and loss adjustment expenses	Reserve for losses and loss adjustment expenses	(75,496)	(35,012)
Unearned premiums	Unearned premiums	70,000	42,309
Other liabilities	Other liabilities	(24,023)	(53,245)
Net cash provided (used) by operating activities	Net cash provided (used) by operating activities	(46,641)	6,673
Investing Activities	Investing Activities		
Purchases of:	Purchases of:		
Purchases of:	Purchases of:		
Fixed maturities, available-for-sale	Fixed maturities, available-for-sale		
Fixed maturities, available-for-sale	Fixed maturities, available-for-sale	(261,485)	(486,130)
Equity investments	Equity investments	(1,354)	(34,815)
Other investments	Other investments	(31,845)	(27,576)
Investment in unconsolidated subsidiaries	Investment in unconsolidated subsidiaries	(17,674)	(25,445)
Investment in unconsolidated subsidiaries	Investment in unconsolidated subsidiaries		
Investment in unconsolidated subsidiaries	Investment in unconsolidated subsidiaries		
Proceeds from sales or maturities of:	Proceeds from sales or maturities of:		
Fixed maturities, available-for-sale	Fixed maturities, available-for-sale		
Fixed maturities, available-for-sale	Fixed maturities, available-for-sale	354,605	433,423
Equity investments	Equity investments	2,633	77,952

Other investments	Other investments	67,411	22,333
Net sales or (purchases) of fixed maturities, trading	Net sales or (purchases) of fixed maturities, trading	(2,586)	(756)
Return of invested capital from unconsolidated subsidiaries	Return of invested capital from unconsolidated subsidiaries	23,971	33,284
Net sales or maturities (purchases) of short-term investments	Net sales or maturities (purchases) of short-term investments	31	(72,495)
Unsettled security transactions, net change	Unsettled security transactions, net change	4,312	(5,588)
Purchases of capital assets	Purchases of capital assets	(3,345)	(3,484)
Other	Other	2,661	(2,452)
Other			
Other			
Net cash provided (used) by investing activities	Net cash provided (used) by investing activities	137,335	(91,749)
Continued on the following page.	Continued on the following page.		

		Nine Months Ended September 30			
		Three Months Ended March 31		Three Months Ended March 31	
		2023	2022	2024	2023
Continued from the previous page.	Continued from the previous page.				
Financing Activities					
Financing Activities					
Financing Activities	Financing Activities				
Repurchase of common stock		(50,488)	(3,252)		
Dividends to shareholders					
Dividends to shareholders					
Dividends to shareholders	Dividends to shareholders	(5,379)	(8,080)		

Capital	Capital		
contribution	contribution		
received from	received from		
(return of	(return of		
capital to)	capital to)		
external	external		
segregated	segregated		
portfolio cell	portfolio cell		
participants	participants	50	(6,978)
Other			
Other			
Other	Other	(2,726)	1,156
Net cash	Net cash		
provided (used)	provided (used)		
by financing	by financing		
activities	activities	(58,543)	(17,154)
Increase	Increase		
(decrease) in	(decrease) in		
cash and cash	cash and cash		
equivalents	equivalents	32,151	(102,230)
Cash and cash	Cash and cash		
equivalents at	equivalents at		
beginning of	beginning of		
period	period	29,959	143,602
Cash and cash	Cash and cash		
equivalents at	equivalents at		
end of period	end of period	\$ 62,110	\$ 41,372
Significant Non-	Significant Non-		
Cash	Cash		
Transactions	Transactions		
Dividends	Dividends		
declared and	declared and		
not yet paid	not yet paid	\$ —	\$ 2,698
Operating ROU assets obtained in			
exchange for operating lease			
liabilities		\$ —	\$ 3,133
Dividends declared and not yet			
paid			
Dividends declared and not yet			
paid			
Operating lease			
liabilities arising			
from obtaining			
ROU assets			
Increase	Increase		
(decrease) in	(decrease) in		
fair value of	fair value of		
contingent	contingent		
consideration	consideration		
issued in	issued in		
NORCAL	NORCAL		
acquisition	acquisition	\$ (5,500)	\$ —
Increase (decrease) in fair value			
of contingent consideration			
issued in NORCAL acquisition			
Increase (decrease) in fair value			
of contingent consideration			
issued in NORCAL acquisition			

See accompanying notes.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023 March 31, 2024

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of ProAssurance Corporation, its wholly owned subsidiaries and VIEs in which ProAssurance is the primary beneficiary (ProAssurance, PRA or the Company). See Note 11 10 for more information on ProAssurance's VIE interests. The financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting of normal recurring adjustments, have been included. ProAssurance's results for the nine three months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 December 31, 2024. The accompanying Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes contained in ProAssurance's December 31, 2022 December 31, 2023 report on Form 10-K.

Beginning in the third quarter of 2023, ProAssurance operates in four reportable segments as follows: Specialty P&C, Workers' Compensation Insurance, Segregated Portfolio Cell Reinsurance and Corporate. For more information on the Company's segment reporting, including the nature of products and services provided and financial information by segment, refer to Note 13, 12.

Reclassifications

As a result of the third quarter 2023 segment reorganization, prior period segment information in Note 13 12 has been recast to conform to the Company's current segment reporting (see Note 13 for further information), reporting.

Accounting Policies

The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosures related to these amounts at the date of the financial statements. The Company evaluates these estimates and assumptions on an ongoing basis based on current and historical developments, market conditions, industry trends and other information that the Company believes to be reasonable under the circumstances. The Company can make no assurance that actual results will conform to its estimates and assumptions; reported results of operations may be materially affected by changes in these estimates and assumptions.

Other than as disclosed below, the The significant accounting policies followed by ProAssurance in making estimates that materially affect financial reporting are summarized in Note 1 of the Notes to Consolidated Financial Statements in ProAssurance's December 31, 2022 December 31, 2023 report on Form 10-K.

Derivatives

ProAssurance records derivative instruments at fair value in the Condensed Consolidated Balance Sheets. ProAssurance accounts for the changes in fair value of derivatives depending on whether the derivative is designated as a hedging instrument and if so, the type of hedging relationship. For derivative instruments not designated as hedging instruments, ProAssurance recognizes the change in fair value of the derivative in earnings during the period of change. ProAssurance does not use derivative instruments for trading purposes.

For derivative financial instruments designed as cash flow hedges, ProAssurance formally documents all relationships between the hedging instruments and the hedged items as well as its risk-management objective and strategy for undertaking various hedged transactions. ProAssurance also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, ProAssurance discontinues hedge accounting prospectively.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

As of September 30, 2023, ProAssurance uses Interest Rate Swaps that are designated and qualify as highly effective cash flow hedges to manage its exposure to variability in cash flows of forecasted interest payments attributable to variability in the selected base rates on borrowings under the amended Revolving Credit Agreement. Changes in the fair value of derivatives that are designated and qualify as highly effective cash flow hedges are recorded in AOCI, net of tax, and are reclassified into earnings when the hedged cash flows impact earnings. When the change in the fair value of a qualifying cash flow hedge is included in earnings, it is included in the same line item on the Condensed Consolidated Statement of Income and Comprehensive Income as the cash flows from the hedged item. The Company has elected not to offset fair value amounts recognized for the Interest Rate Swaps and fair value of the amounts recognized to reclaim cash collateral or the obligation to return cash collateral executed with counterparties under a master netting arrangement. The cash flows of derivatives used in hedging relationships are classified as either operating, investing, or financing cash flows based on the classification of the hedged item.

Accounting Changes Adopted

Reference Rate Reform - Deferral of LIBOR Sunset Date (ASU 2022-06)

Effective for fiscal years beginning after December 31, 2022 and interim periods within those fiscal years, The Company did not adopt any new accounting standards during the FASB amended guidance which defers the LIBOR transition date from December 31, 2022 to December 31, 2024 three months ended March 31, 2024. As of September 30, 2023, ProAssurance has no exposure to LIBOR. ProAssurance adopted the guidance beginning January 1, 2023, and adoption had no material effect on ProAssurance's results of operations, financial position or cash flows.

Presentation of Financial Statements, Income Statement—Reporting Comprehensive Income, Distinguishing Liabilities from Equity, Equity and Compensation—Stock Compensation (ASU 2023-03)

Effective immediately, the FASB amended guidance on July 14, 2023 to align various SEC paragraphs in the Codification to reflect the issuance of SEC Staff Accounting Bulletin No. 120, among other things. ProAssurance adopted the guidance beginning July 14, 2023, and adoption had no material effect on ProAssurance's results of operations, financial position or cash flows.

Accounting Changes Not Yet Adopted

Disclosure Improvements (ASU 2023-06)

In October 2023, the FASB amended guidance to clarify or improve disclosure and presentation requirements of a variety of topics, which will allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements and align the requirements in the Codification with the SEC's regulations. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X becomes effective, with early adoption prohibited. Adoption ProAssurance is not expected to currently evaluating the effect the updated guidance will have a material effect on ProAssurance's results of operations, financial position or cash flows.

Employee Retention Credit

In response to COVID-19, the CARES Act was signed into law on March 27, 2020 and contains several provisions for corporations, including the initial version of the ERC. In December 2020 and March 2021, the ERC was extended and expanded from 50% of qualified wages to 70%. The 2020 rules limited qualified wages to \$10,000 per employee and applied to employers with 100 or fewer full-time employees in 2019. The rules were expanded in 2021 to raise the qualified wage limit to \$10,000 per employee, per quarter. As an eligible employer, NORCAL filed a claim during the second quarter of 2023 for a payroll tax refund of approximately \$3.8 million. The Company recorded the expected payroll tax refund as a component of operating expenses on the Condensed Consolidated Statement of Income Company's financial statement disclosures.

Improvements to Reportable Segment Disclosures (ASU 2023-07)

Effective for fiscal years beginning after December 15, 2023 and Comprehensive Income interim periods within fiscal years beginning after December 15, 2024, and requiring retrospective application to all prior periods presented in the financial statements, the FASB amended disclosure requirements for segment reporting by modifying and adding disclosure requirements, primarily related to significant segment expenses which are regularly provided to the nine months ended September 30, 2023 and as a component of other assets Company's CODM. ProAssurance is currently evaluating the effect the updated guidance will have on the Condensed Consolidated Balance Sheet as of September 30, 2023.

Company's financial statement disclosures.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023 March 31, 2024

Improvements to Income Tax Disclosures (ASU 2023-09)

Effective for fiscal years beginning after December 31, 2024, the FASB amended disclosure requirements to provide greater transparency on income tax disclosures, including the disaggregation of existing disclosures related to the tax rate reconciliation and income taxes paid. ProAssurance is currently evaluating the effect the updated guidance will have on the Company's financial statement disclosures.

2. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three level hierarchy has been established for valuing assets and liabilities based on how transparent (observable) the inputs are that are used to determine fair value, with the inputs considered most observable categorized as Level 1 and those that are the least observable categorized as Level 3. Hierarchy levels are defined as follows:

- | | |
|----------|--|
| Level 1: | quoted (unadjusted) market prices in active markets for identical assets and liabilities. For ProAssurance, Level 1 inputs are generally quotes for securities actively traded in exchange or over-the-counter markets. |
| Level 2: | market data obtained from sources independent of the reporting entity (observable inputs). For ProAssurance, Level 2 inputs generally include quoted prices in markets that are not active, quoted prices for similar assets or liabilities, and results from pricing models that use observable inputs such as interest rates and yield curves that are generally available at commonly quoted intervals. |
| Level 3: | the reporting entity's own assumptions about market participant assumptions based on the best information available in the circumstances (non-observable inputs). For ProAssurance, Level 3 inputs are used in situations where little or no Level 1 or 2 inputs are available or are inappropriate given the particular circumstances. Level 3 inputs include results from pricing models for which some or all of the inputs are not observable, discounted cash flow methodologies, single non-binding broker quotes and adjustments to externally quoted prices that are based on management judgment or estimation. |

Fair values of assets measured at fair value on a recurring basis as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are shown in the following tables. Where applicable, the tables also indicate the fair value hierarchy of the valuation techniques utilized to determine those fair values. For some assets, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. When this is the case, the asset is categorized based on the level of the most significant input to the fair value measurement. Assessments of the significance of a particular input to the fair value measurement require judgment and consideration of factors specific to the assets

being valued. For more information on the valuation methodologies used regarding securities in the Level 2 and Level 3 categories, see Note 3.2 of the Notes to Consolidated Financial Statements in ProAssurance's December 31, 2022 December 31, 2023 report on Form 10-K.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023 March 31, 2024

		September 30, 2023								
		Fair Value Measurements Using			Total					
		March 31, 2024				March 31, 2024				
		Fair Value Measurements Using				Fair Value Measurements Using			Total	
(In thousands)	(In thousands)	Level 1	Level 2	Level 3	Fair Value	(In thousands)	Level 1	Level 2	Level 3	Fair Value
Assets:	Assets:									
Fixed maturities, available-for-sale	Fixed maturities, available-for-sale									
Fixed maturities, available-for-sale										
Fixed maturities, available-for-sale										
U.S. Treasury obligations										
U.S. Treasury obligations										
U.S. Treasury obligations	U.S. Treasury obligations	\$	—	\$ 237,828	\$ —	\$ 237,828				
U.S. Government-sponsored enterprise obligations	U.S. Government-sponsored enterprise obligations		—	18,871	—	18,871				
State and municipal bonds	State and municipal bonds		—	436,268	—	436,268				
Corporate debt, multiple observable inputs	Corporate debt, multiple observable inputs		—	1,598,018	—	1,598,018				
Corporate debt, limited observable inputs	Corporate debt, limited observable inputs		—	—	65,960	65,960				
Residential mortgage-backed securities	Residential mortgage-backed securities		—	396,676	271	396,947				
Residential mortgage-backed securities										
Residential mortgage-backed securities										
Agency commercial mortgage-backed securities	Agency commercial mortgage-backed securities		—	8,652	—	8,652				
Other commercial mortgage-backed securities	Other commercial mortgage-backed securities		—	185,809	—	185,809				

Other asset-backed securities	Other asset-backed securities	—	406,018	941	406,959
Fixed maturities, trading	Fixed maturities, trading	—	45,999	—	45,999
Equity investments	Equity investments				
Financial	Financial	8,594	2,214	287	11,095
Financial	Financial				
Utilities/Energy	Utilities/Energy	845	—	—	845
Industrial	Industrial				
Industrial	Industrial	—	—	4,946	4,946
Bond funds	Bond funds	109,907	—	—	109,907
All other	All other	17,127	—	—	17,127
Short-term investments	Short-term investments	184,853	62,541	—	247,394
Other investments	Other investments	1,074	56,150	2,388	59,612
Other assets	Other assets	—	10,366	—	10,366
Total assets categorized within the fair value hierarchy	Total assets categorized within the fair value hierarchy	\$322,400	\$3,465,410	\$74,793	3,862,603
Assets carried at NAV, which approximates fair value and which are not categorized within the fair value hierarchy, reported as a part of:	Assets carried at NAV, which approximates fair value and which are not categorized within the fair value hierarchy, reported as a part of:				
Investment in unconsolidated subsidiaries	Investment in unconsolidated subsidiaries				264,681
Investment in unconsolidated subsidiaries	Investment in unconsolidated subsidiaries				
Investment in unconsolidated subsidiaries	Investment in unconsolidated subsidiaries				
Total assets at fair value	Total assets at fair value				\$4,127,284
Liabilities:	Liabilities:				
Liabilities:	Liabilities:				
Liabilities:	Liabilities:				
Other liabilities	Other liabilities				
Other liabilities	Other liabilities	\$ 10,680	\$ —	\$ 9,500	\$ 20,180
Total liabilities categorized within the fair value hierarchy	Total liabilities categorized within the fair value hierarchy	\$ 10,680	\$ —	\$ 9,500	\$ 20,180

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023 March 31, 2024

		December 31, 2022								
		Fair Value Measurements Using			Total					
December 31, 2023						December 31, 2023				
		Fair Value Measurements Using					Fair Value Measurements Using			Total
(In thousands)	(In thousands)	Level 1	Level 2	Level 3	Fair Value	(In thousands)	Level 1	Level 2	Level 3	Fair Value
Assets:	Assets:									
Fixed maturities, available-for-sale	Fixed maturities, available-for-sale									
Fixed maturities, available-for-sale										
Fixed maturities, available-for-sale										
U.S. Treasury obligations										
U.S. Treasury obligations										
U.S. Treasury obligations	U.S. Treasury obligations	\$	—	\$ 221,608	\$	—	\$ 221,608			
U.S. Government-sponsored enterprise obligations	U.S. Government-sponsored enterprise obligations		—	19,934		—	19,934			
State and municipal bonds	State and municipal bonds		—	439,450		—	439,450			
Corporate debt, multiple observable inputs	Corporate debt, multiple observable inputs		—	1,717,479		—	1,717,479			
Corporate debt, limited observable inputs	Corporate debt, limited observable inputs		—	—	63,973		63,973			
Residential mortgage-backed securities	Residential mortgage-backed securities		—	389,291	249		389,540			
Residential mortgage-backed securities										
Residential mortgage-backed securities										
Agency commercial mortgage-backed securities	Agency commercial mortgage-backed securities		—	9,704		—	9,704			
Other commercial mortgage-backed securities	Other commercial mortgage-backed securities		—	194,090		—	194,090			
Other asset-backed securities	Other asset-backed securities		—	413,989	2,705		416,694			

Fixed maturities, trading	Fixed maturities, trading	—	43,434	—	43,434
Equity investments	Equity investments				
Financial	Financial	9,850	2,219	303	12,372
Financial	Financial				
Financial	Financial				
Utilities/Energy	Utilities/Energy	854	—	—	854
Industrial	Industrial				
Industrial	Industrial				
Industrial	Industrial	—	—	2,500	2,500
Bond funds	Bond funds	112,136	—	—	112,136
All other	All other	15,876	—	—	15,876
Short-term investments	Short-term investments	181,937	63,376	—	245,313
Other investments	Other investments	1,881	88,783	1,783	92,447
Other assets	Other assets				
Total assets categorized within the fair value hierarchy	Total assets categorized within the fair value hierarchy	\$322,534	\$3,603,357	\$71,513	3,997,404
Assets carried at NAV, which approximates fair value and which are not categorized within the fair value hierarchy, reported as a part of:	Assets carried at NAV, which approximates fair value and which are not categorized within the fair value hierarchy, reported as a part of:				
Investment in unconsolidated subsidiaries	Investment in unconsolidated subsidiaries				
Investment in unconsolidated subsidiaries	Investment in unconsolidated subsidiaries				
Investment in unconsolidated subsidiaries	Investment in unconsolidated subsidiaries				262,485
Total assets at fair value	Total assets at fair value				\$4,259,889
Liabilities:	Liabilities:				
Liabilities:	Liabilities:				
Liabilities:	Liabilities:				
Other liabilities	Other liabilities				
Other liabilities	Other liabilities				
Other liabilities	Other liabilities	\$ —	\$ —	\$15,000	\$ 15,000
Total liabilities categorized within the fair value hierarchy	Total liabilities categorized within the fair value hierarchy	\$ —	\$ —	\$15,000	\$ 15,000

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

September 30, 2023 March 31, 2024

Level 2 Valuations

Other than as described below, see Note 3 of the Notes to Consolidated Financial Statements in ProAssurance's December 31, 2022 report on Form 10-K for a summary description of the valuation methodologies used regarding securities in the Level 2 category, by security type.

Level 2 Valuation Methodologies

Other assets consisted of interest rate swap derivative instruments valued using a model which considers the volatilities from other instruments with similar maturities, strike prices and durations.

Level 3 Valuations

See Note 8.2 of the Notes to Consolidated Financial Statements in ProAssurance's December 31, 2022 December 31, 2023 report on Form 10-K for a summary description of the valuation methodologies used regarding securities in the Level 3 category, by security type.

Quantitative Information Regarding Level 3 Valuations

Below is a quantitative information regarding securities in the Level 3 category, by security type:

Fair Value at						
Fair Value at						
(\$ in thousands)						
(\$ in thousands)						
		September 30, 2023	December 31, 2022	Valuation Technique	Unobservable Input	Range (Weighted Average)
(\$ in thousands)	(\$ in thousands)	30, 2023	31, 2022	Valuation Technique	Unobservable Input	Range (Weighted Average)
Assets:	Assets:					
Corporate debt, limited observable inputs	Corporate debt, limited observable inputs	\$65,960	\$63,973	Market Comparable Securities	Comparability Adjustment	0% - 5% (2.5%)
				Discounted Cash Flows	Comparability Adjustment	0% - 5% (2.5%)
Residential mortgage-backed securities		\$271	\$249	Market Comparable Securities	Comparability Adjustment	0% - 5% (2.5%)
				Discounted Cash Flows	Comparability Adjustment	0% - 5% (2.5%)
Other asset-backed securities		\$941	\$2,705	Market Comparable Securities	Comparability Adjustment	0% - 5% (2.5%)
Corporate debt, limited observable inputs						
Corporate debt, limited observable inputs						
				Discounted Cash Flows		
Residential mortgage-backed, other commercial mortgage-backed and other asset-backed securities						
				Discounted Cash Flows		

Equity investments										
Equity investments										
				Discounted Cash Flows	Comparability Adjustment	0% - 5% (2.5%)				
Equity investments	Equity investments	\$5,233	\$2,803	Discounted Cash Flows	Comparability Adjustment	0% - 10% (5%)	\$5,234	\$5,237	Discounted Cash Flows	Comparab
Other investments	Other investments	\$2,388	\$1,783	Discounted Cash Flows	Comparability Adjustment	0% - 10% (5%)	Other investments	\$742	\$5,126	Discounted Cash Flows
Liabilities:	Liabilities:									
Other liabilities	Other liabilities	\$9,500	\$15,000	Stochastic Model/Discounted Cash Flows	Weighted Average Cost of Capital	0% - 10% (9%)				
Other liabilities										
Other liabilities										
							\$6,500	\$6,500	Stochastic Model/Discounted Cash Flows	Weighte

The significant unobservable inputs used in the fair value measurement of the above listed securities were the valuations of comparable securities with similar issuers, credit quality and maturity. Changes in the availability of comparable securities could result in changes in the fair value measurements.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023 March 31, 2024

Fair Value Measurements - Level 3 Assets & Liabilities

The following tables present summary information regarding changes in the fair value of assets and liabilities measured using Level 3 inputs.

(In thousands)	September 30, 2023							
	Level 3 Fair Value Measurements							
	Assets					Liabilities		
	Asset-backed		Equity					
	Corporate Debt	Securities	Investments	Other Investments	Total Assets	Other Liabilities	Total Liabilities	
Balance, June 30, 2023	\$ 67,394	\$ 1,229	\$ 5,234	\$ 500	\$ 74,357	\$ (11,000)	\$ (11,000)	
Total gains (losses) realized and unrealized:								
Included in earnings, as a part of:								
Net investment gains (losses)	199	—	(1)	(152)	46	1,500	1,500	
Included in other comprehensive income (loss)	(818)	(15)	—	—	(833)	—	—	
Purchases	1,236	—	—	2,040	3,276	—	—	
Sales	(1,188)	(2)	—	—	(1,190)	—	—	
Transfers out	(863)	—	—	—	(863)	—	—	
Balance, September 30, 2023	\$ 65,960	\$ 1,212	\$ 5,233	\$ 2,388	\$ 74,793	\$ (9,500)	\$ (9,500)	
Change in unrealized gains (losses) included in earnings for the above period for Level 3 assets and liabilities held at period-end	\$ —	\$ —	\$ (1)	\$ (152)	\$ (153)	\$ —	\$ —	

(In thousands)	September 30, 2023							
	Level 3 Fair Value Measurements							
	Assets					Liabilities		
	Asset-backed		Equity					
	Corporate Debt	Securities	Investments	Other Investments	Total Assets	Other Liabilities	Total Liabilities	
Balance, December 31, 2022	\$ 63,973	\$ 2,954	\$ 2,803	\$ 1,783	\$ 71,513	\$ (15,000)	\$ (15,000)	
Total gains (losses) realized and unrealized:								
Included in earnings, as a part of:								
Net investment income (loss)	(23)	—	—	—	(23)	—	—	

Net investment gains (losses)	212	—	(741)	(152)	(681)	4,500	4,500
Operating expense	—	—	—	—	—	1,000	1,000
Included in other comprehensive income (loss)	(751)	11	—	—	(740)	—	—
Purchases	11,642	1,863	3,171	2,040	18,716	—	—
Sales	(5,215)	(398)	—	—	(5,613)	—	—
Transfers in	11,220	1,779	—	—	12,999	—	—
Transfers out	(15,098)	(4,997)	—	(1,283)	(21,378)	—	—
Balance, September 30, 2023	\$ 65,960	\$ 1,212	\$ 5,233	\$ 2,388	\$ 74,793	\$ (9,500)	\$ (9,500)
Change in unrealized gains (losses) included in earnings for the above period for Level 3 assets and liabilities held at period-end	\$ —	\$ —	\$ (741)	\$ (152)	\$ (893)	\$ —	\$ —

March 31, 2024								
Level 3 Fair Value Measurements								
(In thousands)	Assets					Liabilities		
	Asset-backed		Equity					
	Corporate Debt	Securities	Investments	Other Investments	Total Assets	Other Liabilities	Total Liabilities	
Balance, December 31, 2023	\$ 82,377	\$ 4,414	\$ 5,237	\$ 5,126	\$ 97,154	\$ (6,500)	\$ (6,500)	
Total gains (losses) realized and unrealized:								
Included in earnings, as a part of:								
Net investment gains (losses)	—	—	(3)	88	85	—	—	
Included in other comprehensive income (loss)	(171)	(28)	—	—	(199)	—	—	
Purchases	2,201	1,200	—	—	3,401	—	—	
Sales	(702)	—	—	—	(702)	—	—	
Transfers in	—	—	—	—	—	—	—	
Transfers out	(17,497)	(3,445)	—	(4,472)	(25,414)	—	—	
Balance, March 31, 2024	\$ 66,208	\$ 2,141	\$ 5,234	\$ 742	\$ 74,325	\$ (6,500)	\$ (6,500)	
Change in unrealized gains (losses) included in earnings for the above period for Level 3 assets and liabilities held at period-end	\$ —	\$ —	\$ (3)	\$ 88	\$ 85	\$ —	\$ —	

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

March 31, 2023								
Level 3 Fair Value Measurements								
(In thousands)	Assets					Liabilities		
	Asset-backed		Equity					
	Corporate Debt	Securities	Investments	Other Investments	Total Assets	Other Liabilities	Total Liabilities	
Balance, December 31, 2022	\$ 63,973	\$ 2,954	\$ 2,803	\$ 1,783	\$ 71,513	\$ (15,000)	\$ (15,000)	
Total gains (losses) realized and unrealized:								
Included in earnings, as a part of:								
Net investment gains (losses)	16	—	(3)	—	13	1,000	1,000	
Operating expense	—	—	—	—	—	1,000	1,000	
Included in other comprehensive income (loss)	209	39	—	—	248	—	—	
Purchases	6,322	1,863	—	—	8,185	—	—	
Sales	(432)	—	—	—	(432)	—	—	
Transfers in	11,220	1,779	—	—	12,999	—	—	
Transfers out	(5,151)	(1,581)	—	(1,283)	(8,015)	—	—	
Balance, March 31, 2023	\$ 76,157	\$ 5,054	\$ 2,800	\$ 500	\$ 84,511	\$ (13,000)	\$ (13,000)	

Change in unrealized gains (losses) included in earnings for the above period for Level 3 assets and liabilities held at period-end	\$	—	\$	—	\$	(3)	\$	—	\$	(3)	\$	—	\$	—
---	----	---	----	---	----	-----	----	---	----	-----	----	---	----	---

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

	September 30, 2022									
	Level 3 Fair Value Measurements									
	Assets						Liabilities			
	State and Municipal Bonds	Corporate Debt	Asset-backed Securities	Equity Investments	Other Investments	Total Assets	Other Liabilities	Total Liabilities		
(In thousands)										
Balance, June 30, 2022	\$ —	\$ 74,212	\$ 4,038	\$ 4,625	\$ 901	\$ 83,776	\$ (24,000)	\$ (24,000)		
Total gains (losses) realized and unrealized:										
Included in earnings, as a part of:										
Net investment income (loss)	—	(1)	2	—	—	1	—	—		
Net investment gains (losses)	—	—	—	66	14	80	—	—		
Included in other comprehensive income (loss)	(24)	(2,057)	(152)	—	—	(2,233)	—	—		
Purchases	750	9,204	2,819	17	500	13,290	—	—		
Sales	—	(1,777)	(90)	—	—	(1,867)	—	—		
Transfers in	—	—	—	252	—	252	—	—		
Transfers out	—	(21,427)	(2,444)	(2,193)	—	(26,064)	—	—		
Balance, September 30, 2022	\$ 726	\$ 58,154	\$ 4,173	\$ 2,767	\$ 1,415	\$ 67,235	\$ (24,000)	\$ (24,000)		
Change in unrealized gains (losses) included in earnings for the above period for Level 3 assets and liabilities held at period-end	\$ —	\$ —	\$ —	\$ 66	\$ 14	\$ 80	\$ —	\$ —		

	September 30, 2022									
	Level 3 Fair Value Measurements									
	Assets						Liabilities			
	State and Municipal Bonds	Corporate Debt	Asset-backed Securities	Equity Investments	Other Investments	Total Assets	Other Liabilities	Total Liabilities		
(In thousands)										
Balance, December 31, 2021	\$ —	\$ 47,129	\$ 6,502	\$ 2,500	\$ 1,434	\$ 57,565	\$ (24,000)	\$ (24,000)		
Total gains (losses) realized and unrealized:										
Included in earnings, as a part of:										
Net investment income (loss)	—	(1)	3	—	—	2	—	—		
Net investment gains (losses)	—	—	—	66	(663)	(597)	—	—		
Included in other comprehensive income (loss)	(24)	(4,369)	(589)	—	—	(4,982)	—	—		
Purchases	750	27,702	9,877	17	1,983	40,329	—	—		
Sales	—	(4,803)	(287)	—	(116)	(5,206)	—	—		
Transfers in	—	18,828	570	2,377	529	22,304	—	—		
Transfers out	—	(26,332)	(11,903)	(2,193)	(1,752)	(42,180)	—	—		
Balance, September 30, 2022	\$ 726	\$ 58,154	\$ 4,173	\$ 2,767	\$ 1,415	\$ 67,235	\$ (24,000)	\$ (24,000)		
Change in unrealized gains (losses) included in earnings for the above period for Level 3 assets and liabilities held at period-end	\$ —	\$ —	\$ —	\$ 66	\$ (709)	\$ (643)	\$ —	\$ —		

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023 March 31, 2024

Transfers

Transfers shown in the preceding Level 3 tables were as of the end of the period in which the transfer occurred. All transfers were to or from Level 2.

All transfers in and out of Level 3 during the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** related to securities held for which the level of market activity for identical or nearly identical securities varies from period to period. The securities were valued using multiple observable inputs when those inputs were available; otherwise the securities were valued using limited observable inputs.

Fair Values Not Categorized

At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, certain LPs/LLCs and investment funds measure fund assets at fair value on a recurring basis and provide a NAV for ProAssurance's interest. The carrying value of these interests is based on the NAV provided and was considered to approximate the fair value of the interests. For investment in unconsolidated subsidiaries, ProAssurance recognizes any changes in the NAV of its interests in equity in earnings (loss) of unconsolidated subsidiaries during the period of change. In accordance with GAAP, the fair value of these investments was not classified within the fair value hierarchy. The amount of ProAssurance's unfunded contractual commitments related to these investments as of **September 30, 2023** **March 31, 2024** and fair values of these investments as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** were as follows:

(In thousands)	(In thousands)	Unfunded Contractual Commitments			Unfunded Contractual Commitments		
		Fair Value			Fair Value		
		September 30, 2023	September 30, 2023	December 31, 2022	March 31, 2024	March 31, 2024	December 31, 2023
Investment in unconsolidated subsidiaries:	Investment in unconsolidated subsidiaries:						
Investment in unconsolidated subsidiaries:	Investment in unconsolidated subsidiaries:						
Investment in unconsolidated subsidiaries:	Investment in unconsolidated subsidiaries:						
Private debt funds ⁽¹⁾	Private debt funds ⁽¹⁾						
Private debt funds ⁽¹⁾	Private debt funds ⁽¹⁾						
Private debt funds ⁽¹⁾	Private debt funds ⁽¹⁾	\$1,788	\$ 19,763	\$ 19,620			
Long/short equity funds ⁽²⁾	Long/short equity funds ⁽²⁾						
Long/short equity funds ⁽²⁾	Long/short equity funds ⁽²⁾						
Long/short equity funds ⁽²⁾	Long/short equity funds ⁽²⁾	None	4,626	5,089			
Non-public equity funds ⁽³⁾	Non-public equity funds ⁽³⁾						
Non-public equity funds ⁽³⁾	Non-public equity funds ⁽³⁾	\$46,837	140,140	144,560			
Credit funds ⁽⁴⁾	Credit funds ⁽⁴⁾						
Credit funds ⁽⁴⁾	Credit funds ⁽⁴⁾	\$30,635	49,982	49,245			
Credit funds ⁽⁴⁾	Credit funds ⁽⁴⁾						
Credit funds ⁽⁴⁾	Credit funds ⁽⁴⁾						
Strategy focused funds ⁽⁵⁾	Strategy focused funds ⁽⁵⁾						
Strategy focused funds ⁽⁵⁾	Strategy focused funds ⁽⁵⁾						
Strategy focused funds ⁽⁵⁾	Strategy focused funds ⁽⁵⁾	\$8,354	50,170	43,971			
Total investments carried at NAV	Total investments carried at NAV		\$264,681	\$262,485			
Total investments carried at NAV	Total investments carried at NAV						
Total investments carried at NAV	Total investments carried at NAV						

Below is additional information regarding each of the investments listed in the table above as of **September 30, 2023** **March 31, 2024**.

⁽¹⁾ This investment is comprised of interests in two unrelated LP funds that are structured to provide interest distributions primarily through diversified portfolios of private debt instruments. One LP allows redemption by special consent, while the other does not permit redemption. Income and capital are to be periodically distributed at the discretion of the LPs over an anticipated time frame that spans from three to eight years.

- (2) This investment is comprised of one LP fund, which holds long and short publicly traded securities that will passively generate income. Redemptions are permitted with 30 days written notice if outside of a lock-up period.
- (3) This investment is comprised of interests in multiple unrelated LP funds, each structured to provide capital appreciation through diversified investments in private equity, which can include investments in buyout, venture capital, debt including senior, second lien and mezzanine, distressed debt, collateralized loan obligations and other private equity-oriented LPs. Two of the LPs allow redemption by terms set forth in the LP agreements; the others do not permit redemption. Income and capital are to be periodically distributed at the discretion of the LP over time frames that are anticipated to span up to ten years.
- (4) This investment is comprised of multiple unrelated LP funds. Two funds seek to obtain superior risk-adjusted absolute returns through a diversified portfolio of debt securities, including bonds, loans and other asset-backed instruments. The remaining funds focus on private middle market company mezzanine and senior secured loans, opportunities across the credit spectrum, mortgage backed-loans, as well as various types of loan-backed investments. One fund allows redemptions at any quarter-end with prior notice requirements of 180 days, while two other funds allow for redemptions with consent of the General Partner. The remaining funds do not allow redemptions. For the funds that do not allow redemptions, income and capital are to be periodically distributed at the discretion of the LP over time frames throughout the remaining life of the funds.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

- (5) This investment is comprised of multiple unrelated LPs/LLCs funds. One fund is an LLC focused on investing in North American consumer products companies, comprised of equity and equity-related securities, as well as debt instruments. A second fund is focused on aircraft investments, along with components and assets related to aircrafts.

A

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
March 31, 2024

third fund is an LLC focused on acquiring ownership stakes in insurance agencies. For both all three funds, redemptions are not permitted. The remaining funds are real estate focused LPs, one two of which allows allow for redemption with prior notice.

ProAssurance may not sell, transfer or assign its interest in any of the above LPs/LLCs without special consent from the LPs/LLCs.

Nonrecurring Fair Value Measurement

During the third quarter of 2023, ProAssurance recognized a nonrecurring fair value measurement related to the goodwill in its Workers' Compensation Insurance reporting unit with a carrying value of \$44.1 million prior to the fair value measurement. This nonrecurring fair value measurement resulted in the goodwill being written down to its implied fair value of zero resulting in an impairment of goodwill of \$44.1 million. The inputs used in the fair value measurement were non-observable and, as such, were categorized as a Level 3 valuation. ProAssurance did not have any other assets or liabilities that were measured at fair value on a nonrecurring basis at September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

Financial Instruments - Methodologies Other Than Fair Value

The following table provides the estimated fair value of the Company's financial instruments that, in accordance with GAAP for the type of investment, are measured using a methodology other than fair value. Fair values provided primarily fall within the Level 3 fair value category.

(In thousands)	(In thousands)	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
		Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:	Financial assets:								
BOLI	BOLI	\$ 77,502	\$ 77,502	\$ 81,746	\$ 81,746				
BOLI									
BOLI									
Other investments	Other investments	\$ 3,204	\$ 3,204	\$ 3,322	\$ 3,322				
Other assets	Other assets	\$ 30,673	\$ 30,652	\$ 28,819	\$ 28,790				
Financial liabilities:	Financial liabilities:								
Senior notes due 2023*		\$250,000	\$249,528	\$250,000	\$248,153				
Revolving Credit Agreement*									
Revolving Credit Agreement*									

Revolving Credit Agreement*					
Term Loan*					
Contribution					
Certificates	Certificates	\$178,910	\$130,503	\$177,525	\$134,479
Other liabilities	Other liabilities	\$ 29,429	\$ 29,429	\$ 27,905	\$ 27,905

Other liabilities	
Other liabilities	

* Carrying value excludes unamortized debt issuance costs.

The fair value of the BOLI was equal to the cash surrender value associated with the policies on the valuation date.

Other investments listed in the table above include FHLB common stock carried at cost and an annuity investment carried at amortized cost. Three of ProAssurance's insurance subsidiaries are members of an FHLB. The estimated fair value of the FHLB common stock was based on the amount the subsidiaries would receive if their memberships were canceled, as the memberships cannot be sold. The fair value of the annuity represents the present value of the expected future cash flows discounted using a rate available in active markets for similarly structured instruments.

Other assets and other liabilities primarily consisted of related investment assets and liabilities associated with funded deferred compensation agreements. The fair value of the funded deferred compensation assets was based upon quoted market prices, which is categorized as a Level 1 valuation, and had a fair value of \$29.7 million \$33.8 million and \$27.9 million \$32.3 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Other assets also included an unsecured note receivable. The fair value of the note receivable was based on the present value of expected cash flows from the note receivable, discounted at market rates on the valuation date for receivables with similar credit standings and similar payment structures. Other liabilities primarily consisted of liabilities associated with funded deferred compensation agreements. The reported balance is determined based on the amount of elective deferrals and employer contributions adjusted for periodic changes in the fair value of the participant balances based on the performance of the funds selected by the participants and had a fair value of \$29.4 million \$33.5 million and \$27.9 million \$32.0 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The fair value of the debt, excluding the Contribution Certificates, was estimated based on the present value of expected future cash outflows, discounted at rates available on the valuation date for similar debt issued by entities with a similar credit standing to ProAssurance.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

The fair value of the Contribution Certificates was estimated based on a binomial option pricing model. The Contribution Certificates were a portion of the purchase consideration for the NORCAL acquisition and were issued to certain NORCAL policyholders in the conversion, and those instruments are an obligation of NORCAL Insurance Company, the successor of NORCAL Mutual Insurance Company (see Note 2 and Note 11 of the Notes to Consolidated Financial Statements in ProAssurance's December 31, 2022 report on Form 10-K 6 for further discussion of the terms of the Contribution Certificates).

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023 March 31, 2024

3. Investments

Available-for-sale fixed maturities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 included the following:

		September 30, 2023											
		March 31, 2024					March 31, 2024						
(In thousands)	(In thousands)	Allowance for Expected Credit Losses					(In thousands)	Amortized Cost	Allowance for Expected Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	
		Amortized Cost	Credit Losses	Unrealized Gains	Unrealized Losses	Estimated Fair Value							
		Cost	Losses	Gains	Losses	Fair Value							
Fixed maturities, available-for-sale	Fixed maturities, available-for-sale												
U.S. Treasury obligations													
U.S. Treasury obligations													
U.S. Treasury obligations	U.S. Treasury obligations	\$ 261.067	\$ —	\$ —	\$ 23,239	\$ 237.828							

U.S. Government-sponsored enterprise obligations	U.S. Government-sponsored enterprise obligations	20,354	—	—	1,483	18,871
State and municipal bonds	State and municipal bonds	480,277	—	49	44,058	436,268
Corporate debt	Corporate debt	1,864,148	—	598	200,768	1,663,978
Residential mortgage-backed securities	Residential mortgage-backed securities	470,066	216	333	73,236	396,947
Agency commercial mortgage-backed securities	Agency commercial mortgage-backed securities	9,768	—	—	1,116	8,652
Other commercial mortgage-backed securities	Other commercial mortgage-backed securities	210,104	151	25	24,169	185,809
Other asset-backed securities	Other asset-backed securities	426,450	193	243	19,541	406,959
		<u>\$3,742,234</u>	<u>\$ 560</u>	<u>\$ 1,248</u>	<u>\$387,610</u>	<u>\$3,355,312</u>
	\$					

(In thousands)	(In thousands)	December 31, 2022					(In thousands)	December 31, 2023				
		Allowance for Expected Credit Losses						Amortized Cost	Allowance for Expected Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		Amortized Cost	Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value						
Fixed maturities, available-for-sale	Fixed maturities, available-for-sale											
U.S. Treasury obligations	U.S. Treasury obligations											
U.S. Treasury obligations	U.S. Treasury obligations											
U.S. Treasury obligations	U.S. Treasury obligations	\$ 243,999	\$ —	\$ 8	\$ 22,399	\$ 221,608						
U.S. Government-sponsored enterprise obligations	U.S. Government-sponsored enterprise obligations	21,562	—	—	1,628	19,934						
State and municipal bonds	State and municipal bonds	483,584	—	177	44,311	439,450						
Corporate debt	Corporate debt	1,980,579	—	735	199,862	1,781,452						
Residential mortgage-backed securities	Residential mortgage-backed securities	450,870	229	555	61,656	389,540						

Agency commercial mortgage-backed securities	Agency commercial mortgage-backed securities	10,576	—	—	872	9,704
Other commercial mortgage-backed securities	Other commercial mortgage-backed securities	217,021	—	63	22,994	194,090
Other asset-backed securities	Other asset-backed securities	444,220	198	289	27,617	416,694
		<u>\$3,852,411</u>	<u>\$ 427</u>	<u>\$ 1,827</u>	<u>\$381,339</u>	<u>\$3,472,472</u>
	\$					

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023 **March 31, 2024**

The recorded cost basis and estimated fair value of available-for-sale fixed maturities at **September 30, 2023** **March 31, 2024**, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In thousands)	(In thousands)	Amortized Cost	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Total Fair Value	(In thousands)	Amortized Cost	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Total Fair Value
Fixed maturities, available-for-sale	Fixed maturities, available-for-sale													
U.S. Treasury obligations	U.S. Treasury obligations													
U.S. Treasury obligations	U.S. Treasury obligations	\$ 261,067	\$ 35,570	\$166,215	\$33,643	\$ 2,400	\$ 237,828							
U.S. Government-sponsored enterprise obligations	U.S. Government-sponsored enterprise obligations													
U.S. Government-sponsored enterprise obligations	U.S. Government-sponsored enterprise obligations	20,354	5,186	13,199	486	—	18,871							
State and municipal bonds	State and municipal bonds													
State and municipal bonds	State and municipal bonds	480,277	36,817	150,101	140,152	109,198	436,268							
Corporate debt	Corporate debt													
Corporate debt	Corporate debt	1,864,148	216,641	830,290	534,892	82,155	1,663,978							
Residential mortgage-backed securities	Residential mortgage-backed securities													
Residential mortgage-backed securities	Residential mortgage-backed securities	470,066					396,947							
Agency commercial mortgage-backed securities	Agency commercial mortgage-backed securities													
Agency commercial mortgage-backed securities	Agency commercial mortgage-backed securities	9,768					8,652							
Other commercial mortgage-backed securities	Other commercial mortgage-backed securities													
Other commercial mortgage-backed securities	Other commercial mortgage-backed securities	210,104					185,809							

Other asset-backed securities	Other asset-backed securities	426,450	406,959
		<u>\$3,742,234</u>	<u>\$3,355,312</u>
	\$		

Excluding obligations of the U.S. Government, U.S. Government-sponsored enterprises and a U.S. Government obligations money market fund, no investment in any entity or its affiliates exceeded 10% of shareholders' equity at **September 30, 2023** **March 31, 2024**.

Cash and securities with a carrying value of **\$53.7 million** **\$53.5 million** at **September 30, 2023** **March 31, 2024** were on deposit with various state insurance departments to meet regulatory requirements. ProAssurance also held securities with a carrying value of **\$69.2 million** **\$70.6 million** at **September 30, 2023** **March 31, 2024** that are pledged as collateral security for advances under the Company's borrowing relationships with FHLBs.

As a member of Lloyd's, ProAssurance is required to maintain capital at Lloyd's, referred to as FAL, to support **the Company's previous participation in** underwriting **by years** **that remain open** at Syndicate 1729. At **September 30, 2023** **March 31, 2024**, the fair value of ProAssurance's FAL investments was \$20.2 million and were comprised of investment securities, primarily **available-for-sale fixed maturities, with a fair value of \$19.6 million** **short-term investments, and cash and cash equivalents** on deposit with Lloyd's in order to satisfy these FAL requirements. **During the second quarter of 2023, ProAssurance received a return of approximately \$4.1 million of cash from its FAL balances related to the settlement of the Company's participation in the results of Syndicate 1729 and Syndicate 6121 for the 2020 underwriting year.**

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023 **March 31, 2024**

Investments Held in a Loss Position

The following tables provide summarized information with respect to investments held in an unrealized loss position at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, including the length of time the investment had been held in a continuous unrealized loss position.

		September 30, 2023													
		March 31, 2024						March 31, 2024							
											Less than 12			12 months or	
		Total		Less than 12 months		12 months or longer			Total		months	12 months or longer			
		Fair	Unrealized	Fair	Unrealized	Fair	Unrealized		Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	
(In thousands)	(In thousands)	Value	Loss	Value	Loss	Value	Loss	(In thousands)	Value	Loss	Value	Loss	Value	Loss	
Fixed maturities, available-for-sale	Fixed maturities, available-for-sale														
U.S. Treasury obligations															
U.S. Treasury obligations															
U.S. Treasury obligations	U.S. Treasury obligations	\$ 237,828	\$ 23,239	\$ 53,724	\$ 2,863	\$ 184,104	\$ 20,376								
U.S. Government-sponsored enterprise obligations	U.S. Government-sponsored enterprise obligations	18,871	1,483	4,311	352	14,560	1,131								
State and municipal bonds	State and municipal bonds	417,930	44,058	84,695	4,940	333,235	39,118								
Corporate debt	Corporate debt	1,600,097	200,768	186,646	12,441	1,413,451	188,327								
Residential mortgage-backed securities	Residential mortgage-backed securities	370,223	73,236	140,460	17,086	229,763	56,150								
Agency commercial mortgage-backed securities	Agency commercial mortgage-backed securities	8,652	1,116	821	29	7,831	1,087								

Other commercial mortgage-backed securities	Other commercial mortgage-backed securities	183,434	24,169	20,378	1,836	163,056	22,333
Other asset-backed securities	Other asset-backed securities	384,747	19,541	82,866	1,319	301,881	18,222
\$							
		\$3,221,782	\$387,610	\$573,901	\$40,866	\$2,647,881	\$346,744

		December 31, 2022												
		December 31, 2023												
									December 31, 2023					
		Total		Less than 12 months		12 months or longer			Total		Less than 12 months		12 months or longer	
		Fair	Unrealized	Fair	Unrealized	Fair	Unrealized		Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
(In thousands)	(In thousands)	Value	Loss	Value	Loss	Value	Loss	(In thousands)	Value	Loss	Value	Loss	Value	Loss
Fixed maturities, available-for-sale	Fixed maturities, available-for-sale													
U.S. Treasury obligations	U.S. Treasury obligations													
U.S. Government-sponsored enterprise obligations	U.S. Government-sponsored enterprise obligations													
State and municipal bonds	State and municipal bonds													
Corporate debt	Corporate debt	1,708,529	199,862	687,947	42,977	1,020,582	156,885							
Residential mortgage-backed securities	Residential mortgage-backed securities	363,945	61,656	155,212	15,275	208,733	46,381							
Agency commercial mortgage-backed securities	Agency commercial mortgage-backed securities	9,704	872	3,086	110	6,618	762							
Other commercial mortgage-backed securities	Other commercial mortgage-backed securities	192,359	22,994	53,270	4,087	139,089	18,907							
Other asset-backed securities	Other asset-backed securities	396,452	27,617	162,192	7,050	234,260	20,567							
	\$													
		\$3,333,683	\$381,339	\$1,300,381	\$84,907	\$2,033,302	\$296,432							

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023 March 31, 2024

The following tables present a roll forward of the allowance for expected credit losses on available-for-sale fixed maturities for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023.

[illegible]

Securities sold during the period	Securities sold during the period	(7)	—	(3)	(10)
Balance, at September 30, 2023		\$ 216	\$ 151	\$ 193	\$560
Balance, at March 31, 2024					
Balance, at March 31, 2024					
Balance, at March 31, 2024					

Nine Months Ended September 30, 2023					
(In thousands)	Residential mortgage-backed securities	Other commercial mortgage-backed securities	Other asset-backed securities	Total	
Balance, at December 31, 2022	\$ 229	\$ —	\$ 198	\$	427
Additional credit losses related to securities for which: No allowance for credit losses has been previously recognized	—	151	—		151
Reductions related to: Securities sold during the period	(13)	—	(5)		(18)
Balance, at September 30, 2023	\$ 216	\$ 151	\$ 193	\$	560

Three Months Ended September 30, 2022			
(In thousands)	Corporate Debt	Total	
Balance, at July 1, 2022	\$ 553	\$	553
Additional credit losses related to securities for which: No allowance for credit losses has been previously recognized	—		—
Balance, at September 30, 2022	\$ 553	\$	553

Nine Months Ended September 30, 2022			
(In thousands)	Corporate Debt	Total	
Balance, at December 31, 2021	\$ —	\$	—
Reductions related to: Securities sold during the period	553		553
Balance, at September 30, 2022	\$ 553	\$	553

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

Three Months Ended March 31, 2023			
(In thousands)	Residential mortgage-backed securities	Other asset-backed securities	Total
Balance, at December 31, 2022	\$ 229	\$ 198	\$ 427
Reductions related to: Securities sold during the period	(2)	(1)	(3)
Balance, at March 31, 2023	\$ 227	\$ 197	\$ 424

Other information regarding sales and purchases of fixed maturity available-for-sale securities is as follows:

Three Months Ended September 30	Nine Months Ended September 30
---------------------------------	--------------------------------

Three Months Ended March 31

Three Months Ended March 31

		Three Months Ended March 31							
(In millions)	(In millions)	2023	2022	2023	2022	(In millions)	2024		2023
Proceeds from sales (exclusive of maturities and paydowns)	Proceeds from sales (exclusive of maturities and paydowns)	\$ 8.0	\$ 8.9	\$ 31.4	\$111.2				
Purchases	Purchases	\$127.3	\$145.4	\$261.5	\$486.1				

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
March 31, 2024

Net Investment Income

Net investment income (loss) by investment category was as follows:

		Three Months Ended September 30		Nine Months Ended September 30					
		Three Months Ended March 31		Three Months Ended March 31					
		Three Months Ended March 31		Three Months Ended March 31					
(In thousands)	(In thousands)	2023	2022	2023	2022	(In thousands)	2024		2023
Fixed maturities	Fixed maturities	\$28,402	\$23,725	\$83,680	\$67,275				
Equities	Equities	1,158	846	3,070	2,514				
Short-term investments, including Other	Short-term investments, including Other	4,473	1,812	11,857	2,965				
BOLI	BOLI	668	421	1,784	635				
Investment fees and expenses	Investment fees and expenses	(1,947)	(2,059)	(5,677)	(6,257)				
Net investment income	Net investment income	\$32,754	\$24,745	\$94,714	\$67,132				

Investment in Unconsolidated Subsidiaries

ProAssurance's investment in unconsolidated subsidiaries were as follows:

		September 30, 2023	Carrying Value		March 31, 2024		Carrying Value	
		Percentage Ownership	September 30, 2023	December 31, 2022	Percentage Ownership	March 31, 2024	March 31, 2024	December 31, 2023
(In thousands)	(In thousands)							
Qualified affordable housing project tax credit partnerships	Qualified affordable housing project tax credit partnerships	See below	\$ 787	\$ 4,088				

All other investments, primarily investment fund LPs/LLCs	All other investments, primarily investment fund LPs/LLCs	See below	296,527	301,122
			<u>\$297,314</u>	<u>\$305,210</u>

All other investments, primarily investment fund LPs/LLCs	
All other investments, primarily investment fund LPs/LLCs	
	—
	\$

Qualified affordable housing project tax credit partnership interests held by ProAssurance generate investment returns by providing tax benefits to fund investors in the form of tax credits and project operating losses. The carrying value of these investments reflects ProAssurance's total commitments (both funded and unfunded) to the partnerships, less any amortization. At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, ProAssurance did not have an ownership percentage greater than 20% in any tax credit partnership interests. **ProAssurance's ownership percentage relative to the tax credit partnership interests is less than 20%; these interests had a carrying value of \$0.8 million at September 30, 2023 and \$4.1 million at December 31, 2022.** Since ProAssurance has the ability to exert influence over the partnerships but does not control them, all are accounted for using the equity method. See further discussion of the entities in which ProAssurance holds passive interests in Note **11. 10.**

ProAssurance holds interests in investment fund LPs/LLCs and other equity method investments and LPs/LLCs which are not considered to be investment funds. ProAssurance's ownership percentage relative to four **and three** of the LPs/LLCs is greater than 25% at **September 30, 2023** **March 31, 2024** and **December 31, 2022**, **respectively**, **December 31, 2023** which is likely to be reduced as the funds mature and other investors participate in the funds; these investments had a carrying value of **\$45.0 million** **\$24.0 million at September 30, 2023** **March 31, 2024** and **\$36.0 million** **\$23.0 million at December 31, 2022** **December 31, 2023**. ProAssurance's ownership percentage relative to the remaining investments and LPs/LLCs is less than 25%; these interests had a carrying value of **\$251.5 million** **\$254.4 million at September 30, 2023** **March 31, 2024** and **\$265.1 million** **\$253.1 million at December 31, 2022** **December 31, 2023**. ProAssurance does not have the ability to exert control over any of these funds.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

Equity in Earnings (Loss) of Unconsolidated Subsidiaries

Equity in earnings (loss) of unconsolidated subsidiaries included losses from qualified affordable housing project tax credit partnerships and a historic tax credit partnership. Investment results recorded reflect ProAssurance's allocable portion of partnership operating results. Tax credits reduce income tax expense in the period they are utilized. The results recorded and tax credits recognized related to ProAssurance's tax credit partnership investments were as follows:

		Three Months Ended September 30		Nine Months Ended September 30			
		Three Months Ended March 31		Three Months Ended March 31			
(In thousands)	(In thousands)	2023	2022	2023	2022	(In thousands)	
Qualified affordable housing project tax credit partnerships	Qualified affordable housing project tax credit partnerships						
Losses recorded	Losses recorded	\$429	\$2,164	\$2,294	\$7,360		
Losses recorded	Losses recorded						

Tax credits recognized	Tax credits recognized	\$401	\$1,201	\$ 473	\$3,604
Historic tax credit partnership*					
Losses (gains) recorded	\$ —	\$ —	\$ —	\$ —	\$ (961)

*ProAssurance holds a historic tax credit partnership which was fully amortized in 2020. This partnership generated investment returns by providing benefits to partnership investors in the form of tax credits, tax deductible project operating losses and distributions resulting from positive cash flows. ProAssurance received a distribution associated with this investment during the second quarter of 2022 as a result of positive cash flows from a completed project, which was recognized as an operating gain during the second quarter of 2022.

Due

ProAssurance Corporation and Subsidiaries

Notes to the consolidated loss before income taxes recognized during the three and nine months ended September 30, 2023, the tax credits generated in 2023 from Condensed Consolidated Financial Statements (Unaudited)
March 31, 2024

ProAssurance accounts for its tax credit partnership investments under the equity method of \$0.4 million accounting and \$0.5 million, respectively, records its allocable portion of the operating losses of the underlying properties based on estimates provided by the partnerships. For the Company's qualified affordable housing project tax credit partnerships, it adjusts its estimates of their allocable portion of operating losses periodically as actual operating results of the underlying properties become available. The primary benefits of tax credits and tax-deductible operating losses from the historic tax credit partnerships are earned in a short period with potential for additional cash flows extending over several years. For the three months ended March 31, 2024 and 2023, the Company generated a nominal amount of tax credits from its tax credit partnership investments, which were deferred and are expected to be utilized in future periods. For the three and nine months ended September 30, 2022, the tax credits generated from the Company's tax credit partnership investments of \$1.2 million and \$3.6 million, respectively, were deferred and are expected to be utilized in future periods. Not included in the table above is \$2.2 million of tax credits recaptured from the 2019 tax year during the nine months ended September 30, 2023 due to the carryback of the Company's estimated NOL for 2023 to the 2021 tax year. The recaptured tax credits were earned in 2019 but not utilized until 2021 due to NOL's generated in both 2019 and 2020. As of September 30, 2023 March 31, 2024, the Company had approximately \$53.4 million \$52.7 million of available tax credit carryforwards generated from its investments in tax credit partnerships which they expect to utilize in future periods.

Tax credits provided by the underlying projects of the Company's historic tax credit partnership are typically available in the tax year in which the project is put into active service, whereas the tax credits provided by qualified affordable housing project tax credit partnerships are provided over approximately a ten-year period.

ProAssurance Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

Net Investment Gains (Losses)

Realized investment gains and losses are recognized on the first-in, first-out basis. The following table provides detailed information regarding net investment gains (losses):

		Three Months Ended September 30		Nine Months Ended September 30			
		Three Months Ended March 31		Three Months Ended March 31			
		Three Months Ended March 31					
(In thousands)	(In thousands)	2023	2022	2023	2022	(In thousands)	
Total impairment losses:	Total impairment losses:						
Corporate debt	Corporate debt	\$ —	\$ —	\$(2,984)	\$ (972)		
Corporate debt							
Corporate debt							
Asset-backed securities							
Asset-backed securities							
Asset-backed securities	Asset-backed securities	(141)	—	(133)	—		

Portion of impairment losses recognized in other comprehensive income before taxes:	Portion of impairment losses recognized in other comprehensive income before taxes:				
Corporate debt	Corporate debt	—	—	—	419
Corporate debt	Corporate debt				
Corporate debt	Corporate debt				
Net impairment losses recognized in earnings	Net impairment losses recognized in earnings				
Net impairment losses recognized in earnings	Net impairment losses recognized in earnings				
Net impairment losses recognized in earnings	Net impairment losses recognized in earnings				
Net impairment losses recognized in earnings	Net impairment losses recognized in earnings	(141)	—	(3,117)	(553)
Gross realized gains, available-for-sale fixed maturities	Gross realized gains, available-for-sale fixed maturities	254	142	793	1,594
Gross realized (losses), available-for-sale fixed maturities	Gross realized (losses), available-for-sale fixed maturities	(285)	(57)	(1,509)	(2,146)
Net realized gains (losses), trading fixed maturities	Net realized gains (losses), trading fixed maturities				
Net realized gains (losses), trading fixed maturities	Net realized gains (losses), trading fixed maturities				
Net realized gains (losses), trading fixed maturities	Net realized gains (losses), trading fixed maturities	5	(30)	(101)	(127)
Net realized gains (losses), equity investments	Net realized gains (losses), equity investments	154	—	254	(5,346)
Net realized gains (losses), other investments	Net realized gains (losses), other investments	(683)	209	(2,570)	99
Change in unrealized holding gains (losses), trading fixed maturities	Change in unrealized holding gains (losses), trading fixed maturities	(71)	(100)	81	(881)
Change in unrealized holding gains (losses), equity investments	Change in unrealized holding gains (losses), equity investments	(4,578)	(6,655)	(1,962)	(24,063)

Change in unrealized holding gains (losses), convertible securities, carried at fair value	Change in unrealized holding gains (losses), convertible securities, carried at fair value	(588)	(1,443)	3,473	(14,502)
Other ⁽¹⁾	Other ⁽¹⁾	3,231	(328)	7,814	273
Other ⁽¹⁾					
Other ⁽¹⁾					
Net investment gains (losses)	Net investment gains (losses)	<u>\$ (2,702)</u>	<u>\$ (8,262)</u>	<u>\$ 3,156</u>	<u>\$ (45,652)</u>

⁽¹⁾ Includes gains of \$1.5 million and \$4.5 million recognized during the 2023 three- and nine-month periods, respectively, reflecting the change in the fair value of contingent consideration issued in connection with the NORCAL acquisition. See further discussion on the contingent consideration in Note 2 and discussion on the Company's accounting policy in Note 1 in its December 31, 2022 report on Form 10-K.

⁽¹⁾ Includes a gain of \$1.0 million recognized during the 2023 three-month period related to the change in the fair value of contingent consideration issued in connection with the NORCAL acquisition. See further discussion on the contingent consideration in Note 2 and Note 6 and discussion on the Company's accounting policy in Note 1 in its December 31, 2023 report on Form 10-K.

⁽¹⁾ Includes a gain of \$1.0 million recognized during the 2023 three-month period related to the change in the fair value of contingent consideration issued in connection with the NORCAL acquisition. See further discussion on the contingent consideration in Note 2 and Note 6 and discussion on the Company's accounting policy in Note 1 in its December 31, 2023 report on Form 10-K.

For the three and nine months ended September 30, 2023 March 31, 2024, ProAssurance recognized a nominal amount and \$3.1 million \$0.9 million of credit-related impairment losses in earnings respectively, related to a corporate bond in the consumer sector as well as an asset-backed security. The Company recognized non-credit impairment losses in OCI of \$0.6 million related to a corporate bond during the three months ended March 31, 2024. For the three months ended March 31, 2023, ProAssurance recognized credit-related impairment losses recognized during the three and nine months ended September 30, 2023 in earnings of \$2.9 million related to a mortgage-backed security and, for the 2023 nine-month period, two corporate bonds in the financial sector. The Company did not recognize any non-credit impairment losses in OCI during the three and nine months ended September 30, 2023 March 31, 2023.

ProAssurance did not recognize any credit-related impairment losses in earnings or non-credit impairment losses in OCI during the three months ended September 30, 2022. For the nine months ended September 30, 2022, ProAssurance recognized credit-related impairment losses in earnings of \$0.6 million Corporation and non-credit impairment losses in OCI of \$0.4 million. The credit-related impairment losses and non-credit related impairment losses recognized during the nine months ended

September 30, 2022 related Subsidiaries

Notes to a corporate bond in the consumer sector. Condensed Consolidated Financial Statements (Unaudited)

March 31, 2024

The following table presents a roll forward of cumulative credit losses recorded in earnings related to impaired debt securities for which a portion of the impairment was recorded in OCI.

		Three Months Ended September 30		Nine Months Ended September 30					
		Three Months Ended March 31		Three Months Ended March 31					
		Three Months Ended March 31							
(In thousands)	(In thousands)	2023	2022	2023	2022	(In thousands)	2024		2023
Balance beginning of period	Balance beginning of period	\$57	\$553	\$57	\$—				
Additional credit losses recognized during the period, related to securities for which:	Additional credit losses recognized during the period, related to securities for which:								
	No impairment has been previously recognized								
	No impairment has been previously recognized								
No impairment has been previously recognized	No impairment has been previously recognized	—	—	—	553				
Balance June 30		\$57	\$553	\$57	\$553				
Balance March 31									
Balance March 31									
Balance March 31									

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

4. Income Taxes

For interim periods, ProAssurance generally utilizes the estimated annual effective tax rate method under which the Company determines its provision (benefit) for income taxes based on the current estimate of its annual effective tax rate. Under For the three months ended March 31, 2024 and March 31, 2023, we utilized the estimated annual effective tax rate method. Under this method, items which are unusual, infrequent, or that cannot be reliably estimated are considered in the effective tax rate in the period in which the item is included in income, and are referred to as discrete items. In calculating the Company's year-to-date income tax expense (benefit) under the estimated annual effective tax rate method, it includes the estimated benefit of tax credits for the year-to-date period based on the most recently available information provided by the tax credit partnerships; the actual amounts of credits provided by the tax credit partnerships may prove to be different than the Company's estimates. The effect of such a difference is recognized in the period identified.

For the three and nine months ended September 30, 2023, ProAssurance utilized the discrete effective tax rate method for recording income taxes after the estimated annual effective tax rate method produced an unreliable estimated annual effective tax rate. ProAssurance believes the use of the discrete effective tax rate method is more appropriate than the annual effective tax rate method for the three March 31, 2024 and nine months ended September 30, 2023 as minor changes in the Company's estimated ordinary income would have a significant effect on the estimated annual effective tax rate and would result in sizable variations in the customary relationship between income tax expense (benefit) and pre-tax accounting income (loss). For the six months ended June 30, 2022, ProAssurance utilized the discrete effective tax rate method for recording income taxes in the period. The Company believed the use of the discrete effective tax rate method for the six months ended June 30, 2022 was more appropriate than the annual effective tax rate method. For the nine months ended September 30, 2022, ProAssurance reevaluated the use of the discrete effective tax rate method and concluded that a return to the estimated annual effective tax rate method is appropriate given the Company's revised financial projections and ability to provide a reliable estimate of the annual effective tax rate.

For the nine months ended September 30, 2023 2023, the provision for income taxes is different from that which would be obtained by applying the statutory federal income tax rate to income (loss) before income taxes primarily due to the estimated tax rate differential between the Company's actual effective tax rate and its projected annual effective tax rate as calculated under the estimated annual effective tax rate method and, to a \$44.1 million goodwill impairment recognized in relation to lesser extent, the Workers' Compensation Insurance reporting unit during effects of tax-favored income. In addition, the third quarter of 2023, which is non-deductible (see further discussion on this goodwill impairment in Note 5). The provision for income taxes for the nine three months ended September 30, 2023 is also different from that which would be obtained March 31, 2023 was impacted by applying the statutory federal income tax rate to income (loss) before income taxes due to the \$5.5 \$2.0 million decrease in the contingent consideration liability related to the NORCAL acquisition, all of which was non-taxable. See further discussion on the Company's contingent consideration in Note 2, 2 and Note 6.

ProAssurance had a liability for U.S. federal and U.K. income taxes carried as a part of other liabilities of \$3.2 million \$3.0 million as of September 30, 2023 March 31, 2024 and a receivable of \$8.0 million \$4.0 million as of December 31, 2022 carried as a part of other assets. December 31, 2023. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the liability for unrecognized tax benefits, which is included in the total liability for U.S. federal and U.K. income taxes, was \$4.3 million \$5.4 million and \$4.1 million \$5.3 million, respectively, which included an accrued liability for interest of approximately \$0.7 million \$0.6 million and \$0.5 million, respectively.

Coronavirus Aid, Relief and Economic Security Act

In response to COVID-19, the CARES Act was signed into law on March 27, 2020 and contains several provisions for corporations and eased certain deduction limitations originally imposed by the TCJA. See further discussion in Note 6 of the Notes to Consolidated Financial Statements in ProAssurance's December 31, 2022 report on Form 10-K. As a result of the CARES Act, ProAssurance was permitted to carryback NOLs generated in tax years 2019 and 2020 for up to five years. ProAssurance generated an NOL of approximately \$33.3 million from the 2020 tax year that was carried back to the 2015 tax year which resulted in a tax refund of approximately \$11.7 million received in February 2023.

ProAssurance Corporation and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) September 30, 2023 March 31, 2024

5. Goodwill

Goodwill is recognized in conjunction with business acquisitions as the excess of the purchase consideration for the business acquisition over the fair value of identifiable assets acquired and liabilities assumed. The fair value of identifiable assets acquired and liabilities assumed, and thus goodwill, is subject to redetermination within a measurement period of up to one year following completion of a business acquisition.

Goodwill is tested for impairment annually or more frequently if circumstances indicate an impairment may have occurred. The date of the Company's annual goodwill impairment test is October 1. For the Company's last annual impairment test at October 1, 2022, management performed quantitative assessments that supported a conclusion that the fair value of all of the reporting units with goodwill exceeded their carrying value. See Note 1 and Note 7 of the Notes to Consolidated Financial Statements included in ProAssurance's December 31, 2022 report on Form 10-K for further information.

Impairment of goodwill is tested at the reporting unit level, which prior to the third quarter of 2023, was consistent with the Company's reportable segments. As discussed in Note 13, the Company reorganized its segment reporting in the third quarter of 2023 to align with how its CODM currently oversees the business, allocates resources and evaluates operating performance. As a result of the segment reorganization, the Lloyd's Syndicates segment is no longer a separate operating segment; however, the Lloyd's Syndicates operation will remain a separate reporting unit for purposes of testing goodwill. The reporting units are: Specialty P&C, Workers' Compensation Insurance, Segregated Portfolio Cell Reinsurance, Lloyd's Syndicates and Corporate. Of the five reporting units, two have goodwill: Workers' Compensation Insurance and Segregated Portfolio Cell Reinsurance.

Interim Impairment Assessments

Management performed a quantitative goodwill impairment assessment on the Workers' Compensation Insurance reporting unit as of June 30, 2023, due to market conditions impacting that reporting unit's actual and projected results along with a broader decline in its stock price that occurred for a sustained period of time during the second quarter of 2023. As a result of the interim goodwill impairment assessment in the second quarter of 2023, management concluded that the fair value of the Workers' Compensation Insurance reporting unit exceeded the carrying value as of the testing date by approximately 3%; therefore, goodwill was not impaired during the second quarter of 2023.

Market conditions impacting the actual and projected results of the Workers' Compensation Insurance reporting unit persisted into the third quarter of 2023. During the third quarter of 2023, the Workers' Compensation Insurance reporting unit increased its full year current accident year loss ratio and recognized unfavorable prior accident year reserve development, which reflected higher than expected loss trends observed in the average cost per claim which the Company attributes to increased medical costs driven by wage inflation and medical advancements. As a result, management performed an updated quantitative assessment of goodwill on the Workers' Compensation Insurance reporting unit using updated actual and projected results as well as marketplace data. The updated data impacted a number of key variables in the Company's analysis including the determination of a higher discount rate and lower valuation multiples.

For each of the interim impairment assessments performed in the second and third quarters of 2023, management estimated the fair value of the Workers' Compensation Insurance reporting unit using both an income approach and a market approach using marketplace data that was current at the time of each respective analysis based on the valuation methodologies and process for developing assumptions discussed in Note 1 of the Notes to Consolidated Financial Statements included in ProAssurance's December 31, 2022 report on Form 10-K. To corroborate the reporting unit's valuation, the Company performed a reconciliation of the estimate of the aggregate fair value of all reporting units to ProAssurance's market capitalization, including consideration of a control premium. The determination of fair value involved the use of significant estimates and assumptions, including revenue growth rates, combined ratios, capital requirements, tax rates, terminal growth rates, discount rates, comparable public companies and synergistic benefits available to market participants. In addition, management made certain judgments and assumptions in allocating shared assets and liabilities to individual reporting units to determine the carrying amount of each reporting unit.

The analysis performed during the third quarter of 2023 indicated an impairment of the goodwill associated with the Company's Workers' Compensation Insurance reporting unit and, accordingly, ProAssurance recorded a \$44.1 million charge to fully impair the goodwill.

In both the second and third quarter 2023 analyses, management also estimated the fair value of its Segregated Portfolio Cell Reinsurance reporting unit, which indicated that the fair value of the reporting unit significantly exceeded the carrying amount for each of the interim impairment assessments performed.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

Management also performed impairment tests of certain of the Company's definite and indefinite lived intangible assets for which a triggering event was deemed to have occurred. Based upon these impairment tests, no impairment of its definite or indefinite lived intangible assets was identified at September 30, 2023.

The table below presents the carrying amount of goodwill and accumulated impairment losses by reporting unit at September 30, 2023 and December 31, 2022:

(In thousands)	Reporting Unit			
	Specialty P&C	Workers' Compensation Insurance	Segregated Portfolio Cell Reinsurance	Total
At September 30, 2023:				
Goodwill, gross	\$ 161,115	\$ 44,110	\$ 5,500	\$ 210,725
Accumulated impairment losses*	\$ (161,115)	\$ (44,110)	\$ —	\$ (205,225)
Goodwill, net as of December 31, 2022	\$ —	\$ 44,110	\$ 5,500	\$ 49,610
Impairment losses	—	(44,110)	—	(44,110)
Goodwill, net as of September 30, 2023	\$ —	\$ —	\$ 5,500	\$ 5,500

*Accumulated impairment losses include the \$44.1 million impairment loss recognized in relation to the Workers' Compensation Insurance reporting unit during the third quarter of 2023 and the \$161.1 million impairment loss recognized during the third quarter of 2020 in relation to the Specialty P&C reporting unit.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

6. Reserve for Losses and Loss Adjustment Expenses

The reserve for losses is established based on estimates of individual claims and actuarially determined estimates of future losses based on ProAssurance's past loss experience, available industry data and projections as to future claims frequency, severity, inflationary trends and settlement patterns. Estimating the reserve, particularly the reserve appropriate for liability exposures, is a complex process. For a high proportion of the risks insured or reinsured by ProAssurance, claims may be resolved over an extended period of time, often five years or more, and may be subject to litigation. Estimating losses requires ProAssurance to make and revise judgments and assessments regarding multiple uncertainties over an extended period of time. As a result, the reserve estimate may vary considerably from the eventual outcome. The assumptions used in establishing ProAssurance's reserve are regularly reviewed and updated by management as new data becomes available. Changes to estimates of previously established reserves are included in earnings in the period in which the estimate is changed. For additional information regarding ProAssurance's reserve for losses, see Note 1 and Note 8.7 of the Notes to Consolidated Financial Statements included in ProAssurance's [December 31, 2022](#) [December 31, 2023](#) report on Form 10-K.

Activity in the reserve for losses and loss adjustment expenses is summarized as follows:

(In thousands)	(In thousands)	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Year Ended December 31, 2022
(In thousands)				
(In thousands)				
Balance, beginning of year				
Balance, beginning of year				
Balance, beginning of year	Balance, beginning of year	\$ 3,471,147	\$ 3,579,940	\$ 3,579,940
Less reinsurance recoverables on unpaid losses and loss adjustment expenses	Less reinsurance recoverables on unpaid losses and loss adjustment expenses	431,889	451,741	451,741
Less reinsurance recoverables on unpaid losses and loss adjustment expenses				
Less reinsurance recoverables on unpaid losses and loss adjustment expenses				
Net balance, beginning of year				

Net balance, beginning of year			
Net balance, beginning of year	Net balance, beginning of year	3,039,258	3,128,199
Net losses:	Net losses:		
Current year ⁽¹⁾		596,872	616,694
(Favorable) unfavorable development of reserves established in prior years, net ⁽²⁾		8,373	(31,528)
Net losses:			
Net losses:			
Current year			
Current year			
Current year			
(Favorable) unfavorable development of reserves established in prior years, net ⁽¹⁾			
(Favorable) unfavorable development of reserves established in prior years, net ⁽¹⁾			
(Favorable) unfavorable development of reserves established in prior years, net ⁽¹⁾			
Total			
Total			
Total	Total	605,245	585,166
Paid related to:	Paid related to:		
Paid related to:			
Paid related to:			
Current year			
Current year			
Current year	Current year	(67,894)	(77,854)
Prior years	Prior years	(598,281)	(557,066)
Prior years			
Prior years			
Total paid			
Total paid			
Total paid	Total paid	(666,175)	(634,920)
Net balance, end of period	Net balance, end of period	2,978,328	3,078,445
Net balance, end of period			
Net balance, end of period			
Plus reinsurance recoverables on unpaid losses and loss adjustment expenses			
Plus reinsurance recoverables on unpaid losses and loss adjustment expenses			
Plus reinsurance recoverables on unpaid losses and loss adjustment expenses	Plus reinsurance recoverables on unpaid losses and loss adjustment expenses	417,323	466,483
Balance, end of period	Balance, end of period	\$ 3,395,651	\$ 3,544,928
Balance, end of period			
Balance, end of period			

⁽¹⁾ Current year net losses for both the nine months ended September 30, 2022 and year ended December 31, 2022 included \$4.9 million of purchase accounting amortization of the negative VOBA associated with NORCAL's assumed unearned premium, which was amortized over a period in proportion to the earn-out of the associated premium as a reduction to current accident year net losses (see Note 2 of the Notes to Consolidated Financial Statements in ProAssurance's December 31, 2022 report on Form 10-K). As of June 30, 2022, the negative VOBA was fully amortized.

(2) Net prior year reserve development recognized for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 as well as the year ended December 31, 2022 December 31, 2023 included \$6.7 million \$1.7 million, \$8.3 \$2.5 million and \$10.8 \$8.3 million, respectively, of amortization of the purchase accounting fair value adjustment on NORCAL's assumed net reserve and amortization of the negative VOBA associated with NORCAL's DDR reserve which is recorded as a reduction to prior accident year net losses and loss adjustment expenses (see Note 2 of the Notes to Consolidated Financial Statements in ProAssurance's December 31, 2022 report on Form 10-K). expenses.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

Estimating liability reserves is complex and requires the use of many assumptions. As time passes and ultimate losses for prior years are either known or become subject to a more precise estimation, ProAssurance increases or decreases the reserve estimates established in prior periods.

The consolidated net unfavorable favorable prior year reserve development recognized in for the nine three months ended September 30, 2023 March 31, 2024 primarily reflected higher than expected loss trends observed in the average cost per claim in the Workers' Compensation Insurance segment primarily attributable to the 2022 accident year. The consolidated net unfavorable loss development also reflected unfavorable development recognized during the first quarter of 2023 in the Workers' Compensation Insurance segment primarily attributable to one large claim from the 1997 accident year. Consolidated net unfavorable development also reflected the continued challenging loss environment in the Specialty P&C segment, as claim costs are pressured by social inflation and higher than anticipated loss severity trends which started to emerge in the fourth quarter of 2022. During the first quarter of 2023, the Company strengthened case reserves in its Specialty P&C segment related to four large claims resulting in net unfavorable prior year reserve development of \$10.1 million recognized during the nine months ended September 30, 2023, \$7.5 million of which related to NORCAL's accident years 2016 and 2020. The net unfavorable prior year reserve development recognized in the Specialty P&C segment also reflected higher than expected loss development on certain large claims, primarily catastrophe related losses, associated with Lloyd's Syndicates operations, partially offset by approximately \$4.0 million of favorable prior year reserve development due to lower than anticipated loss emergence in the Company's Medical Technology Liability line of business, principally related to accident years 2014 through 2017. Consolidated net unfavorable loss development recognized in the nine months ended September 30, 2023 was partially offset by favorable reserve development recognized in the Segregated Portfolio Cell Reinsurance segment driven by overall favorable trends in claim closing patterns primarily in accident years 2018 through 2021. reflected:

The net favorable loss development recognized in the nine months ended September 30, 2022 primarily reflected a lower than anticipated loss emergence in the Specialty P&C segment, primarily related to the 2018 through 2021 accident years. The net Net favorable development recognized in the Specialty P&C segment also included of \$1.7 million related to the amortization of the purchase accounting fair value adjustment on NORCAL's assumed net reserve and amortization of the negative VOBA associated with NORCAL's DDR reserve which is recorded as a \$6.0 million reduction in the Company's to prior accident year IBNR reserve for COVID-19 as early first notices of potential claims related to anticipated COVID net losses have not turned into claims, partially offset by higher than expected and loss development on certain large claims, primarily catastrophe related losses, associated with Lloyd's Syndicates operations. The favorable development also reflected overall favorable trends in claim closing patterns in the Workers' Compensation Insurance and Segregated Portfolio Cell Reinsurance segments. The adjustment expenses.

Consolidated net favorable loss development recognized in the Workers' Compensation Insurance segment is primarily related to the 2017 accident year and prior. The three months ended March 31, 2024 was partially offset by net favorable loss unfavorable reserve development of \$0.9 million recognized in the Segregated Portfolio Cell Reinsurance segment is primarily related and unfavorable reserve development of \$0.4 million attributable to accident years 2016 through 2020. As of September 30, 2022, ProAssurance did not recognize any development related to NORCAL's accident years 2020 or prior since the date of acquisition on May 5, 2021.

The net favorable loss development recognized for the year ended December 31, 2022 primarily reflected a lower than anticipated loss emergence Company's Lloyd's Syndicates operations in the Specialty P&C segment related to the 2017, 2020 and 2021 accident years, primarily attributable to NORCAL's 2021 accident year, and, to a lesser extent, the Medical Technology Liability line of business. segment. The net favorable unfavorable development recognized in the Specialty P&C segment also included a \$9.0 million reduction in the Company's prior accident year IBNR reserve for COVID-19 as early first notices of potential claims related to anticipated COVID losses have not turned into claims. Further, the net favorable development recognized in the Specialty P&C segment was partially offset by higher than anticipated loss severity trends in select jurisdictions in the HCPL line of business, which emerged primarily in the fourth quarter of 2022 and higher than expected loss development on certain large claims, primarily catastrophe related losses, associated with Lloyd's Syndicates operations. As of December 31, 2022, ProAssurance did not recognize any development related to NORCAL's accident years 2020 or prior since the date of acquisition on May 5, 2021. The net favorable development also reflected overall favorable trends in claim closing patterns in the Workers' Compensation Insurance and Segregated Portfolio Cell Reinsurance segments. The net favorable loss development recognized in the Workers' Compensation Insurance segment is primarily related to the 2017 through 2020 accident years. The net favorable loss development recognized in the Segregated Portfolio Cell Reinsurance segment is primarily related to the 2016 through 2021 accident years.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023 March 31, 2024

7. segment includes net favorable development in the workers' compensation business of \$0.5 million that was more than offset by net unfavorable development of \$1.4 million in the medical professional liability business related to higher than expected claim frequency in on program in which the Company does not participate in the underwriting results.

For additional information regarding ProAssurance's prior year reserve development recognized for the three months ended March 31, 2023 and the year ended December 31, 2023, see Note 5 of the Notes to Condensed Consolidated Financial Statements included in ProAssurance's March 31, 2023 report on Form 10-Q and Note 7 of the Notes to Consolidated Financial Statements included in ProAssurance's December 31, 2023 report on Form 10-K, respectively.

6. Commitments and Contingencies

ProAssurance is involved in various legal actions related to insurance policies and claims handling including, but not limited to, claims asserted by policyholders. These types of legal actions arise in the Company's ordinary course of business and, in accordance with GAAP for insurance entities, are considered as a part of the Company's loss reserving process, which is described in detail under the heading "Losses and Loss Adjustment Expenses" in the Accounting Policies section in Note 1 of the Notes to Consolidated Financial Statements in ProAssurance's December 31, 2022 December 31, 2023 report on Form 10-K. ProAssurance also has other direct actions against the Company unrelated to its

claims activity which are evaluated and accounted for as a part of other liabilities. For these corporate legal actions, the Company evaluates each case separately and establishes what it believes is an appropriate reserve based on GAAP guidance related to contingent liabilities. As of **September 30, 2023** **March 31, 2024**, there were no material reserves established for corporate legal actions.

As a member of Lloyd's, ProAssurance has obligations to Syndicate 1729 including FAL requirements. ProAssurance provides FAL to support **its previous participation in underwriting by years that remain open at** Syndicate 1729, which is comprised of investment securities, primarily **available-for-sale fixed maturities, short-term investments, and cash and cash equivalents** deposited with Lloyd's with a total fair value of approximately **\$19.6 million** **\$20.2 million at** **September 30, 2023** **March 31, 2024** (see Note 3). **During the second quarter of 2023, the Company received a return of approximately \$4.1 million of cash from its FAL balances related to the settlement of its participation in the results of Syndicate 1729 and Syndicate 6131 for the 2020 underwriting year.**

ProAssurance has entered into financial instrument transactions that may present off-balance sheet credit risk or market risk. These transactions include a short-term loan commitment and commitments to provide funding to non-public investment entities. Under the short-term loan commitment, ProAssurance has agreed to advance funds on a 30 day basis to a counterparty provided there is no violation of any condition established in the contract. As of **September 30, 2023** **March 31, 2024**, ProAssurance had total funding commitments related to non-public investment entities as well as the short-term loan commitment of approximately **\$146.6 million** **\$161.9 million** which included the amount at risk if the full short-term loan is extended and the counterparties default. However, the credit risk associated with the short-term loan commitment is minimal as the counterparties to the contract are highly rated commercial institutions and to-date have been performing in accordance with their contractual obligations. As such, ProAssurance's expected credit losses associated with this short-term loan commitment were nominal in amount as of **September 30, 2023** **March 31, 2024**.

ProAssurance entered into a services agreement with a company to provide data analytics services for certain product lines within the Company's **HCPL MPL** book of business. Under the services agreement, the Company has committed to an annual fee of approximately \$3.5 million for three years. In addition, the services agreement contains an annual one-year auto-extension feature, in November, unless either party elects to non-renew the services agreement by providing notice at least six-months prior to the end of the contract. **In April 2024, ProAssurance provided such notice of termination of the services agreement. As a result, the services agreement will expire on November 30, 2024.** ProAssurance incurred operating expenses associated with this services agreement of \$0.8 million and **\$2.5 million** **\$0.9 million** for the three **and nine** months ended **September 30, 2023, respectively, as compared to \$0.9 million** **March 31, 2024** and **\$2.7 million** for the same respective periods of **2022, 2023, respectively.** As of **September 30, 2023** **March 31, 2024**, the remaining commitment under this agreement was estimated to be approximately **\$3.8 million** **\$2.2 million**.

The purchase consideration in the NORCAL acquisition included contingent consideration. NORCAL policyholders who elected to receive NORCAL stock and tender it to ProAssurance are eligible for a share of contingent consideration in an amount of up to approximately \$84 million **depending**. As defined in the purchase agreement, the contingent consideration is dependent upon the after-tax development of NORCAL's ultimate net losses **between for accident years ended on or before December 31, 2020 and determined as of December 31, 2023, by a mutually agreed upon independent actuarial consultant.** This independent actuarial consultant has until June 30, 2024 to complete their estimate. As of **September 30, 2023** **May 1, 2024**, the independent actuarial consultant had not completed their estimate. As of **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the contingent consideration liability was **\$9.5 million and \$15.0 million, respectively, \$6.5 million** carried at fair value utilizing a stochastic **model (see Note 2), model.** This estimate of fair value does not guarantee nor suggest that contingent consideration will ultimately be paid. Depending on NORCAL's actual ultimate net loss development between **December 31, 2020 paid, and December 31, 2023, any amounts ultimately paid by the actual amount due to eligible policyholders** Company may be greater than or less than the **\$9.5 million** **\$6.5 million** current fair value estimate. As of **March 31, 2024** and **December 31, 2023**, the Company's analysis of NORCAL's reserves related to accident years 2020 and prior suggests that no contingent consideration will be due; however, the actual amount due to be paid, if any, will be determined based on analysis to be performed by an independent actuary, as previously discussed. This remaining uncertainty is a significant component in the determination of the fair value of the liability as of **March 31, 2024** and **December 31, 2023**. See further discussion around the contingent consideration **and the NORCAL acquisition** in Note 2 of the Notes to Consolidated Financial Statements included in ProAssurance's **December 31, 2022 report on Form 10-K, 2.**

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023 **March 31, 2024**

8. 7. Debt

ProAssurance's outstanding debt consisted of the following:

(\$ in thousands)	September 30, 2023	December 31, 2022
Senior Notes due 2023, unsecured, interest at 5.3% annually	\$ 250,000	\$ 250,000
Contribution Certificates due 2031, interest at 3.0% (effective interest rate at 4.35%) paid annually in April	178,910	177,525
Total principal	428,910	427,525
Less unamortized debt issuance costs	2,331	542
Debt less unamortized debt issuance costs	\$ 426,579	\$ 426,983

Revolving Credit Agreement and Term Loan

On April 28, 2023, ProAssurance executed an amendment to the Revolving Credit Agreement, which extended the expiration from November 2024 to April 2028 and includes a \$125 million delayed draw term loan ("Term Loan"). The Term Loan is available to be drawn during a five year period after closing, subject to customary borrowing conditions. The Company intends to draw on the amended Revolving Credit Agreement, including the Term Loan, to refinance its Senior Notes that mature November 2023 (see additional information on the Company's Senior Notes in Note 11 of the Notes to Consolidated Financial Statements included in ProAssurance's December 31, 2022 report on Form 10-K). The amended Revolving Credit Agreement may be used for general corporate purposes, including, but not limited to, short-term working capital, share repurchases as authorized by the Board and support for other activities. ProAssurance's amended Revolving Credit Agreement permits borrowings up to \$250 million, and has available a \$50 million accordion feature which, if successfully subscribed, would expand the permitted borrowings to a maximum of \$300 million. As of September 30, 2023 and December 31, 2022, there were no outstanding borrowings on the Revolving Credit Agreement. The amended Revolving Credit Agreement permits ProAssurance to borrow, repay and reborrow from the lenders during the term of the amended Revolving Credit Agreement.

All borrowings are required to be repaid prior to the expiration date of the amended Revolving Credit Agreement. ProAssurance is required to pay a commitment fee, ranging from 0.20% to 0.45% based on ProAssurance's debt to capitalization ratio, on the average unused portion of the amended Revolving Credit Agreement during the term of the agreement. Borrowings under the agreements may be secured or unsecured and accrue interest at a selected base rate, adjusted by a margin, which can vary from 0% to 2.375%, based on ProAssurance's debt to capitalization ratio and whether the borrowing is secured or unsecured. The base rate selected may either be the current one-, three- or six-month SOFR, with the SOFR term selected fixing the interest period for which the rate is effective. If no selection is made, the base rate defaults to the highest of (1) Zero, (2) the Prime rate, (3) the Federal Funds rate plus 0.5% or (4) the one-month SOFR Adjusted Screen Rate plus 1.0%, determined daily. Rates are reset each successive interest period until the borrowing is repaid.

The amended Revolving Credit Agreement contains customary representations, covenants and events constituting default, and remedies for default. Additionally, the agreement carries the following financial covenants:

- (1) ProAssurance is not permitted to have a leverage ratio of consolidated funded indebtedness (principally, obligations for borrowed money, obligations evidenced by instruments such as notes or acceptances, standby and commercial letters of credit, and contingent obligations) to consolidated total capitalization (principally, total non-trade liabilities on a consolidated basis plus consolidated shareholders' equity, exclusive of AOCI) greater than 0.35 to 1.0, determined at the end of each fiscal quarter.
- (2) ProAssurance is required to maintain a minimum net worth, excluding AOCI, of at least \$912 million.
- (3) ProAssurance is required to maintain minimum liquidity, which will include cash, securities, and capacity on its revolving line, of at least \$25 million.

(\$ in thousands)	March 31, 2024	December 31, 2023
Contribution Certificates due 2031, interest at 3.0% (effective interest rate at 4.35%) paid annually in April	\$ 179,865	\$ 179,387
Revolving Credit Agreement, outstanding borrowings are not permitted to exceed \$300 million aggregately, including a \$50 million accordion feature; Revolving Credit Agreement expires in 2028. The effective interest rate was 7.53% as of March 31, 2024	125,000	125,000
Term Loan, principal repayments in quarterly installments beginning June 30, 2024; Term Loan expires in 2028. The effective interest rate was 7.65% as of March 31, 2024	125,000	125,000
Total principal	429,865	429,387
Less unamortized debt issuance costs	2,091	2,254
Debt less unamortized debt issuance costs	\$ 427,774	\$ 427,133

Covenant Compliance

There are no financial covenants associated with the Senior Notes or the Contribution Certificates due 2023 and 2031, respectively, 2031.

The amended Revolving Credit Agreement contains customary representations, covenants and events constituting default, and remedies for default, as previously discussed. As of September 30, 2023 March 31, 2024, ProAssurance is in compliance with all covenants of the amended Revolving Credit Agreement.

ProAssurance Corporation and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) September 30, 2023

Additional Information

For additional information regarding ProAssurance's debt, see Note 11 10 of the Notes to Consolidated Financial Statements included in ProAssurance's December 31, 2022 December 31, 2023 report on Form 10-K.

9.8. Derivatives

ProAssurance is exposed to certain risks relating to its ongoing business and investment activities. ProAssurance utilizes derivative instruments as part of its risk management strategy to reduce the market risk related to fluctuations in future interest rates associated with a portion of its variable-rate debt. See Note 1 of the Notes to Consolidated Financial Statements included in ProAssurance's December 31, 2023 report on Form 10-K for the Company's accounting policy regarding derivative instruments.

To manage the Company's exposure to variability in cash flows of forecasted interest payments attributable to variability in the selected base rates on borrowings under both the amended Revolving Credit Agreement and Term Loan, ProAssurance entered into two forward-starting interest rate swap agreements ("Interest Rate Swaps") on May 2, 2023, each with an effective date of December 29, 2023 and a maturity date of March 31, 2028. As ProAssurance's Interest Rate Swaps are designated and qualify as highly effective cash flow hedges, changes in the fair value of the Interest Rate Swaps are recorded in AOCI, net of tax, and are reclassified into earnings when the hedged cash flows impact earnings. The Interest Rate Swap hedging the variability in cash flows associated with interest payments on the amended Revolving Credit Agreement will have a constant \$125 million notional amount throughout the term of the swap, while the Interest Rate Swap hedging the variability in cash flows associated with interest payments on the Term Loan will have an amortizing \$125 million notional amount, which is designed to match the outstanding principal on the Term Loan throughout the term of the swap. Borrowings under the amended Revolving Credit Agreement and Term Loan will accrue interest at a selected base rate, adjusted by a margin. The Interest Rate Swaps effectively fix the base rate on borrowings under the amended Revolving Credit Agreement and Term Loan to 3.187% and 3.207%, respectively. The margin component of the interest rate, which can vary from 0% to 2.375%, will remain variable and is based on ProAssurance's debt to capitalization ratio. As of March 31, 2024, the margin component of the interest rate on the outstanding borrowings under the Revolving Credit Agreement and Term Loan was 2.23% and 2.35%, respectively, based on ProAssurance's debt to capitalization ratio as of December 31, 2023 resulting in a total interest rate of 5.42% and 5.56%, respectively, including the effect of the Interest Rate Swaps on the base rate. Additional information regarding the Company's amended Revolving Credit Agreement and Term Loan is provided in Note 8 10 of the Notes to Consolidated Financial Statements included in ProAssurance's December 31, 2023 report on Form 10-K.

ProAssurance Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)
March 31, 2024

ProAssurance received cash collateral from the counterparty to secure the net present value of future cash flows associated with the Interest Rate Swaps of \$10.7 million and which is reflected as a component of other liabilities on the Condensed Consolidated Balance Sheet as of September 30, 2023. Sheet. Those cash collateral balances were \$9.1 million and \$4.0 million at March 31, 2024 and December 31, 2023, respectively.

The following table provides a summary of the volume and fair value position of the Interest Rate Swaps as well as the reporting location in the Condensed Consolidated Balance Sheet as of September 30, 2023, March 31, 2024 and December 31, 2023.

(\$ in thousands)	September 30, 2023					March 31, 2024					December 31, 2023		
Derivatives Designated and Qualifying as Cash Flow Hedging Instruments	Derivatives Designated and Qualifying as Cash Flow Hedging Instruments					Derivatives Designated and Qualifying as Cash Flow Hedging Instruments							
	Location in the Condensed Consolidated Financial Statements					Location in the Condensed Consolidated Financial Statements					Number of Instruments	Aggregate Notional Amount ⁽¹⁾	Estimated Fair Value ⁽²⁾
Interest Rate Swaps	Other Assets	2	\$250.000	\$10.366		Other Assets	2	\$250.000	\$7.674		2	\$250.000	\$3.876

(1) Volume is represented by the derivative instruments' notional amount.

(2) Additional information regarding the fair value of the Company's Interest Rate Swaps is provided in Note 2.

For the three and nine months ended September 30, 2023 March 31, 2024, ProAssurance did not reclassify any reclassified a gain or loss on the Interest Rate Swaps from OCI, net of tax, into earnings. earnings as shown in the table below:

		Qualifying Cash Flow Hedges - Gains (Losses) Reclassified from AOCI, net of tax, to Earnings	
		Three Months Ended March 31	
		2024	2023
(In thousands)			
Location in the Condensed Consolidated Statements of Income and Comprehensive Income			
Derivatives Designated as Hedging Instruments			
Interest Rate Swaps	Interest Expense	\$ 1,073	\$ 1,073

At **September 30, 2023** **March 31, 2024**, management estimates that it will reclassify approximately **\$4.0 million** **\$4.3 million** of pre-tax net gains on the Interest Rate Swaps from AOCI to earnings over the next twelve months, **beginning on the effective date of the Interest Rate Swaps**, which will be recorded to interest expense. See additional information on gains or losses related to the Interest Rate Swaps reported as a component of AOCI in Note **10.9**.

As a result of the Interest Rate Swaps, ProAssurance is exposed to risk that the counterparty will fail to meet its contractual obligations. To mitigate this counterparty credit risk, ProAssurance only enters into derivative contracts with carefully selected major financial institutions based upon their credit ratings and monitors their creditworthiness. As of September 30, 2023, the counterparty had an investment grade rating of A and has performed in accordance with their contractual obligations.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

10.9. Shareholders' Equity

At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, ProAssurance had 100 million shares of authorized common stock and 50 million shares of authorized preferred stock. The Board has the authority to determine provisions for the issuance of preferred shares, including the number of shares to be issued, the designations, powers, preferences and rights, and the qualifications, limitations or restrictions of such shares.

ProAssurance declared cash dividends of \$0.05 per share during the first quarter of 2023 and each of the first three quarters of 2022, totaling \$2.7 million and \$8.1 million, respectively. In light of the price range in which the Company's stock traded in the second quarter of 2023, the Board decided to suspend payment of a quarterly cash dividend. Instead, the Company used available capital to repurchase shares pursuant to the existing share repurchase authorization. Any decision to pay future cash dividends is subject to the Board's final determination after a comprehensive review of financial performance, future expectations and other factors deemed relevant by the Board. See Note 12 of the Notes to Consolidated Financial Statements in ProAssurance's December 31, 2022 December 31, 2023 report on Form 10-K for additional information.

At September 30, 2023 March 31, 2024, Board authorizations for the repurchase of common shares or the retirement of outstanding debt of \$55.9 million remained available for use. ProAssurance repurchased approximately 3.1 million did not repurchase any common shares at a cost of \$50.5 million and 139,000 common shares at a cost of \$3.3 million during the nine three months ended September 30, 2023 March 31, 2024 or 2023.

ProAssurance Corporation and 2022, respectively, Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
March 31, 2024

Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)

The following tables provide a detailed breakout of the components of AOCI and the amounts reclassified from AOCI to net income (loss). The tax effects of all amounts in the tables below, except for an immaterial amount of unrealized gains and losses on available-for-sale securities held at the Company's U.K. subsidiary, were computed using the enacted U.S. federal corporate tax rate of 21%. OCI included a nominal deferred tax benefit and deferred tax expense of \$8.2 million and of \$0.2 million \$10.8 million for the three and nine months ended September 30, 2023, respectively, as compared to \$24.4 million March 31, 2024 and \$92.2 million for the same respective periods of 2022, 2023, respectively.

The changes in the balance of each component of AOCI for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 were as follows:

(In thousands)	Unrealized Investment Gains		Cash Flow Hedging Gains		Unrecognized Change in Defined Benefit Plan		Accumulated Other Comprehensive Income
	(Losses) on Securities		(Losses) ⁽¹⁾		Liabilities		(Loss)
Balance, July 1, 2023	\$ (270,325)	\$	4,310	\$	(11)	\$ (1,454)	\$ (267,480)
OCI, before reclassifications, net of tax	(33,371)		3,879		—	—	(29,492)
Amounts reclassified from AOCI, net of tax	133		—		—	—	133
Net OCI, current period	(33,238)		3,879		—	—	(29,359)
Balance, at September 30, 2023	\$ (303,563)	\$	8,189	\$	(11)	\$ (1,454)	\$ (296,839)

(In thousands)	Cash		Unrealized Investment Gains		Unrecognized Change in Defined Benefit Plan		Accumulated Other Comprehensive Income
	(Losses) on Securities	(Losses) ⁽¹⁾	Non-credit Impairments		Liabilities		Income (Loss)
Balance, December 31, 2022	\$(297,142)	\$ —	\$ (11)	\$	(1,454)	\$	(298,607)

(In thousands)		Cash		Unrealized Investment Gains		Unrecognized Change in Defined Benefit Plan		Accumulated Other Comprehensive Income
(In thousands)		(Losses) on Securities	(Losses) ⁽¹⁾	Non-credit Impairments		Liabilities		Income (Loss)
Balance, December 31, 2023								
OCI, before reclassifications, net of tax	OCI, before reclassifications, net of tax	(9,437)	8,189	—	—	—	—	(1,248)
Amounts reclassified from AOCI, net of tax	Amounts reclassified from AOCI, net of tax	3,016	—	—	—	—	—	3,016
Net OCI, current period	Net OCI, current period	(6,421)	8,189	—	—	—	—	1,768
Balance, September 30, 2023	Balance, September 30, 2023	\$(303,563)	\$8,189	\$ (11)	\$ (1,454)	\$ (296,839)		
Balance, March 31, 2024								

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

(In thousands)	Unrealized Investment Gains		Unrecognized Change in Defined Benefit Plan		Accumulated Other Comprehensive Income
	(Losses) on Securities	Non-credit Impairments	Liabilities		(Loss)
Balance, July 1, 2022	\$ (235,045)	\$ (331)	\$ 1,188	\$	(234,188)
OCI, before reclassifications, net of tax	(90,233)	—	—		(90,233)
Amounts reclassified from AOCI, net of tax	194	—	(14)		180
Net OCI, current period	(90,039)	—	(14)		(90,053)
Balance, at September 30, 2022	\$ (325,084)	\$ (331)	\$ 1,174	\$	(324,241)

		Unrealized Investment Gains (Losses) on Securities	Non-credit Impairments	Unrecognized Change in Defined Benefit Plan Liabilities	Accumulated Other Comprehensive Income (Loss)
(In thousands)	(In thousands)				
Balance, December 31, 2021		\$ 14,929	\$ —	\$ 1,355	\$ 16,284
	(In thousands)				

		Unrealized Investment Gains (Losses)	Non-credit Impairments	Unrecognized Change in Defined Benefit Plan Liabilities	Accumulated Other Comprehensive Income (Loss)
(In thousands)					
Balance, December 31, 2022					
OCI, before reclassifications, net of tax	OCI, before reclassifications, net of tax	(341,232)	(331)	—	(341,563)
Amounts reclassified from AOCI, net of tax	Amounts reclassified from AOCI, net of tax	1,219	—	(181)	1,038
Net OCI, current period	Net OCI, current period	(340,013)	(331)	(181)	(340,525)
Balance, September 30, 2022		\$(325,084)	\$ (331)	\$ 1,174	\$ (324,241)
Balance, March 31, 2023					

(1) ProAssurance entered into two forward-starting interest rate swap agreements ("Interest Rate Swaps") on May 2, 2023, each of which are designated and qualify as a highly effective cash flow hedge. hedges. See Note 9 8 for additional information on the Interest Rate Swaps.

11.10. Variable Interest Entities

ProAssurance holds passive interests in a number of entities that are considered to be VIEs under GAAP guidance. ProAssurance's VIE interests principally consist of interests in LPs/LLCs formed for the purpose of achieving diversified equity and debt returns. ProAssurance's VIE interests, carried as a part of investment in unconsolidated subsidiaries, totaled \$268.8 million \$252.9 million at September 30, 2023 March 31, 2024 and \$277.5 million \$250.4 million at December 31, 2022 December 31, 2023. ProAssurance does not have power over the activities that most significantly impact the economic performance of these VIEs and thus is not the primary beneficiary. Investments in entities where ProAssurance holds a greater than minor interest but does not hold a controlling interest are accounted for using the equity method. Therefore, ProAssurance has not consolidated these VIEs. ProAssurance's involvement with each of these VIEs is limited to its direct ownership interest in the VIE. Except for the funding commitments disclosed in Note 7, 6, ProAssurance has no arrangements with any of these VIEs to provide other financial support to or on behalf of the VIE. At September 30, 2023 March 31, 2024, ProAssurance's maximum loss exposure relative to these investments was limited to the carrying value of ProAssurance's investment in the VIE.

ProAssurance is the primary beneficiary of PPM RRG. While there is no direct ownership of PPM RRG by ProAssurance, it manages the business operations of PPM RRG through its management services agreement and has effective control of the PPM RRG's Board of Directors through an irrevocable voting proxy. The management services agreement allows ProAssurance to provide management and oversight services to PPM RRG, which includes the ability to make business decisions impacting the operations of PPM RRG. PPM RRG has a \$5 million surplus note to NORCAL which is its only source of capital. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, approximately \$136 million \$135 million and \$154 million \$142 million of ProAssurance's assets, respectively, and approximately \$136 million \$135 million and \$154 million \$142 million of its liabilities, respectively, included on the Condensed Consolidated Balance Sheet were related to PPM RRG.

ProAssurance Corporation and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited) September 30, 2023 March 31, 2024

12.11. Earnings (Loss) Per Share

Diluted weighted average shares is calculated as basic weighted average shares plus the effect, calculated using the treasury stock method, of assuming that restricted share units and performance share units have vested. The following table provides a reconciliation between the Company's basic weighted average number of common shares outstanding to its diluted weighted average number of common shares outstanding:

(In thousands, except per share data)							
		Three Months Ended September 30		Nine Months Ended September 30		Three Months Ended March 31	
(In thousands, except per share data)	(In thousands, except per share data)	2023	2022	2023	2022	2024	2023
		(In thousands, except per share data)					

Weighted average number of common shares outstanding, basic	Weighted average number of common shares outstanding, basic	51,837	53,990	53,205	54,023
Dilutive effect of securities:	Dilutive effect of securities:				
Restricted Share Units	Restricted Share Units	139	117	110	112
Restricted Share Units					
Restricted Share Units					
Performance Share Units	Performance Share Units	30	17	24	16
Weighted average number of common shares outstanding, diluted					
Weighted average number of common shares outstanding, diluted					
Weighted average number of common shares outstanding, diluted	Weighted average number of common shares outstanding, diluted	52,006	54,124	53,339	54,151
Effect of dilutive shares on earnings (loss) per share	Effect of dilutive shares on earnings (loss) per share	\$ —	\$ —	\$ —	\$ —

The diluted weighted average number of common shares outstanding for the three and nine months ended September 30, 2023 March 31, 2024 excluded approximately 67,000 and 135,000, respectively, 251,000 of common share equivalents issuable under the Company's stock compensation plans as compared to approximately 2,000 during each of the three and nine months ended September 30, 2022, as their effect would have been antidilutive. There were no antidilutive common share equivalents for the three months ended March 31, 2023.

Dilutive common share equivalents are reflected in the earnings (loss) per share calculation while antidilutive common share equivalents are not reflected in the earnings (loss) per share calculation. For the three and nine months ended September 30, 2023 and 2022, March 31, 2023, all incremental common share equivalents were not included in the computation of diluted earnings (loss) loss per share because to do so would have been antidilutive for each period, antidilutive.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023 March 31, 2024

13.12. Segment Information

ProAssurance's segments are based on the Company's internal management reporting structure for which financial results are regularly evaluated by the Company's CODM to determine resource allocation and assess operating performance. The Company continually assesses its internal management reporting structure and information evaluated by its CODM to determine whether any changes have occurred that would impact its segment reporting structure.

Segment Reorganization

Effective September 2023, ProAssurance elected to discontinue its participation in the results of Syndicate 1729 beginning with the 2024 underwriting year. The results from the Company's participation in Syndicate 1729 from open underwriting years prior to 2024 will continue to earn out pro rata over the entire policy period of the underlying business. Due to the quarter lag, the Company's ceased participation in Syndicate 1729 will not begin to be reflected in its results until in the second quarter of 2024. Furthermore, ProAssurance expects to receive proceeds associated with the sale of its remaining ownership interest in the underwriting and operations entity associated with Syndicate 1729 to an unrelated third party, which is contingent upon certain approvals from the Council of Lloyd's and the Prudential Regulation Authority empowered under FSMA. Approval of this sale will not impact the Company's decision to no longer participate in the results of Syndicate 1729 beginning with the 2024 underwriting year.

During the third quarter of 2023, ProAssurance reorganized the financial results evaluated by its CODM; therefore, ProAssurance changed its operating and reportable segments to align with how the CODM currently oversees the business, allocates resources and evaluates operating performance. As a result, ProAssurance now reports the underwriting results from its participation in Lloyd's Syndicates in the Specialty P&C segment and the investment results of assets solely allocated to its Lloyd's Syndicate operations

and U.K. income taxes in the Corporate segment. All prior period segment information has been recast to conform to the current period presentation. The segment reorganization had no impact on previously reported consolidated financial results.

The Company operates in four segments that are organized around the nature of the products and services provided: Specialty P&C, Workers' Compensation Insurance, Segregated Portfolio Cell Reinsurance and Corporate. Additional information regarding ProAssurance's segments is included in Note 16 of the Notes to Consolidated Financial Statements in ProAssurance's December 31, 2023 report on Form 10-K. A description of each of ProAssurance's four operating and reportable segments follows.

- *Specialty P&C* primarily includes medical professional liability insurance and medical technology liability insurance. Professional liability insurance is primarily comprised of medical professional liability products offered to healthcare providers and institutions. The Company also offers, to a lesser extent, professional liability insurance to attorneys and their firms. Medical technology liability insurance is offered to medical technology and life sciences companies that manufacture or distribute products including entities conducting human clinical trials. In addition, the Company also offers custom alternative risk solutions including assumed reinsurance, loss portfolio transfers and captive cell programs for healthcare professional liability insureds. For the alternative market captive cell programs, the Specialty P&C segment cedes either all or a portion of the premium to certain SPCs in the Company's Segregated Portfolio Cell Reinsurance segment. The Specialty P&C segment also includes the underwriting results from ProAssurance's participation in Lloyd's of London Syndicate 1729 and Syndicate 6131. ProAssurance's participation in the results of Syndicate 1729 for the 2023 underwriting year remains unchanged from the 2022 underwriting year at 5% and the Company ceased participation in Syndicate 6131 beginning with the 2022 underwriting year. Due to the quarter lag, the Company's ceased participation in Syndicate 6131 was not reflected in its results until the second quarter of 2022.
- *Workers' Compensation Insurance* includes workers' compensation insurance products which are provided primarily to employers with 1,000 or fewer employees. The segment's products include guaranteed cost policies, policyholder dividend policies, retrospectively-rated policies, deductible policies and alternative market solutions. Alternative market program premiums include program design, fronting, claims administration, risk management, SPC rental, asset management and SPC management services. Alternative market program premiums are 100% ceded to either SPCs in the Company's Segregated Portfolio Cell Reinsurance segment or captive insurers unaffiliated with ProAssurance for two programs.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

- *Segregated Portfolio Cell Reinsurance* includes the results (underwriting profit or loss, plus investment results, net of U.S. federal income taxes) of SPCs at Inova Re and Eastern Re, the Company's Cayman Islands SPC operations. Each SPC is owned, fully or in part, by an individual company, agency, group or association, and the results of the SPCs are attributable to the participants of that cell. ProAssurance participates to a varying degree in the results of selected SPCs. SPC results attributable to external cell participants are reported as an SPC dividend expense (income) in the Segregated Portfolio Cell Reinsurance segment and in ProAssurance's Condensed Consolidated Statements of Income and Comprehensive Income. In addition, the Segregated Portfolio Cell Reinsurance segment includes the investment results of the SPCs as the investments are solely for the benefit of the cell participants, and investment results attributable to external cell participants are reflected in SPC dividend expense (income). The SPCs assume workers' compensation insurance, healthcare professional liability insurance or a combination of the two from the Company's Workers' Compensation Insurance and Specialty P&C segments.
- *Corporate* includes ProAssurance's investment operations excluding those reported in the Company's Segregated Portfolio Cell Reinsurance segment. In addition, this segment includes corporate expenses, interest expense, U.S. and U.K. income taxes and non-premium revenues generated outside of the Company's insurance entities.

The accounting policies of the segments are described in Note 1 of the Notes to Consolidated Financial Statements in ProAssurance's December 31, 2022 December 31, 2023 report on Form 10-K. ProAssurance evaluates the performance of its Specialty P&C and Workers' Compensation Insurance segments based on before tax underwriting profit or loss. ProAssurance evaluates the performance of its Segregated Portfolio Cell Reinsurance segment based on operating profit or loss, which includes investment results of investment assets solely allocated to SPC operations, net of U.S. federal income taxes. Performance of the Corporate segment is evaluated based on the contribution made to consolidated after-tax results. ProAssurance accounts for inter-segment transactions as if the transactions were to third parties at current market prices. Assets are not allocated to segments because investments, other than the investments discussed above that are solely allocated to the Segregated Portfolio Cell Reinsurance segment, and other assets are not managed at the segment level. The tabular information that follows shows the financial results of the Company's reportable segments reconciled to results reflected in the Condensed Consolidated Statements of Income and Comprehensive Income. ProAssurance does not consider goodwill or intangible asset impairments, changes in the fair value of contingent consideration or transaction-related costs for completed business combinations, including any related tax impacts, in assessing the financial performance of its operating and reportable segments, and thus are included in the reconciliation of segment results to consolidated results.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023 March 31, 2024

Financial results by segment were as follows:

(In thousands)	Three Months Ended March 31, 2024					
	Workers' Compensation Insurance		Segregated Portfolio Cell Reinsurance		Inter-segment Eliminations	
	Specialty P&C	Insurance	Cell Reinsurance	Corporate	Eliminations	Consolidated
Net premiums earned	\$ 188,888	\$ 41,094	\$ 14,168	\$ —	\$ —	\$ 244,150
Net investment income	—	—	693	33,204	—	33,897
Equity in earnings (loss) of unconsolidated subsidiaries	—	—	—	2,963	—	2,963
Net investment gains (losses)	—	—	1,471	(1,739)	—	(268)

Other income (expense) ⁽¹⁾	1,353	477	(1)	3,061	(935)	3,955
Net losses and loss adjustment expenses	(152,994)	(31,636)	(10,064)	—	—	(194,694)
Underwriting, policy acquisition and operating expenses ⁽²⁾	(51,049)	(14,490)	(4,713)	(8,688)	935	(78,005)
SPC U.S. federal income tax benefit (expense) ⁽²⁾	—	—	(416)	—	—	(416)
SPC dividend (expense) income	—	—	(607)	—	—	(607)
Interest expense	—	—	—	(5,657)	—	(5,657)
Income tax benefit (expense)	—	—	—	(692)	—	(692)
Segment results	\$ (13,802)	\$ (4,555)	\$ 531	\$ 22,452	\$ —	4,626
Net income (loss)					\$	4,626
Significant non-cash items:						
Depreciation and amortization, net of accretion	\$ 2,429	\$ 1,164	\$ (370)	\$ 2,109	\$ —	\$ 5,332

Three Months Ended September 30, 2023							
(In thousands)	Workers'					Inter-segment Eliminations	Consolidated
	Specialty P&C	Compensation Insurance	Segregated Portfolio Cell Reinsurance	Corporate			
Net premiums earned	\$ 195,772	\$ 39,885	\$ 6,763	\$ —	\$ —	\$ —	242,420
Net investment income	—	—	601	32,153	—	—	32,754
Equity in earnings (loss) of unconsolidated subsidiaries	—	—	—	(61)	—	—	(61)
Net investment gains (losses)	—	—	(525)	(3,677)	—	—	(4,202)
Other income (expense) ⁽¹⁾	1,089	333	2	2,847	(935)	—	3,336
Net losses and loss adjustment expenses	(162,677)	(41,208)	(5,006)	—	—	—	(208,891)
Underwriting, policy acquisition and operating expenses ⁽²⁾	(49,395)	(13,542)	(3,668)	(8,344)	935	—	(74,014)
SPC U.S. federal income tax benefit (expense) ⁽²⁾	—	—	175	—	—	—	175
SPC dividend (expense) income	—	—	2,518	—	—	—	2,518
Interest expense	—	—	—	(5,514)	—	—	(5,514)
Income tax benefit (expense)	—	—	—	4,655	—	—	4,655
Segment results	\$ (15,211)	\$ (14,532)	\$ 860	\$ 22,059	\$ —	—	(6,824)
Reconciliation of segments to consolidated results:							
Goodwill impairment							(44,110)
Contingent Consideration Adjustment ⁽³⁾							1,500
Net income (loss)						\$	(49,434)
Significant non-cash items:							
Depreciation and amortization, net of accretion	\$ 2,728	\$ 851	\$ 300	\$ 2,575	\$ —	\$ —	6,454
Goodwill impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	44,110

Nine Months Ended September 30, 2023							
Three Months Ended March 31, 2023							
(In thousands)	(In thousands)	Segregated					
		Specialty P&C	Workers' Compensation Insurance	Portfolio Cell Reinsurance	Corporate	Inter-segment Eliminations	Consolidated
Net premiums earned	Net premiums earned	\$ 562,206	\$ 121,706	\$ 46,156	\$ —	\$ —	\$ 730,068
Net investment income	Net investment income	—	—	1,625	93,089	—	94,714
Equity in earnings (loss) of unconsolidated subsidiaries	Equity in earnings (loss) of unconsolidated subsidiaries	—	—	—	5,450	—	5,450
Net investment gains (losses)	Net investment gains (losses)	—	—	1,830	(3,174)	—	(1,344)
Other income (expense) ⁽¹⁾	Other income (expense) ⁽²⁾	3,106	1,565	3	5,347	(3,157)	6,864

Net losses and loss adjustment expenses	Net losses and loss adjustment expenses	(476,187)	(101,813)	(27,245)	—	—	(605,245)
Underwriting, policy acquisition and operating expenses ⁽¹⁾	Underwriting, policy acquisition and operating expenses ⁽¹⁾	(140,949)	(40,923)	(15,241)	(24,823)	3,157	(218,779)
SPC U.S. federal income tax benefit (expense)	SPC U.S. federal income tax benefit (expense)						
⁽²⁾	⁽²⁾	—	—	(1,351)	—	—	(1,351)
SPC dividend (expense) income	SPC dividend (expense) income	—	—	(3,171)	—	—	(3,171)
Interest expense	Interest expense	—	—	—	(16,478)	—	(16,478)
Income tax benefit (expense)	Income tax benefit (expense)	—	—	—	3,901	—	3,901
Segment results	Segment results	\$ (51,824)	\$ (19,465)	\$ 2,606	\$ 63,312	\$ —	(5,371)
Reconciliation of segments to consolidated results:	Reconciliation of segments to consolidated results:						
Goodwill impairment							(44,110)
Contingent Consideration Adjustment ⁽³⁾							4,500

Contingent Consideration⁽³⁾

Contingent Consideration⁽³⁾

Contingent Consideration⁽³⁾

Net income (loss)	Net income (loss)						\$ (44,981)
Significant non-cash items:	Significant non-cash items:						
Depreciation and amortization, net of accretion	Depreciation and amortization, net of accretion	\$ 7,927	\$ 2,573	\$ (187)	\$ 9,772	\$ —	\$ 20,085
Goodwill impairment		\$ —	\$ —	\$ —	\$ —	\$ —	\$ 44,110

Depreciation and amortization, net of accretion

Depreciation and amortization, net of accretion

⁽¹⁾ Includes certain fees for services provided by the Workers' Compensation Insurance segment to the SPCs at Inova Re and Eastern Re which are recorded as expenses within the Segregated Portfolio Cell Reinsurance segment and as other income within the Workers' Compensation Insurance segment. These fees are primarily SPC rental fees and are eliminated between segments in consolidation.

⁽²⁾ Includes certain fees for services provided by the Workers' Compensation Insurance segment to the SPCs at Inova Re and Eastern Re which are recorded as expenses within the Segregated Portfolio Cell Reinsurance segment and as other income within the Workers' Compensation Insurance segment. These fees are primarily SPC rental fees and are eliminated between segments in consolidation.

⁽³⁾ Includes certain fees for services provided by the Workers' Compensation Insurance segment to the SPCs at Inova Re and Eastern Re which are recorded as expenses within the Segregated Portfolio Cell Reinsurance segment and as other income within the Workers' Compensation Insurance segment. These fees are primarily SPC rental fees and are eliminated between segments in consolidation.

<p>(2) Represents the provision for U.S. federal income taxes for SPCs at Inova Re, which have elected to be taxed as a U.S. corporation under Section 953(d) of the Internal Revenue Code. U.S. federal income taxes are included in the total SPC net results and are paid by the individual SPCs.</p>	<p>(2) Represents the provision for U.S. federal income taxes for SPCs at Inova Re, which have elected to be taxed as a U.S. corporation under Section 953(d) of the Internal Revenue Code. U.S. federal income taxes are included in the total SPC net results and are paid by the individual SPCs.</p>
<p>(3) Represents the change in the fair value of contingent consideration issued in connection with the NORCAL acquisition included as a component of consolidated net investment gains (losses) on the Condensed Consolidated Statements of Income and Comprehensive Income. See further discussion on the contingent consideration in Note 2.</p>	<p>(3) Represents the change in the fair value of contingent consideration issued in connection with the NORCAL acquisition included as a component of consolidated net investment gains (losses) on the Condensed Consolidated Statements of Income and Comprehensive Income. See further discussion on the contingent consideration in Note 2.</p>

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023

	Three Months Ended September 30, 2022					
(In thousands)	Workers' Compensation		Segregated Portfolio		Inter-segment	Consolidated
	Specialty P&C	Insurance	Cell Reinsurance	Corporate	Eliminations	
Net premiums earned	\$ 198,481	\$ 42,063	\$ 17,811	\$ —	\$ —	\$ 258,355
Net investment income	—	—	294	24,451	—	24,745
Equity in earnings (loss) of unconsolidated subsidiaries	—	—	—	(6,852)	—	(6,852)
Net investment gains (losses)	—	—	(732)	(7,530)	—	(8,262)

Other income (expense) ⁽¹⁾	1,000	554	1	4,695	(1,153)	5,097
Net losses and loss adjustment expenses	(158,518)	(28,148)	(11,407)	—	—	(198,073)
Underwriting, policy acquisition and operating expenses ⁽¹⁾	(53,166)	(14,146)	(5,599)	(8,921)	1,153	(80,679)
SPC U.S. federal income tax benefit (expense) ⁽²⁾	—	—	(433)	—	—	(433)
SPC dividend (expense) income	—	—	(183)	—	—	(183)
Interest expense	—	—	—	(5,513)	—	(5,513)
Income tax benefit (expense)	—	—	—	2,673	—	2,673
Segment results	<u>\$ (12,203)</u>	<u>\$ 323</u>	<u>\$ (248)</u>	<u>\$ 3,003</u>	<u>\$ —</u>	<u>(9,125)</u>
Net income (loss)						<u>\$ (9,125)</u>
Significant non-cash items:						
Depreciation and amortization, net of accretion	\$ 2,290	\$ 872	\$ 294	\$ 6,181	\$ —	\$ 9,637

Nine Months Ended September 30, 2022						
(In thousands)	Workers' Compensation Insurance		Segregated Portfolio Cell Reinsurance		Inter-segment Eliminations	
	Specialty P&C	Insurance	Cell Reinsurance	Corporate	Eliminations	Consolidated
Net premiums earned	\$ 593,534	\$ 124,456	\$ 53,347	\$ —	\$ —	\$ 771,337
Net investment income	—	—	617	66,515	—	67,132
Equity in earnings (loss) of unconsolidated subsidiaries	—	—	—	5,948	—	5,948
Net investment gains (losses)	—	—	(4,225)	(41,427)	—	(45,652)
Other income (expense) ⁽¹⁾	4,185	1,753	2	10,386	(3,111)	13,215
Net losses and loss adjustment expenses	(469,690)	(83,306)	(32,170)	—	—	(585,166)
Underwriting, policy acquisition and operating expenses ⁽¹⁾	(148,339)	(40,816)	(15,203)	(26,679)	3,111	(227,926)
SPC U.S. federal income tax benefit (expense) ⁽²⁾	—	—	(1,424)	—	—	(1,424)
SPC dividend (expense) income	—	—	(1,697)	—	—	(1,697)
Interest expense	—	—	—	(14,872)	—	(14,872)
Income tax benefit (expense)	—	—	—	6,232	—	6,232
Segment results	<u>\$ (20,310)</u>	<u>\$ 2,087</u>	<u>\$ (753)</u>	<u>\$ 6,103</u>	<u>\$ —</u>	<u>(12,873)</u>
Reconciliation of segments to consolidated results:						
Transaction-related costs ⁽⁴⁾						(1,471)
Net income (loss)						<u>\$ (14,344)</u>
Significant non-cash items:						
Depreciation and amortization, net of accretion	\$ 7,830	\$ 2,620	\$ 1,009	\$ 18,587	\$ —	\$ 30,046

⁽¹⁾ Includes certain fees for services provided by the Workers' Compensation Insurance segment to the SPCs at Inova Re and Eastern Re which are recorded as expenses within the Segregated Portfolio Cell Reinsurance segment and as other income within the Workers' Compensation Insurance segment. These fees are primarily SPC rental fees and are eliminated between segments in consolidation.

⁽²⁾ Represents the provision for U.S. federal income taxes for SPCs at Inova Re, which have elected to be taxed as a U.S. corporation under Section 953(d) of the Internal Revenue Code. U.S. federal income taxes are included in the total SPC net results and are paid by the individual SPCs.

⁽³⁾ Represents the change in the fair value of contingent consideration issued in connection with the NORCAL acquisition included as a component of consolidated net investment gains (losses) on the Condensed Consolidated Statements of Income and Comprehensive Income. See further discussion on the contingent consideration in Note 2.

⁽⁴⁾ Represents the transaction-related costs, after-tax, associated with the acquisition of NORCAL. For the nine months ended September 30, 2022 pre-tax transaction-related costs of approximately \$1.9 million were included as a component of consolidated operating expense and the associated income tax benefit of approximately \$0.4 million were included as a component of consolidated income tax benefit (expense) on the Condensed Consolidated Statements of Income and Comprehensive Income.

ProAssurance Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2023 March 31, 2024

The following table provides detailed information regarding ProAssurance's gross premiums earned by product as well as a reconciliation to net premiums earned. All gross premiums earned are from external customers except as noted. ProAssurance's insured risks are primarily within the U.S.

	Three Months Ended September 30	Nine Months Ended September 30
	Three Months Ended March 31	

		Three Months Ended March 31					
		Three Months Ended March 31					
(In thousands)	(In thousands)	2023	2022	2023	2022	(In thousands)	2024
<u>Specialty P&C Segment</u>							
Gross premiums earned:	Gross premiums earned:						
HCPL		\$163,343	\$172,984	\$494,658	\$514,027		
Small Business Unit		26,508	27,681	78,513	80,407		
Gross premiums earned:							
Gross premiums earned:							
MPL							
MPL							
MPL							
Medical Technology Liability	Medical Technology Liability	10,904	10,911	32,060	30,879		
Lloyd's Syndicates	Lloyd's Syndicates	4,931	6,608	14,499	22,283		
Other	Other	—	206	—	603		
Ceded premiums earned	Ceded premiums earned	(9,914)	(19,909)	(57,524)	(54,665)		
Segment net premiums earned	Segment net premiums earned	195,772	198,481	562,206	593,534		
<u>Workers' Compensation Insurance Segment</u>							
Gross premiums earned:	Gross premiums earned:						
Gross premiums earned:							
Traditional business							
Traditional business							
Traditional business	Traditional business	43,423	45,680	131,623	134,231		
Alternative market business	Alternative market business	17,311	18,283	52,421	54,287		
Ceded premiums earned	Ceded premiums earned	(20,849)	(21,900)	(62,338)	(64,062)		
Segment net premiums earned	Segment net premiums earned	39,885	42,063	121,706	124,456		
<u>Segregated Portfolio Cell Reinsurance Segment</u>							
Gross premiums earned:	Gross premiums earned:						
Gross premiums earned:							
Workers' compensation ⁽¹⁾	Workers' compensation ⁽¹⁾	15,979	17,034	48,613	51,304		
HCPL ⁽²⁾		(6,971)	3,161	4,388	9,151		
Workers' compensation ⁽¹⁾							
Workers' compensation ⁽¹⁾							
MPL ⁽²⁾							
Ceded premiums earned							

Ceded premiums earned					
Ceded premiums earned	Ceded premiums earned	(2,245)	(2,384)	(6,845)	(7,108)
Segment net premiums earned	Segment net premiums earned	6,763	17,811	46,156	53,347
Consolidated net premiums earned					
Consolidated net premiums earned	Consolidated net premiums earned	\$242,420	\$258,355	\$730,068	\$771,337
Consolidated net premiums earned					

(1) Premium for all periods is assumed from the Workers' Compensation Insurance segment.

(2) Premium for all periods is assumed from the Specialty P&C segment.

14. Benefit Plans

ProAssurance sponsors a defined benefit pension plan which covers substantially all NORCAL employees (except those that were previous employees of Medicus Insurance Company and FD Insurance Company, employees of PPM RRG as well as new hires after December 31, 2013). Benefits are based on years of service and the employee's average of the highest five years of annual compensation. Annual contributions to the defined benefit pension plan are above the minimum funding standards outlined in the Employee Retirement Income Security Act of 1974, as amended. ProAssurance makes contributions to the defined benefit pension plan with the goal of ensuring that it is adequately funded to meet its future obligations. ProAssurance did not make any contributions to the pension plan during the three and nine months ended September 30, 2023 and does not anticipate making any contributions for the remainder of 2023. The defined benefit pension plan no longer has future service accruals or compensation increases because this plan was frozen effective December 31, 2015. See Note 17 of the Notes to Consolidated Financial Statements in ProAssurance's December 31, 2022 report on Form 10-K for more information regarding the defined benefit pension plan.

The components of the net periodic benefit cost (income) for the three and nine months ended September 30, 2023 and 2022 were as follows:

(\$ in thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Components of net periodic benefit cost (income):				
Interest cost	\$ 924	\$ 727	\$ 2,742	\$ 2,158
Expected return on Plan assets	(893)	(1,011)	(2,651)	(3,001)
Total net periodic benefit cost (income)*	\$ 31	\$ (284)	\$ 91	\$ (843)

*Net periodic benefit cost (income) is included as a component of operating expense on the Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2023 and 2022.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and Notes to those statements which accompany this report. Throughout the discussion we use certain terms and abbreviations, which can be found in the Glossary of Terms and Acronyms at the beginning of this report. In addition, a glossary of insurance terms and phrases is available on the investor section of our website. Throughout the discussion, references to "ProAssurance," "PRA," "Company," "we," "us" and "our" refer to ProAssurance Corporation and its consolidated subsidiaries. The discussion contains certain forward-looking information that involves significant risks, assumptions and uncertainties. As discussed under the heading "Caution Regarding Forward-Looking Statements," our actual financial condition and results of operations could differ significantly from these forward-looking statements.

ProAssurance Overview

ProAssurance Corporation is a holding company for property and casualty insurance companies. Our insurance subsidiaries provide medical professional liability insurance, liability insurance for medical technology and life sciences risks and workers' compensation insurance.

We have also provide provided capital to Syndicate 1729 at Lloyd's of London.

London to support our previous participation in underwriting years that remain open. Effective September 2023, we decided elected to discontinue our participation in the results of Syndicate 1729 beginning with the 2024 underwriting year. The results from our participation in Syndicate 1729 from open underwriting years prior to 2024 will continue to earn out pro rata over the entire policy period of the underlying business. Due to the quarter lag, our ceased participation in Syndicate 1729 will not begin to be reflected in our results until in the second quarter of 2024. Furthermore, we expect to receive proceeds of \$5.4 million associated with the sale of our remaining ownership interest in the underwriting and operations entity associated with Syndicate 1729 to an unrelated third party, which is contingent upon certain approvals from the Council of Lloyd's and the Prudential Regulation Authority empowered under FSMA. Approval of this sale will not impact our decision to no longer participate in the results of Syndicate 1729 for the 2024 underwriting year.

Our operating segments are based on our internal management reporting structure for which financial results are regularly evaluated by our CODM to determine resource allocation and assess operating performance. As a result of our decision to no longer participate in the results of Syndicate 1729 beginning with the 2024 underwriting year, we reorganized our segment reporting during the third quarter of 2023 to align with how our CODM currently oversees the business, allocates resources and evaluates operating performance and, as a result, the number of our operating and reportable segments decreased from five to four: Specialty P&C, Workers' Compensation Insurance, Segregated Portfolio Cell Reinsurance and Corporate. As a result of the segment reorganization, we now report the underwriting results from our participation in Lloyd's Syndicates in the Specialty P&C segment and the investment results of assets solely allocated to our Lloyd's Syndicate operations and U.K. income taxes in our Corporate segment. All prior period segment information has been recast to conform to the current period presentation and the segment reorganization had no impact on previously reported consolidated financial results.

Additional information on ProAssurance's four operating and reportable segments is included in Note 13.12 of the Notes to Condensed Consolidated Financial Statements, Note 16 of the Notes to Consolidated Financial Statements in our [December 31, 2022](#) [December 31, 2023](#) report on Form 10-K and in the Segment Results sections herein that follow.

Critical Accounting Estimates

Our Condensed Consolidated Financial Statements are prepared in conformity with GAAP. Preparation of these financial statements requires us to make estimates and assumptions that affect the amounts we report on those statements. We evaluate these estimates and assumptions on an ongoing basis based on current and historical developments, market conditions, industry trends and other information that we believe to be reasonable under the circumstances. We can make no assurance that actual results will conform to our estimates and assumptions; reported results of operations may be materially affected by changes in these estimates and assumptions. A detailed discussion of our critical accounting estimates is included in our Critical Accounting Estimates section in Item 7 of our [December 31, 2022](#) [December 31, 2023](#) report on Form 10-K.

Management considers the following accounting estimates to be critical because they involve significant judgment by management and those judgments could result in a material effect on our financial statements:

- Reserve for losses and loss adjustment expenses
- Reinsurance
- Valuation of investments and impairment of securities
- [Goodwill](#)
- [Income taxes](#)

[Goodwill / Intangibles](#)

In accordance with GAAP, goodwill and intangible assets are tested for impairment annually or more frequently if circumstances indicate an impairment may have occurred. The date of our annual impairment testing is October 1. For our last annual impairment test at October 1, 2022, we performed quantitative assessments that supported a conclusion that the fair value of all of the reporting units with goodwill exceeded their carrying value.

Impairment of goodwill is tested at the reporting unit level, which prior to the third quarter of 2023, was consistent with our reportable segments. As discussed in Note 13 of the Notes to Condensed Consolidated Financial Statements, we reorganized our segment reporting in the third quarter of 2023 to align with how our CODM currently oversees the business, allocates resources and evaluates operating performance. As a result of the segment reorganization, the Lloyd's Syndicates segment is no longer a separate operating segment; however, the Lloyd's Syndicates operation will remain a reporting unit for purposes of testing goodwill. Our reporting units are: Specialty P&C, Workers' Compensation Insurance, Segregated Portfolio Cell Reinsurance, Lloyd's Syndicates and Corporate. Of the five reporting units, two have goodwill: Workers' Compensation Insurance and Segregated Portfolio Cell Reinsurance.

As disclosed in our June 30, 2023 report on Form 10-Q, we performed a quantitative goodwill impairment assessment on our Workers' Compensation Insurance reporting unit as of June 30, 2023, due to market conditions impacting that reporting unit's actual and projected results along with a broader decline in our stock price that occurred for a sustained period of time during the second quarter of 2023. As a result of the interim goodwill impairment assessment in the second quarter of 2023, management concluded that the fair value of the Workers' Compensation Insurance reporting unit exceeded the carrying value as of the testing date by approximately 3%; therefore, goodwill was not impaired during the second quarter of 2023.

Market conditions impacting actual and projected results of our Workers' Compensation Insurance reporting unit persisted into the third quarter of 2023. During the third quarter of 2023, we increased our full year current accident year loss ratio and recognized unfavorable prior accident year reserve development in our Workers' Compensation Insurance reporting unit, which reflected higher than expected loss trends observed in our average cost per claim which we attribute to increased medical costs driven by wage inflation and medical advancements. As a result, management performed an updated quantitative assessment of goodwill on our Workers' Compensation Insurance reporting unit using updated actual and projected results as well as marketplace data. The updated data impacted a number of key variables in our analysis including the determination of a higher discount rate and lower valuation multiples.

For each of the interim impairment assessments performed in the second and third quarters of 2023, management estimated the fair value of the Workers' Compensation Insurance reporting unit using both an income approach and a market approach using marketplace data that was current at the time of each respective analysis based on the valuation methodologies and process for developing assumptions discussed in our Critical Accounting Estimates section in Item 7 of our December 31, 2022 report on Form 10-K under the heading "Goodwill / Intangibles." To corroborate the reporting unit's valuation, management performed a reconciliation of the estimate of the aggregate fair value of all reporting units to ProAssurance's market capitalization, including consideration of a control premium. The determination of fair value involved the use of significant estimates and assumptions, including revenue growth rates, combined ratios, capital requirements, tax rates, terminal growth rates, discount rates, comparable public companies and synergistic benefits available to market participants. In addition, management made certain judgments and assumptions in allocating shared assets and liabilities to individual reporting units to determine the carrying amount of each reporting unit.

The analysis during the third quarter of 2023 indicated impairment of the goodwill associated with our Workers' Compensation Insurance reporting unit and accordingly we recorded a \$44.1 million charge to fully impair the goodwill in the current quarter.

In both our second and third quarter 2023 analyses, we also estimated the fair value of our Segregated Portfolio Cell Reinsurance reporting unit, which indicated that the fair value of the reporting unit significantly exceeded the carrying amount for each of the interim impairment assessments performed.

Management also performed impairment tests of certain of our definite and indefinite lived intangible assets for which a triggering event was deemed to have occurred. Based upon these impairment tests, no impairment of our definite or indefinite lived intangible assets was identified at September 30, 2023.

Estimation of Taxes / Tax Credits

For interim periods, we generally utilize the estimated annual effective tax rate method under which we determine our provision (benefit) for income taxes based on the current estimate of our annual effective tax rate. For the three and nine months ended September 30, 2023, we utilized the discrete effective tax rate method for recording income taxes after the estimated annual effective tax rate method produced an unreliable estimated annual effective tax rate. The discrete method is applied when the application of the estimated annual effective tax rate method is impractical March 31, 2024 and does not provide a reliable estimate of the annual effective tax rate. We believe the use of the discrete effective tax rate method is more appropriate than the annual effective tax rate method for the three and nine months ended September 30, 2023 as minor changes in our estimated ordinary income would have a significant effect on the estimated annual effective tax rate and would result in sizable variations in the customary relationship between income tax expense (benefit) and pre-tax accounting income (loss). For the three and nine months ended September 30, 2022 March 31, 2023, we utilized the estimated annual effective tax rate method. Under the estimated annual effective tax rate this method, items which are unusual, infrequent, or that cannot be reliably estimated are considered in the effective tax rate in the period in which the item is included in income and are referred to as discrete items. See further discussion on these methods this method in Note 4 of the Notes to Condensed Consolidated Financial Statements.

Liquidity and Capital Resources and Financial Condition

Overview

ProAssurance Corporation is a holding company and is a legal entity separate and distinct from its subsidiaries. As a holding company, our principal source of external revenue is our investment revenues. In calculating addition, dividends from our year-to-date income tax expense (benefit), we include the estimated benefit operating subsidiaries represent another source of tax credits funds for the year-to-date period our obligations, including debt service and shareholder dividends, if declared. We also charge our core domestic operating subsidiaries within our Specialty P&C and Workers' Compensation Insurance segments a management fee based on the most recently available information extent to which services are provided to the subsidiary and the amount of gross premium written by the tax credit partnerships subsidiary. At March 31, 2024, we held cash and liquid investments of approximately \$52 million outside our insurance subsidiaries that were available for use without regulatory approval or other restriction. As of May 1, 2024, we also have an additional \$125 million in permitted borrowings available under our Revolving Credit Agreement as well as the actual amounts possibility of credits provided a \$50 million accordion feature, if successfully subscribed, as discussed in this section under the heading "Debt."

Our operating subsidiaries have not paid us any dividends during 2024. Our insurance subsidiaries, in the aggregate, are permitted to pay dividends of approximately \$145 million over the remainder of 2024 without prior approval of state insurance regulators. However, the payment of any dividend requires prior notice to the insurance regulator in the state of domicile, and the regulator may reduce or prevent the dividend if, in its judgment, payment of the dividend would have an adverse effect on the surplus of the insurance subsidiary. We make the decision to pay dividends from an insurance subsidiary based on the capital needs of that subsidiary and may pay less than the permitted dividend or may also request permission to pay an additional amount (an extraordinary dividend).

Cash Flows

Cash flows between periods compare as follows:

(In thousands)	Three Months Ended March 31		
	2024	2023	Change
Net cash provided (used) by:			
Operating activities	\$ (11,649)	\$ (29,843)	\$ 18,194
Investing activities	12,120	59,663	(47,543)
Financing activities	(969)	(3,345)	2,376
Increase (decrease) in cash and cash equivalents	\$ (498)	\$ 26,475	\$ (26,973)

The principal components of our operating cash flows are the excess of premiums collected and net investment income over losses paid and operating costs, including income taxes. Timing delays exist between the collection of premiums and the payment of losses associated with the premiums. Premiums are generally collected within the twelve-month period after the policy is written, while our claim payments are generally paid over a more extended period of time. Likewise, timing delays exist between the payment of claims and the collection of any associated reinsurance recoveries.

The increase in operating cash flows of \$18.2 million for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023 was primarily due to:

- A decrease in paid losses of \$23.9 million driven by our Specialty P&C segment due to the tax credit partnerships may prove timing of loss payments driven by a lower number of claims resolved with large indemnity payments as compared to the prior year period. Claim costs in our MPL line of business continue to be different pressured by social inflation and higher than anticipated loss severity trends.
- A decrease in cash paid for operating expenses of \$5.7 million driven by a decrease in compensation-related costs primarily as a result of a decrease in paid bonuses and timing differences related to a decrease in agency commissions in our estimates. Specialty P&C segment, partially offset by an increase in paid interest due to an increase in the

borrowings on our Revolving Credit Agreement and Term Loan to refinance our Senior Notes that matured in November 2023.

- An increase in cash received from investment income of \$3.4 million driven by higher average book yields as we continue to reinvest at higher rates as our portfolio matures.

The increase in operating cash flows was partially offset by:

- The effect of such a difference is recognized tax refund of approximately \$11.7 million which we received in February 2023 (see additional discussion within this section under the heading "Taxes" that follows).
- A decrease in net premium receipts of \$2.4 million primarily driven by our Specialty P&C and Workers' Compensation Insurance segments due to the competitive market conditions on terms and pricing, partially offset by a decrease in cash paid to reinsurers primarily associated with our excess of loss reinsurance arrangements.

The remaining variance in operating cash flows for the three months ended March 31, 2024 as compared to the same period of 2023 was composed of individually insignificant components.

We manage our investing cash flows to ensure that we will have sufficient liquidity to meet our obligations, taking into consideration the timing of cash flows from our investments, including interest payments, dividends and principal payments, as well as the expected cash flows to be generated by our operations as discussed in this section under the heading "Investing Activities and Related Cash Flows."

Our financing cash flows are primarily comprised of dividend payments in the prior year period identified. (see additional discussion on the Board's decision to suspend payment of a quarterly cash dividend of in Note 9 of the Notes to Condensed Consolidated Financial Statements).

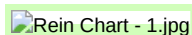
Operating Activities and Related Cash Flows

Reinsurance

Within our Specialty P&C segment, we use insurance and reinsurance (collectively, "reinsurance") to provide capacity to write larger limits of liability, to provide reimbursement for losses incurred under the higher limit coverages we offer and to provide protection against losses in excess of policy limits. Within our Workers' Compensation Insurance segment, we use reinsurance to reduce our net liability on individual risks, to mitigate the effect of significant loss occurrences (including catastrophic events), to stabilize underwriting results and to increase underwriting capacity by decreasing leverage. In both our Specialty P&C and Workers' Compensation Insurance segments, we use reinsurance in risk sharing arrangements to align our objectives with those of our strategic business partners and to provide custom insurance solutions for large customer groups. The discussion in our Liquidity section under the same heading in Item 7 of our December 31, 2023 report on Form 10-K includes additional information regarding our reinsurance agreements.

Our healthcare professional liability and Medical Technology Liability treaties renew annually on October 1 and our Workers' Compensation treaty renews annually on May 1. The significant coverages provided by our current excess of loss reinsurance agreements are depicted in the following table.

Excess of Loss Reinsurance Agreements



Healthcare Professional
Liability

Medical Technology & Life
Sciences Products

Workers' Compensation -
Traditional

- (1) Effective October 1, 2020, one prepaid limit reinstatement of \$21M and a second limit reinstatement of up to \$21M for the second layer, subject to reinstatement premium, which attaches after the first reinstatement has been completely exhausted. All limit reinstatements thereafter require no additional premium. Effective October 1, 2021, limits can be reinstated a maximum of four times.
- (2) Prior to October 1, 2020, retention was \$1M.
- (3) Historically, retention has ranged from 0% to 32.5%.
- (4) Historically, retention has ranged from \$1M to \$2M.
- (5) Subject to a limit of \$20M per individual claimant. If an individual loss were to exceed this level the Company would retain this excess exposure.
- (6) Subject to an AAD where retention is 3.5% of subject earned premium in annual losses otherwise recoverable in excess of the \$500K retention per loss occurrence.

For the workers' compensation business ceded to Inova Re; each SPC has in place its own reinsurance arrangements, which are illustrated in the following table.

Segregated Portfolio Cell Reinsurance



Per Occurrence Coverage

Aggregate Coverage

- (1) The attachment point is based on a percentage of written premium within individual cells, ranges from 85% to 94%, and varies by cell.

Taxes

We are subject to the tax laws and regulations of the U.S., Cayman Islands and U.K. We file a consolidated U.S. federal income tax return that includes the parent company and its U.S. subsidiaries, except for ProAssurance American Mutual, A Risk Retention Group. Our filing obligations include a requirement to make quarterly payments of estimated taxes to the IRS using the corporate tax rate effective for the tax year. We did not make any quarterly estimated tax payments during the three months ended March 31, 2024 or 2023 as we expect NOL carryforwards to offset any income taxes due.

As a result of the CARES Act that was signed into law on March 27, 2020, we were permitted to carryback NOLs generated in tax years 2019 and 2020 for up to five years. We generated an NOL of approximately \$33.3 million from the 2020 tax year that was carried back to the 2015 tax year that resulted in a tax refund of approximately \$11.7 million which was received in February 2023. In addition, the CARES Act included the initial version of the ERC which was extended and expanded in December 2020 and March 2021. See further discussion of the ERC in Note 1 of the Notes to Consolidated Financial Statements in our December 31, 2023 report on Form 10-K. As an eligible employer under the provisions of the CARES Act, NORCAL filed a claim for a payroll tax refund of approximately \$3.8 million during the second quarter of 2023, based on eligible wages paid during 2020.

As a result of the NORCAL acquisition, we have U.S. federal NOL carryforwards, which were approximately \$32.3 million as of March 31, 2024. These NOL carryforwards are subject to limitation by Internal Revenue Code Section 382 and will begin to expire in 2035.

Investing Activities and Related Cash Flows

Our investments at March 31, 2024 and December 31, 2023 are comprised as follows:

(\$ in thousands)	March 31, 2024		December 31, 2023	
	Carrying Value	% of Total Investment	Carrying Value	% of Total Investment
Fixed maturities, available-for-sale				
U.S. Treasury obligations	\$ 240,889	6 %	\$ 243,525	5 %
U.S. Government-sponsored enterprise obligations	18,927	1 %	18,724	1 %
State and municipal bonds	474,265	11 %	454,381	10 %
Corporate debt	1,714,052	40 %	1,750,574	40 %
Residential mortgage-backed securities	450,052	10 %	430,137	10 %
Commercial mortgage-backed securities	236,979	5 %	197,861	5 %
Other asset-backed securities	408,973	9 %	398,395	9 %
Total fixed maturities, available-for-sale	3,544,137	82 %	3,493,597	80 %
Fixed maturities, trading	50,106	1 %	48,324	1 %
Total fixed maturities	3,594,243	83 %	3,541,921	81 %
Equity investments ⁽¹⁾	137,914	3 %	151,295	4 %
Short-term investments	184,001	4 %	235,785	5 %
BOLI	78,657	2 %	78,205	2 %
Investment in unconsolidated subsidiaries	278,931	7 %	276,756	6 %
Other investments	59,796	1 %	65,819	2 %
Total investments	\$ 4,333,542	100 %	\$ 4,349,781	100 %

⁽¹⁾ Includes \$101.6 million and \$114.9 million of investment grade bond funds as of March 31, 2024 and December 31, 2023, respectively, which are not subject to significant equity price risk.

At March 31, 2024, 99% of our investments in available-for-sale fixed maturity securities were rated and the average rating was A+. The distribution of our investments in available-for-sale fixed maturity securities by rating were as follows:

(\$ in thousands)	March 31, 2024		December 31, 2023	
	Carrying Value	% of Total Investment	Carrying Value	% of Total Investment
Rating*				
AAA	\$ 535,654	15 %	\$ 489,121	14 %
AA+	710,520	20 %	689,491	20 %
AA	209,973	6 %	206,471	6 %
AA-	173,522	5 %	180,827	5 %
A+	290,382	8 %	286,723	8 %
A	410,841	12 %	410,935	12 %
A-	363,808	10 %	374,612	11 %
BBB+	189,765	5 %	194,140	5 %
BBB	279,059	7 %	286,378	8 %
BBB-	137,350	4 %	138,399	4 %
Below investment grade	242,206	7 %	233,405	6 %

Not rated	1,057	1 %	3,095	1 %
Total	<u>\$ 3,544,137</u>	<u>100 %</u>	<u>\$ 3,493,597</u>	<u>100 %</u>

*Average of three NRSRO sources, presented as an S&P equivalent. Source: S&P, Copyright ©2024, S&P Global Market Intelligence

A detailed listing of our investment holdings as of March 31, 2024 is located under the Financial Information heading on the Investor Relations page of our website which can be reached directly at <https://investor.proassurance.com/financial-information/quarterly-investment-supplements/default.aspx> or through links from the Investor Relations section of our website, investor.proassurance.com.

We manage our investments to ensure that we will have sufficient liquidity to meet our obligations, taking into consideration the timing of cash flows from our investments, including interest payments, dividends and principal payments, as well as the expected cash flows to be generated or used by our operations. In addition to the interest and dividends we will receive from our investments, we anticipate that between \$80 million and \$160 million of our portfolio will mature (or be paid down) each quarter over the next twelve months and become available, if needed, to meet our cash flow requirements. In response to higher severity trends and an increase in paid losses in our MPL line of business and our Workers' Compensation Insurance segment, we reduced the rate of reinvestment of these cash flows to allow for additional cash availability. The primary outflow of cash at our insurance subsidiaries is related to paid losses and operating costs, including income taxes. The payment of individual claims cannot be predicted with certainty; therefore, we rely upon the history of paid claims in estimating the timing of future claims payments with consideration given to current and anticipated industry trends and macroeconomic conditions. To the extent that we may have an unanticipated shortfall in cash, we may either liquidate securities or borrow funds under existing borrowing arrangements through our Revolving Credit Agreement and the FHLB system. As of May 1, 2024, \$175 million could be made available for use through our Revolving Credit Agreement, as discussed in this section under the heading "Debt." Given the duration of our investments, we do not foresee a shortfall that would require us to meet operating cash needs through additional borrowings. Additional information regarding our Revolving Credit Agreement is detailed in Note 7 of the Notes to Condensed Consolidated Financial Statements.

At March 31, 2024, our FAL was comprised of investment securities, primarily short-term investments, and cash and cash equivalents deposited with Lloyd's which had a fair value of \$20 million. Given that we decided to no longer participate in the results of Syndicate 1729 beginning with the 2024 underwriting year, we expect to receive a return of FAL in the future; however, the amount of which cannot be estimated at this time. Additional information regarding our FAL is detailed in Note 3 of the Notes to Condensed Consolidated Financial Statements.

Our investment portfolio continues to be primarily composed of high quality fixed income securities with approximately 92% of our fixed maturities being investment grade securities as determined by national rating agencies. The weighted average effective duration of our fixed maturity securities at March 31, 2024 was 3.21 years; the weighted average effective duration of our fixed maturity securities combined with our short-term securities was 3.05 years.

The carrying value and unfunded commitments for certain of our investments were as follows:

(\$ in thousands, except expected funding period)	Carrying Value		March 31, 2024	
	March 31, 2024	December 31, 2023	Unfunded Commitment	Expected funding period in years
Qualified affordable housing project tax credit partnerships ⁽¹⁾	\$ 562	\$ 666	\$ 118	3
All other investments, primarily investment fund LPs/LLCs	278,369	276,090	138,385	4
Total	<u>\$ 278,931</u>	<u>\$ 276,756</u>	<u>\$ 138,503</u>	

⁽¹⁾ The carrying value reflects our total commitments (both funded and unfunded) to the partnerships, less any amortization, since our initial investment. We fund these investments based on funding schedules maintained by the partnerships.

Investment fund LPs/LLCs are by nature less liquid and may involve more risk than other investments. We manage our risk through diversification of asset class and geographic location. At March 31, 2024, we had investments in 34 separate investment funds with a total carrying value of \$278.4 million which represented approximately 6% of our total investments. Our investment fund LPs/LLCs generate earnings from trading portfolios, secured debt, debt securities, multi-strategy funds and private equity investments, and the performance of these LPs/LLCs is affected by the volatility of equity and credit markets. For our investments in LPs/LLCs, we record our allocable portion of the partnership operating income or loss as the results of the LPs/LLCs become available, typically following the end of a reporting period.

Financing Activities and Related Cash Flows

Debt

Our outstanding debt consisted of the following:

(\$ in thousands)	March 31, 2024	December 31, 2023
Contribution Certificates	\$ 179,865	\$ 179,387
Revolving Credit Agreement	125,000	125,000
Term Loan	125,000	125,000
Total principal	<u>429,865</u>	<u>429,387</u>

Less unamortized debt issuance costs	2,091	2,254
Debt less unamortized debt issuance costs	\$ 427,774	\$ 427,133

NORCAL Insurance Company, successor to NORCAL Mutual Insurance Company, issued Contribution Certificates, which bear interest at 3.0% annually and are due in 2031, to certain NORCAL policyholders in the conversion. The Contribution Certificates have a principal amount of \$191 million and were recorded at their fair value of \$175 million at the date of the NORCAL acquisition on May 5, 2021. The difference of \$16 million between the recorded acquisition date fair value and the principal balance of the Contribution Certificates will be accreted utilizing the effective interest method over the term of the certificates of ten years as an increase to interest expense. Furthermore, interest payments are subject to deferral if we do not receive permission from the California Department of Insurance prior to payment. We received permission from the California Department of Insurance to pay the annual interest payment, which was paid in April 2024. There are no financial covenants associated with these certificates.

On April 28, 2023, we amended our Revolving Credit Agreement, which expires in April 2028 and includes a \$125 million delayed draw Term Loan. The Term Loan is available to be drawn during a five year period after closing, subject to customary borrowing conditions. We drew on the Revolving Credit Agreement and funded the Term Loan to refinance our Senior Notes in November 2023. The Revolving Credit Agreement may be used for general corporate purposes, including, but not limited to, short-term working capital, share repurchases as authorized by the Board and support for other activities. Our Revolving Credit Agreement permits borrowings of up to \$250 million as well as the possibility of a \$50 million accordion feature, if successfully subscribed. We are in compliance with the financial covenants of the Revolving Credit Agreement.

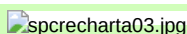
Additional information regarding our debt is provided in Note 7 of the Notes to Condensed Consolidated Financial Statements.

To manage our exposure to interest rate risk due to variability in the base rate on borrowings under the Revolving Credit Agreement and Term Loan, we entered into two forward-starting interest rate swap agreements ("Interest Rate Swaps"). Additional information regarding our Interest Rate Swaps is provided in Note 8 of the Notes to Condensed Consolidated Financial Statements.

Three of our insurance subsidiaries are members of an FHLB. Through membership, those subsidiaries have access to secured cash advances which can be used for liquidity purposes or other operational needs. In order for us to use FHLB proceeds, regulatory approvals may be required depending on the nature of the transaction. To date, those subsidiaries have not materially utilized their membership for borrowing purposes.

Contingent Consideration Segregated Portfolio Cell Reinsurance

Contingen



Per Occurrence Coverage

Aggregate Coverage

(a) The attachment point is based on a percentage of written premium within individual cells, ranges from 85% to 94%, and varies by cell.

Taxes

We are subject to the tax laws and regulations of the U.S., Cayman Islands and U.K. We file a consolidated U.S. federal income tax return that includes the parent company and its U.S. subsidiaries, except for ProAssurance American Mutual, A Risk Retention Group. Our filing obligations include a requirement to make quarterly payments of estimated taxes to the IRS using the corporate tax rate effective for the tax year. We did not make any quarterly estimated tax payments during the three months ended March 31, 2024 or 2023 as we expect NOL carryforwards to offset any income taxes due.

As a result of the CARES Act that was signed into law on March 27, 2020, we were permitted to carryback NOLs generated in tax years 2019 and 2020 for up to five years. We generated an NOL of approximately \$33.3 million from the 2020 tax year that was carried back to the 2015 tax year that resulted in a tax refund of approximately \$11.7 million which was received in February 2023. In addition, the CARES Act included the initial version of the ERC which was extended and expanded in December 2020 and March 2021. See further discussion of the ERC in Note 1 of the Notes to Consolidated Financial Statements in our December 31, 2023 report on Form 10-K. As an eligible employer under the provisions of the CARES Act, NORCAL filed a claim for a payroll tax refund of approximately \$3.8 million during the second quarter of 2023, based on eligible wages paid during 2020.

As a result of the NORCAL acquisition, we have U.S. federal NOL carryforwards, which were approximately \$32.3 million as of March 31, 2024. These NOL carryforwards are subject to limitation by Internal Revenue Code Section 382 and will begin to expire in 2035.

Investing Activities and Related Cash Flows

Our investments at March 31, 2024 and December 31, 2023 are comprised as follows:

(\$ in thousands)	March 31, 2024		December 31, 2023	
	Carrying		Carrying	
	Value	% of Total Investment	Value	% of Total Investment
Fixed maturities, available-for-sale				
U.S. Treasury obligations	\$ 240,889	6 %	\$ 243,525	5 %
U.S. Government-sponsored enterprise obligations	18,927	1 %	18,724	1 %
State and municipal bonds	474,265	11 %	454,381	10 %
Corporate debt	1,714,052	40 %	1,750,574	40 %
Residential mortgage-backed securities	450,052	10 %	430,137	10 %
Commercial mortgage-backed securities	236,979	5 %	197,861	5 %
Other asset-backed securities	408,973	9 %	398,395	9 %

Total fixed maturities, available-for-sale	3,544,137	82 %	3,493,597	80 %
Fixed maturities, trading	50,106	1 %	48,324	1 %
Total fixed maturities	3,594,243	83 %	3,541,921	81 %
Equity investments ⁽¹⁾	137,914	3 %	151,295	4 %
Short-term investments	184,001	4 %	235,785	5 %
BOLI	78,657	2 %	78,205	2 %
Investment in unconsolidated subsidiaries	278,931	7 %	276,756	6 %
Other investments	59,796	1 %	65,819	2 %
Total investments	\$ 4,333,542	100 %	\$ 4,349,781	100 %

⁽¹⁾ Includes \$101.6 million and \$114.9 million of investment grade bond funds as of March 31, 2024 and December 31, 2023, respectively, which are not subject to significant equity price risk.

At March 31, 2024, 99% of our investments in available-for-sale fixed maturity securities were rated and the average rating was A+. The distribution of our investments in available-for-sale fixed maturity securities by rating were as follows:

Rating*	March 31, 2024		December 31, 2023	
	Carrying		Carrying	
	Value	% of Total Investment	Value	% of Total Investment
(\$ in thousands)				
AAA	\$ 535,654	15 %	\$ 489,121	14 %
AA+	710,520	20 %	689,491	20 %
AA	209,973	6 %	206,471	6 %
AA-	173,522	5 %	180,827	5 %
A+	290,382	8 %	286,723	8 %
A	410,841	12 %	410,935	12 %
A-	363,808	10 %	374,612	11 %
BBB+	189,765	5 %	194,140	5 %
BBB	279,059	7 %	286,378	8 %
BBB-	137,350	4 %	138,399	4 %
Below investment grade	242,206	7 %	233,405	6 %
Not rated	1,057	1 %	3,095	1 %
Total	\$ 3,544,137	100 %	\$ 3,493,597	100 %

*Average of three NRSRO sources, presented as an S&P equivalent. Source: S&P, Copyright ©2024, S&P Global Market Intelligence

A detailed listing of our investment holdings as of March 31, 2024 is located under the Financial Information heading on the Investor Relations page of our website which can be reached directly at <https://investor.proassurance.com/financial-information/quarterly-investment-supplements/default.aspx> or through links from the Investor Relations section of our website, investor.proassurance.com.

We manage our investments to ensure that we will have sufficient liquidity to meet our obligations, taking into consideration the timing of cash flows from our investments, including interest payments, dividends and principal payments, as well as the expected cash flows to be generated or used by our operations. In addition to the interest and dividends we will receive from our investments, we anticipate that between \$80 million and \$160 million of our portfolio will mature (or be paid down) each quarter over the next twelve months and become available, if needed, to meet our cash flow requirements. In response to higher severity trends and an increase in paid losses in our MPL line of business and our Workers' Compensation Insurance segment, we reduced the rate of reinvestment of these cash flows to allow for additional cash availability. The primary outflow of cash at our insurance subsidiaries is measured at related to paid losses and operating costs, including income taxes. The payment of individual claims cannot be predicted with certainty; therefore, we rely upon the history of paid claims in estimating the timing of future claims payments with consideration given to current and anticipated industry trends and macroeconomic conditions. To the extent that we may have an unanticipated shortfall in cash, we may either liquidate securities or borrow funds under existing borrowing arrangements through our Revolving Credit Agreement and the FHLB system. As of May 1, 2024, \$175 million could be made available for use through our Revolving Credit Agreement, as discussed in this section under the heading "Debt." Given the duration of our investments, we do not foresee a shortfall that would require us to meet operating cash needs through additional borrowings. Additional information regarding our Revolving Credit Agreement is detailed in Note 7 of the Notes to Condensed Consolidated Financial Statements.

At March 31, 2024, our FAL was comprised of investment securities, primarily short-term investments, and cash and cash equivalents deposited with Lloyd's which had a fair value of \$20 million. Given that we decided to no longer participate in the results of Syndicate 1729 beginning with the 2024 underwriting year, we expect to receive a return of FAL in the future; however, the amount of which cannot be estimated at this time. Additional information regarding our FAL is detailed in Note 3 of the Notes to Condensed Consolidated Financial Statements.

Our investment portfolio continues to be primarily composed of high quality fixed income securities with approximately 92% of our fixed maturities being investment grade securities as determined by national rating agencies. The weighted average effective duration of our fixed maturity securities at March 31, 2024 was 3.21 years; the weighted average effective duration of our fixed maturity securities combined with our short-term securities was 3.05 years.

The carrying value and unfunded commitments for certain of our investments were as follows:

(\$ in thousands, except expected funding period)	Carrying Value		March 31, 2024	
	March 31, 2024	December 31, 2023	Expected funding period in	
			Unfunded Commitment	years
Qualified affordable housing project tax credit partnerships ⁽¹⁾	\$ 562	\$ 666	\$ 118	3
All other investments, primarily investment fund LPs/LLCs	278,369	276,090	138,385	4
Total	\$ 278,931	\$ 276,756	\$ 138,503	

⁽¹⁾ The carrying value reflects our total commitments (both funded and unfunded) to the partnerships, less any amortization, since our initial investment. We fund these investments based on funding schedules maintained by the partnerships.

Investment fund LPs/LLCs are by nature less liquid and may involve more risk than other investments. We manage our risk through diversification of asset class and geographic location. At March 31, 2024, we had investments in 34 separate investment funds with a total carrying value of \$278.4 million which represented approximately 6% of our total investments. Our investment fund LPs/LLCs generate earnings from trading portfolios, secured debt, debt securities, multi-strategy funds and private equity investments, and the performance of these LPs/LLCs is affected by the volatility of equity and credit markets. For our investments in LPs/LLCs, we record our allocable portion of the partnership operating income or loss as the results of the LPs/LLCs become available, typically following the end of a reporting period.

Financing Activities and Related Cash Flows

Debt

Our outstanding debt consisted of the following:

(\$ in thousands)	March 31, 2024	December 31, 2023
Contribution Certificates	\$ 179,865	\$ 179,387
Revolving Credit Agreement	125,000	125,000
Term Loan	125,000	125,000
Total principal	429,865	429,387
Less unamortized debt issuance costs	2,091	2,254
Debt less unamortized debt issuance costs	\$ 427,774	\$ 427,133

NORCAL Insurance Company, successor to NORCAL Mutual Insurance Company, issued Contribution Certificates, which bear interest at 3.0% annually and are due in 2031, to certain NORCAL policyholders in the conversion. The Contribution Certificates have a principal amount of \$191 million and were recorded at their fair value of \$175 million at the date of acquisition and remeasured at fair value each subsequent reporting period. Given the contingent consideration associated with the NORCAL acquisition is dependent upon on May 5, 2021. The difference of \$16 million between the after-tax development of NORCAL's ultimate net losses between December 31, 2020 and December 31, 2023, we bifurcate changes in the contingent consideration each period between fair value changes and, if applicable, changes in estimates of NORCAL's ultimate net losses for accident years 2020 and prior. Changes in the contingent consideration related to fair value are recognized in earnings as a component of net investment gains (losses) and changes in the contingent consideration related to changes in estimates of NORCAL's ultimate net losses for accident years 2020 and prior are recognized in earnings as component of operating expenses.

During the three and nine months ended September 30, 2023, we recorded a \$1.5 million and \$5.5 million decrease to the contingent consideration liability, respectively. The decrease recorded during the three and nine months ended September 30, 2023 is comprised of \$1.5 million and \$4.5 million, respectively, related to the remeasurement of the liability to acquisition date fair value and is reflected the principal balance of the Contribution Certificates will be accreted utilizing the effective interest method over the term of the certificates of ten years as a component an increase to interest expense. Furthermore, interest payments are subject to deferral if we do not receive permission from the California Department of net investment gains (losses). In addition, Insurance prior to payment. We received permission from the decrease California Department of Insurance to pay the contingent consideration liability recorded during the nine months ended September 30, 2023 includes a \$1.0 million reduction related to the impact of \$7.5 million of unfavorable development recognized annual interest payment, which was paid in the first quarter of 2023 on NORCAL's reserves related to accident years 2020 and prior and is reflected as a component of operating expenses. See further discussion that follows under the heading Results of Operations. April 2024. There are no financial covenants associated with these certificates.

Accounting Changes

We did not have any change in accounting estimate or policy that had a material effect on our results of operations or financial position during the nine months ended September 30, 2023. We are not aware of any accounting changes not yet adopted as of September 30, 2023 that could have a material impact on our results of operations, financial position or cash flows.

Liquidity and Capital Resources and Financial Condition

Overview

ProAssurance Corporation is a holding company and is a legal entity separate and distinct from its subsidiaries. As a holding company, our principal source of external revenue is our investment revenues. In addition, dividends from our operating subsidiaries represent another source of funds for our obligations, including debt service and shareholder dividends, if declared. We also charge our core domestic operating subsidiaries within our Specialty P&C and Workers' Compensation Insurance segments a management fee based on the extent to which services are provided to the subsidiary and the amount of gross premium written by the subsidiary. At September 30, 2023 On April 28, 2023, we held cash and liquid investments of approximately \$79 million outside our insurance subsidiaries that were available for use without regulatory approval or other restriction. We also have \$250 million in permitted borrowings available under amended our Revolving Credit Agreement, which expires in April 2028 and includes a \$125 million delayed draw Term Loan. The Term Loan is available to be drawn during a five year period after closing, subject to customary borrowing conditions. We drew on the Revolving Credit Agreement and funded the Term Loan to refinance our Senior Notes in November 2023. The Revolving Credit Agreement may be used for general corporate purposes, including, but not limited to, short-term working capital, share repurchases as authorized by the Board and support for other activities. Our Revolving Credit Agreement permits borrowings of up to \$250 million as well as the possibility of a \$50 million accordion feature, if successfully subscribed. On April 28, 2023, we executed an amendment to We are in compliance with the financial covenants of the Revolving Credit Agreement, which includes an additional \$125 million delayed draw Term Loan. We intend Agreement.

Additional information regarding our debt is provided in Note 7 of the Notes to draw \$125 million Condensed Consolidated Financial Statements.

To manage our exposure to interest rate risk due to variability in the base rate on borrowings under the Revolving Credit Agreement and fund the \$125 million Term Loan, to refinance our Senior Notes that mature November 2023. See further we entered into two forward-starting interest rate swap agreements ("Interest Rate Swaps"). Additional information regarding the amended Revolving Credit Agreement and Term Loan our Interest Rate Swaps is provided in Note 8 of the Notes to Condensed Consolidated Financial Statements. As

Three of November 3, 2023, no borrowings were outstanding under our amended Revolving Credit Agreement.

insurance subsidiaries are members of an FHLB. Through membership, those subsidiaries have access to secured cash advances which can be used for liquidity purposes or other operational needs. In order for us to use FHLB proceeds, regulatory approvals may be required depending on the nature of the transaction. To date, during 2023, our operating those subsidiaries have paid dividends to us of approximately \$31 million. Our insurance subsidiaries, in the aggregate, are permitted to pay dividends of approximately \$101 million over the remainder of 2023 without prior approval of state insurance regulators. However, the payment of any dividend requires prior notice to the insurance regulator in the state of domicile, and the regulator may reduce or prevent the dividend if, in its judgment, payment of the dividend would have an adverse effect on the surplus of the insurance subsidiary. We make the decision to pay dividends from an insurance subsidiary based on the capital needs of that subsidiary and may pay less than the permitted dividend or may also request permission to pay an additional amount (an extraordinary dividend). not materially utilized their membership for borrowing purposes.

Operating Activities and Related Cash Flows

Reinsurance

Within our Specialty P&C segment, we use insurance and reinsurance (collectively, "reinsurance") to provide capacity to write larger limits of liability, to provide reimbursement for losses incurred under the higher limit coverages we offer and to provide protection against losses in excess of policy limits. Within our Workers' Compensation Insurance segment, we use reinsurance to reduce our net liability on individual risks, to mitigate the effect of significant loss occurrences (including catastrophic events), to stabilize underwriting results and to increase underwriting capacity by decreasing leverage. In both our Specialty P&C and Workers' Compensation Insurance segments, we use reinsurance in risk sharing arrangements to align our objectives with those of our strategic business partners and to provide custom insurance solutions for large customer groups. The discussion in our Liquidity section under the same heading in Item 7 of our December 31, 2022 report on Form 10-K includes additional information regarding our reinsurance agreements.

Our HCPL and Medical Technology Liability treaties renew annually on October 1 and our Workers' Compensation treaty renews annually on May 1. Our HCPL and Medical Technology Liability treaties renewed October 1, 2023 at a higher rate than the previous treaties and retention of HCPL coverages in excess of \$2 million increased to 9% to 9.5% from 0% to 5% of the next \$24 million of risk; all other material terms were consistent with the expiring treaties. Our traditional Workers' Compensation treaty renewed May 1, 2023 at a higher rate than the previous treaty; all other material terms were consistent with the expiring treaty. The significant coverages provided by our current excess of loss reinsurance agreements are depicted in the following table.

Excess of Loss Reinsurance Agreements



Healthcare Professional Liability	Medical Technology & Life Sciences Products	Workers' Compensation - Traditional
-----------------------------------	---	-------------------------------------

- Effective October 1, 2020, one prepaid limit reinstatement of \$21M and a second limit reinstatement of up to \$21M for the second layer, subject to reinstatement premium, which attaches after the first reinstatement has been completely exhausted. All limit reinstatements thereafter require no additional premium. Effective October 1, 2021, limits can be reinstated a maximum of four times.
- Prior to October 1, 2020, retention was \$1M.
- Historically, retention has ranged from 0% to 32.5%.
- Historically, retention has ranged from \$1M to \$2M.
- Subject to a limit of \$20M per individual claimant. If an individual loss were to exceed this level the Company would retain this excess exposure.
- Subject to an AAD where retention is 3.5% of subject earned premium in annual losses otherwise recoverable in excess of the \$500K retention per loss occurrence.

For the workers' compensation business ceded to Inova Re and Eastern Re, each SPC has in place its own reinsurance arrangements, which are illustrated in the following table.

Segregated Portfolio Cell Reinsurance



Per Occurrence Coverage

Aggregate Coverage

(1) The attachment point is based on a percentage of written premium within individual cells, ranges from 85% to 94%, and varies by cell.

Cash Flows

Cash flows between periods compare as follows:

(In thousands)	Nine Months Ended September 30		
	2023	2022	Change
Net cash provided (used) by:			
Operating activities	\$ (46,641)	\$ 6,673	\$ (53,314)
Investing activities	137,335	(91,749)	229,084
Financing activities	(58,543)	(17,154)	(41,389)
Increase (decrease) in cash and cash equivalents	\$ 32,151	\$ (102,230)	\$ 134,381

The principal components of our operating cash flows are the excess of premiums collected and net investment income over losses paid and operating costs, including income taxes. Timing delays exist between the collection of premiums and the payment of losses associated with the premiums. Premiums are generally collected within the twelve-month period after the policy is written, while our claim payments are generally paid over a more extended period of time. Likewise, timing delays exist between the payment of claims and the collection of any associated reinsurance recoveries.

The decrease in operating cash flows of \$53.3 million for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 was primarily due to:

- A decrease in net premium receipts of \$71.7 million primarily driven by our Specialty P&C segment due to a decrease in premium receipts due to the competitive market conditions on terms and pricing and an increase in cash paid to reinsurers primarily associated with our excess of loss reinsurance arrangements. In addition, the decrease in net premium receipts reflected our ceased participation in Syndicate 6131 for the 2022 underwriting year.
- An increase in paid losses of \$29.0 million driven by our Specialty P&C segment primarily due to an increase in average indemnity paid per closed claim compared to the prior year period, as claim costs in our HCPL line of business are pressured by social inflation and higher than anticipated loss severity trends.
- A decrease in cash received from investment income of \$2.8 million driven by a decrease in distributed earnings and redemptions from our portfolio of investments in LPs/LLCs.

The decrease in operating cash flows was partially offset by:

- A decrease in cash paid for operating expenses of \$37.1 million driven by the prior year impact of the termination of deferred compensation arrangements assumed in the NORCAL acquisition during the first quarter of 2022 totaling approximately \$13.2 million and, to a lesser extent, the receipt of cash collateral to secure the net present value of future cash flows associated with the Interest Rate Swaps of \$10.7 million. See further discussion of NORCAL's deferred compensation arrangements in Note 3 to the Notes to Consolidated Financial Statements in our December 31, 2022 report on Form 10-K and further discussion on the Interest Rate Swaps in Note 9 to the Notes to Condensed Consolidated Financial Statements. Furthermore, the decrease in cash paid for operating expenses reflected the prior year impact of one-time expenses of \$3.6 million in our Specialty P&C segment. One-time expenses in 2022 were mainly comprised of one-time bonuses, employee severance charges and lease exit costs.
- The effect of a tax refund of approximately \$11.7 million which we received in February 2023 (see additional discussion within this section under the heading "Taxes" that follows).

The remaining variance in operating cash flows for the nine months ended September 30, 2023 as compared to the same period of 2022 was composed of individually insignificant components.

We manage our investing cash flows to ensure that we will have sufficient liquidity to meet our obligations, taking into consideration the timing of cash flows from our investments, including interest payments, dividends and principal payments, as well as the expected cash flows to be generated by our operations as discussed in this section under the heading "Investing Activities and Related Cash Flows."

Our financing cash flows are primarily comprised of share repurchases and dividend payments to our stockholders.

Taxes

We are subject to the tax laws and regulations of the U.S., Cayman Islands and U.K. We file a consolidated U.S. federal income tax return that includes the parent company and its U.S. subsidiaries, except for ProAssurance American Mutual, A Risk Retention Group. Our filing obligations include a requirement to make quarterly payments of estimated taxes to the IRS using the corporate tax rate effective for the tax year. We did not make any quarterly estimated tax payments during the three **and nine** months ended **September 30, 2023** **March 31, 2024** or **2023** as we expect NOL carryforwards to offset any income taxes due.

As a result of the CARES Act that was signed into law on March 27, 2020, we were permitted to carryback NOLs generated in tax years 2019 and 2020 for up to five years. See further discussion in the Critical Accounting Estimates section under the heading "U.S. Tax Legislation" and Note 6 of the Notes to Consolidated Financial Statements in our **December 31, 2022 report on Form 10-K**. We generated an NOL of approximately \$33.3 million from the 2020 tax year that was carried back to the 2015 tax year that resulted in a tax refund of approximately \$11.7 million which was received in February 2023. In addition, the CARES Act included the initial version of the ERC which was extended and expanded in December 2020 and March 2021. See further discussion of the ERC in Note 1 of the Notes to **Condensed** Consolidated Financial **Statements**. **Statements in our December 31, 2023 report on Form 10-K**. As an eligible employer under the provisions of the CARES Act, NORCAL filed a claim for a payroll tax refund of approximately \$3.8 million during the second quarter of 2023, based on eligible wages paid during 2020.

As a result of the NORCAL acquisition, we have U.S. federal NOL carryforwards, which were approximately \$32.3 million as of **September 30, 2023** **March 31, 2024**. These NOL carryforwards are subject to limitation by Internal Revenue Code Section 382 and will begin to expire in 2035. **For additional information on the NORCAL acquisition see Note 2 of the Notes to Consolidated Financial Statements in our December 31, 2022 report on Form 10-K**.

Investing Activities and Related Cash Flows

Our investments at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** are comprised as follows:

(\$ in thousands)	(\$ in thousands)	September 30, 2023		December 31, 2022		(\$ in thousands)	March 31, 2024		December 31, 2023	
		Carrying	% of Total	Carrying	% of Total		Carrying	% of Total	Carrying	% of Total
		Value	Investment	Value	Investment		Value	Investment	Value	Investment
Fixed maturities, available-for-sale	Fixed maturities, available-for-sale									
	U.S. Treasury obligations									
	U.S. Treasury obligations									
	U.S. Treasury obligations	\$ 237,828	6 %	\$ 221,608	5 %	\$ 240,889	6 %	\$ 243,525	5 %	
	U.S. Government-sponsored enterprise obligations	18,871	1 %	19,934	1 %	U.S. Government-sponsored enterprise obligations	18,927	1 %	18,724	1 %
	State and municipal bonds	436,268	10 %	439,450	10 %	State and municipal bonds	474,265	11 %	454,381	10 %
	Corporate debt	1,663,978	39 %	1,781,452	41 %	Corporate debt	1,714,052	40 %	1,750,574	40 %
	Residential mortgage-backed securities	396,947	9 %	389,540	8 %	Residential mortgage-backed securities	450,052	10 %	430,137	10 %
	Commercial mortgage-backed securities	194,461	5 %	203,794	5 %	Commercial mortgage-backed securities	236,979	5 %	197,861	5 %
	Other asset-backed securities	406,959	10 %	416,694	9 %	Other asset-backed securities	408,973	9 %	398,395	9 %
	Total fixed maturities, available-for-sale	3,355,312	80 %	3,472,472	79 %	Total fixed maturities, available-for-sale	3,544,137	82 %	3,493,597	80 %

Fixed maturities, trading	Fixed maturities, trading	45,999	1 %	43,434	1 %	Fixed maturities, trading	50,106	1	1 %	48,324	1	1 %
Total fixed maturities	Total fixed maturities	3,401,311	81 %	3,515,906	80 %	Total fixed maturities	3,594,243	83	83 %	3,541,921	81	81 %
Equity investments ⁽¹⁾	Equity investments ⁽¹⁾	143,920	3 %	143,738	3 %							
Equity investments ⁽¹⁾	Equity investments ⁽¹⁾						137,914	3 %		151,295	4 %	
Short-term investments	Short-term investments	247,394	6 %	245,313	6 %	Short-term investments	184,001	4	4 %	235,785	5	5 %
BOLI	BOLI	77,502	2 %	81,746	2 %	BOLI	78,657	2	2 %	78,205	2	2 %
Investment in unconsolidated subsidiaries	Investment in unconsolidated subsidiaries	297,314	7 %	305,210	7 %	Investment in unconsolidated subsidiaries	278,931	7	7 %	276,756	6	6 %
Other investments	Other investments	62,816	1 %	95,770	2 %	Other investments	59,796	1	1 %	65,819	2	2 %
Total investments	Total investments	\$4,230,257	100 %	\$4,387,683	100 %	Total investments	\$4,333,542	100	100 %	\$4,349,781	100	100 %

⁽¹⁾ Includes \$109.9 million and \$112.1 million of investment grade bond funds as of September 30, 2023 and December 31, 2022, respectively, which are not subject to significant equity price risk.

⁽¹⁾ Includes	
\$101.6 million and \$114.9 million of investment grade bond funds as of March 31, 2024 and December 31, 2023, respectively, which are not subject to significant equity price risk.	
	⁽¹⁾ Includes \$101.6 million and \$114.9 million of investment grade bond funds as of March 31, 2024 and December 31, 2023, respectively, which are not subject to significant equity price risk.

At **September 30, 2023** **March 31, 2024**, 99% of our investments in available-for-sale fixed maturity securities were rated and the average rating was A+. The distribution of our investments in available-for-sale fixed maturity securities by rating were as follows:

September 30, 2023						December 31, 2022						March 31, 2024						March 31, 2024						December 31, 2023					
(\$ in thousands)						(\$ in thousands)						(\$ in thousands)						(\$ in thousands)						(\$ in thousands)					
Rating*	Rating*	Carrying Value	% of Total Investment	Carrying Value	% of Total Investment	Rating*	Rating*	Carrying Value	% of Total Investment	Carrying Value	% of Total Investment	Rating*	Rating*	Carrying Value	% of Total Investment	Carrying Value	% of Total Investment	Rating*	Rating*	Carrying Value	% of Total Investment	Carrying Value	% of Total Investment	Rating*	Rating*	Carrying Value	% of Total Investment	Carrying Value	% of Total Investment
AAA	AAA	\$ 480,602	14 %	\$1,008,230	29 %	AAA	AAA	\$ 535,654	15 %	\$ 489,121	14 %	AAA	AAA	\$ 480,602	14 %	\$ 489,121	14 %	AAA	AAA	\$ 480,602	14 %	\$ 489,121	14 %	AAA	AAA	\$ 480,602	14 %	\$ 489,121	14 %
AA+	AA+	647,237	19 %	113,659	3 %	AA+	AA+	710,520	20 %	689,491	20 %	AA+	AA+	647,237	19 %	689,491	20 %	AA+	AA+	647,237	19 %	689,491	20 %	AA+	AA+	647,237	19 %	689,491	20 %
AA	AA	203,779	6 %	210,247	6 %	AA	AA	209,973	6 %	206,471	6 %	AA	AA	203,779	6 %	206,471	6 %	AA	AA	203,779	6 %	206,471	6 %	AA	AA	203,779	6 %	206,471	6 %
AA-	AA-	177,693	4 %	190,106	5 %	AA-	AA-	173,522	5 %	180,827	5 %	AA-	AA-	177,693	4 %	180,827	5 %	AA-	AA-	177,693	4 %	180,827	5 %	AA-	AA-	177,693	4 %	180,827	5 %
A+	A+	274,379	8 %	264,950	8 %	A+	A+	290,382	8 %	286,723	8 %	A+	A+	274,379	8 %	286,723	8 %	A+	A+	274,379	8 %	286,723	8 %	A+	A+	274,379	8 %	286,723	8 %
A	A	398,413	12 %	432,442	12 %	A	A	410,841	12 %	410,935	12 %	A	A	398,413	12 %	410,935	12 %	A	A	398,413	12 %	410,935	12 %	A	A	398,413	12 %	410,935	12 %
A-	A-	338,625	10 %	345,671	10 %	A-	A-	363,808	10 %	374,612	11 %	A-	A-	338,625	10 %	374,612	11 %	A-	A-	338,625	10 %	374,612	11 %	A-	A-	338,625	10 %	374,612	11 %

BBB+	BBB+	189,693	6 %	213,794	6 %	BBB+	189,765	5	5 %	194,140	5	5 %
BBB	BBB	287,253	9 %	305,987	9 %	BBB	279,059	7	7 %	286,378	8	8 %
BBB-	BBB-	129,668	4 %	137,596	4 %	BBB-	137,350	4	4 %	138,399	4	4 %
Below investment grade	Below investment grade	226,808	7 %	249,400	7 %	Below investment grade	242,206	7	7 %	233,405	6	6 %
Not rated	Not rated	1,162	1 %	390	1 %	Not rated	1,057	1	1 %	3,095	1	1 %
Total	Total	\$3,355,312	100 %	\$3,472,472	100 %	Total	\$3,544,137	100	100 %	\$3,493,597	100	100 %

*Average of three NRSRO sources, presented as an S&P equivalent.

Source: S&P, Copyright ©2023, S&P Global Market Intelligence

*Average of three NRSRO sources, presented as an S&P equivalent. Source: S&P, Copyright ©2024, S&P Global Market Intelligence

*Average of three NRSRO sources, presented as an S&P equivalent. Source: S&P, Copyright ©2024, S&P Global Market Intelligence

A detailed listing of our investment holdings as of **September 30, 2023** **March 31, 2024** is located under the Financial Information heading on the Investor Relations page of our website which can be reached directly at <https://investor.proassurance.com/financial-information/quarterly-investment-supplements/default.aspx> or through links from the Investor Relations section of our website, investor.proassurance.com.

We manage our investments to ensure that we will have sufficient liquidity to meet our obligations, taking into consideration the timing of cash flows from our investments, including interest payments, dividends and principal payments, as well as the expected cash flows to be generated or used by our operations. In addition to the interest and dividends we will receive from our investments, we anticipate that between \$80 million and **\$210 million** **\$160 million** of our portfolio will mature (or be paid down) each quarter over the next twelve months and become available, if needed, to meet our cash flow requirements. In response to higher severity trends and an increase in paid losses in our **HCPL MPL** line of business and our Workers' Compensation Insurance segment, we **have** reduced the rate of reinvestment of these cash flows **in order** to allow for additional cash availability. The primary outflow of cash at our insurance subsidiaries is related to paid losses and operating costs, including income taxes. The payment of individual claims cannot be predicted with certainty; therefore, we rely upon the history of paid claims in estimating the timing of future claims payments with consideration given to current and anticipated industry trends and macroeconomic conditions. To the extent that we may have an unanticipated shortfall in cash, we may either liquidate securities or borrow funds under existing borrowing arrangements through our Revolving Credit Agreement and the FHLB system. **Permitted borrowings under As of May 1, 2024, \$175 million could be made available for use through our Revolving Credit Agreement, are \$250 million with as discussed in this section under the possibility of an additional \$50 million accordion feature, if successfully subscribed. On April 28, 2023, we executed an amendment to the Revolving Credit Agreement, which includes an additional \$125 million delayed draw Term Loan. As previously discussed, we intend to draw \$125 million on the Revolving Credit Agreement and fund the \$125 million Term Loan to refinance our Senior Notes that mature November 2023, heading "Debt."** Given the duration of our investments, we do not foresee a shortfall that would require us to meet operating cash needs through additional borrowings. Additional information regarding our Revolving Credit Agreement is detailed in Note **8** **7** of the Notes to Condensed Consolidated Financial Statements.

At **September 30, 2023** **March 31, 2024**, our FAL was comprised of investment securities, primarily **available-for-sale fixed maturity securities** **short-term investments**, and **cash and cash equivalents** deposited with **Lloyd's** which had a fair value of \$19.6 million deposited with Lloyd's. During the second quarter of 2023, we received a return of approximately **\$4.1 million of cash from our FAL balances related to the settlement of our participation in the results of Syndicate 1729 and Syndicate 6131 for the 2020 underwriting year. \$20 million**. Given that we decided to no longer participate in the results of Syndicate 1729 beginning with the 2024 underwriting year, we expect to receive an additional return of FAL in the future; however, the amount of which cannot be estimated at this time. **Furthermore, we expect to receive proceeds of \$5.4 million associated with the sale of our remaining ownership interest in the underwriting and operations entity associated with Syndicate 1729 to an unrelated third party, which is contingent upon certain approvals from the Council of Lloyd's and the Prudential Regulation Authority empowered under FSMA. Approval of this sale will not impact our decision to no longer participate in the results of Syndicate 1729 beginning with the 2024 underwriting year.** Additional information regarding our FAL is detailed in Note 3 of the Notes to Condensed Consolidated Financial Statements.

Our investment portfolio continues to be primarily composed of high quality fixed income securities with approximately 92% of our fixed maturities being investment grade securities as determined by national rating agencies. The weighted average effective duration of our fixed maturity securities at **September 30, 2023** **March 31, 2024** was **3.28** **3.21** years; the weighted average effective duration of our fixed maturity securities combined with our short-term securities was **3.06** **3.05** years.

The carrying value and unfunded commitments for certain of our investments were as follows:

Carrying Value	September 30, 2023
----------------	--------------------

Carrying Value						Carrying Value						March 31, 2024
(\$ in thousands, except expected funding period)	(\$ in thousands, except expected funding period)	September 30, 2023	December 31, 2022	Unfunded Commitment	Expected funding period in years	(\$ in thousands, except expected funding period)	March 31, 2024	December 31, 2023	Unfunded Commitment	Expected funding period in years		
Qualified affordable housing project tax credit partnerships (1)	Qualified affordable housing project tax credit partnerships (1)	\$ 787	\$ 4,088	\$ 133	4	Qualified affordable housing project tax credit partnerships (1)	\$ 562	\$ 666	\$ 118	3	3	
All other investments, primarily investment fund LPs/LLCs	All other investments, primarily investment fund LPs/LLCs	296,527	301,122	123,034	5							
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												
All other investments, primarily investment fund LPs/LLCs												

(1) The carrying value reflects our total commitments (both funded and unfunded) to the partnerships, less any amortization, since our initial investment. We fund these investments based on funding schedules maintained by the partnerships.

(1) The carrying value reflects our total commitments (both funded and unfunded) to the partnerships, less any amortization, since our initial investment. We fund these investments based on funding schedules maintained by the partnerships.

(1) The carrying value reflects our total commitments (both funded and unfunded) to the partnerships, less any amortization, since our initial investment. We fund these investments based on funding schedules maintained by the partnerships.

Investment fund LPs/LLCs are by nature less liquid and may involve more risk than other investments. We manage our risk through diversification of asset class and geographic location. At September 30, 2023 March 31, 2024, we had investments in 31 34 separate investment funds with a total carrying value of \$296.5 million \$278.4 million which represented approximately 7% 6% of our total investments. Our investment fund LPs/LLCs generate earnings from trading portfolios, secured debt, debt securities, multi-strategy funds and private equity investments, and the performance of these LPs/LLCs is affected by the volatility of equity and credit markets. For our investments in LPs/LLCs, we record our allocable portion of the partnership operating income or loss as the results of the LPs/LLCs become available, typically following the end of a reporting period.

Financing Activities and Related Cash Flows

Treasury Shares

ProAssurance and its consolidated subsidiaries repurchased approximately 3.1 million common shares at a cost of approximately \$50.5 million, conducted through a series of 10b5-1 stock repurchase plans during the nine months ended September 30, 2023 (including approximately 1.7 million shares at a total cost of \$30.5 million during the three months ended September 30, 2023). During July 2022, we repurchased approximately 139,000 common shares at a cost of approximately \$3.3 million, conducted through a 10b5-1 stock repurchase plan. We did not repurchase any common shares subsequent to September 30, 2023, and as of November 8, 2023, our remaining Board authorization was approximately \$55.9 million.

ProAssurance Shareholder Dividends

Our Board declared quarterly cash dividends of \$0.05 per share during the first quarter of 2023 and each of the first three quarters of 2022, each of which was paid in the following quarter. The Board continually evaluates how best to return capital to shareholders. In light of the price range in which our stock traded in the second quarter of 2023, the Board decided to suspend payment of a quarterly cash dividend. Instead, we used available capital to repurchase shares pursuant to the existing share repurchase authorization.

Any decision to pay future cash dividends is subject to the Board's final determination after a comprehensive review of financial performance, future expectations and other factors deemed relevant by the Board.

Debt

Our outstanding debt less unamortized debt issuance costs at September 30, 2023 is \$427 million and is comprised consisted of Senior Notes and Contribution Certificates, the following:

At September 30, 2023 our debt included \$250 million of outstanding unsecured Senior Notes. The notes bear interest at 5.3% annually and are due in November 2023, although they may be redeemed in whole or part prior to maturity. There are no financial covenants associated with these notes.

(\$ in thousands)	March 31,	December 31,
	2024	2023
Contribution Certificates	\$ 179,865	\$ 179,387
Revolving Credit Agreement	125,000	125,000
Term Loan	125,000	125,000
Total principal	429,865	429,387
Less unamortized debt issuance costs	2,091	2,254
Debt less unamortized debt issuance costs	\$ 427,774	\$ 427,133

NORCAL Insurance Company, successor to NORCAL Mutual Insurance Company, issued Contribution Certificates, which bear interest at 3.0% annually and are due in 2031, to certain NORCAL policyholders in the conversion. The Contribution Certificates have a principal amount of \$191 million and were recorded at their fair value of \$175 million at the date of the NORCAL acquisition on May 5, 2021. The difference of \$16 million between the recorded acquisition date fair value and the principal balance of the Contribution Certificates will be accreted utilizing the effective interest method over the term of the certificates of ten years as an increase to interest expense. Furthermore, interest payments are subject to deferral if we do not receive permission from the California Department of Insurance prior to payment. We received permission from the California Department of Insurance to pay the annual interest payment, which was paid in April 2023. See Note 2 and Note 11 of the Notes to Consolidated Financial Statements in our December 31, 2022 report on Form 10-K for additional information on the Contribution Certificates issued in the NORCAL acquisition. 2024. There are no financial covenants associated with these certificates.

On April 28, 2023, we executed an amendment to the amended our Revolving Credit Agreement, which extended the expiration from November 2024 to expires in April 2028 and includes an additional a \$125 million delayed draw Term Loan. The amended Term Loan is available to be drawn during a five year period after closing, subject to customary borrowing conditions. We drew on the Revolving Credit Agreement and funded the Term Loan to refinance our Senior Notes in November 2023. The Revolving Credit Agreement may be used for general corporate purposes, including, but not limited to, short-term working capital, share repurchases as authorized by the Board and support for other activities. Our amended Revolving Credit Agreement permits borrowings of up to \$250 million as well as the possibility of a \$50 million accordion feature, if successfully subscribed. The Term Loan is available to be drawn up to \$125 million during a five year period after closing, subject to customary borrowing conditions. We intend to draw on the Revolving Credit Agreement, including the Term Loan, to refinance our Senior Notes that mature November 2023. As of September 30, 2023, there were no outstanding borrowings on our amended Revolving Credit Agreement; we are in compliance with the financial covenants of the amended Revolving Credit Agreement.

Additional information regarding our debt is provided in Note 8 7 of the Notes to Condensed Consolidated Financial Statements.

To manage our exposure to interest rate risk due to variability in the base rate on borrowings under the amended Revolving Credit Agreement and Term Loan, we entered into two forward-starting interest rate swap agreements ("Interest Rate Swaps") on May 2, 2023, each with an effective date of December 29, 2023 and maturity date of March 31, 2028. Additional information regarding our Interest Rate Swaps is provided in Note 1 and Note 9 8 of the Notes to Condensed Consolidated Financial Statements.

Three of our insurance subsidiaries are members of an FHLB. Through membership, those subsidiaries have access to secured cash advances which can be used for liquidity purposes or other operational needs. In order for us to use FHLB proceeds, regulatory approvals may be required depending on the nature of the transaction. To date, those subsidiaries have not materially utilized their membership for borrowing purposes.

Contingent Consideration

Contingent consideration is measured at fair value on the date of acquisition and remeasured at fair value each subsequent reporting period. Fair value of a liability represents the price that would be paid to transfer the liability in an orderly transaction between market participants at the measurement date considering characteristics specific to the liability. The purchase consideration in the NORCAL acquisition included contingent consideration. NORCAL policyholders who elected to receive NORCAL stock and tender it to ProAssurance are eligible for a share of contingent consideration in an amount of up to approximately \$84 million. As defined in the purchase agreement, the contingent consideration is dependent upon the after-tax development of NORCAL's ultimate net losses for accident years ended on or before December 31, 2020 determined as of December 31, 2023 by a mutually agreed upon independent actuarial consultant. This independent actuarial consultant has until June 30, 2024 to complete their estimate. As of May 1, 2024, the independent actuarial consultant had not completed their estimate.

Given the contingent consideration associated with the NORCAL acquisition is dependent upon the after-tax development of NORCAL's ultimate net losses between December 31, 2020 and December 31, 2023, we bifurcated changes in the contingent consideration for periods prior to 2024 between fair value changes and, if applicable, changes in estimates of NORCAL's ultimate net losses for accident years 2020 and prior. See further discussion regarding our estimates of ultimate net losses in this section under the heading "Reserve for Losses and Loss Adjustment Expenses" in the Critical Accounting Estimates section in Item 7 of our December 31, 2023 report on Form 10-K. Changes in the contingent consideration related to fair value are recognized in earnings as a component of net investment gains (losses) and changes in the contingent consideration related to changes in estimates of NORCAL's ultimate net losses for accident years 2020 and prior are recognized in earnings as component of operating expenses.

As of March 31, 2024 and December 31, 2023, the contingent consideration liability was \$6.5 million carried at fair value utilizing a stochastic model (see Note 2 of the Notes to Condensed Consolidated Financial Statements). This estimate of fair value does not guarantee nor suggest that contingent consideration will ultimately be paid, and any amounts

ultimately paid by the Company may be greater than or less than the \$6.5 million current fair value estimate. As of March 31, 2024 and December 31, 2023, our analysis of NORCAL's reserves related to accident years 2020 and prior suggests that no contingent consideration will be due; however, the actual amount due to be paid, if any, will be determined based on an analysis to be performed by an independent actuary, as previously discussed. This remaining uncertainty is a significant component in the determination of the fair value of the liability as of March 31, 2024 and December 31, 2023. See further discussion around the contingent consideration and the NORCAL acquisition in Note 2 and Note 6 of the Notes to Condensed Consolidated Financial Statements.

During the three months ended March 31, 2023, we recorded a \$2.0 million decrease to the contingent consideration liability comprised of \$1.0 million related to the remeasurement of the liability to fair value and \$1.0 million related to the impact of unfavorable development recognized during the three months ended March 31, 2023 on NORCAL's reserves related to accident years 2020 and prior. See further discussion that follows under the heading "Results of Operations."

Results of Operations – Three and Nine Months Ended September 30, 2023 March 31, 2024 Compared to Three and Nine Months Ended September 30, 2022 March 31, 2023

Selected consolidated financial data for each period is summarized in the table below.

		Three Months Ended September 30			Nine Months Ended September 30					
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
(\$ in thousands, except per share data)		(\$ in thousands, except per share data)						(\$ in thousands, except per share data)		
		2023	2022	Change	2023	2022	Change		2024	2023
Revenues:	Revenues:									
Net premiums written	Net premiums written									
Net premiums written	Net premiums written	\$292,023	\$281,989	\$ 10,034	\$790,978	\$803,055	\$(12,077)			
Net premiums earned	Net premiums earned	\$242,420	\$258,355	\$(15,935)	\$730,068	\$771,337	\$(41,269)			
Net premiums earned	Net premiums earned									
Net investment result	Net investment result									
Net investment result	Net investment result	32,693	17,893	14,800	100,164	73,080	27,084			
Net investment gains (losses)	Net investment gains (losses)	(2,702)	(8,262)	5,560	3,156	(45,652)	48,808			
Other income	Other income	3,336	5,097	(1,761)	6,864	13,215	(6,351)			
Total revenues	Total revenues	275,747	273,083	2,664	840,252	811,980	28,272			
Expenses:	Expenses:									
Expenses:	Expenses:									
Net losses and loss adjustment expenses	Net losses and loss adjustment expenses									
Net losses and loss adjustment expenses	Net losses and loss adjustment expenses	208,891	198,073	10,818	605,245	585,166	20,079			

Return on equity*	Return on equity*	(6.6 %)	(3.3 %)	(3.3 pts)	(4.4 %)	(1.5 %)	(2.9 pts)	Return on equity*	1.7 %	(2.5 %)	4.2 pts
Non-GAAP operating return on equity*	Non-GAAP operating return on equity*	(1.4 %)	(1.1 %)	(0.3 pts)	(0.4 %)	2.2 %	(2.6 pts)	Non-GAAP operating return on equity*	1.5 %	(2.6 %)	4.1 pts

*Annualized. See further discussion on this calculation in the Executive Summary of Operations section under the heading "Non-GAAP Operating ROE."

*Annualized. See further discussion on this calculation in the Executive Summary of Operations section under the heading "Non-GAAP Operating ROE."

*Annualized. See further discussion on this calculation in the Executive Summary of Operations section under the heading "Non-GAAP Operating ROE."

In all tables that follow, the abbreviation "nm" indicates that the information or the percentage change is not meaningful.

Executive Summary of Operations

The following sections provide an overview of our consolidated and segment results of operations for the three and nine months ended September 30, 2023 March 31, 2024 as compared to the three and nine months ended September 30, 2022 March 31, 2023. See the Segment Results sections that follow for additional information regarding each segment's results.

As previously discussed under the heading "ProAssurance Overview," we reorganized our segment reporting in the third quarter of 2023. As a result, we now report the underwriting results from our participation in Lloyd's Syndicates in our Specialty P&C segment and the investment results of assets solely allocated to our Lloyd's Syndicate operations and U.K. income taxes in our Corporate segment. All prior period segment information has been recast to conform to the current period presentation. The segment reorganization had no impact on previously reported consolidated financial results. See further information regarding the segment reorganization in Note 13 12 of the Notes to Condensed Consolidated Financial Statements.

Revenues

The following table shows our consolidated and segment net premiums earned:

		Three Months Ended September 30				Nine Months Ended September 30						
		Three Months Ended March 31										
		Three Months Ended March 31										
		Three Months Ended March 31										
(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change		(\$ in thousands)	2024	
Net premiums earned	Net premiums earned											
Specialty P&C	Specialty P&C											
Specialty P&C	Specialty P&C	\$195,772	\$198,481	\$ (2,709)	(1.4 %)	\$562,206	\$593,534	\$(31,328)	(5.3 %)	\$ 188,888	\$	\$183,684
Workers' Compensation Insurance	Workers' Compensation Insurance	39,885	42,063	(2,178)	(5.2 %)	121,706	124,456	(2,750)	(2.2 %)	Workers' Compensation Insurance	41,094	40,803
Segregated Portfolio Cell Reinsurance	Segregated Portfolio Cell Reinsurance	6,763	17,811	(11,048)	(62.0 %)	46,156	53,347	(7,191)	(13.5 %)	Segregated Portfolio Cell Reinsurance	14,168	15,300
Consolidated total	Consolidated total	\$242,420	\$258,355	\$(15,935)	(6.2 %)	\$730,068	\$771,337	\$(41,269)	(5.4 %)			
Consolidated total	Consolidated total										\$244,150	\$23

For the three and nine months ended September 30, 2023 March 31, 2024, our consolidated net premiums earned decreased \$15.9 million and \$41.3 million, respectively, increased \$4.4 million as compared to the same respective periods period of 2022 2023.

- For our Specialty P&C segment, net premiums earned decreased increased during the 2023 three- and nine-month periods 2024 three-month period as compared to the same respective periods period of 2022 2023 driven by the pro rata effect of a decrease an increase in the volume of premium written during the preceding twelve months, primarily due to competitive market conditions and, for the 2023 nine-month period, in our process MPL line of evaluating the NORCAL book of business and implementing ProAssurance's underwriting strategies. business.
- For our Workers' Compensation Insurance segment, net premiums earned decreased remained relatively unchanged for the 2023 three- and nine-month periods 2024 three-month period as compared to the same respective periods of 2022 driven by the continuation of competitive market conditions and, for the 2023 three-month period, a

decrease in audit premium billed to policyholders. The decrease in net premiums earned for the 2023 nine-month period was partially offset by an increase in the carried EBUB estimate of \$2.9 million as compared to \$0.5 million during the same period of 2022, 2023.

- Net premiums earned in our Segregated Portfolio Cell Reinsurance segment decreased for the 2023 three- and nine-month periods 2024 three-month period as compared to the same respective periods of 2022 2023 due to the continuation of competitive workers' compensation market conditions a decrease and the non-renewal of two programs; however, the business written in audit premium billed one of those programs is expected to policyholders and, for the 2023 three-month period, the cancellation of a tail coverage, resulting be renewed as traditional business in the reversal of \$7.9 million of tail premium during the current period. our Workers' Compensation Insurance segment. The tail coverage previously recognized during the second quarter 2023 related to one other program, in which we do not participate in the underwriting results, results, assumed both workers' compensation insurance and medical professional liability insurance.

The following table shows our consolidated net investment result:

		Three Months Ended September 30				Nine Months Ended September 30									
		Three Months Ended March 31													
		Three Months Ended March 31													
		Three Months Ended March 31													
(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change		(\$ in thousands)	2024		2023		Change
Net investment income	Net investment income	\$32,754	\$24,745	\$ 8,009	32.4 %	\$ 94,714	\$67,132	\$27,582	41.1 %	Net investment income	\$33,897	\$	\$30,310	\$	\$3,587
Equity in earnings (loss) of unconsolidated subsidiaries*	Equity in earnings (loss) of unconsolidated subsidiaries*	(61)	(6,852)	6,791	99.1 %	5,450	5,948	(498)	(8.4 %)	Equity in earnings (loss) of unconsolidated subsidiaries*	2,963	(1,121)	(1,121)	4,084	4,084
Net investment result	Net investment result	\$32,693	\$17,893	\$14,800	82.7 %	\$100,164	\$73,080	\$27,084	37.1 %	Net investment result	\$36,860	\$	\$29,189	\$	\$7,671

*Equity in earnings (loss) of unconsolidated subsidiaries includes our share of the operating results of interests we hold in certain LPs/LLCs as well as operating losses associated with our tax credit partnership investments, which are designed to generate returns in the form of tax credits and tax-deductible project operating losses. We record our allocable portion of the partnership operating income or loss as the results of the LPs/LLCs become available, typically following the end of a reporting period.

*Equity in earnings (loss) of unconsolidated subsidiaries includes our share of the operating results of interests we hold in certain LPs/LLCs as well as operating losses associated with our tax credit partnership investments, which are designed to generate returns in the form of tax credits and tax-deductible project operating losses. We record our allocable portion of the partnership operating income or loss as the results of the LPs/LLCs become available, typically following the end of a reporting period.

*Equity in earnings (loss) of unconsolidated subsidiaries includes our share of the operating results of interests we hold in certain LPs/LLCs as well as a nominal amount of operating losses associated with our tax credit partnership investments, which are designed to generate returns in the form of tax credits and tax-deductible project operating losses. We record our allocable portion of the partnership operating income or loss as the results of the LPs/LLCs become available, typically following the end of a reporting period.

Our equity in earnings of unconsolidated subsidiaries increased for the 2024 three-month period as compared to the same period of 2023 driven by the performance of two LPs/LLCs, which reflected a higher market valuation during the fourth quarter of 2023. The increase in our consolidated net investment income for the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same respective periods period of 2022 2023 reflected higher average book yields as we continue to reinvest at higher rates as our portfolio matures. For the three months ended September 30, 2023, the earnings generated from our LPs/LLCs did not exceed the tax-deductible operating losses recorded from our tax credit partnership investments resulting in an overall loss from our investment in unconsolidated subsidiaries. Our investment results from our portfolio of investments in LPs/LLCs for the 2023 three-month period as compared to the same period of 2022 increased driven by the performance of a few LPs/LLCs primarily due to a higher market valuation during the second quarter of 2023.

The following table shows our total consolidated net investment gains (losses):

		Three Months Ended September 30				Nine Months Ended September 30										
		Three Months Ended March 31														
		Three Months Ended March 31														
		Three Months Ended March 31														
(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change		(\$ in thousands)	2024		2023		Change	
Net impairment losses recognized in earnings	Net impairment losses recognized in earnings	\$ (141)	\$ —	\$ (141)	nm	\$ (3,117)	\$ (553)	\$ (2,564)	463.7 %	Net impairment losses recognized in earnings	\$ (934)	\$ —	\$ (2,933)	\$ —	\$ 1,999	(68.2) %
Other net investment gains (losses) ⁽¹⁾	Other net investment gains (losses) ⁽¹⁾	(2,561)	(8,262)	5,701	69.0 %	6,273	(45,099)	51,372	113.9 %	Other net investment gains (losses) ⁽¹⁾	666	5,845	5,845	(5,179)	(5,179)	(8) %
Net investment gains (losses)	Net investment gains (losses)	\$ (2,702)	\$ (8,262)	\$ 5,560	67.3 %	\$ 3,156	\$ (45,652)	\$ 48,808	106.9 %	Net investment gains (losses)	\$ (268)	\$ —	\$ 2,912	\$ —	\$ (3,180)	(109.2) %

⁽¹⁾ Consolidated other net investment gains (losses) in the three and nine months ended September 30, 2023 include gains of \$1.5 million and \$4.5 million, respectively, reflecting the change in the fair value of contingent consideration issued in connection with the NORCAL acquisition (see Note 2 of the Notes to Consolidated Financial Statements in our December 31, 2022 report on Form 10-K for additional information on the NORCAL acquisition). We do not consider these adjustments in assessing the financial performance of any of our segments and therefore, we have excluded them from the Segment Results sections that follow.

(1) Consolidated other net investment gains (losses) in the three months ended March 31, 2023 include a gain of \$1.0 million reflecting the change in the fair value of contingent consideration issued in connection with the NORCAL acquisition (see Note 2 and Note 6 of the Notes to Condensed Consolidated Financial Statements). We do not consider this adjustment in assessing the financial performance of any of our segments and therefore, we have excluded it from the Segment Results sections that follow. See Note 12 of the Notes to Condensed Consolidated Financial Statements for a reconciliation of our segment results to our consolidated results.

(1) Consolidated other net investment gains (losses) in the three months ended March 31, 2023 include a gain of \$1.0 million reflecting the change in the fair value of contingent consideration issued in connection with the NORCAL acquisition (see Note 2 and Note 6 of the Notes to Condensed Consolidated Financial Statements). We do not consider this adjustment in assessing the financial performance of any of our segments and therefore, we have excluded it from the Segment Results sections that follow. See Note 12 of the Notes to Condensed Consolidated Financial Statements for a reconciliation of our segment results to our consolidated results.

For the three and nine months ended September 30, 2023 March 31, 2024, we recognized a nominal amount and \$3.1 million \$0.9 million of credit-related impairment losses in earnings respectively related to a corporate bond in the consumer sector as well as an asset-backed security. We recognized non-credit impairment losses in OCI of \$0.6 million related to a corporate bond during the 2024 three-month period. For the three months ended March 31, 2023, we recognized \$2.9 million of credit-related impairment losses in earnings related to two corporate bonds in the financial sector. We did not recognize any non-credit impairment losses in OCI during the three and nine months ended September 30, 2023. The credit-related impairment losses recognized during the three and nine months ended September 30, 2023 related to a mortgage-backed security and, for the 2023

nine-month period, two corporate bonds in the financial sector. For the three months ended September 30, 2022, we did not recognize any credit-related impairment losses in earnings or non-credit impairment losses in OCI. For the nine months ended September 30, 2022, we recognized credit-related impairment losses in earnings of \$0.6 million and non-credit impairment losses in OCI of \$0.4 million, both of which related to a corporate bond in the consumer sector. March 31, 2023. Additional information regarding investment impairment losses is provided in Note 3 of the Notes to Condensed Consolidated Financial Statements.

We recognized \$2.6 million of other net investment losses and \$6.3 million \$0.7 million of other net investment gains for the three and nine months ended September 30, 2023, respectively. The March 31, 2024 primarily driven by realized gains from the sale of certain other net investment losses recognized during the three months ended September 30, 2023 were driven investments, partially offset by unrealized holding losses resulting from changes in the fair value of our equity investments, partially offset by death benefit proceeds from a BOLI contract. Other net investment gains recognized during nine months ended September 30, 2023 were driven by the remeasurement of the contingent consideration liability and, to a lesser extent, unrealized holding gains resulting from changes in the fair value of our convertible securities. We recognized \$8.3 million and \$45.1 million \$5.8 million of other net investment losses gains for the three and nine months ended September 30, 2022, respectively, March 31, 2023 driven by unrealized holding losses gains resulting from changes in the fair value of our equity investments and convertible securities and, for the 2022 nine-month period, realized losses from the sale of equity investments.

securities.

The following table shows our consolidated other income:

(\$ in thousands)	Three Months Ended September 30, 2023				Nine Months Ended September 30, 2023			
	2023	2022	Change		2023	2022	Change	
Other income	\$ 3,336	\$ 5,097	(1,761)		(34.5 %)	\$ 6,864	\$ 13,215	(6,351) (48.1 %)

The decrease in consolidated Consolidated other income for the three months ended March 31, 2024 as compared to the same period of 2023 three- and nine-month periods was driven by comprised as follows:

(\$ in thousands)	Three Months Ended March 31			
	2024	2023	Change	
Foreign currency exchange rate gains (losses)	\$ 1,929	\$ (827)	\$ 2,756	333.3 %
Other	2,026	1,614	412	25.5 %
Other income	\$ 3,955	\$ 787	\$ 3,168	402.5 %

Excluding the effect of foreign currency exchange rate changes gains (losses), other income increased for the 2024 three-month period compared to the same period of \$1.4 million and \$6.6 million, respectively, 2023 driven by the timing of income from claims processing services under a shared risk arrangement in our Corporate segment Specialty P&C segment.

Foreign currency exchange rate changes are primarily related to foreign currency denominated loss reserves associated with premium assumed from an international medical professional liability insured in our Specialty P&C segment. Our participation in this program has grown in recent years which has led to greater volatility in our results of operations even with nominal movements in exchange rates given the size of the reserve. We mitigate foreign exchange exposure by generally matching the currency and duration of associated investments to the corresponding loss reserves. In accordance with GAAP, the impact on the market value of available-for-sale fixed maturities due to changes in foreign currency exchange rates is reflected as part of OCI. Conversely, the impact of changes in foreign currency exchange rates on loss reserves is reflected through net income (loss) as a component of other income. The effect of exchange rate changes on foreign currency denominated loss reserves are reported in our Corporate segment to be consistent with the reporting of the foreign currency denominated invested assets and associated investment income. Excluding the impact of foreign currency exchange rate changes in all periods, consolidated other income decreased \$0.4 million for the 2023 three-month period and increased \$0.2 million for the 2023 nine-month period as compared to the same respective periods of 2022. Consolidated other income for the 2023 nine-month period included proceeds of \$1.4 million associated with the sale of a portion of our ownership interest in the underwriting and operations entity associated with Syndicate 1729 to an unrelated third party in our Corporate segment during the second quarter of 2023.

Expenses

The following table shows our consolidated and segment net loss ratios and net prior accident year reserve development.

		Three Months Ended September 30			Nine Months Ended September 30						
		Three Months Ended March 31			Three Months Ended March 31						
		Three Months Ended March 31			Three Months Ended March 31						
(\$ in millions)	(\$ in millions)	2023	2022	Change	2023	2022	Change	(\$ in millions)	2024	2023	Change
Current accident year net loss ratio	Current accident year net loss ratio										
Consolidated ratio	Consolidated ratio										
Consolidated ratio	Consolidated ratio										
Consolidated ratio	Consolidated ratio	83.0	% 79.5	% 3.5 pts	81.8 %	80.0 %	1.8 pts	79.9 %	82.7 %	(2.8 pts)	
Specialty P&C	Specialty P&C	83.4	% 82.2	% 1.2 pts	84.4 %	82.8 %	1.6 pts	Specialty P&C	81.7 %	86.4 %	(4.7 pt)

Workers' Compensation Insurance	Workers' Compensation Insurance	83.1	%	71.7	%	11.4	pts	76.0	%	71.8	%	4.2	pts	Workers' Compensation Insurance	77.0	%	72.6	%	4.4	pts
Segregated Portfolio Cell Reinsurance	Segregated Portfolio Cell Reinsurance	70.5	%	67.7	%	2.8	pts	64.7	%	67.5	%	(2.8	pts)	Segregated Portfolio Cell Reinsurance	65.1	%	64.9	%	0.2	pts
Calendar year net loss ratio	Calendar year net loss ratio																			
Calendar year net loss ratio																				
Calendar year net loss ratio																				
Consolidated ratio																				
Consolidated ratio																				
Consolidated ratio	Consolidated ratio	86.2	%	76.7	%	9.5	pts	82.9	%	75.9	%	7.0	pts	79.7		%	85.6	%	(5.9	pts)
Specialty P&C	Specialty P&C	83.1	%	79.9	%	3.2	pts	84.7	%	79.1	%	5.6	pts	Specialty P&C	81.0	%	90.4	%	(9.4	pts)
Workers' Compensation Insurance	Workers' Compensation Insurance	103.3	%	66.9	%	36.4	pts	83.7	%	66.9	%	16.8	pts	Workers' Compensation Insurance	77.0	%	75.6	%	1.4	pts
Segregated Portfolio Cell Reinsurance	Segregated Portfolio Cell Reinsurance	74.0	%	64.0	%	10.0	pts	59.0	%	60.3	%	(1.3	pts)	Segregated Portfolio Cell Reinsurance	71.0	%	55.1	%	15.9	pts
Favorable (unfavorable) reserve development, prior accident years	Favorable (unfavorable) reserve development, prior accident years																			
Favorable (unfavorable) reserve development, prior accident years																				
Favorable (unfavorable) reserve development, prior accident years																				
Consolidated																				
Consolidated																				
Consolidated	Consolidated	\$	(7.7)	\$	7.2	\$(14.9)	\$	(8.4)	\$	31.5	\$	(39.9)	\$	0.4	\$	(7.1)	\$	7.5		
Specialty P&C	Specialty P&C	\$	0.7	\$	4.6	\$(3.9)	\$	(1.7)	\$	21.7	\$	(23.4)	\$	1.3	\$	(7.4)	\$	8		
Workers' Compensation Insurance	Workers' Compensation Insurance	\$	(8.1)	\$	2.0	\$(10.1)	\$	(9.3)	\$	6.0	\$	(15.3)	\$	—	\$	(1.2)	\$	1		
Segregated Portfolio Cell Reinsurance	Segregated Portfolio Cell Reinsurance	\$	(0.3)	\$	0.6	\$(0.9)	\$	2.6	\$	3.8	\$	(1.2)	\$	(0.9)	\$	1.5	\$	(2.0)		

Each segment's contribution to the change in our consolidated current accident year net loss ratios ratio for the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same respective periods period of 2022 2023 is as follows:

		Increase (Decrease) 2024 versus 2023 versus 2022	
		Comparative three-month periods	Comparative nine-month periods
(In percentage points)			
Estimated ratio increase (decrease) attributable to:			
Specialty P&C		0.5 pts (3.6 pts)	
Workers' Compensation Insurance		0.7 pts	
Segregated Portfolio Cell Reinsurance		—0.1 pts	
Increase Decrease in the consolidated current accident year net loss ratio		(2.8 pts)	

- The increase in the current accident year net loss ratio in our Workers' Compensation Insurance segment for the three and nine months ended September 30, 2023 was driven by an increase in the full-year loss ratio from 72.6% at June 30, 2023 to 76.0% at September 30, 2023, which reflected higher than expected loss trends observed in our average cost per claim which we attribute to increased medical costs driven by wage inflation and medical advancements. The increase in the current accident year net loss ratios in our Workers' Compensation Insurance segment for the three and nine months ended September 30, 2023 also reflected higher ULAE and, to a lesser extent, an increase in estimated losses within the AAD.

- The increase **improvement** in the current accident year net loss ratio in our Specialty P&C segment for the three **and nine** months ended **September 30, 2023, excluding the impact of purchase accounting in the comparative nine-month period, March 31, 2024** was driven by an increase **our continued underwriting actions as well as our focus on achieving appropriate pricing leading to a decrease** to certain expected loss ratios in our **HCPL MPL** line of business during the first quarter of 2023 as we continue to observe higher than anticipated loss severity trends in select jurisdictions that started to emerge in the fourth quarter of 2022. In addition, the increase in the ratio for the three and nine months ended September 30, 2023 reflected higher **ULAE 2024** and, to a lesser extent, changes in the mix of business.
- The **increase** current accident year net loss ratio in our Workers' Compensation Insurance segment for the three months ended March 31, 2024 increased as compared to the same period of 2023; however, the current accident year net loss ratio improved 4.3 points from the current accident year net loss ratio for the **nine months** year ended September 30, 2023 was partially offset by December 31, 2023 of 81.3% reflecting underwriting actions taken during 2023 and a **decrease** slight improvement in loss trends. While we continue to certain expected reflect higher loss ratios in our HCPL line of business trends that we began recognizing to observe in our average cost per claim during the **fourth** second half of 2023, these trends have improved slightly during the first quarter of **2022 due 2024**, while reported claim frequency trends continue to **favorable frequency trends**, be lower compared to historical results. The current accident year net loss ratio also reflects the impact of compounded premium rate decreases over the past several years related to the continuation of state loss cost reductions and the competitive workers' compensation market.
- The **increase in the** Our current accident year net loss ratio in our Segregated Portfolio Cell Reinsurance segment **remained relatively unchanged** for the three months ended September 30, 2023 was driven by an increase in **March 31, 2024 as compared to the healthcare professional liability current accident same period of 2023.**

In the 2024 three-month period, our consolidated calendar year net loss ratio **which primarily reflected the impact of the cancellation of a tail coverage and an increase in expected claim frequency. The tail coverage was previously recognized during the second quarter 2023 and is related to one program in which we do not participate in the underwriting results. See previous discussion on this tail coverage in this section under the heading "Revenues" and further discussion in our Segment Operating Results sections that follow.**

- As a result of our acquisition of NORCAL, **lower than** our consolidated current accident year net loss ratio **for the nine months ended September 30, 2022 was impacted by the purchase accounting amortization of the negative Voba associated with NORCAL's assumed unearned premium of \$4.9 million which was recorded as a reduction to current accident year net losses in the prior year period. As of June 30, 2022, the negative Voba was fully amortized which resulted in a 0.6 percentage point increase in the 2023 nine-month period ratio as compared to the prior year period.**

In the 2023 three- and nine-month periods, our consolidated calendar year net loss ratios were higher than our consolidated current accident year net loss ratios due to the recognition of net **unfavorable** favorable prior year reserve development, as shown in the previous table. For the 2022 three- and nine-month periods, **2023 three-month period**, our consolidated calendar year net loss **ratios were lower ratio was higher** than our consolidated current accident year net loss **ratios ratio** due to the recognition of net **favorable unfavorable** prior year reserve development, as shown in the previous table. The following table shows the components of our consolidated net prior accident year reserve development:

		Three Months Ended September 30			Nine Months Ended September 30						
		Three Months Ended March 31									
		Three Months Ended March 31									
		Three Months Ended March 31									
(\$ in thousands)	(\$ in thousands)	2023	2022	Change	2023	2022	Change	(\$ in thousands)	2024	2023	Change
Net favorable (unfavorable) reserve development	Net favorable (unfavorable) reserve development	\$ (9,307)	\$ 4,714	\$ (14,021) (297.4 %)	\$ (15,049)	\$ 23,219	\$ (38,268) (164.8 %)	Net favorable (unfavorable) reserve development	\$ (1,240)	\$ (9,566)	\$ 8,326 (87.0 %)
NORCAL Acquisition - Purchase Accounting Amortization*		1,656	2,510	(854) (34.0 %)	6,676	8,309	(1,633) (19.7 %)				
NORCAL Acquisition - Purchase Accounting Amortization								NORCAL Acquisition - Purchase Accounting Amortization	1,656	2,510	(854) (34.0 %)
Total net favorable (unfavorable) reserve development	Total net favorable (unfavorable) reserve development	\$ (7,651)	\$ 7,224	\$ (14,875) (205.9 %)	\$ (8,373)	\$ 31,528	\$ (39,901) (126.6 %)	Total net favorable (unfavorable) reserve development	\$ 416	\$ (7,056)	\$ 7,472 (105.9 %)

*See Note 2 of the Notes to Consolidated Financial Statements in our December 31, 2022 report on Form 10-K for additional information on the remaining expected amortization of the NORCAL acquisition purchase accounting adjustments.

- **The 2024:** Excluding purchase accounting amortization, net unfavorable **reserve** development recognized during the three months ended March 31, 2024 was due to \$0.9 million of unfavorable development in our Segregated Portfolio Cell Reinsurance segment and \$0.4 million of unfavorable development attributable to our Lloyd's Syndicates operations in our Specialty P&C segment during three and nine months ended September 30, 2023 included \$1.0 million and \$2.3 million, respectively, of net unfavorable development associated with our Lloyd's Syndicates operations as compared to \$0.9 million and \$5.1 million during the same respective periods of 2022. This unfavorable prior year development for the three and nine months ended September 30, 2023 and 2022 was driven by higher than expected losses and development on certain large claims, primarily

catastrophe related losses. Net unfavorable development recognized during the nine months ended September 30, 2023 was net of \$4.0 million of favorable development in our Medical Technology Liability line of business, principally related to accident years 2014 through 2017.

- The loss environment in our HCPL line of business in our Specialty P&C segment continues to be challenging in some jurisdictions, as claim costs are pressured by social inflation and higher than anticipated loss severity trends which started to emerge in the fourth quarter of 2022. We are monitoring the impact that these trends have on our open case reserves and prior year development. During the first quarter of 2023, we strengthened case reserves related to four large claims resulting in net unfavorable development of \$10.1 million recognized during the first quarter of 2023, \$7.5 million of which related to NORCAL's accident years 2016 and 2020.
- For our Workers' Compensation Insurance segment, the net unfavorable development for the three and nine months ended September 30, 2023 reflected higher than expected loss trends observed in our average cost per claim, primarily in the 2022 accident year. We are monitoring the impact that these trends have on our open case reserves and prior year development. Net unfavorable development for the 2023 nine-month period also reflected higher than expected loss experience primarily attributable to one large claim from the 1997 accident year.
- The net unfavorable development recognized in our Segregated Portfolio Cell Reinsurance segment during includes favorable development of \$0.5 million related to the three months ended September 30, 2023 reflected workers' compensation business which was more than offset by unfavorable development of \$1.4 million in the medical professional liability business related to higher than expected claim frequency in the healthcare professional liability business, primarily related to one program in which we do not participate in the underwriting results. We elected to non-renew this program effective January 1, 2024.
- 2023: Excluding purchase accounting amortization, the net unfavorable reserve development during the three months ended March 31, 2023 was driven by our strengthening of case reserves related to four large claims in our Specialty P&C segment resulting in net unfavorable development of \$10.1 million, \$7.5 million of which related to NORCAL's accident years 2016 and 2020. The contingent consideration associated with the NORCAL acquisition is dependent upon the after-tax development of NORCAL's 2020 and prior accident year reserves from December 31, 2020 to December 31, 2023. This adjustment to NORCAL's reserves contributed to a decrease in the fair value of the contingent consideration liability of \$1.0 million which was recorded as an offset to operating expenses in the Specialty P&C segment (see additional discussion on the Contingent Consideration in the Financing Activities and Related Cash Flows section under the heading "Contingent Consideration"). The net unfavorable development also reflected unfavorable development of \$1.2 million in our Workers' Compensation Insurance segment attributable to one large claim from the 1997 accident year, partially offset by net favorable development for recognized in the nine months ended September 30, 2023 reflected overall favorable trends Segregated Portfolio Cell Reinsurance segment and Lloyd's Syndicate operations in claim closing patterns related to the workers' compensation business, primarily in accident years 2018 through 2021, our Specialty P&C segment of \$1.5 million and \$0.2 million, respectively.

Our consolidated and segment underwriting expense ratios were as follows:

	Three Months Ended September 30			Nine Months Ended September 30		
	2023	2022	Change	2023	2022	Change
Consolidated ⁽¹⁾	30.5 %	31.2 %	(0.7 pts)	30.0 %	29.8 %	0.2 pts
Specialty P&C	25.2 %	26.8 %	(1.6 pts)	25.1 %	25.1 %	— pts
Workers' Compensation Insurance	34.0 %	33.6 %	0.4 pts	33.6 %	32.8 %	0.8 pts
Segregated Portfolio Cell Reinsurance	54.2 %	31.4 %	22.8 pts	33.0 %	28.5 %	4.5 pts
Corporate ⁽²⁾	3.4 %	3.5 %	(0.1 pts)	3.4 %	3.5 %	(0.1 pts)

⁽¹⁾ Consolidated underwriting expenses for the nine months ended September 30, 2022 include \$1.9 million of transaction-related costs associated with our acquisition of NORCAL that are not included in a segment as we do not consider these costs in assessing the financial performance of any of our segments. We did not incur any transaction-related costs during the 2023 three- and nine-month periods or the 2022 three-month period. See Note 13 of the Notes to Condensed Consolidated Financial Statements for a reconciliation of our segment results to our consolidated results.

⁽²⁾ There are no net premiums earned associated with the Corporate segment. Ratios shown are the contribution of the Corporate segment to the consolidated ratio (Corporate operating expenses divided by consolidated net premiums earned).

Underwriting Expense Ratio	Three Months Ended March 31		
	2024	2023	Change
Consolidated	31.9 %	28.3 %	3.6 pts
Specialty P&C	27.0 %	23.2 %	3.8 pts
Workers' Compensation Insurance	35.3 %	31.8 %	3.5 pts
Segregated Portfolio Cell Reinsurance	33.3 %	32.9 %	0.4 pts
Corporate ⁽¹⁾	3.6 %	3.4 %	0.2 pts

⁽¹⁾ There are no net premiums earned associated with the Corporate segment. Ratios shown are the contribution of the Corporate segment to the consolidated ratio (Corporate operating expenses divided by consolidated net premiums earned).

The change in our consolidated underwriting expense ratios ratio for the 2023 three- and nine-month periods 2024 three-month period as compared to the same respective periods period of 2022 2023 was primarily attributable to the following:

	Increase (Decrease) 2024 versus 2023 versus 2022		
	Comparative three-month periods		Comparative nine-month periods
(In percentage points)			
Estimated ratio increase (decrease) attributable to:			
Change in Net Premiums Earned and DPAC amortization ⁽¹⁾	0.3	0.2 pts	
Employee Retention Credit	(0.5 pts)	1.6 pts	
	— pts	Contingent Consideration Remeasurement Adjustment	
Transaction-related Costs ⁽²⁾			
Tail Premium	1.5 pts		0.4 pts
All other, net	0.7	1.4 pts	
Increase (decrease) in the underwriting expense ratio	0.2	3.6 pts	

- Excluding the impact of the items specifically identified in the table above, our consolidated underwriting expense ratio decreased 1.5 percentage point for the 2023 three-month period and increased 0.7 by 1.4 percentage points for the 2023 nine-month 2024 three-month period as compared to the same respective periods period of 2022. The decrease in our consolidated underwriting expense ratio for the 2023 three-month period was primarily due to a decrease in compensation-related costs driven by a decrease in amounts accrued for performance-related incentive plans due to the decline of the related performance metrics across all our operating segments. The an increase in the 2023 nine-month period ratio primarily reflected an increase operating expenses in our Specialty P&C segment and the prior year impact of the decrease in our allowance for expected credit losses in our Segregated Portfolio Cell Reinsurance segment related to the collection of customer accounts that were previously written off. The increase in Specialty P&C operating expenses for the 2023 nine-month period was Workers' Compensation segments driven by an increase in professional fees and, to a lesser extent, an increase in travel-related compensation-related costs.
- As shown in the previous table, our consolidated underwriting expense ratios ratio for the 2023 three- and nine-month periods 2024 three-month period reflected the impact of the change in premium earned from tail policies as there is typically minimal associated acquisition costs. The increase for the 2023 three-month period primarily reflected the impact of the cancellation of a healthcare professional liability tail coverage in our Segregated Portfolio Cell Reinsurance segment, DPAC amortization which was previously written and fully relatively in line with the corresponding change in net premiums earned during as compared to the second quarter same period of 2023 (see previous discussion under the heading "Revenues" and further discussion in the Segment Results - Specialty Property and Casualty and Segregated Portfolio Cell Reinsurance sections that follow). 2023.
- As shown in the previous table, the change in our consolidated underwriting expense ratios ratio for the 2023 three- and nine-month periods also reflect the prior year impact of one-time expenses of \$1.8 million and \$3.6 million incurred during the three and nine months ended September 30, 2022, respectively, and accounted for a 0.7 and 0.5 percentage point decrease in the 2023 three- and nine-month periods ratios. One-time expenses were mainly comprised of one-time bonuses, accelerated depreciation associated with a decommissioned IT system, employee severance charges and lease exit costs in our Specialty P&C segment.
- As shown in the previous table, our consolidated underwriting expense ratios 2024 three-month period also reflected the impact of the change in net premiums earned, excluding tail premium, in relation to the corresponding change in DPAC amortization, which had a minimal impact on the ratios for both the 2023 three- and nine-month periods as compared to the same respective periods of 2022.
- As shown in the previous table, our consolidated underwriting expense ratio for the 2023 nine-month period also reflected the prior year impact of a payroll tax refund of \$3.8 million recognized in the first quarter of 2023 2023. This refund was recorded as a reduction to operating expenses in our Specialty P&C segment and related to the employee retention credit available to us under the CARES Act, which resulted in a 0.5 1.6 percentage point decrease increase in the current period ratio as compared to the prior year period ratio. See additional discussion on the ERC in Note 1 of the Notes to Condensed Consolidated Financial Statements in our December 31, 2023 report on Form 10-K and previous discussion in the Liquidity section under the heading "Taxes."
- As shown in the previous table, the change in our consolidated underwriting expense ratio for the 2024 three-month period reflected the prior year impact of the remeasurement of the contingent consideration liability associated with the NORCAL acquisition, which resulted in a 0.4 percentage point increase in our current period ratio as compared to the prior year period ratio. As previously discussed, we recorded a reduction to operating expenses of \$1.0 million during the first quarter of 2023 related to the remeasurement of the contingent consideration liability associated with the NORCAL acquisition due to unfavorable development recognized on NORCAL's 2020 and prior accident year reserves in our Specialty P&C segment. See additional discussion on the Contingent Consideration in the Financing Activities and Related Cash Flows section under the heading "Contingent Consideration."

Taxes

Our consolidated provision for income taxes and effective tax rates for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 were as follows:

(\$ in thousands)	(\$ in thousands)	Nine Months Ended September 30			(\$ in thousands)	Three Months Ended March 31		
		2023	2022	Change		2024	2023	Change

Income (loss) before income taxes	Income (loss) before income taxes	\$(48,882)	\$(20,967)	\$(27,915)	(133.1 %)	Income (loss) before income taxes	\$5,318	\$	\$(8,346)	\$	\$13,664	163.7	163.7 %
Income tax expense (benefit)	Income tax expense (benefit)	(3,901)	(6,623)	2,722	41.1 %	Income tax expense (benefit)	692	(2,172)	(2,172)	2,864	2,864	131.9	131.9 %
Net income (loss)	Net income (loss)	\$(44,981)	\$(14,344)	\$(30,637)	(213.6 %)	Net income (loss)	\$4,626	\$	\$(6,174)	\$	\$10,800	174.9	174.9 %
Effective tax rate	Effective tax rate	8.0%	31.6%	(23.6 pts)									

	Three Months Ended March 31		
	2024	2023	
Projected annual effective tax rate	17.3 %		19.9 %
Tax effect of discrete items	(4.3 %)		6.1 %
Total effective tax rate	13.0 %		26.0 %

We recognized income tax expense of \$0.7 million and an income tax benefit of \$3.9 million and \$6.6 million \$2.2 million during the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023, respectively; however, the comparability of our effective tax rates is impacted by our use of the discrete effective tax method for consolidated pre-tax income recognized during the 2024 three-month period as compared to the consolidated pre-tax loss recognized during the 2023 nine-month period versus our use of the estimated annual effective tax rate method for the 2022 nine-month period (see further discussion on these methods in the Critical Accounting Estimates section under the heading "Estimation of Taxes/Tax Credits").

Our effective tax rate for the 2023 nine-month period was different from the statutory federal income tax rate of 21% primarily due to a \$44.1 million goodwill impairment recognized in relation to the Workers' Compensation Insurance reporting unit during the third quarter of 2023, all of which is non-deductible. three-month period. See further discussion on this goodwill impairment in Note 5 of the Notes to Condensed Consolidated Financial Statements. Our effective tax rate for the 2022 nine-month period was different from the statutory federal income tax rate of 21% primarily due to the benefit recognized from the tax credits transferred to us from our tax credit partnership investments. See further discussion of other notable items impacting our effective tax rate in the Segment Operating Results - Corporate section that follows under the heading "Taxes."

Our projected annual effective tax rates were 17.3% and 19.9% as of March 31, 2024 and 2023, respectively, before discrete items were considered. As shown in the table above, these discrete items decreased our effective tax rate by 4.3% for the 2024 three-month period and increased our effective tax rate by 6.1% for the 2023 three-month period and were comprised of individually insignificant components.

Operating Ratio

Our operating ratio is our combined ratio, less our investment income ratio. This ratio provides the combined effect of underwriting profitability and investment income. Our operating ratio for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 was as follows:

		Three Months Ended			Nine Months Ended					
		September 30			September 30					
		2023	2022	Change	2023	2022	Change			
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								
		Three Months Ended March 31								

Combined ratio, excluding transaction-related costs* **116.7 %** 107.9 % 8.8 pts **112.9 %** 105.5 % 7.4 pts

*Our consolidated combined ratio for the 2022 nine-month period includes \$1.9 million of transaction-related costs included in consolidated operating expenses associated with our acquisition of NORCAL. We did not incur any transaction-related costs during the 2023 three- and nine-month periods or the 2022 three-month period. Given these costs do not reflect normal operating expenses, we have excluded their impact from our calculation of the consolidated combined ratio presented above. See previous discussion under the heading "Expenses."

The primary drivers of the change in our operating ratios ratio were as follows:

	Increase (Decrease) 2024 versus 2023 versus 2022		
	Comparative three-month periods	Comparative nine-month periods	
(In percentage points)			
Estimated ratio increase (decrease) attributable to:			
Change in Net Premiums Earned and DPAC amortization	0.2 pts		
NORCAL Acquisition - Purchase Accounting Amortization	0.3 pts		
Investment Results Contingent Consideration Remeasurement Adjustment	(4.3 pts) 0.4 pts		
Employee Retention Credit	— 1.6 pts		
Investment Income	(0.5) 1.3 pts		
Transaction-related Costs	— pts	(0.2 pts)	
Change in Prior Accident Year Reserve Development ⁽¹⁾	5.1 pts (3.4 pts)		
All other, net	1.7 pts (1.4 pts)		
Increase Decrease in the operating ratio	2.9 pts (3.6 pts)		

⁽¹⁾ Excludes tail premium.

⁽²⁾ Includes the impact of purchase accounting amortization on current accident year net losses and prior accident year reserve development. See Note 2 of the Notes to Consolidated Financial Statements in our December 31, 2022 report on Form 10-K for additional information on the remaining expected amortization of the NORCAL acquisition purchase accounting adjustments.

Excluding the impact of the items specifically identified in the table above, our operating ratio for the 2023 three- and nine-month periods increased 2.8 and 1.7 2024 three-month period improved 1.4 percentage points respectively, as compared to the same respective periods period of 2022 2023 driven by an improvement in the current accident year net loss ratio in our Specialty P&C segment, partially offset by an increase in the consolidated current accident year net loss expense ratio. See previous discussion in this section under the heading "Expenses" and further discussion in our Segment Operating Results sections that follow.

Non-GAAP Financial Measures

Non-GAAP Operating Income (Loss)

Non-GAAP operating income (loss) is a financial measure that is widely used to evaluate performance within the insurance sector. In calculating Non-GAAP operating income (loss), we have excluded the effects of the items listed in the following table that do not reflect normal results. We believe Non-GAAP operating income (loss) presents a useful view of the performance of our insurance operations; however, it should be considered in conjunction with net income (loss) computed in accordance with GAAP.

The following table is a reconciliation of net income (loss) to Non-GAAP operating income (loss):

	Three Months Ended September 30		Nine Months Ended September 30		
	Three Months Ended March 31		Three Months Ended March 31		
	Three Months Ended March 31		Three Months Ended March 31		
	Three Months Ended March 31		Three Months Ended March 31		
(In thousands, except per share data)	(In thousands, except per share data)		(In thousands, except per share data)		
	2023	2022	2023	2022	
Net income (loss)	Net income (loss)		Net income (loss)		
	\$ (49,434)	\$ (9,125)	\$ (44,981)	\$ (14,344)	

Items excluded in the calculation of Non-GAAP operating income (loss):	Items excluded in the calculation of Non-GAAP operating income (loss):				
Net investment (gains) losses (1)	Net investment (gains) losses (1)	2,702	8,262	(3,156)	45,652
Net investment (gains) losses (1)	Net investment (gains) losses (1)				
Net investment (gains) losses (1)	Net investment (gains) losses (1)				
Net investment gains (losses) attributable to SPCs which no profit/loss is retained (2)	Net investment gains (losses) attributable to SPCs which no profit/loss is retained (2)	(431)	(562)	1,421	(3,362)
Transaction-related costs (3)		—	—	—	1,862
Goodwill impairment		44,110	—	44,110	—
Foreign currency exchange rate (gains) losses (3)					
Foreign currency exchange rate (gains) losses (3)					
Foreign currency exchange rate (gains) losses (3)					
Guaranty fund assessments (recoupments)	Guaranty fund assessments (recoupments)	103	4	29	130
Guaranty fund assessments (recoupments)					
Guaranty fund assessments (recoupments)					
Pre-tax effect of exclusions	Pre-tax effect of exclusions	46,484	7,704	42,404	44,282
Pre-tax effect of exclusions					
Pre-tax effect of exclusions					
Tax effect, at 21% (4)					
Tax effect, at 21% (4)					
Tax effect, at 21% (4)	Tax effect, at 21% (4)	(780)	(1,555)	(663)	(8,905)
After-tax effect of exclusions	After-tax effect of exclusions	45,704	6,149	41,741	35,377
Non-GAAP operating income (loss)	Non-GAAP operating income (loss)	\$ (3,730)	\$ (2,976)	\$ (3,240)	\$ 21,033
Per diluted common share:	Per diluted common share:				
Per diluted common share:					
Per diluted common share:					
Net income (loss)					
Net income (loss)					
Net income (loss)	Net income (loss)	\$ (0.95)	\$ (0.17)	\$ (0.85)	\$ (0.27)
Effect of exclusions	Effect of exclusions	0.88	0.11	0.79	0.66

Non-GAAP	Non-GAAP				
operating income	operating income				
(loss) per diluted	(loss) per diluted				
common share	common share	\$	(0.07)	\$	(0.06)
				\$	0.39

(1) Net investment gains (losses) for the three and nine months ended September 30, 2023 include gains of \$1.5 million and \$4.5 million, respectively, related to the change in the fair value of contingent consideration issued in connection with the NORCAL acquisition. We have excluded these adjustments as they do not reflect normal operating results. See further discussion around the contingent consideration in Note 2 of the Notes to Condensed Consolidated Financial Statements and discussion on our accounting policy in the Critical Accounting Estimates section under the heading "Contingent Consideration."

(1) Net investment gains (losses) for the three months ended March 31, 2023 include a gain of \$1.0 million related to the change in the fair value of contingent consideration issued in connection with the NORCAL acquisition. We have excluded this adjustment as it does not reflect normal operating results. See further discussion around the contingent consideration in Notes 2 and 6 of the Notes to Condensed Consolidated Financial Statements.

(1) Net investment gains (losses) for the three months ended March 31, 2023 include a gain of \$1.0 million related to the change in the fair value of contingent consideration issued in connection with the NORCAL acquisition. We have excluded this adjustment as it does not reflect normal operating results. See further discussion around the contingent consideration in Notes 2 and 6 of the Notes to Condensed Consolidated Financial Statements.

(2) Net investment gains (losses) on investments related to SPCs are recognized in our Segregated Portfolio Cell Reinsurance segment. SPC results, including any net investment gain or loss, that are attributable to external cell participants are reflected in the SPC dividend expense (income). To be consistent with our exclusion of net investment gains (losses) recognized in earnings, we are excluding the portion of net investment gains (losses) that is included in the SPC dividend expense (income) which is attributable to the external cell participants.

(2) Net investment gains (losses) on investments related to SPCs are recognized in our Segregated Portfolio Cell Reinsurance segment. SPC results, including any net investment gain or loss, that are attributable to external cell participants are reflected in the SPC dividend expense (income). To be consistent with our exclusion of net investment gains (losses) recognized in earnings, we are excluding the portion of net investment gains (losses) that is included in the SPC dividend expense (income) which is attributable to the external cell participants.

(2) Net investment gains (losses) on investments related to SPCs are recognized in our Segregated Portfolio Cell Reinsurance segment. SPC results, including any net investment gain or loss, that are attributable to external cell participants are reflected in the SPC dividend expense (income). To be consistent with our exclusion of net investment gains (losses) recognized in earnings, we are excluding the portion of net investment gains (losses) that is included in the SPC dividend expense (income) which is attributable to the external cell participants.

(3) Transaction-related costs associated with our acquisition of NORCAL. We are excluding these costs as they do not reflect normal operating results and are unique and non-recurring in nature.

(4) The 21% rate is the annual expected statutory tax rate associated with the taxable or tax deductible items listed above. We utilized the discrete effective tax rate method for the three and nine months ended September 30, 2023, while we used the estimated annual effective tax rate method for the three and nine months ended September 30, 2022. See further discussion on these methods in the Critical Accounting Estimates section under the heading "Estimation of Taxes/Tax Credits" and in Note 4 of the Notes to Condensed Consolidated Financial Statements. For the 2023 periods, our statutory tax rate was applied to these items in calculating net income (loss), excluding the 2023 goodwill impairment loss which is not tax deductible. In addition, the gains in 2023 related to the change in the fair value of contingent consideration are non-taxable and therefore had no associated income tax impact. For the 2022 periods, our effective tax rate was applied to these items in calculating net income (loss), excluding net investment gains (losses) and related adjustments which were treated as discrete items and were tax effected at the annual expected statutory tax rate (21%) in the period they were included in our consolidated tax provision and net income (loss). The taxes associated with the net investment gains (losses) related to SPCs in our Segregated Portfolio Cell Reinsurance segment are paid by the individual SPCs and are not included in our consolidated tax provision or net income (loss); therefore, both the net investment gains (losses) from our Segregated Portfolio Cell Reinsurance segment and the adjustment to exclude the portion of net investment gains (losses) included in the SPC dividend expense (income) in the table above are not tax effected.

(3) Foreign currency exchange rate gains (losses) relate to the impact of foreign exchange rate movements on foreign currency denominated loss reserves predominately associated with premium assumed from an international medical professional liability insured in our Specialty P&C segment. Our participation in this program has grown in recent years which has led to greater volatility in our results of operations even with nominal movements in exchange rates given the size of the reserve. We mitigate foreign exchange rate exposure on our Condensed Consolidated Balance Sheet by generally matching the currency and duration of associated investments to the corresponding loss reserves. In accordance with GAAP, the impact on the market value of available-for-sale fixed maturities due to changes in foreign currency exchange rates is reflected as a part of OCI. Conversely, the impact of changes in foreign currency exchange rates on loss reserves is reflected through net income (loss) as a component of other income. Therefore, we believe foreign currency exchange rate gains (losses) in our Condensed Consolidated Statements of Income and Comprehensive Income in isolation are not indicative of our operating performance.

(3) Foreign currency exchange rate gains (losses) relate to the impact of foreign exchange rate movements on foreign currency denominated loss reserves predominately associated with premium assumed from an international medical professional liability insured in our Specialty P&C segment. Our participation in this program has grown in recent years which has led to greater volatility in our results of operations even with nominal movements in exchange rates given the size of the reserve. We mitigate foreign exchange rate exposure on our Condensed Consolidated Balance Sheet by generally matching the currency and duration of associated investments to the corresponding loss reserves. In accordance with GAAP, the impact on the market value of available-for-sale fixed maturities due to changes in foreign currency exchange rates is reflected as a part of OCI. Conversely, the impact of changes in foreign currency exchange rates on loss reserves is reflected through net income (loss) as a component of other income. Therefore, we believe foreign currency exchange rate gains (losses) in our Condensed Consolidated Statements of Income and Comprehensive Income in isolation are not indicative of our operating performance.

(3) Foreign currency exchange rate gains (losses) relate to the impact of foreign exchange rate movements on foreign currency denominated loss reserves predominately associated with premium assumed from an international medical professional liability insured in our Specialty P&C segment. Our participation in this program has grown in recent years which has led to greater volatility in our results of operations even with nominal movements in exchange rates given the size of the reserve. We mitigate foreign exchange rate exposure on our Condensed Consolidated Balance Sheet by generally matching the currency and duration of associated investments to the corresponding loss reserves. In accordance with GAAP, the impact on the market value of available-for-sale fixed maturities due to changes in foreign currency exchange rates is reflected as a part of OCI. Conversely, the impact of changes in foreign currency exchange rates on loss reserves is reflected through net income (loss) as a component of other income. Therefore, we believe foreign currency exchange rate gains (losses) in our Condensed Consolidated Statements of Income and Comprehensive Income in isolation are not indicative of our operating performance.

(4) The 21% rate is the annual expected statutory tax rate associated with the taxable or tax deductible items listed above. We utilized the estimated annual effective tax rate method for the three months ended March 31, 2024 and 2023. See further discussion on this method in the Critical Accounting Estimates section under the heading "Estimation of Taxes" and in Note 4 of the Notes to Condensed Consolidated Financial Statements. For the 2024 and 2023 periods, our effective tax rate was applied to these items in calculating net income (loss), excluding net investment gains

(4) The 21% rate is the annual expected statutory tax rate associated with the taxable or tax deductible items listed above. We utilized the estimated annual effective tax rate method for the three months ended March 31, 2024 and 2023. See further discussion on this method in the Critical Accounting Estimates section under the heading "Estimation of Taxes" and in Note 4 of the Notes to Condensed Consolidated Financial Statements. For the 2024 and 2023 periods, our effective tax rate was applied to these items in calculating net income (loss), excluding net investment gains (losses) and related adjustments which were treated as discrete items and were tax effected at the annual expected statutory tax rate (21%) in the period they were included in our consolidated tax provision and net income (loss). The 2023 gain related to the change in the fair value of the contingent consideration was non-taxable and therefore had no associated income tax impact. The taxes associated with the net investment gains (losses) related to SPCs in our Segregated Portfolio Cell Reinsurance segment are paid by the individual SPCs and are not included in our consolidated tax provision or net income (loss); therefore, both the net investment gains (losses) from our Segregated Portfolio Cell Reinsurance segment and the adjustment to exclude the portion of net investment gains (losses) included in the SPC dividend expense (income) in the table above are not tax effected.

(losses) and related adjustments which were treated as discrete items and were tax effected at the annual expected statutory tax rate (21%) in the period they were included in our consolidated tax provision and net income (loss). The 2023 gain related to the change in the fair value of the contingent consideration was non-taxable and therefore had no associated income tax impact. The taxes associated with the net investment gains (losses) related to SPCs in our Segregated Portfolio Cell Reinsurance segment are paid by the individual SPCs and are not included in our consolidated tax provision or net income (loss); therefore, both the net investment gains (losses) from our Segregated Portfolio Cell Reinsurance segment and the adjustment to exclude the portion of net investment gains (losses) included in the SPC dividend expense (income) in the table above are not tax effected.

Non-GAAP Operating ROE

Non-GAAP operating ROE is a financial measure that is calculated as annualized Non-GAAP operating income (loss) for the period divided by the average of beginning and ending total GAAP shareholders' equity. As previously discussed, in calculating Non-GAAP operating income (loss), we have excluded the effects of certain items that do not reflect normal results. Non-GAAP operating ROE measures the overall after-tax profitability of our insurance operations and shows how efficiently capital is being used; however, it should be considered in conjunction with ROE computed in accordance with GAAP. The following table is a reconciliation of ROE to Non-GAAP operating ROE for the three and nine months ended September 30, 2023, March 31, 2024 and 2022; 2023:

		Three Months Ended September 30			Nine Months Ended September 30						
		2023	2022	Change	2023	2022	Change				
		Three Months Ended March 31									
		Three Months Ended March 31									
		Three Months Ended March 31									
		2024						2024 2023 Change			
ROE ⁽¹⁾	ROE ⁽¹⁾	(6.6 %)	(3.3 %)	(3.3 pts)	(4.4 %)	(1.5 %)	(2.9 pts)	ROE ⁽¹⁾	1.7 %	(2.5 %)	4.2 pts
Pre-tax effect of items excluded in the calculation of Non-GAAP operating ROE	Pre-tax effect of items excluded in the calculation of Non-GAAP operating ROE	5.5 %	2.8 %	2.7 pts	4.1 %	4.7 %	(0.6 pts)	Pre-tax effect of items excluded in the calculation of Non-GAAP operating ROE	(0.2 %)	(0.1 %)	(0.1 pts)
Tax effect, at 21% ⁽²⁾	Tax effect, at 21% ⁽²⁾	(0.3 %)	(0.6 %)	0.3 pts	(0.1 %)	(1.0 %)	0.9 pts	Tax effect, at 21% ⁽²⁾	— %	— %	— pts
Non-GAAP operating ROE	Non-GAAP operating ROE	(1.4 %)	(1.1 %)	(0.3 pts)	(0.4 %)	2.2 %	(2.6 pts)	Non-GAAP operating ROE	1.5 %	(2.6 %)	4.1 pts

⁽¹⁾ Costs that are non-recurring in nature are not annualized in our calculation of ROE. Those costs include the goodwill impairment recognized during the third quarter of 2023, changes in the fair value of contingent consideration issued in connection with the NORCAL acquisition for the 2023 three- and nine-month periods and, for the 2022 nine-month period, transaction-related costs associated with our acquisition of NORCAL. See further discussion of the goodwill impairment under the heading "Goodwill / Intangibles" in the Critical Accounting Estimates section and Note 5 of the Notes to Condensed Consolidated Financial Statements.

(1) The change in the fair value of contingent consideration issued in connection with the NORCAL acquisition was not annualized in our quarterly calculation of ROE for the 2023 three-month period as this item is considered non-recurring in nature.	(1) The change in the fair value of contingent consideration issued in connection with the NORCAL acquisition was not annualized in our quarterly calculation of ROE for the 2023 three-month period as this item is considered non-recurring in nature.
(2) The 21% rate is the annual expected statutory tax rate associated with the taxable or tax deductible items. See further discussion in footnote 4 in this section under the heading "Non-GAAP Operating Income."	(2) The 21% rate is the annual expected statutory tax rate associated with the taxable or tax deductible items. See further discussion in footnote 4 in this section under the heading "Non-GAAP Operating Income."

Non-GAAP operating ROE for the 2023 three- and nine-month periods decreased 2024 three-month period increased by 0.3 and 2.6 4.1 percentage points respectively, as compared to the same respective periods period of 2022 2023 driven by the prior year effect of unfavorable prior accident year reserve development in our Specialty P&C and Workers' Compensation Insurance segments, an increase in our net investment result and, to a lesser extent, an increase improvement in the current accident year net loss ratio in our Workers' Compensation Insurance segment, partially offset by an increase in investment income due to higher average book yields as we continue to reinvest at higher rates as our portfolio matures. Specialty P&C segment. See previous discussions in this section under the headings "Executive Summary of Operations" and further discussion in our Segment Operating Results sections that follow.

Non-GAAP Adjusted Book Value per Share

Book value per share is calculated as total GAAP shareholders' equity divided by the total number of common shares outstanding at the balance sheet date. This ratio measures the net worth of the Company to shareholders on a per share basis.

Non-GAAP adjusted book value per share is a Non-GAAP measure widely used within the insurance sector and is calculated as shareholders' equity, excluding AOCI, divided by the total number of common shares outstanding at the balance sheet date. This Non-GAAP calculation measures the net worth of the Company to shareholders on a per share basis excluding AOCI to eliminate the temporary and potentially significant effects of fluctuations in interest rates on our fixed income portfolio; however, it should be considered in conjunction with book value per share computed in accordance with GAAP. The increase in Higher interest rates have led to significant unrealized holding losses on our available-for-sale fixed maturity investments resulting in volatility in AOCI in 2022 2023 and 2023, 2024. See Note 10 9 of the Notes to Condensed Consolidated Financial Statements for additional information.

The following table is a reconciliation of our book value per share to Non-GAAP adjusted book value per share at **December 31, 2022** **December 31, 2023** and **September 30, 2023** **March 31, 2024**:

		Book Value Per Share	
Book Value Per Share at December 31, 2022 December 31, 2023		\$	20.46 21.82
Less: AOCI Per Share ⁽¹⁾			(5.53) (4.01)
Non-GAAP Adjusted Book Value Per Share at December 31, 2022 December 31, 2023			25.99 25.83
Increase (decrease) to Non-GAAP Adjusted Book Value Per Share during the nine three months ended September 30, 2023 March 31, 2024 attributable to:			
Dividends paid	Net income (loss)		(0.05) 0.09
Cumulative repurchase of shares	Other ⁽²⁾		0.59 (0.04)
Net income (loss) ⁽³⁾			(0.88)
Other ⁽⁴⁾			0.02
Non-GAAP Adjusted Book Value Per Share at September 30, 2023 March 31, 2024			25.67 25.88
Add: AOCI Per Share ⁽¹⁾			(5.82) (4.06)
Book Value Per Share at September 30, 2023 March 31, 2024		\$	19.85 21.82

⁽¹⁾ Primarily the impact of accumulated unrealized investment gains (losses) on our available-for-sale fixed maturity investments. See Note 10 9 of the Notes to Condensed Consolidated Financial Statements for additional information.

⁽³⁾ Includes the \$44.1 million goodwill impairment associated with the Workers' Compensation Insurance segment, which accounted for \$0.87 of the decrease in book value per share. See further discussion on the goodwill impairment under the heading "Goodwill / Intangibles" in the Critical Accounting Estimates section and Note 5 of the Notes to Condensed Consolidated Financial Statements.

⁽⁴⁾ Includes the impact of share-based compensation.

Segment Results - Specialty Property & Casualty

Our Specialty P&C segment primarily focuses on medical professional liability insurance and medical technology liability insurance as discussed in Note 16 of the Notes to Consolidated Financial Statements in our **December 31, 2022** **December 31, 2023** report on Form 10-K. As previously discussed under the heading "ProAssurance Overview," we reorganized our segment reporting in the third quarter of 2023. As a result, the underwriting results from our participation in the results of Syndicate 1729 and Syndicate 6131 at Lloyd's of London which were previously reported in our Lloyd's Syndicates segment are now reported in our Specialty P&C segment. We normally report results from our involvement in Lloyd's Syndicates on a quarter lag, except when information is available that is material to the current period. All prior period segment information has been recast to conform to the current period presentation and the segment reorganization had no impact on previously reported consolidated financial results. See further information regarding the segment reorganization in Note 13 12 of the Notes to Condensed Consolidated Financial Statements.

Segment results reflected pre-tax underwriting profit or loss from these insurance lines and included the amortization of certain purchase accounting adjustments. Segment results for the nine months ended September 30, 2022 exclude transaction-related costs associated with our acquisition of NORCAL as we do not consider these costs in assessing the financial performance of the segment. We did not incur any transaction-related costs during the three and nine months ended September 30, 2023 or the three months ended September 30, 2022. Segment results included the following:

		Three Months Ended September 30				Nine Months Ended September 30								
		Three Months Ended March 31				Three Months Ended March 31								
		Three Months Ended March 31												
(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change		(\$ in thousands)	2024	2023	Change	
Net premiums written	Net premiums written	\$241,888	\$222,344	\$19,544	8.8 %	\$607,945	\$615,855	\$ (7,910)	(1.3 %)	Net premiums written	\$218,699	\$217,390	\$ 1,309	0.6 %
Net premiums earned	Net premiums earned	\$195,772	\$198,481	\$ (2,709)	(1.4 %)	\$562,206	\$593,534	\$ (31,328)	(5.3 %)	Net premiums earned	\$188,888	\$183,684	\$ 5,204	2.8 %
Other income	Other income	1,089	1,000	89	8.9 %	3,106	4,185	(1,079)	(25.8 %)	Other income	1,353	990	363	36.7 %
Net losses and loss adjustment expenses	Net losses and loss adjustment expenses	(162,677)	(158,518)	(4,159)	2.6 %	(476,187)	(469,690)	(6,497)	1.4 %	Net losses and loss adjustment expenses	(152,994)	(166,029)	13,035	(7.9 %)

Underwriting, policy acquisition and operating expenses	Underwriting, policy acquisition and operating expenses	(49,395)	(53,166)	3,771	(7.1 %)	(140,949)	(148,339)	7,390	(5.0 %)	Underwriting, policy acquisition and operating expenses	(51,049)	(42,681)	(8,368)	19.6	19.6 %
Segment results	Segment results	\$(15,211)	\$(12,203)	\$ (3,008)	(24.6 %)	\$(51,824)	\$(20,310)	\$(31,514)	(155.2 %)	Segment results	\$(13,802)	\$(24,036)	\$10,234	42.6	42.6 %
Net loss ratio	Net loss ratio	83.1%	79.9%	3.2 pts		84.7%	79.1%	5.6 pts							
Net loss ratio															
Net loss ratio															
Underwriting expense ratio															
Underwriting expense ratio															
Underwriting expense ratio	Underwriting expense ratio	25.2%	26.8%	(1.6 pts)		25.1%	25.1%	— pts							

Premiums Written

Changes in our premium volume within our Specialty P&C segment are generally driven by three primary factors: (1) the amount of new business written, (2) our retention of existing business and (3) the premium charged for business that is renewed, which is affected by rates charged and by the amount and type of coverage an insured chooses to purchase. In addition, premium volume may periodically be affected by shifts in the timing of renewals between periods.

The medical professional liability market, which accounts for a majority of the revenues in this segment, remains challenging as physicians continue joining hospitals or larger group practices and, therefore, are no longer purchasing individual or group policies in the standard market. In addition, some competitors have chosen to compete primarily on price. Both factors may impact our ability to write new business and retain existing business. Furthermore, the insurance and reinsurance markets have historically been cyclical, characterized by extended periods of intense price competition and other periods of reduced capacity. The medical professional liability market has been particularly affected by these cycles. Underwriting cycles are driven, among other reasons, by excess capacity available to compete for the business. Changes in the frequency and severity of losses may also affect the cycles of the insurance and reinsurance markets significantly. During "soft markets" where price competition is high and underwriting profits are poor, growth and retention of business become challenging which may result in reduced premium volumes.

Gross, ceded and net premiums written were as follows:

Three Months Ended September 30						Nine Months Ended September 30								
Three Months Ended March 31						Three Months Ended March 31								
Three Months Ended March 31						Three Months Ended March 31								
Three Months Ended March 31						Three Months Ended March 31								
(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change		(\$ in thousands)	2024	2023	Change	
Gross premiums written	Gross premiums written	\$256,125	\$244,887	\$11,238	4.6 %	\$673,660	\$680,217	\$(6,557)	(1.0 %)	Gross premiums written	\$238,718	\$242,363	\$(3,645)	(1.5 %)
Less: Ceded premiums written	Less: Ceded premiums written	\$14,237	\$22,543	\$(8,306)	(36.8 %)	\$65,715	\$64,362	\$1,353	2.1 %	Less: Ceded premiums written	\$20,019	\$24,973	\$(4,954)	(19.8 %)
Net premiums written	Net premiums written	\$241,888	\$222,344	\$19,544	8.8 %	\$607,945	\$615,855	\$(7,910)	(1.3 %)	Net premiums written	\$218,699	\$217,390	\$1,309	0.6 %

Gross Premiums Written

During the first quarter of 2024, we restructured the Small Business Unit line of business within our Specialty P&C segment. As a result, we moved the podiatric, chiropractic and dental coverages from the Small Business Unit into HCPL, renaming the unit Medical Professional Liability. By combining these resources, we will have a single unit dedicated to all of our healthcare insurance specialty areas and be able to meet customer needs more efficiently and effectively in order to better serve this market. As a result, we reorganized our presentation of gross premiums written by component and related metrics below to better align with the current internal management reporting structure within the segment. All prior period information has been recast to conform to the current period presentation.

Gross premiums written by component were as follows:

Three Months Ended September 30						Nine Months Ended September 30					
(\$ in thousands)	2023	2022	Change			2023	2022	Change			

Professional Liability									
HCPL									
Standard Physician ⁽¹⁾	\$ 126,425	\$ 120,926	\$ 5,499	4.5 %	\$ 339,574	\$ 361,641	\$ (22,067)	(6.1 %)	
Specialty									
Custom Physician ⁽²⁾⁽¹⁰⁾	23,132	14,932	8,200	54.9 %	72,556	52,010	20,546	39.5 %	
Hospitals and Facilities ⁽³⁾⁽¹⁰⁾	31,342	20,962	10,380	49.5 %	59,405	54,596	4,809	8.8 %	
Senior Care ⁽⁴⁾⁽¹⁰⁾	1,486	811	675	83.2 %	6,483	5,481	1,002	18.3 %	
Reinsurance assumed ⁽⁵⁾	15,851	16,850	(999)	(5.9 %)	37,280	34,739	2,541	7.3 %	
Total Specialty	71,811	53,555	18,256	34.1 %	175,724	146,826	28,898	19.7 %	
Total HCPL	198,236	174,481	23,755	13.6 %	515,298	508,467	6,831	1.3 %	
Small Business Unit ⁽⁶⁾	38,734	38,983	(249)	(0.6 %)	81,954	84,484	(2,530)	(3.0 %)	
Tail Coverages ⁽⁷⁾⁽¹⁰⁾	420	12,113	(11,693)	(96.5 %)	28,078	39,037	(10,959)	(28.1 %)	
Total Professional Liability	237,390	225,577	11,813	5.2 %	625,330	631,988	(6,658)	(1.1 %)	
Medical Technology Liability ⁽⁸⁾	12,145	12,167	(22)	(0.2 %)	33,254	30,780	2,474	8.0 %	
Lloyd's Syndicates ⁽⁹⁾	6,590	6,844	(254)	(3.7 %)	15,076	16,741	(1,665)	(9.9 %)	
Other	—	299	(299)	nm	—	708	(708)	nm	
Total Gross Premiums Written	\$ 256,125	\$ 244,887	\$ 11,238	4.6 %	\$ 673,660	\$ 680,217	\$ (6,557)	(1.0 %)	

(\$ in thousands)	Three Months Ended March 31			
	2024	2023	Change	
Medical Professional Liability ⁽¹⁾⁽²⁾	\$ 218,966	\$ 221,831	\$ (2,865)	(1.3 %)
Medical Technology Liability ⁽³⁾	9,419	9,070	349	3.8 %
Lloyd's Syndicates ⁽⁴⁾	3,710	3,489	221	6.3 %
Other ⁽⁵⁾	6,623	7,973	(1,350)	(16.9 %)
Total Gross Premiums Written	\$ 238,718	\$ 242,363	\$ (3,645)	(1.5 %)

⁽¹⁾ Standard Physician Medical Professional Liability premium was our greatest source of premium revenues in both 2023 2024 and 2022 2023. We target the full spectrum of the medical professional liability market, covering multiple categories of healthcare professionals, institutions (which includes hospitals, surgery centers and is comprised of twelve month term policies miscellaneous medical facilities) and, to a lesser extent, three month facilities specializing in long term policies. residential care. While a majority of our business is written in the standard market, we also offer professional liability insurance on an excess and surplus lines basis through our specialty business. The increase decrease in Standard Physician MPL premium for the 2023 2024 three-month period as compared to the same period of 2022 was driven by new business written, including the addition of two policies totaling \$4.6 million, an increase in renewal pricing and, to a lesser extent, a timing difference of \$2.7 million related to the current year renewal of one policy, partially offset by retention losses. The decrease in Standard Physician premium for the 2023 nine-month period as compared to the same period of 2022 was driven by retention losses, and, to a lesser extent, the impact of the conversion of three month term policies to twelve month term policies in the prior year period, partially offset by an increase in renewal pricing and, to a lesser extent, new business written. Retention losses during the 2023 three- and nine-month periods 2024 three-month period generally reflect our pursuit of rate adequacy in a competitive market where other carriers may not have the same profitability objectives, appreciate the rate need, or are attempting to gain market share despite near term underwriting losses (see additional discussion in Part I Item 1. Business of our December 31, 2022 report on Form 10-K under the heading "Competition"). losses. Renewal pricing increases during the 2023 three- and nine-month periods 2024 three-month period reflect the rising loss cost environment and new business written reflects the competitive market conditions.

⁽²⁾ Custom Physician premium includes large physician groups, multi-state physician groups and non-standard physicians and is written primarily on an excess and surplus lines basis. The increase in Custom Physician premium during the 2023 three- and nine-month periods as compared to the same respective periods of 2022 was driven by net timing differences of \$6.4 million and \$7.5 million, respectively, primarily related to the prior year renewal of several policies, an increase in renewal pricing and, to a lesser extent, new business written, partially offset by retention losses. Renewal pricing increases for the 2023 three- and nine-month periods reflect pricing actions taken in response to a rising loss cost environment and new business written reflects the competitive market conditions. The retention losses in our Custom Physician book for the 2023 three- and nine-month periods reflect our focus on underwriting discipline, the loss of a \$2.2 million policy due to price competition and, for the 2023 nine-month period, the loss of a \$2.8 million policy due to the insured moving to a captive arrangement.

⁽³⁾ Hospitals and Facilities premium (which includes hospitals, surgery centers and miscellaneous medical facilities) increased for the 2023 three- and nine-month periods as compared to the same respective periods of 2022 driven by new business written, including the addition of two policies totaling \$6.9 million during the third quarter of 2023 and, to a lesser extent, an increase in renewal pricing, partially offset by retention losses. Renewal pricing increases for the 2023 three- and nine-month periods reflect rate increases and contract modifications that we believe are appropriate given the current loss environment and new business written reflects the competitive market conditions. Retention

losses in the 2023 nine-month period were largely attributable to the loss of a \$4.6 million policy due to the insured entering into a captive arrangement during the first quarter of 2023, which resulted in a decrease to our Specialty retention rate of 3.7 percentage points.

- (4) Senior Care premium includes facilities specializing in long term residential care primarily for the elderly ranging from independent living through skilled nursing. Our Senior Care premium increased for the 2023 three- and nine-month periods as compared to the same respective periods of 2022 driven by new business written and, to a lesser extent, an increase in renewal pricing, partially offset by retention losses.
- (5) We offer alternative risk and self-insurance products on a customized basis. Our custom alternative risk solutions including assumed reinsurance. The decrease include a turnkey captive solution whereby we cede either all or a portion of the alternative market premium, net of reinsurance, to two SPCs of our wholly owned Cayman Islands reinsurance subsidiary, Inova Re, which is reported in our Segregated Portfolio Cell Reinsurance segment (see further discussion in the Ceded Premiums Written section that follows). For the three months ended March 31, 2023, our MPL line of business included \$2.9 million of alternative market gross premium during written. Effective January 1, 2024, we elected to non-renew one program, in which we do not participate in the 2023 three-month period was driven by loss of an assumed reinsurance arrangement due underwriting results. Written premium related to price competition. The increase in premium during this program totaled \$3.4 million for the 2023 nine-month period was driven by an increase in premiums assumed on a quota share basis through a strategic partnership in place since 2016 with an international medical professional liability insurer and an increase in premiums assumed through a reinsurance arrangement with a hospital captive insurance company. year ended December 31, 2023.
- (6) Our Small Business Unit is comprised of premium associated with podiatrists, legal professionals, dentists and chiropractors. Our Small Business Unit premium decreased during the 2023 three- and nine-month periods as compared to the same respective periods of 2022 driven by retention losses, partially offset by new business written and, to a lesser extent, an increase in renewal pricing. The increase in renewal pricing during the 2023 three- and nine-month periods was primarily the result of an increase in the rate charged for certain renewed policies in select states.
- (7) We offer extended reporting endorsement or "tail" coverage to insureds who discontinue their claims-made coverage with us, and we also periodically offer tail coverage through stand-alone policies. Tail coverage premiums are generally 100% earned in the period written because the policies insure only incidents that occurred in prior periods and generally are not cancellable. The amount of tail coverage premium written can vary significantly from period to period.
- (8) (3) Our Medical Technology Liability business is marketed throughout the U.S.; coverage is typically offered on a primary and excess basis, within specified limits, to manufacturers and distributors of medical technology and life sciences products including entities conducting human clinical trials. In addition to the previously listed factors that affect our premium volume, our Medical Technology Liability premium is also impacted by the sales volume of insureds. Our Medical Technology Liability premium was relatively unchanged increased during the 2023 2024 three-month period and increased for the 2023 nine-month period as compared to the same respective periods period of 2022. The increase in our Medical Technology Liability premium during the 2023 nine-month period was driven by new business written and, to a lesser extent, an increase in renewal pricing, partially offset by retention losses. Renewal pricing increases during the 2023 three- and nine-month periods 2024 three-month period are primarily due to changes in the sales volume and changes in exposure of certain insureds. Retention losses during the 2023 three- and nine-month periods 2024 three-month period are primarily attributable to insureds no longer needing coverage, insureds no longer in business, an increase in competition on terms and pricing, cancellation for non-payment, as well as merger activity within the industry.
- (9) (4) Our Lloyd's Syndicates business includes the results from our participation in Syndicate 1729 and Syndicate 6131 at Lloyd's of London. For each of the Effective September 2023, and 2022 underwriting years we elected to discontinue our participation in the results of Syndicate 1729 is approximately 5%. Effective January 1, 2022, Syndicate 6131 ceased beginning with the 2024 underwriting on a quota share basis with Syndicate 1729, year. Due to the quarter reporting lag, our ceased participation in Syndicate 6131 was not 1729 will begin to be reflected in our results until in the second quarter of 2022, 2024. For the 2023 underwriting year our participation in the results of Syndicate 1729 was approximately 5%. Our Lloyd's Syndicates premium remained relatively unchanged increased for the 2023 2024 three-month period and decreased for the 2023 nine-month period as compared to the same respective periods period of 2022. The decrease in Lloyd's Syndicates premium during the 2023 nine-month period was driven by our ceased participation in Syndicate 6131 for the 2022 underwriting year, partially offset by volume increases on renewal business and renewal pricing increases, primarily on casualty and property insurance and casualty coverages.

- (10) (5) Certain components This component of our gross premiums written include alternative market premiums. We currently cede either includes all or a portion of the alternative market premium, net of reinsurance, to three SPCs of our wholly owned Cayman Islands reinsurance subsidiaries, Inova Re and Eastern Re, which are reported in our Segregated Portfolio Cell Reinsurance segment (see further discussion in the Ceded Premiums Written section that follows). The portion not ceded to the SPCs is retained other product lines within our Specialty P&C segment. segment, primarily professional liability coverage to attorneys and their firms in select areas of practice.

(\$ in millions)	Three Months Ended September 30				Nine Months Ended September 30			
	2023	2022	Change		2023	2022	Change	
Custom Physician	\$ (0.6)	\$ —	\$ (0.6)	nm	\$ 2.1	\$ 2.0	\$ 0.1	5.0 %
Hospitals and Facilities	—	0.1	(0.1)	nm	—	0.1	(0.1)	nm
Senior Care	0.8	0.3	0.5	166.7 %	4.3	4.2	0.1	2.4 %
Tail Coverages	(7.9)	1.7	(9.6)	(564.7 %)	0.1	4.7	(4.6)	(97.9 %)
Total	\$ (7.7)	\$ 2.1	\$ (9.8)	(466.7 %)	\$ 6.5	\$ 11.0	\$ (4.5)	(40.9 %)

Alternative market gross premiums written decreased during the 2023 three- and nine-month periods as compared to the same respective periods of 2022. The decrease for the 2023 three-month period was driven by the cancellation of a tail coverage resulting in the reversal of \$7.9 million of tail premium in the current period. The tail coverage was previously recognized during the second quarter of 2023 and related to one program in which we do not participate in the underwriting results. The decrease for the 2023 nine-month period reflected the prior year impact of tail coverage, primarily related to one program.

We are committed to a rate structure that will allow us to fulfill our obligations to our insureds while generating competitive long-term returns for our shareholders. Our pricing continues to be based on expected losses as indicated by our historical loss data and available industry loss data. In recent years, this practice has resulted in rate increases and we anticipate further rate increases due to indications of increasing projected loss severity. Additionally, the pricing of our business includes the effects of filed rates, surcharges and discounts. Renewal pricing reflects changes in our exposure base, deductibles, self-insurance retention limits and other policy terms and conditions. See further explanation of changes in renewal pricing above under the heading "Gross Premiums Written".

The change in renewal pricing for our Specialty P&C segment, including by major component, was as follows:

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023		2023	
Specialty P&C segment*	7 %		6 %	
HCPL				
Standard Physician	7 %		6 %	
Specialty	10 %		11 %	
Total HCPL	8 %		7 %	
Small Business Unit	3 %		5 %	
Medical Technology Liability	1 %		1 %	
* Excludes Lloyd's Syndicates premium.				

	Three Months Ended
	March 31
	2024
Specialty P&C segment*	7%
MPL	8%
Medical Technology Liability	1%
Other	2%
* Excludes Lloyd's Syndicates premium.	

New business written by major component on a direct basis was as follows:

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
HCPL				
Standard Physician	\$ 9.1	\$ 4.0	\$ 16.9	\$ 7.8
Specialty	12.3	5.4	22.9	13.4
Total HCPL	21.4	9.4	39.8	21.2
Small Business Unit	1.0	1.4	2.2	3.0
Medical Technology Liability	1.2	1.3	4.7	3.9
Total	\$ 23.6	\$ 12.1	\$ 46.7	\$ 28.1

	Three Months Ended	
	March 31	
	2024	2023
MPL	\$ 9.3	\$ 9.4
Medical Technology Liability	0.9	1.1
Other	0.2	0.3
Total	\$ 10.4	\$ 10.8

For our Specialty P&C segment, we calculate retention as annualized renewed premium divided by all annualized premium subject to renewal. Retention is affected by a number of factors. We may lose insureds to competitors or to alternative insurance mechanisms such as risk retention groups, captive arrangements or self-insurance entities (often when physicians join hospitals or large group practices) or due to pricing or other issues. We may choose not to renew an insured as a result of our underwriting evaluation. Insureds may also terminate coverage because they have left the practice of medicine for various reasons, principally for retirement, death or disability, but also for personal reasons. See further explanation of changes in retention above under the heading "Gross Premiums Written".

Retention for our Specialty P&C segment, including by major component, was as follows:

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Specialty P&C segment*	87 %	87 %	85 %	84 %
HCPL				
Standard Physician	89 %	89 %	88 %	87 %
Specialty	80 %	74 %	74 %	69 %
Total HCPL	87 %	85 %	85 %	82 %
Small Business Unit	90 %	91 %	89 %	91 %
Medical Technology Liability	89 %	92 %	87 %	91 %

* Excludes Lloyd's Syndicates premium.

	Three Months Ended	
	March 31	
	2024	2023
Specialty P&C segment*	86 %	85 %
MPL	86 %	85 %
Medical Technology Liability	94 %	90 %
Other	78 %	83 %

* Excludes Lloyd's Syndicates premium.

Ceded Premiums Written

Ceded premiums represent the amounts owed to our reinsurers for their assumption of a portion of our losses. Our **HCPL healthcare professional liability** and Medical Technology Liability excess of loss reinsurance arrangements renew annually on October 1. For the October 1, 2022 renewal, both our **HCPL healthcare professional liability** and Medical Technology Liability treaties renewed at a higher rate than the previous treaties and we continue to generally retain the first \$2 million in risk insured by us and cede coverages in excess of this amount. For our **HCPL healthcare professional liability** coverages in excess of \$2 million, we generally retain from 9% to 9.5% of the next \$24 million of risk, which increased from a retention of 0% to 5% in the expiring treaty. For our Medical Technology Liability treaty, we do not retain any of the next \$8 million of risk for coverages in excess of \$2 million. All other material terms were consistent with the expiring treaties.

We pay our reinsurers a ceding premium in exchange for their accepting the risk, and in certain of our excess of loss arrangements, the ultimate amount of which is determined by the loss experience of the business ceded, subject to certain minimum and maximum amounts. Given the length of time that it takes to resolve our claims, many years may elapse before all losses recoverable under a reinsurance arrangement are known. As a part of the process of estimating our loss reserve we also make estimates regarding the amounts recoverable under our reinsurance arrangements. As a result, we may have an adjustment to our estimate of expected losses and associated recoveries for prior year ceded losses under certain loss sensitive reinsurance agreements. Any changes to estimates of premiums ceded related to prior accident years are fully earned in the period the changes in estimates occur.

Ceded premiums written were as follows:

(\$ in thousands)	Three Months Ended September 30				Nine Months Ended September 30			
	2023	2022	Change		2023	2022	Change	
Excess of loss reinsurance arrangements ⁽¹⁾	\$ 11,142	\$ 11,138	\$ 4	— %	\$ 31,182	\$ 28,455	\$ 2,727	9.6 %
Other shared risk arrangements ⁽²⁾	9,037	7,413	1,624	21.9 %	19,585	15,955	3,630	22.8 %
Premium ceded to SPCs ⁽³⁾	(7,815)	1,921	(9,736)	(506.8 %)	5,470	10,201	(4,731)	(46.4 %)
Other ceded premiums written	1,873	2,071	(198)	(9.6 %)	7,278	6,751	527	7.8 %
Adjustment to premiums owed under reinsurance agreements, prior accident years, net ⁽⁴⁾	—	—	—	nm	2,200	3,000	(800)	(26.7 %)
Total ceded premiums written	\$ 14,237	\$ 22,543	\$ (8,306)	(36.8 %)	\$ 65,715	\$ 64,362	\$ 1,353	2.1 %

(\$ in thousands)	Three Months Ended March 31		
	2024	2023	Change
Excess of loss reinsurance arrangements ⁽¹⁾	\$ 11,783	\$ 11,224	\$ 559 5.0 %

Premium ceded to SPCs ⁽²⁾	(63)	2,889	(2,952)	(102.2 %)
Other ceded premiums written ⁽³⁾	8,299	8,660	(361)	(4.2 %)
Adjustment to premiums owed under reinsurance agreements, prior accident years, net ⁽⁴⁾	—	2,200	(2,200)	nm
Total ceded premiums written	\$ 20,019	\$ 24,973	\$ (4,954)	(19.8 %)

- (2) We generally reinsure risks under our excess of loss reinsurance arrangements pursuant to which the reinsurers agree to assume all or a portion of all risks that we insure above our individual risk retention levels. Premium due to reinsurers is based on a rate factor applied to gross premiums written subject to cession under the arrangement. Ceded premiums written under our excess of loss reinsurance arrangements were relatively unchanged for the 2023 three-month period as compared to the same period of 2022. The increase in ceded premiums written under our excess of loss reinsurance arrangements during the 2023 nine-month period as compared to the same period of 2022 was driven by an increase in the overall volume of gross premiums written subject to cession and the impact of prior year adjustments on certain of our reinsurance arrangements reaching maximum limits eligible for cession on certain treaty years.
- (3) We have entered into various shared risk arrangements, including quota share, fronting and captive arrangements, with certain large healthcare systems and other insurance entities. While we cede a large portion of the premium written under these arrangements, they provide us an opportunity to grow net premium through strategic partnerships. Ceded premiums written under these arrangements increased during the 2023 three- and nine-month periods as compared to the same respective periods of 2022 driven by an increase in premium ceded under a particular arrangement with a hospital group and, for the 2023 nine-month period, an existing insured entering into an arrangement during the first quarter of 2023.
- (3) As previously discussed, as a part of our alternative market solutions, all or a portion of certain healthcare medical professional liability premium written is ceded to SPCs in our Segregated Portfolio Cell Reinsurance segment under either excess of loss or quota share reinsurance agreements, depending on the structure of the individual program. The premiums ceded to SPCs during the first quarter of 2024 reflect policy endorsements. See the Segment Results - Segregated Portfolio Cell Reinsurance section for further discussion on the cession to the SPCs from our Specialty P&C segment. Premiums
- (3) Our other ceded to SPCs decreased during the 2023 three-month period as compared to the same period premiums written is primarily comprised of 2022 driven by a decrease in tail coverage due to the reversal of a tail coverage. The tail coverage was previously recognized during the second quarter of 2023 various shared risk arrangements and related to one program in which we do not participate in the underwriting results. The decrease in premiums ceded to SPCs during the 2023 nine-month period was primarily attributable to the prior year impact of tail coverage, primarily related to one program. See previous discussion in footnote 10 under the heading "Gross Premiums Written", cyber liability coverages.
- (4) Given the length of time that it takes to resolve our claims, many years may elapse before all losses recoverable under a reinsurance arrangement are known. As a part of the process of estimating our loss reserve we also make estimates regarding the amounts recoverable under our reinsurance arrangements. As previously discussed, the premiums ultimately ceded under certain of our swing rated excess of loss reinsurance arrangements are subject to the losses ceded under the arrangements. As part of our the review of our reserves during the 2023 and 2022 2024 three-month periods, period, we concluded that our estimate of expected losses and associated recoveries for prior year ceded losses was reasonable; therefore, we did not adjust our estimate of ceded premiums owed to reinsurers. As part of our review of our reserves for the 2023 and 2022 nine-month periods, three-month period, we increased recorded an increase in our estimate of ceded premiums owed to reinsurers due to an increase in our estimate of expected losses and associated recoveries for prior year ceded losses, as well as our estimate of ceded premiums owed to reinsurers. The increase for the 2023 nine-month period was due to the overall change in expected loss recoveries attributable to one prior year large claim during the first quarter of 2023. The increase for the 2022 nine-month period was due to the overall change in expected loss recoveries attributable to one large claim during the second quarter of 2022. losses. Changes to estimates of premiums ceded related to prior accident years are fully earned in the period the changes in estimates occur.

Ceded Premiums Ratio

As shown in the table below, our ceded premiums ratios were ratio was affected during the 2023 and 2022 nine-month periods three-month period by revisions a revision to our estimate of premiums owed to reinsurers related to coverages provided in prior accident years. The ceded premiums ratio was as follows:

		Three Months Ended September 30			Nine Months Ended September 30					
		Three Months Ended March 31			Three Months Ended March 31					
		Three Months Ended March 31			Three Months Ended March 31					
		Three Months Ended March 31			Three Months Ended March 31					
		2023	2022	Change	2023	2022	Change	2024	2023	Change
Ceded premiums ratio	Ceded premiums ratio	5.6 %	9.2 %	(3.6 pts)	9.8 %	9.5 %	0.3 pts	8.4 %	10.3 %	(1.9 pts)

Less the effect of adjustments in premiums owed under reinsurance agreements, prior accident years (as previously discussed)	Less the effect of adjustments in premiums owed under reinsurance agreements, prior accident years (as previously discussed)	— %	— %	— pts	0.3 %	0.4 %	(0.1 pts)	Less the effect of adjustments in premiums owed under reinsurance agreements, prior accident years (as previously discussed)	— %	0.9 %	(0.9 pts)
Ratio, current accident year	Ratio, current accident year	5.6 %	9.2 %	(3.6 pts)	9.5 %	9.1 %	0.4 pts	Ratio, current accident year	8.4 %	9.4 %	(1.0 pts)

The above table reflects ceded premiums written, excluding the effect of prior year ceded premium adjustments, as previously discussed, as a percent of gross premiums written. Our current accident year ceded premiums ratio decreased for the 2023 2024 three-month period and remained relatively unchanged for the 2023 nine-month period as compared to the same respective periods period of 2022. The decrease in our current accident year ceded premiums ratio for the 2023 three-month period was primarily attributable due to a decrease in premium ceded to SPCs. See additional SPCs driven by our non-renewal of one program in the first quarter of 2024 (see previous discussion above in footnote 2 under the heading "Ceded "Gross Premiums Written." "Written").

Net Premiums Earned

Net premiums earned consist of gross premiums earned less the portion of earned premiums that we cede to our reinsurers for their assumption of a portion of our losses. Because premiums are generally earned pro rata over the entire policy period, fluctuations in premiums earned tend to lag those of premiums written. The majority of our policies carry a term of one year; however, some of our Medical Technology Liability policies have a multi-year term and some of our Standard Physician policies have a three-month term. Tail coverage premiums are generally 100% earned in the period written because the policies insure only incidents that occurred in prior periods and are not cancellable. Retroactive coverage premiums are 100% earned at the inception of the contract, as all of the associated underlying loss events occurred in the past. Additionally, any ceded premium changes due to changes to estimates of premiums owed under reinsurance agreements for prior accident years are fully earned in the period of change.

Net premiums earned were as follows:

Three Months Ended September 30				Nine Months Ended September 30							
Three Months Ended March 31											
Three Months Ended March 31											
Three Months Ended March 31											
(\$ in thousands)	(\$ in thousands)	2023	2022	Change	2023	2022	Change	(\$ in thousands)	2024	2023	Change
Gross premiums earned	Gross premiums earned	\$205,686	\$218,390	\$(12,704) (5.8 %)	\$619,730	\$648,199	\$(28,469) (4.4 %)	Gross premiums earned	\$206,627	\$204,053	\$2,574 1.3
Less: Ceded premiums earned	Less: Ceded premiums earned	9,914	19,909	(9,995) (50.2 %)	57,524	54,665	2,859 5.2 %	Less: Ceded premiums earned	17,739	20,369	(2,630) (12.9 %)
Net premiums earned	Net premiums earned	\$195,772	\$198,481	\$ (2,709) (1.4 %)	\$562,206	\$593,534	\$(31,328) (5.3 %)	Net premiums earned	\$188,888	\$183,684	\$5,204 2.8

Gross premiums earned decreased increased during the 2023 2024 three-month period as compared to the same period of 2022 due to the reversal of \$7.9 million of tail premium which was previously written and fully earned during the second quarter of 2023 related to one program in which we do not participate in the underwriting results. The decrease in gross premiums earned during the 2023 nine-month period as compared to the same period of 2022 was driven by the pro rata effect of a decrease an increase in the volume of written premium during the preceding twelve months, due to competitive market conditions, primarily in our process MPL line of evaluating the NORCAL book of business and implementing ProAssurance's underwriting strategies and, to a lesser extent, our ceased participation in Syndicate 6131 for the 2022 underwriting year. business.

Ceded premiums earned decreased during the 2023 2024 three-month period as compared to the same period of 2022 due to the reversal 2023 primarily driven by an adjustment of tail premium, all of which is ceded to SPCs in our Segregated Portfolio Cell Reinsurance segment (see previous discussion in footnote 3 under the heading "Ceded Premiums Written"). Ceded premiums earned \$2.2 million made during the first quarter of 2023 and 2022 nine-month periods included a which increased ceded premiums owed under our swing rated reinsurance arrangements related to prior accident year ceded premium adjustment under swing rated reinsurance agreements losses (see previous discussion in footnote 4 under the heading "Ceded Premiums Written"). After removing the effect of the prior accident year ceded premium adjustments, ceded premiums earned increased by \$3.7 million during the 2023 nine-month period as compared to the same period of 2022 driven by the pro rata effect of an increase in premium ceded under our excess of loss arrangements during the preceding twelve months.

Losses and Loss Adjustment Expenses

The determination of calendar year losses involves the actuarial evaluation of incurred losses for the current accident year and the actuarial re-evaluation of incurred losses for prior accident years.

Accident year refers to the accounting period in which the insured event becomes a liability of the insurer. For claims-made policies, which represent the majority of the premiums written in our Specialty P&C segment, the insured event generally becomes a liability when the event is first reported to us and the policy that is in effect at that time covers the claim. For occurrence policies, the insured event becomes a liability when the event takes place even though the claim may be reported to us at a later date. For retroactive coverages, the insured event becomes a liability at inception of the underlying contract. We believe that measuring losses on an accident year basis is the best measure of the underlying profitability of the premiums earned in that period, since it associates policy premiums earned with the estimate of the losses incurred related to those policy premiums.

The following table summarizes calendar year net loss ratios for our Specialty P&C segment by separating losses between the current accident year and all prior accident years. The net loss ratios for our Specialty P&C segment were as follows:

		Net Loss Ratios ⁽¹⁾					
		Net Loss Ratios ⁽¹⁾					
		Net Loss Ratios ⁽¹⁾					
		Three Months Ended March 31					
		2024					
		2024					
		2024					
		Net Loss Ratios ⁽¹⁾					
Calendar year net loss ratio							
		Three Months Ended September 30			Nine Months Ended September 30		
		2023	2022	Change	2023	2022	Change
Calendar year net loss ratio							
Calendar year net loss ratio	Calendar year net loss ratio	83.1 %	79.9 %	3.2 pts	84.7 %	79.1 %	5.6 pts
Less impact of prior accident years on the net loss ratio	Less impact of prior accident years on the net loss ratio	(0.3 %)	(2.3 %)	2.0 pts	0.3 %	(3.7 %)	4.0 pts
Less impact of prior accident years on the net loss ratio							
Less impact of prior accident years on the net loss ratio							
Current accident year net loss ratio ⁽²⁾							
Current accident year net loss ratio ⁽²⁾							
Current accident year net loss ratio ⁽²⁾	Current accident year net loss ratio ⁽²⁾	83.4 %	82.2 %	1.2 pts	84.4 %	82.8 %	1.6 pts

(1) Net losses, as specified, divided by net premiums earned.

(2) For the three and nine months ended September 30, 2023 March 31, 2024, our current accident year net loss ratios ratio (as shown in the table above), increased 1.2 and 1.6 improved 4.7 percentage points respectively, as compared to the same respective periods period of 2022, 2023. The change in our current accident year net loss ratios were ratio was primarily attributable to the following:

	Increase (Decrease)	
	2023 2024 versus 2022 2023	
	Comparative three-month periods	Comparative nine-month periods
(In percentage points)		
Estimated ratio increase (decrease) attributable to:		
Lloyd's Syndicates	(0.3 0.2 pts)	0.5 pts
NORCAL Acquisition - Purchase Accounting Amortization Ceded Premium Adjustment, Prior Accident Years	0.8 pts (1.2 pts)	
All other, net	0.3 pts (3.3 pts)	
Increase Decrease in current accident year net loss ratio	1.6 pts (4.7 pts)	

- Excluding the impact of the items specifically identified in the table above, our current accident year net loss ratios ratio for the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same respective periods period of 2022 increased 1.5 and 0.3 2023 improved 3.3 percentage points respectively, driven by an increase our continued underwriting actions as well as our focus on achieving appropriate pricing leading to a decrease to certain expected loss ratios in our HCPL MPL line of business during the first period of 2023 as we continue to observe higher than anticipated loss severity trends in select jurisdictions that started to emerge in the fourth quarter of 2022. In addition, the increase in the ratio for the three and nine months ended September 30, 2023 reflected higher estimated ULAE 2024 and, to a lesser extent, changes in the mix of business. We estimate ULAE at
- During the beginning of each year based on projected allocable expenses. ULAE represents costs that cannot be attributed to the processing of a specific claim and are allocated to net losses and loss adjustment expenses on the Condensed Consolidated Statement of Income and Comprehensive Income. The increase in 2023 three-month period, we increased our estimate of ULAE was primarily due premiums owed under swing rated reinsurance agreements related to an increase in projected headcount in our claims department and associated compensation-related costs as well as allocable IT expenses. The increase in our prior accident years which decreased net premium earned (the denominator of the current accident year net loss ratio ratio) in the first quarter of 2023 and accounted for the nine months ended September 30, 2023 was partially offset by a 1.2 percentage point decrease to certain expected loss ratios in our HCPL line of business during the fourth quarter of 2022 due to favorable frequency trends, some of which, we believe, was attributable to our process of evaluating the NORCAL book of business and implementing ProAssurance's underwriting strategies.
- As a result of our acquisition of NORCAL, our current accident year net loss ratio for the nine months ended September 30, 2022 was impacted by the purchase accounting amortization of \$4.9 million related to the negative VOBA associated with NORCAL's assumed unearned premium which was recorded as a reduction to current accident year net losses. As of June 30, 2022, the negative VOBA was fully amortized which resulted in a 0.8 percentage point increase in the nine months ended September 30, 2023 2024 three-month period ratio as compared to the prior year period. No such adjustment was made during the 2024 three-month period. See the previous discussion under the heading "Ceded Premiums Written" for additional information.

We re-evaluate our previously established reserve each quarter based upon the most recently completed actuarial analysis supplemented by any new analysis, information or trends that have emerged since the date of that study. We also take into account currently available industry trend information.

The following table shows the components of our net prior accident year reserve development:

		Three Months Ended September 30				Nine Months Ended September 30			
		Three Months Ended March 31							
		Three Months Ended March 31							
		Three Months Ended March 31							
(\$ in thousands)									
(\$ in thousands)									
(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change	
Net favorable (unfavorable) reserve development	Net favorable (unfavorable) reserve development	\$ (1,003)	\$ 2,057	\$ (3,060)	(148.8 %)	\$ (8,386)	\$ 13,400	\$ (21,786)	(162.6 %)
NORCAL Acquisition - Purchase Accounting Amortization*		1,656	2,510	(854)	(34.0 %)	6,676	8,309	(1,633)	(19.7 %)
Net favorable (unfavorable) reserve development									

Net favorable (unfavorable) reserve development									
Lloyd's Syndicates net favorable (unfavorable) reserve development									
Lloyd's Syndicates net favorable (unfavorable) reserve development									
Lloyd's Syndicates net favorable (unfavorable) reserve development									
NORCAL Acquisition - Purchase Accounting Amortization									
NORCAL Acquisition - Purchase Accounting Amortization									
NORCAL Acquisition - Purchase Accounting Amortization									
Total net favorable (unfavorable) reserve development	Total net favorable (unfavorable) reserve development	\$	653	\$	4,567	\$	(3,914)	(85.7 %)	\$ (1,710) \$ 21,709 \$ (23,419) (107.9 %)

*See Note 2 of the Notes to Consolidated Financial Statements in our December 31, 2022 report on Form 10-K for additional information on the remaining expected amortization of the NORCAL acquisition purchase accounting adjustments.

- **2024:** Net unfavorable reserve development recognized during the three and nine months ended September 30, 2023 included \$1.0 million and \$2.3 million of net unfavorable development associated with March 31, 2024, excluding purchase accounting amortization, is entirely attributable to our Lloyd's Syndicates operations respectively, as compared to \$0.9 million and \$5.1 million during the same respective periods of 2022. This unfavorable prior year development for the three and nine months ended September 30, 2023 and 2022 was driven by higher than expected losses and development on certain large claims, primarily catastrophe related losses.
- The loss environment in our HCPL MPL line of business continues to be challenging in some many jurisdictions, as claim costs are pressured by social inflation and higher than anticipated loss severity trends. Following a period of benign loss development trends which due to the pandemic, higher severity trends started to emerge reemerge in the fourth quarter of 2022, 2022, mostly returning to pre-pandemic levels but higher than pre-pandemic levels in certain jurisdictions. We are monitoring the impact that these trends have on our open case reserves and prior year development. During
- **2023:** Net unfavorable reserve development, excluding purchase accounting amortization, was driven by the first quarter strengthening of 2023, we strengthened case reserves related to four large claims in our MPL line of business, resulting in net \$10.1 million of unfavorable development, of \$10.1 million recognized during the nine months ended September 30, 2023, \$7.5 million of which primarily related to NORCAL's accident years 2016 and 2020.
- Net unfavorable development recognized during the nine months ended September 30, 2023 was net of \$4.0 million 2020, partially offset by \$0.2 million of favorable development in associated with our Medical Technology Liability line Lloyd's Syndicates operations.
The contingent consideration associated with the NORCAL acquisition is dependent upon the after-tax development of business, principally related to accident years 2014 through 2017, due to lower than anticipated loss emergence.
- Net favorable development recognized during the three months ended September 30, 2022 principally related to accident year NORCAL's 2020 and net favorable development recognized during nine months ended September 30, 2022 principally related to accident years 2018 through 2021.
- We reduced our prior accident year IBNR reserve for COVID-19 by \$3.0 million reserves from December 31, 2020 to December 31, 2023. In the first quarter of 2023, we recognized unfavorable development in NORCAL's 2020 and \$6.0 million during prior accident year reserves. This adjustment to NORCAL's reserves contributed to a decrease in the three and nine months ended September 30, 2022, respectively, fair value of the contingent consideration liability of \$1.0 million which was recorded as early first notices of potential claims related an offset to anticipated COVID losses have not turned into claims. operating expenses in the segment. See additional further discussion on the COVID-19 IBNR reserve in our Critical Accounting Estimates section that follows under the heading "Reserve for Losses "Underwriting, Policy Acquisition and Loss Adjustment Expenses" in our December 31, 2022 report on Form 10-K.
- Net favorable development recognized during the nine months ended September 30, 2022 was net of an increase of \$4.0 million in our reserve for potential ECO/XPL; no such adjustment was made during the current period. Operating Expenses."

A detailed discussion of factors influencing our recognition of loss development is included in our Critical Accounting Estimates section under the heading "Reserve for Losses and Loss Adjustment Expenses" in our December 31, 2022 December 31, 2023 report on Form 10-K. Assumptions used in establishing our reserve are regularly reviewed and updated by management as new data becomes available. Any adjustments necessary are reflected in the then current operations. Due to the size of our reserve, even a small

percentage adjustment to the assumptions can have a material effect on our results of operations for the period in which the change is made, as was the case in both 2023 2024 and 2022.

2023.

Underwriting, Policy Acquisition and Operating Expenses

Our Specialty P&C segment underwriting, policy acquisition and operating expenses were comprised as follows:

		Three Months Ended September 30				Nine Months Ended September 30			
		Three Months Ended March 31							
		Three Months Ended March 31							
		Three Months Ended March 31							
(\$ in thousands)									
(\$ in thousands)									
(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change	
DPAC amortization	DPAC amortization	\$ 27,129	\$ 25,771	\$ 1,358	5.3 %	\$ 75,577	\$ 75,491	\$ 86	0.1 %
DPAC amortization									
DPAC amortization									
Management fees									
Management fees									
Management fees	Management fees	1,201	1,410	(209)	(14.8 %)	3,164	3,806	(642)	(16.9 %)
Other underwriting and operating expenses	Other underwriting and operating expenses	21,065	25,985	(4,920)	(18.9 %)	62,208	69,042	(6,834)	(9.9 %)
Other underwriting and operating expenses									
Other underwriting and operating expenses									
Total	Total	\$ 49,395	\$ 53,166	\$ (3,771)	(7.1 %)	\$ 140,949	\$ 148,339	\$ (7,390)	(5.0 %)
Total									
Total									

DPAC amortization increased for the 2023 2024 three-month period as compared to the same period of 2022 2023 driven by a decrease in ceding commission income, which is an offset to expense, due to the reversal of commission income associated with the cancellation of a tail coverage previously recognized during the second quarter of 2023 (see previous discussion under the heading "Gross Premiums Written"). For the 2023 nine-month period, DPAC amortization was relatively unchanged as compared to the same respective period of 2022; however, DPAC amortization for the 2022 nine-month period reflected the impact of purchase accounting from the NORCAL acquisition which resulted in DPAC amortization being approximately \$1.0 million lower than would have otherwise been recognized for the period due to the application of GAAP purchase accounting rules. Under these purchase accounting rules, the capitalized policy acquisition costs for NORCAL policies written prior to the acquisition date were written off through purchase accounting on May 5, 2021 rather than being expensed pro rata over the remaining term of the associated policies. Excluding this impact, DPAC amortization for the 2023 nine-month period was lower as compared to the same period of 2022 driven by the decrease in earned premium, partially offset by an increase in compensation-related expenses costs due to an increase in headcount and an increase in agency commissions. higher underwriting salaries.

Management fees are charged pursuant to a management agreement by the Corporate segment to the core domestic operating subsidiaries within our Specialty P&C segment for services provided based on the extent to which services are provided to the subsidiary and the amount of premium written by the subsidiary. While the terms of the management agreement were generally consistent between 2023 2024 and 2022, 2023, fluctuations in the amount of premium written by each subsidiary can result in corresponding variations in the management fee charged to each subsidiary during a particular period.

Other underwriting and operating expenses decreased increased for the 2023 three- and nine-month periods 2024 three-month period as compared to the same respective periods period of 2022 driven by a decrease in amounts accrued for performance-related incentive plans due 2023 primarily attributable to the decline of the related performance metrics, certain one-time expenses of \$1.8 million and \$3.6 million incurred during the prior year period, respectively, as well as an increase in costs allocated to ULAE instead of remaining in operating expenses. ULAE are costs that cannot be attributed to processing a specific claim and are allocated to net losses and loss adjustment expenses on the Condensed Consolidated Statement of Income and Comprehensive Income (see additional discussion on ULAE in the previous section under the heading "Losses and Loss Adjustment Expenses"). One-time expenses during the 2022 three- and nine-month periods were mainly comprised of one-time bonuses, accelerated depreciation associated with a

decommissioned IT system, employee severance charges and lease exit costs. The decrease in other underwriting and operating expenses for the 2023 nine-month period also reflected a following:

- A claim for a payroll tax refund of \$3.8 million recognized in the first quarter of 2023 as a reduction to operating expenses related to the employee retention credit available to us under the CARES Act. See additional discussion on the ERC in Note 1 of the Notes to Condensed Consolidated Financial Statements in our December 31, 2023 report on Form 10-K and previous discussion in the Liquidity Operating Activities and Related Cash Flows section under the heading "Taxes." In addition, the decrease in other underwriting and
- A reduction to operating expenses for of \$1 million in the first quarter of 2023 nine-month period reflects the impact of related to the remeasurement of the contingent consideration liability associated with the NORCAL acquisition. We recognized \$7.5 million of acquisition due to unfavorable development in recognized on NORCAL's 2020 and prior accident year reserves during the first quarter of 2023 2023. See additional discussion on NORCAL's reserves related to accident year's 2020 and prior (see additional discussion the contingent consideration in the previous section under the heading "Losses and Loss Adjustment Expenses"). Given the contingent consideration is dependent upon the after-tax development of those accident years, we factored and in the unfavorable development Financing Activities and Related Cash Flows section under the heading "Contingent Consideration."
- An increase in compensation-related expenses and, to a lesser extent, the timing of certain software and equipment costs. The increase in compensation-related costs in the remeasurement of the contingent consideration which resulted in a \$1.0 million decrease 2024 three-month period as compared to the liability during same period of 2023 were primarily due to higher amounts accrued for performance-related incentive plans due to the first quarter of 2023. This \$1.0 million decrease was recorded as improvement in the related performance metrics and, to a reduction lesser extent, an increase in salaries due to annual merit adjustments. The remaining variance in other underwriting and operating expenses in for the segment 2024 three-month period as compared to be consistent with the reporting same period of NORCAL's reserves. See further discussion on the contingent consideration in Note 2 and Note 7 2023 was comprised of the Notes to Condensed Consolidated Financial Statements, individually insignificant components.

Underwriting Expense Ratio (the Expense Ratio)

Our expense ratio for the Specialty P&C segment was as follows:

	Three Months Ended September 30			Nine Months Ended September 30		
	2023	2022	Change	2023	2022	Change
Underwriting expense ratio	25.2 %	26.8 %	(1.6 pts)	25.1 %	25.1 %	— pts

	Three Months Ended March 31		
	2024	2023	Change
Underwriting expense ratio	27.0 %	23.2 %	3.8 pts

The change in our expense ratio for the 2023 three- and nine-month periods 2024 three-month period as compared to the same respective periods period of 2022 2023 was primarily attributable to the following:

(In percentage points)	Increase (Decrease) 2024 versus 2023 versus 2022	Comparative nine-month periods
	Comparative three-month periods	
Estimated ratio increase (decrease) attributable to:		
Change in Net Premiums Earned and DPAC amortization ^(a)	0.6 0.2 pts	
Employee Retention Credit	(0.6 pts) 2.1 pts	
Contingent Consideration Remeasurement Adjustment	(0.2 pts) 0.5 pts	
All other, net	0.8 1.0 pts	
Increase (decrease) in the underwriting expense ratio	3.8 pts	

Excluding the impact of the items specifically identified in the table above, our expense ratio decreased increased for the 2023 2024 three-month period by 1.1 1.0 percentage points and increased for the 2023 nine-month period by 0.8 percentage points point as compared to the same respective periods period of 2022. The decrease in the expense ratio for the 2023 three-month period was primarily attributable to a decrease in amounts accrued for performance-related incentive plans due to the decline of the related performance metrics and driven by an increase in estimated ULAE allocated to net losses and loss adjustment expenses, as previously discussed. The increase in the expense ratio for the 2023 nine-month period was driven by higher compensation-related expenses due to organizational structure changes and the movement of certain employees from the Corporate segment beginning in the third quarter of 2022, an increase in professional fees costs and, to a lesser extent, an increase in travel-related costs. the timing of certain software and equipment costs, partially offset by the impact of higher net premiums earned.

Segment Results - Workers' Compensation Insurance

Our Workers' Compensation Insurance segment includes workers' compensation products provided to employers generally with 1,000 or fewer employees, as discussed in Note 16 of the Notes to Consolidated Financial Statements in our **December 31, 2022** **December 31, 2023** report on Form 10-K. Workers' compensation products offered include guaranteed cost policies, policyholder dividend policies, retrospectively-rated policies, deductible policies and alternative market programs. Alternative market programs include services related to program design, fronting, claims administration, risk management, SPC rental, asset management and SPC management services. Alternative market program premiums are 100% ceded to either the SPCs within our Segregated Portfolio Cell Reinsurance segment or captive insurers unaffiliated with ProAssurance for two programs. Our Workers' Compensation Insurance segment results reflect pre-tax underwriting profit or loss from these workers' compensation products, exclusive of investment results, which are included in our Corporate segment. Segment results included the following:

		Three Months Ended September 30				Nine Months Ended September 30									
		Three Months Ended March 31													
		Three Months Ended March 31													
		Three Months Ended March 31													
(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change		(\$ in thousands)	2024	2023	Change		
Net premiums written	Net premiums written	\$ 44,386	\$43,973	\$ 413	0.9 %	\$134,280	\$131,796	\$ 2,484	1.9 %	Net premiums written	\$50,353	\$ 47,572	\$ 2,781	5.8	
Net premiums earned															
Net premiums earned															
Net premiums earned	Net premiums earned	\$ 39,885	\$42,063	\$ (2,178)	(5.2 %)	\$121,706	\$124,456	\$ (2,750)	(2.2 %)	\$ 41,094	\$ 40,803	\$ 291	0.7	0.7 %	
Other income	Other income	333	554	(221)	(39.9 %)	1,565	1,753	(188)	(10.7 %)	Other income	477	581	(104)	(17.9)	
Net losses and loss adjustment expenses	Net losses and loss adjustment expenses	(41,208)	(28,148)	(13,060)	46.4 %	(101,813)	(83,306)	(18,507)	22.2 %	Net losses and loss adjustment expenses	(31,636)	(30,844)	(792)	(792)	2.6
Underwriting, policy acquisition and operating expenses	Underwriting, policy acquisition and operating expenses	(13,542)	(14,146)	604	(4.3 %)	(40,923)	(40,816)	(107)	0.3 %	Underwriting, policy acquisition and operating expenses	(14,490)	(12,980)	(1,510)	(1,510)	11.6
Segment results	Segment results	\$ (14,532)	\$ 323	\$ (14,855)	(4,599.1 %)	\$ (19,465)	\$ 2,087	\$ (21,552)	(1,032.7 %)	Segment results	\$ (4,555)	\$ (2,440)	\$ (2,115)	(86.7)	
Net loss ratio	Net loss ratio	103.3%	66.9%	36.4 pts		83.7%	66.9%	16.8 pts							
Net loss ratio															
Net loss ratio															
Underwriting expense ratio	Underwriting expense ratio	34.0%	33.6%	0.4 pts		33.6%	32.8%	0.8 pts							
Underwriting expense ratio															
Underwriting expense ratio															

Premiums Written

Our workers' compensation premium volume is driven by five primary factors: (1) the amount of new business written, (2) retention of our existing book of business, (3) premium rates charged on our renewal book of business, (4) changes in payroll exposure and (5) audit premium.

Gross, ceded and net premiums written were as follows:

		Three Months Ended September 30				Nine Months Ended September 30								
		Three Months Ended March 31												
		Three Months Ended March 31												
		Three Months Ended March 31												
(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change		(\$ in thousands)	2024	2023	Change	
Gross premiums written	Gross premiums written	\$ 63,637	\$ 63,543	\$ 94	0.1 %	\$ 199,824	\$ 199,295	\$ 529	0.3 %	Gross premiums written	\$ 72,615	\$ 73,431	\$ (816)	(1.1 %)

(2) A majority of alternative market premiums are ceded to SPCs in our Segregated Portfolio Cell Reinsurance segment. See further discussion on alternative market gross premiums written in our Segment **Operating Results - Segregated Portfolio Cell Reinsurance** section under the heading "Gross Premiums Written" that follows. We retained **100%** seven of the **nineteen (three in the third quarter) nine** workers' compensation alternative market programs that were up for renewal during the **nine**three months ended **September 30, 2023** March 31, 2024. Effective January 1, 2024, two programs were non-renewed and placed into run-off; however, the majority of business written in one of those programs is expected to be renewed as traditional business in our Workers' Compensation Insurance segment, as previously discussed. The other program, in which we do not participate in the underwriting results, assumed both workers' compensation insurance and medical professional liability insurance and we elected to non-renew this program.

New business, audit premium, renewal retention and renewal price changes for our traditional business and **the** alternative market business are shown in the table below:

	Three Months Ended September 30															
	2023			2022												
Three Months Ended March 31																
Three Months Ended March 31																
Three Months Ended March 31																
2024												2024			2023	
		Alternative			Alternative											
	(\$ in millions)	Traditional Business	Market Business	Segment Results	Traditional Business	Market Business	Segment Results	(\$ in millions)	Traditional Business	Alternative Business	Market Business	Segment Results	Traditional Business	Alternative Business	Market Business	Segment Results
	New business	\$ 4.8	\$ 0.6	\$ 5.4	\$ 3.1	\$ 0.8	\$ 3.9									
Audit premium (excluding EBUB)	Audit premium (excluding EBUB)	\$ 2.2	\$ 0.6	\$ 2.8	\$ 2.9	\$ 1.2	\$ 4.1									
Retention rate (1)	Retention rate (1)	85 %	92 %	87 %	77 %	86 %	80 %	Retention rate (1)	87 %	76 %	84 %	83 %	90 %	85 %		
Change in renewal pricing (2)	Change in renewal pricing (2)	(3 %)	(5 %)	(3 %)	(5 %)	(4 %)	(5 %)	Change in renewal pricing (2)	(5 %)	(2 %)	(4 %)	(6 %)	(5 %)	(6 %)		
		Nine Months Ended September 30														
		2023			2022											
		Alternative			Alternative											
	(\$ in millions)	Traditional Business	Market Business	Segment Results	Traditional Business	Market Business	Segment Results									
New business		\$17.0	\$ 3.3	\$20.3	\$10.2	\$ 2.9	\$13.1									
Audit premium (excluding EBUB)		\$ 7.0	\$ 2.7	\$ 9.7	\$ 4.9	\$ 4.0	\$ 8.9									
Retention rate (1)		82 %	89 %	84 %	84 %	88 %	85 %									
Change in renewal pricing (2)		(5 %)	(5 %)	(5 %)	(5 %)	(4 %)	(4 %)									

<p>(1) We calculate our workers' compensation retention rate as annualized expiring renewed premium divided by all annualized expiring premium subject to renewal. Our retention rate can be impacted by various factors, including price or other competitive issues, insureds being acquired, or</p>		
<p>a decision not to renew based on our underwriting evaluation.</p>	<p>(1) We calculate our workers' compensation retention rate as annualized expiring renewed premium divided by all annualized expiring premium subject to renewal. Our retention rate can be impacted by various factors, including price or other competitive issues, insureds being acquired, or a decision not to renew based on our underwriting evaluation.</p>	<p>(1) We calculate our workers' compensation retention rate as annualized expiring renewed premium divided by all annualized expiring premium subject to renewal. Our retention rate can be impacted by various factors, including price or other competitive issues, insureds being acquired, or a decision not to renew based on our underwriting evaluation.</p>
<p>(2) The pricing of our business includes an assessment of the underlying policy exposure and market conditions. We continue to base our pricing on expected losses, as</p>		
<p>indicated by our historical loss data.</p>	<p>(2) The pricing of our business includes an assessment of the underlying policy exposure and market conditions. We continue to base our pricing on expected losses, as indicated by our historical loss data.</p>	<p>(2) The pricing of our business includes an assessment of the underlying policy exposure and market conditions. We continue to base our pricing on expected losses, as indicated by our historical loss data.</p>

Ceded Premiums Written

Ceded premiums written were as follows:

Three Months Ended September 30	Nine Months Ended September 30
---------------------------------	--------------------------------

Ceded premiums ratio, as reported	Ceded premiums ratio, as reported	34.3 %	34.2 %	0.1 pts	33.9 %	34.0 %	(0.1 pts)	Ceded premiums ratio, as reported	33.2 %	33.3 %	(0.1 pts)
Less the effect of:	Less the effect of:										
Premiums ceded to SPCs (100%)	Premiums ceded to SPCs (100%)	23.4 %	23.9 %	(0.5 pts)	23.7 %	24.7 %	(1.0 pts)				
Premiums ceded to SPCs (100%)	Premiums ceded to SPCs (100%)								23.2 %	24.2 %	(1.0 pts)
Premiums ceded to unaffiliated captive insurers (100%)	Premiums ceded to unaffiliated captive insurers (100%)	2.8 %	2.5 %	0.3 pts	2.6 %	2.0 %	0.6 pts				
Premiums ceded to unaffiliated captive insurers (100%)	Premiums ceded to unaffiliated captive insurers (100%)								2.6 %	2.7 %	(0.1 pts)
Change in return premium estimate under external reinsurance		(0.9 %)	(0.1 %)	(0.8 pts)	(0.2 %)	0.2 %	(0.4 pts)				
Estimated revenue share	Estimated revenue share										
Estimated revenue share	Estimated revenue share	(0.1 %)	(0.1 %)	— pts	(0.7 %)	(0.7 %)	— pts		(1.6 %)	(1.7 %)	0.1 pts
Assumed premiums earned (not ceded to external reinsurers)	Assumed premiums earned (not ceded to external reinsurers)	(0.3 %)	(0.3 %)	— pts	(0.3 %)	(0.3 %)	— pts	Assumed premiums earned (not ceded to external reinsurers)	(0.3 %)	(0.3 %)	— pts
EBUB estimate		— %	(0.1 %)	0.1 pts	(0.2 %)	(0.1 %)	(0.1 pts)				
Ceded premiums ratio (related to external reinsurance), less the effects of above	Ceded premiums ratio (related to external reinsurance), less the effects of above	9.4 %	8.4 %	1.0 pts	9.0 %	8.2 %	0.8 pts				
Ceded premiums ratio (related to external reinsurance), less the effects of above									9.3 %	8.4 %	0.9 pts

The above table reflects traditional ceded premiums earned as a percent of traditional gross premiums earned. As discussed above, premiums ceded under our traditional reinsurance treaty are based on premiums earned during the treaty period. The increase in the ceded premiums **ratios ratio** for the three **and nine** months ended **September 30, 2023** **March 31, 2024** as compared to the same **respective periods period** of **2022** **2023** primarily reflected the higher reinsurance rates.

Net Premiums Earned

Net premiums earned consist of gross premiums earned less the portion of earned premiums that we cede to SPCs in our Segregated Portfolio Cell Reinsurance segment, external reinsurers (including changes related to the return premium and revenue share estimates) and the unaffiliated captive insurers. Because premiums are generally earned pro rata over the entire policy period, fluctuations in premiums earned tend to lag those of premiums written. Our workers' compensation policies are twelve month term policies, and premiums are earned on a pro rata basis over the policy period. Net premiums earned also include premium adjustments related to the audit of our insureds' payrolls, changes in our estimates related to EBUB and premium adjustments related to retrospectively-rated policies. Payroll audits are conducted subsequent to the end of the policy period and any related premium adjustments are recorded as fully earned in the current period. We evaluate our estimates related to EBUB and retrospectively-rated premium adjustments on a quarterly basis with any adjustments being included in written and earned premium in the current period.

Net premiums earned were as follows:

			Three Months Ended September 30			Nine Months Ended September 30								
			Three Months Ended March 31											
			Three Months Ended March 31											
			Three Months Ended March 31											
			Three Months Ended March 31											
(\$ in thousands)	(\$ in thousands)		2023	2022	Change	2023	2022	Change	(\$ in thousands)	2024	2023	Change		
Gross premiums earned	Gross premiums earned		\$60,734	\$63,963	\$(3,229) (5.0 %)	\$184,044	\$188,518	\$(4,474) (2.4 %)	Gross premiums earned	\$ 61,539	\$ 61,166	\$ 373	0.6	0.6 %
Less: Ceded premiums earned	Less: Ceded premiums earned		20,849	21,900	(1,051) (4.8 %)	62,338	64,062	(1,724) (2.7 %)	Less: Ceded premiums earned	20,445	20,363	20,363	82	0.4
Net premiums earned	Net premiums earned		\$39,885	\$42,063	\$(2,178) (5.2 %)	\$121,706	\$124,456	\$(2,750) (2.2 %)	Net premiums earned	\$ 41,094	\$ 40,803	\$ 291	0.7	0.7 %

Net premiums earned decreased remained relatively unchanged during the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same respective periods period of 2022 driven by the continuation of competitive market conditions resulting in 2023 as lower renewal premium during the preceding twelve months. The decrease in net premiums earned for the 2023 nine-month period was partially offset by higher audit premium and the prior year impact of an increase in our carried EBUB estimate.

estimate during the first quarter of 2023 was more than offset by an increase in new business writings and the renewal of certain policies as traditional business that were previously written in one of the alternative market programs in our Segregated Portfolio Cell Reinsurance segment.

Losses and Loss Adjustment Expenses

We estimate our current accident year loss and loss adjustment expenses by developing actual reported losses using historical loss development factors, adjusted to reflect current and expected trends based on various internal analyses and supplemental information. The following table summarizes calendar year net loss ratios by separating losses between the current accident year and all prior accident years. Calendar year and current accident year net loss ratios by component were as follows:

			Three Months Ended September 30			Nine Months Ended September 30								
			2023	2022	Change	2023	2022	Change						
			Three Months Ended March 31											
			Three Months Ended March 31											
			Three Months Ended March 31											
			2024											
Calendar year net loss ratio	Calendar year net loss ratio		103.3 %	66.9 %	36.4 pts	83.7 %	66.9 %	16.8 pts	Calendar year net loss ratio	77.0 %	75.6 %	1.4 pts		
Less impact of prior accident years on the net loss ratio	Less impact of prior accident years on the net loss ratio		20.2 %	(4.8 %)	25.0 pts	7.7 %	(4.9 %)	12.6 pts	Less impact of prior accident years on the net loss ratio	— %	3.0 %	(3.0 pts)		
Current accident year net loss ratio	Current accident year net loss ratio		83.1 %	71.7 %	11.4 pts	76.0 %	71.8 %	4.2 pts	Current accident year net loss ratio	77.0 %	72.6 %	4.4 pts		

Less estimated ratio increase (decrease) attributable to:													
Change in ULAE	6.0 %	5.6 %	0.4 pts	6.4 %	5.9 %	0.5 pts							
ULAE													
ULAE													
ULAE													
Change in the AAD ⁽¹⁾	Change in the AAD ⁽¹⁾	3.7 %	3.5 %	0.2 pts	3.5 %	2.8 %	0.7 pts	Change in the AAD ⁽¹⁾	3.7 %	3.4 %	0.3 pts		
Current accident year net loss ratio, excluding the effect of the change in ULAE and the AAD	73.4 %	62.6 %	10.8 pts	66.1 %	63.1 %	3.0 pts							
Current accident year net loss ratio, excluding the effect of items above													

from the 1997 accident year. The net favorable prior year development for the three and nine months ended September 30, 2022 reflected overall favorable trends in claim closing patterns and primarily related to accident years 2017 and prior.

Underwriting, Policy Acquisition and Operating Expenses

Underwriting, policy acquisition and operating expenses include the amortization of commissions, premium taxes and underwriting salaries, which are capitalized and deferred over the related workers' compensation policy period, net of ceding commissions earned. The capitalization of underwriting salaries can vary as they are subject to the success rate of our contract acquisition efforts. These expenses also include a management fee charged by our Corporate segment, which represents intercompany charges pursuant to a management agreement. The management fee is based on the extent to which services are provided to the subsidiary and the amount of premium written by the subsidiary.

Our Workers' Compensation Insurance segment underwriting, policy acquisition and operating expenses were comprised as follows:

		Three Months Ended September 30				Nine Months Ended September 30									
		Three Months Ended March 31				Three Months Ended March 31									
		Three Months Ended March 31				Three Months Ended March 31									
		Three Months Ended March 31				Three Months Ended March 31									
(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change		(\$ in thousands)	2024		2023		Change
DPAC amortization	DPAC amortization	\$ 7,517	\$ 7,513	\$ 4	0.1 %	\$21,961	\$22,105	\$(144)	(0.7 %)	DPAC amortization	\$ 7,380	\$	\$ 7,010	\$	\$ 370
Management fees	Management fees	478	477	1	0.2 %	1,494	1,495	(1)	(0.1 %)	Management fees	545	550	550	(5)	(5)
Other underwriting and operating expenses	Other underwriting and operating expenses	8,733	9,635	(902)	(9.4 %)	27,399	27,609	(210)	(0.8 %)	Other underwriting and operating expenses	10,051	8,986	8,986	1,065	1,065
Policyholder dividend expense		399	216	183	84.7 %	831	708	123	17.4 %						
SPC ceding commission offset															
SPC ceding commission offset															
SPC ceding commission offset	SPC ceding commission offset	(3,585)	(3,695)	110	(3.0 %)	(10,762)	(11,101)	339	(3.1 %)		(3,486)	(3,566)	(3,566)	80	80
Total	Total	\$13,542	\$14,146	\$(604)	(4.3 %)	\$40,923	\$40,816	\$ 107	0.3 %	Total	\$14,490	\$	\$ 12,980	\$	\$1,510

DPAC amortization was relatively unchanged increased for the 2023 three- and nine-month periods 2024 three-month period as compared to the same respective periods period of 2022, reflecting the change 2023, which reflected an increase in gross premiums earned. acquisition related costs due to higher agent commissions and premium taxes.

Other underwriting and operating expenses decreased increased for the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same respective periods period of 2022. The decrease 2023, primarily reflecting an increase in other underwriting and operating expenses for the 2023 three-month period primarily reflected lower compensation-related costs and the timing of certain regulatory expenses, while the reduction in expenses for the 2023 nine-month period reflected an increase a decrease in ULAE allocated to net losses and loss adjustment expenses and lower office lease and advertising expenses, partially offset by higher IT and business travel expenses. The decrease increase in compensation-related costs during the 2023 three- and nine-month periods 2024 three-month period primarily reflected lower higher amounts accrued for performance-related incentive plans due to the decline of an improvement in the related performance metrics. See additional discussion on ULAE in the previous section under the heading "Losses and Loss Adjustment Expenses."

As previously discussed, alternative market premiums written by our Workers' Compensation Insurance segment are 100% ceded, less a ceding commission, to either the SPCs in our Segregated Portfolio Cell Reinsurance segment or unaffiliated captive insurers. The ceding commission charged to the SPCs consists of an amount for fronting fees, cell rental fees, commissions, premium taxes, claims administration fees and risk management fees. The fronting fees, commissions, premium taxes and risk management fees are recorded as an offset to underwriting, policy acquisition and operating expenses. Cell rental fees are recorded as a component of other income and claims administration fees are recorded as ceded ULAE. The increase in SPC ceding commissions earned were relatively unchanged for the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same respective periods period of 2022, primarily reflected the decrease in alternative market ceded earned premium. 2023.

Underwriting Expense Ratio (the Expense Ratio)

The underwriting expense ratio included the impact of the following:

Three Months Ended			Nine Months Ended		
September 30			September 30		
2023	2022	Change	2023	2022	Change

Three Months Ended March 31															
Three Months Ended March 31															
Three Months Ended March 31															
2024								2024				2023		Change	
Underwriting expense ratio, as reported	Underwriting expense ratio, as reported	34.0 %	33.6 %	0.4 pts	33.6 %	32.8 %	0.8 pts	Underwriting expense ratio, as reported	35.3 %		31.8 %		3.5 pts		
Less estimated ratio increase (decrease) attributable to:	Less estimated ratio increase (decrease) attributable to:														
Impact of ceding commissions received from SPCs	Impact of ceding commissions received from SPCs	4.1 %	4.1 %	— pts	3.9 %	3.7 %	0.2 pts								
Impact of ceding commissions received from SPCs															
Impact of ceding commissions received from SPCs								4.4 %				3.5 %		0.9 pts	
Impact of audit premium															
Impact of audit premium															
Impact of audit premium	Impact of audit premium	(1.2 %)	(1.8 %)	0.6 pts	(1.8 %)	(0.9 %)	(0.9 pts)	(1.0 %)		(1.8 %)		0.8 pts			
Underwriting expense ratio, less listed effects	Underwriting expense ratio, less listed effects	31.1 %	31.3 %	(0.2 pts)	31.5 %	30.0 %	1.5 pts								
Underwriting expense ratio, less listed effects															
Underwriting expense ratio, less listed effects								31.9 %				30.1 %		1.8 pts	

Excluding the items noted in the table above, the expense ratio **increased** for the three **and nine** months ended **September 30, 2023, March 31, 2024** primarily reflected reflecting the **impact of lower net premiums earned due to the continuation of competitive market conditions, increase in other underwriting and operating expenses, as discussed above.**

Segment Results - Segregated Portfolio Cell Reinsurance

The Segregated Portfolio Cell Reinsurance segment includes the results (underwriting profit or loss, plus investment results, net of U.S. federal income taxes) of SPCs at Inova Re and Eastern Re, our Cayman Islands SPC operations, as discussed in Note 16 of the Notes to Consolidated Financial Statements in our **December 31, 2022 December 31, 2023** report on Form 10-K. SPCs are segregated pools of assets and liabilities that provide an insurance facility for a defined set of risks. Assets of each SPC are solely for the benefit of that individual cell and each SPC is solely responsible for the liabilities of that individual cell. Assets of one SPC are statutorily protected from the creditors of the others. Each SPC is owned, fully or in part, by an individual company, agency, group or association and the results of the SPCs are attributable to the participants of that cell. We participate to a varying degree in the results of selected SPCs and, for the SPCs in which we participate, our participation interest ranges from a low of 15% to a high of 85%. SPC results attributable to external cell participants are reported as an SPC dividend (expense) income in our Segregated Portfolio Cell Reinsurance segment. In addition, our Segregated Portfolio Cell Reinsurance segment includes the investment results of the SPCs as the investments are solely for the benefit of the cell participants and investment results attributable to external cell participants are reflected in the SPC dividend (expense) income. As of **September 30, 2023 March 31, 2024**, there were **27 (4 twenty-six (five inactive) SPCs. Effective January 1, 2024, two SPCs were non-renewed and placed into run-off. As the underlying policies expire that were previously written in one of the programs, we expect a majority of those policies to be renewed as traditional business in our Workers' Compensation Insurance segment. For the year ended December 31, 2023, these SPCs had workers' compensation and medical professional liability premiums written totaling \$6.4 million and \$3.4 million, respectively. The SPCs assume workers' compensation insurance, healthcare medical professional liability insurance or a combination of the two from our Workers' Compensation Insurance and Specialty P&C segments. As of September 30, 2023 March 31, 2024, there were two SPCs was one SPC that assumed both workers' compensation insurance and healthcare medical professional liability insurance and one SPC that assumed only healthcare medical professional liability insurance.**

Segment results reflects our share of the underwriting and investment results of the SPCs in which we participate, and included the following:

Three Months Ended September 30				Nine Months Ended September 30			
Three Months Ended March 31							
Three Months Ended March 31							

Three Months Ended March 31																
(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change		(\$ in thousands)	2024	2023	Change			
Net premiums written	Net premiums written	\$5,749	\$15,672	\$ (9,923)	(63.3 %)	\$48,753	\$55,404	\$(6,651)	(12.0 %)	Net premiums written	\$13,621	\$ 19,947	\$ (6,326)	(31.7 %)	(31.7 %)	
Net premiums earned	Net premiums earned	\$6,763	\$17,811	\$(11,048)	(62.0 %)	\$46,156	\$53,347	\$(7,191)	(13.5 %)							
Net premiums earned																
Net premiums earned											\$14,168	\$ 15,300	\$ (1,132)	(7.4 %)		
Net investment income	Net investment income	601	294	307	104.4 %	1,625	617	1,008	163.4 %	Net investment income	693	420	420	273	65.0 %	
Net investment gains (losses)	Net investment gains (losses)	(525)	(732)	207	28.3 %	1,830	(4,225)	6,055	143.3 %	Net investment gains (losses)	1,471	1,160	1,160	311	26.8 %	
Other income		2	1	1	100.0 %	3	2	1	50.0 %							
Other income (expenses)										Other income (expenses)	(1)	1	(2)	(200.0 %)		
Net losses and loss adjustment expenses	Net losses and loss adjustment expenses	(5,006)	(11,407)	6,401	(56.1 %)	(27,245)	(32,170)	4,925	(15.3 %)	Net losses and loss adjustment expenses	(10,064)	(8,423)	(8,423)	(1,641)	19.5 %	
Underwriting, policy acquisition and operating expenses	Underwriting, policy acquisition and operating expenses	(3,668)	(5,599)	1,931	(34.5 %)	(15,241)	(15,203)	(38)	0.2 %	Underwriting, policy acquisition and operating expenses	(4,713)	(5,035)	(5,035)	322	(6.4 %)	
SPC U.S. federal income tax (expense) benefit (1)	SPC U.S. federal income tax (expense) benefit (1)	175	(433)	608	(140.4 %)	(1,351)	(1,424)	73	(5.1 %)	SPC U.S. federal income tax (expense) benefit (1)	(416)	(532)	(532)	116	(21.8 %)	
SPC net results	SPC net results	(1,658)	(65)	(1,593)	(2,450.8 %)	5,777	944	4,833	512.0 %	SPC net results	1,138	2,891	2,891	(1,753)	(60.6 %)	
SPC dividend (expense) income (2)	SPC dividend (expense) income (2)	2,518	(183)	2,701	1,476.0 %	(3,171)	(1,697)	(1,474)	86.9 %	SPC dividend (expense) income (2)	(607)	(1,942)	(1,942)	1,335	(68.7 %)	
Segment results (3)	Segment results (3)	\$ 860	\$ (248)	\$ 1,108	446.8 %	\$ 2,606	\$ (753)	\$ 3,359	446.1 %	Segment results (3)	\$ 531	\$ 949	\$ (418)	(44.0 %)		
Net loss ratio	Net loss ratio	74.0%	64.0%	10.0 pts		59.0%	60.3%	(1.3 pts)								
Net loss ratio																
Net loss ratio																
Underwriting expense ratio	Underwriting expense ratio	54.2%	31.4%	22.8 pts		33.0%	28.5%	4.5 pts								
Underwriting expense ratio																
Underwriting expense ratio																

(1) Represents the provision for U.S. federal income taxes for SPCs at Inova Re, which have elected to be taxed as a U.S. corporation under Section 953(d) of the Internal Revenue Code. U.S. federal income taxes are included in the total SPC net results and are paid by the individual SPCs.

(2) Represents the provision for U.S. federal income taxes for SPCs at Inova Re, which have elected to be taxed as a U.S. corporation under Section 953(d) of the Internal Revenue Code. U.S. federal income taxes are included in the total SPC net results and are paid by the individual SPCs.

(3) Represents the provision for U.S. federal income taxes for SPCs at Inova Re, which have elected to be taxed as a U.S. corporation under Section 953(d) of the Internal Revenue Code. U.S. federal income taxes are included in the total SPC net results and are paid by the individual SPCs.

(2) Represents the net (profit) loss attributable to external cell participants.	(2) Represents the net (profit) loss attributable to external cell participants.	(2) Represents the net (profit) loss attributable to external cell participants.
(3) Represents our share of the net profit (loss) and OCI of the SPCs in which we participate.	(3) Represents our share of the net profit (loss) and OCI of the SPCs in which we participate.	(3) Represents our share of the net profit (loss) and OCI of the SPCs in which we participate.

Premiums Written

Premiums in our Segregated Portfolio Cell Reinsurance segment are assumed from either our Workers' Compensation Insurance or Specialty P&C segments. Premium volume is driven by five primary factors: (1) the amount of new business written, (2) retention of the existing book of business, (3) premium rates charged on the renewal book of business and, for workers' compensation business, (4) changes in payroll exposure and (5) audit premium.

Gross, ceded and net premiums written were as follows:

		Three Months Ended September 30			Nine Months Ended September 30							
		Three Months Ended March 31										
		Three Months Ended March 31										
		Three Months Ended March 31										
(\$ in thousands)	(\$ in thousands)	2023	2022	Change	2023	2022	Change	(\$ in thousands)	2024	2023	Change	
Gross premiums written	Gross premiums written	\$7,930	\$17,879	\$(9,949) (55.6 %)	\$55,924	\$62,882	\$(6,958) (11.1 %)	Gross premiums written	\$15,934	\$22,881	\$(6,947) (30.4 %)	
Less: Ceded premiums written	Less: Ceded premiums written	2,181	2,207	(26) (1.2 %)	7,171	7,478	(307) (4.1 %)	Less: Ceded premiums written	2,313	2,934	(621) (21.2 %)	
Net premiums written	Net premiums written	\$5,749	\$15,672	\$(9,923) (63.3 %)	\$48,753	\$55,404	\$(6,651) (12.0 %)	Net premiums written	\$13,621	\$19,947	\$(6,326) (31.7 %)	

Gross Premiums Written

Gross premiums written reflected reinsurance premiums assumed by component as follows:

		Three Months Ended September 30			Nine Months Ended September 30							
		Three Months Ended March 31										
		Three Months Ended March 31										
		Three Months Ended March 31										
(\$ in thousands)	(\$ in thousands)	2023	2022	Change	2023	2022	Change	(\$ in thousands)	2024	2023	Change	
Workers' compensation	Workers' compensation	\$15,745	\$15,958	\$ (213) (1.3 %)	\$50,454	\$52,681	\$(2,227) (4.2 %)	Workers' compensation	\$15,997	\$19,992	\$(3,995) (20.0 %)	
Healthcare professional liability		(7,815)	1,921	(9,736) (506.8 %)	5,470	10,201	(4,731) (46.4 %)					
Medical professional liability								Medical professional liability	(63)	2,889	(2,952) (102.2 %)	
Gross Premiums Written	Gross Premiums Written	\$ 7,930	\$17,879	\$(9,949) (55.6 %)	\$55,924	\$62,882	\$(6,958) (11.1 %)					
Gross Premiums Written									\$15,934	\$22,881	\$(6,947) (30.4 %)	

Gross premiums written for the three and nine months ended September 30, 2023, March 31, 2024 and 2022 2023 were primarily comprised of workers' compensation coverages assumed from our Workers' Compensation Insurance segment. Workers' compensation gross premiums written decreased during the 2023 three- and nine-month periods as compared to the same respective periods of 2022 driven by lower renewal and audit premium. Renewal premium for the three and nine months ended September 30,

2023 reflected premium retention of 92% and 89%, respectively, and rate decreases of 5% in each period, partially offset by an increase in payroll exposure. Healthcare professional liability gross premiums written decreased during the 2023 2024 three-month period as compared to the same period of 2022 2023 due to the cancellation non-renewal of a tail coverage, resulting two programs effective January 1, 2024. The business written in the reversal one of \$7.9 million of tail premium during the current period, those programs is expected to be renewed as traditional business in our Workers' Compensation Insurance segment. The tail coverage previously recognized during the second quarter 2023 related to one other program, in which we do not participate in the underwriting results. results, assumed both workers' compensation insurance and medical professional liability insurance and we elected to non-renew this program.

The decrease in healthcare medical professional liability gross premiums written for the 2023 nine-month 2024 three-month period as compared to the same period 2022 2023 primarily reflected our non-renewal of the prior year impact of tail coverage related SPC that assumed both workers' compensation insurance and medical professional liability insurance, as described above. See further discussion on the cession to the same program. See further discussion SPCs from our Specialty P&C segment in our Segment Results - Specialty Property & Casualty section under the heading "Premiums Written."

Renewal premium for the three months ended March 31, 2024 reflected retention of 76% and rate decreases of 2%, partially offset by an increase in payroll exposure. Retention for the three months ended March 31, 2024 primarily reflected the non-renewal of the SPC that assumed both workers' compensation and medical professional liability insurance. We retained 100% six of the seventeen (three in the third quarter) eight workers' compensation programs and two (none in non-renewed the third quarter) healthcare one medical professional liability programs program up for renewal during the nine three months ended September 30, 2023 March 31, 2024.

New business, audit premium, retention and renewal price changes for the assumed workers' compensation premium is shown in the table below:

		Three Months Ended September 30		Nine Months Ended September 30					
		Three Months Ended March 31							
		Three Months Ended March 31							
		Three Months Ended March 31							

<p>(1) We calculate our workers' compensation retention rate as annualized expiring renewed premium divided by all annualized expiring premium subject to renewal. Our retention rate can be impacted by various factors, including price or other competitive issues, insureds being acquired, or a decision not to renew based on our underwriting evaluation.</p>	<p>(1) We calculate our workers' compensation retention rate as annualized expiring renewed premium divided by all annualized expiring premium subject to renewal. Our retention rate can be impacted by various factors, including price or other competitive issues, insureds being acquired, or a decision not to renew based on our underwriting evaluation.</p>	<p>(1) We calculate our workers' compensation retention rate as annualized expiring renewed premium divided by all annualized expiring premium subject to renewal. Our retention rate can be impacted by various factors, including price or other competitive issues, insureds being acquired, or a decision not to renew based on our underwriting evaluation.</p>
<p>(2) The pricing of our business includes an assessment of the underlying policy exposure and market conditions. We continue to base our pricing on expected losses, as indicated by our historical loss data.</p>	<p>(2) The pricing of our business includes an assessment of the underlying policy exposure and market conditions. We continue to base our pricing on expected losses, as indicated by our historical loss data.</p>	<p>(2) The pricing of our business includes an assessment of the underlying policy exposure and market conditions. We continue to base our pricing on expected losses, as indicated by our historical loss data.</p>

Ceded Premiums Written

Ceded premiums written were as follows:

Three Months Ended September	
30	Nine Months Ended September 30

Three Months Ended March 31									
Three Months Ended March 31									
Three Months Ended March 31									
(\$ in thousands)	(\$ in thousands)	2023	2022	Change	2023	2022	Change	(\$ in thousands)	
Ceded premiums written	Ceded premiums written	\$2,181	\$2,207	\$(26) (1.2 %)	\$7,171	\$7,478	\$(307) (4.1 %)	Ceded premiums written	\$ 2,313 \$ 2,934 \$ (621) (21.2) (21.2 %)

For the workers' compensation business, each SPC has in place its own external reinsurance coverage. The healthcare medical professional liability business is assumed net of reinsurance from our Specialty P&C segment; therefore, there are no ceded premiums related to the healthcare medical professional liability business reflected in the table above. The risk retention for each loss occurrence for the workers' compensation business ranges from \$0.3 million to \$0.4 million based on the program, with limits up to \$119.7 million. In addition, each program has aggregate reinsurance coverage between \$1.1 million and \$2.1 million on a program year basis. Premiums ceded under our SPC reinsurance treaty are based on premiums written during the treaty period. The change in ceded premiums written during the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same respective periods period of 2022 2023 primarily reflected the decrease in workers' compensation gross premiums written and the impact of rate changes under the external reinsurance treaty. External reinsurance rates vary based on the alternative market program.

Ceded Premiums Ratio

Ceded premiums ratio was as follows:

	Three Months Ended September 30			Nine Months Ended September 30		
	2023	2022	Change	2023	2022	Change
Ceded premiums ratio	13.9%	13.8%	0.1 pts	14.2%	14.2%	— pts

	Three Months Ended March 31		
	2024	2023	Change
Ceded premiums ratio	14.5%	14.7%	(0.2 pts)

The above table reflects ceded premiums as a percent of gross premiums written for the workers' compensation business only; healthcare medical professional liability business is assumed net of reinsurance, as discussed above. The ceded premiums ratio reflects the weighted average reinsurance rates of all SPC programs.

Net Premiums Earned

Net premiums earned consist of gross premiums earned less the portion of earned premiums that the SPCs cede to external reinsurers. Because premiums are generally earned pro rata over the entire policy period, fluctuations in premiums earned tend to lag those of premiums written. Policies ceded to the SPCs are twelve month term policies and premiums are earned on a pro rata basis over the policy period. Net premiums earned also include premium adjustments related to the audit of workers' compensation insureds' payrolls. Payroll audits are conducted subsequent to the end of the policy period and any related adjustments are recorded as fully earned in the current period.

Gross, ceded and net premiums earned were as follows:

Three Months Ended September 30									
Three Months Ended September 30									
Three Months Ended March 31									
Three Months Ended March 31									
Three Months Ended March 31									
(\$ in thousands)	(\$ in thousands)	2023	2022	Change	2023	2022	Change	(\$ in thousands)	
Gross premiums earned	Gross premiums earned	\$9,008	\$20,195	\$(11,187) (55.4 %)	\$53,001	\$60,455	\$(7,454) (12.3 %)	Gross premiums earned	\$ 16,410 \$ 17,603 \$ (1,193) (6.8) (6.8 %)
Less: Ceded premiums earned	Less: Ceded premiums earned	2,245	2,384	(139) (5.8 %)	6,845	7,108	(263) (3.7 %)	Less: Ceded premiums earned	2,242 2,303 2,303 (61) (61) (2.6) (2.6 %)
Net premiums earned	Net premiums earned	\$6,763	\$17,811	\$(11,048) (62.0 %)	\$46,156	\$53,347	\$(7,191) (13.5 %)	Net premiums earned	\$ 14,168 \$ 15,300 \$ (1,132) (7.4) (7.4 %)

The decrease in net premiums earned during the three months ended September 30, 2023 March 31, 2024 as compared to the same period of 2022 2023 primarily reflected the reversal non-renewal of the \$7.9 million of tail coverage previously recognized during the second quarter of 2023, two SPCs effective January 1, 2024, as previously discussed. The decrease in net premiums earned during the nine months ended September 30, 2023 primarily reflected the prior year impact of tail coverage discussed above. Net premiums earned related to the workers' compensation business decreased during the 2023 three- and nine-month periods driven by the pro rata effect of a reduction in net premiums written during the preceding twelve months, including a reduction in audit premium.

Losses and Loss Adjustment Expenses

The following table summarizes the calendar year net loss ratios by separating losses between the current accident year and all prior accident years. The current accident year net loss ratio reflects the aggregate loss ratio for all programs. Loss reserves and associated reinsurance are estimated for each program on a quarterly basis. Each SPC has in place its own reinsurance agreement, and the attachment point of aggregate reinsurance coverage varies by program. Due to the size of some of the programs, quarterly loss results, including changes in estimated aggregate reinsurance, can create volatility in the current accident year net loss ratio from period to period.

Calendar year and current accident year net loss ratios for the three and nine months ended September 30, 2023, March 31, 2024 and 2022-2023 were as follows:

		Three Months Ended September 30			Nine Months Ended September 30										
		2023	2022	Change	2023	2022	Change								
		Three Months Ended March 31													
		Three Months Ended March 31													
		Three Months Ended March 31													
		2024						2024						2023	Change
Calendar year net loss ratio	Calendar year net loss ratio	74.0 %	64.0 %	10.0 pts	59.0 %	60.3 %	(1.3 pts)	Calendar year net loss ratio	71.0 %	55.1 %	15.9 pts				
Less impact of prior accident years on the net loss ratio	Less impact of prior accident years on the net loss ratio	3.5 %	(3.7 %)	7.2 pts	(5.7 %)	(7.2 %)	1.5 pts	Less impact of prior accident years on the net loss ratio	5.9 %	(9.8 %)	15.7 pts				
Current accident year net loss ratio	Current accident year net loss ratio	70.5 %	67.7 %	2.8 pts	64.7 %	67.5 %	(2.8 pts)	Current accident year net loss ratio	65.1 %	64.9 %	0.2 pts				
Less estimated ratio increase (decrease) attributable to:	Less estimated ratio increase (decrease) attributable to:														
Change in estimated aggregate reinsurance (1)	Change in estimated aggregate reinsurance (1)	1.0 %	1.3 %	(0.3 pts)	1.3 %	1.6 %	(0.3 pts)								
Change in estimated aggregate reinsurance (1)															
Change in estimated aggregate reinsurance (1)													0.5 %	(0.1 %)	0.6 pts
Current accident year net loss ratio, excluding the effect of the change in estimated aggregate reinsurance	Current accident year net loss ratio, excluding the effect of the change in estimated aggregate reinsurance	69.5 %	66.4 %	3.1 pts	63.4 %	65.9 %	(2.5 pts)	Current accident year net loss ratio, excluding the effect of the change in estimated aggregate reinsurance	64.6 %	65.0 %	(0.4 pts)				

(1) See additional information regarding the SPC's aggregate reinsurance agreements in our Liquidity section under the heading "Operating Activities and Related Cash Flows."

(1) See additional information regarding the SPC's aggregate reinsurance agreements in our Liquidity and Capital Resources and Financial Condition section under the heading "Operating Activities and Related Cash Flows."

(1) See additional information regarding the SPC's aggregate reinsurance agreements in our Liquidity and Capital Resources and Financial Condition section under the heading "Operating Activities and Related Cash Flows."

The current accident year net loss ratios, ratio, excluding the effect of changes in estimated aggregate reinsurance, increased in improved for the 2023 2024 three-month period and decreased in the 2023 nine-month period as compared to the same respective periods period of 2022. 2023 primarily reflecting the non-renewal of the SPC that assumed both workers' compensation and medical professional liability insurance which was recorded with a higher loss ratio than the segment's average initial loss ratio. The increase in the workers' compensation current accident year net loss ratio for the 2023 2024 three-month period reflected an increase in was relatively unchanged as compared to the healthcare professional liability current accident year net loss ratio, partially offset by a decrease in the workers' compensation current accident year net loss ratio. The decrease in the current accident year net loss ratio for the 2023 nine-month same period reflected a decrease in the workers' compensation current accident year net loss ratio, partially offset by an increase in the healthcare professional liability current accident year net loss ratio. The increase in the healthcare professional liability current accident year net loss ratios for the 2023 three- and nine-month periods primarily reflected an increase in expected claim frequency related to one program in which we do not participate. The decrease in the workers' compensation current accident year net loss ratios for the 2023 three- and nine-month periods primarily reflects a reduction in claim frequency and severity, partially offset by the continuation of intense price competition and the resulting renewal rate decreases. 2023.

Calendar year incurred losses (excluding IBNR) ceded to our external reinsurers increased \$0.2 million and decreased \$7.0 million \$1.8 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 as compared to the same respective periods period of 2022. Current 2023. There were no current accident year ceded incurred losses (excluding IBNR) increased \$0.3 million and decreased \$6.5 million for during the 2024 or 2023 three- and nine-month periods, respectively, as compared to the same respective periods of 2022. three-month periods.

We recognized net unfavorable prior year reserve development of \$0.3 million and favorable prior year reserve development of \$2.6 million \$0.9 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 as compared to favorable prior year reserve development of \$0.6 million and \$3.8 million \$1.5 million for the same respective periods period of 2022, 2023. The development for the 2023 three- and nine-month periods 2024 three-month period includes net favorable development in the workers' compensation business of \$1.1 million and \$3.9 million, respectively, and \$0.5 million which was more than offset by net unfavorable development of \$1.4 million in each period in the healthcare medical professional liability business. The net favorable development related to the workers' compensation business reflected overall favorable trends in claim closing patterns primarily in accident years 2018 2020 through 2021, 2022. The net unfavorable development in the healthcare medical professional liability business primarily reflected higher than expected claim frequency in one the program in that assumed both workers' compensation and medical professional liability insurance, which we was non-renewed effective January 1, 2024. We do not participate in the underwriting results. results of this program. The development for the 2022 three- and nine-month periods includes net favorable development in 2023 three-month period entirely related to the workers' compensation business of \$1.3 million and \$4.6 million, respectively, partially offset by net unfavorable development of \$0.7 million in each period in the healthcare professional liability business. The net favorable development in the workers' compensation business reflected overall favorable trends in claim closing patterns primarily in accident years 2016 through 2020. The net unfavorable development in the healthcare professional liability business primarily reflected higher than expected claim frequency in one program in which we do not participate. 2021.

Underwriting, Policy Acquisition and Operating Expenses

Our Segregated Portfolio Cell Reinsurance segment underwriting, policy acquisition and operating expenses were comprised as follows:

		Three Months Ended September 30			Nine Months Ended September 30				
		Three Months Ended March 31							
		Three Months Ended March 31							
		Three Months Ended March 31							
(\$ in thousands)	(\$ in thousands)	2023	2022	Change	2023	2022	Change	(\$ in thousands)	
DPAC	DPAC							DPAC	
amortization	amortization	\$3,152	\$5,067	\$(1,915)	(37.8 %)	\$13,759	\$15,219	\$(1,460)	(9.6 %)
Policyholder dividend									
expense		119	57	62	108.8 %	259	135	124	91.9 %

related to the cancellation of tail coverage previously recognized during the second quarter of 2023. The increase in the underwriting expense ratio for the 2023 nine-month period was primarily driven by the prior year impact non-renewal of the SPC that assumed both workers' compensation and medical professional liability insurance, which had a reduction in the allowance for credit losses for one program in which we do not participate in the underwriting results, as previously discussed, lower ceding commission.

Segment Results - Corporate

Our Corporate segment includes our investment operations excluding those reported in our Segregated Portfolio Cell Reinsurance segment as discussed in Note 16 of the Notes to Consolidated Financial Statements in our **December 31, 2022** **December 31, 2023** report on Form 10-K. In addition, this segment includes corporate expenses, interest expense, U.S. and U.K. income taxes and non-premium revenues generated outside of our insurance entities. As previously discussed under the heading "ProAssurance Overview," we reorganized our segment reporting in the third quarter of 2023. As a result, the investment results of assets solely allocated to our Lloyd's Syndicate operations and U.K. income taxes which were previously reported in our Lloyd's Syndicates segment are now reported in our Corporate segment. All prior period segment information has been recast to conform to the current period presentation. See further information regarding our segments in Note **13 12** of the Notes to Condensed Consolidated Financial Statements.

Segment results for the three and nine months ended **September 30, 2023** **March 31, 2023** exclude the change in fair value of contingent consideration and, for the nine months ended September 30, 2022, transaction-related costs including the associated income tax benefit related to with the NORCAL acquisition as we do not consider these items this item in assessing the financial performance of the segment. We did not incur any transaction-related costs during the three and nine months ended September 30, 2023 or the three months ended September 30, 2022. For additional information on the NORCAL acquisition see Note 2 of the Notes to Consolidated Financial Statements in our **December 31, 2022** report on Form 10-K. Segment results for our Corporate segment were net earnings of **\$22.1 million** **\$22.5 million** and **\$63.3 million** **\$18.4 million** for the three and nine months ended **September 30, 2023**, **March 31, 2024** and **2023**, respectively, as compared to \$3.0 million and \$6.1 million for the same respective periods of 2022 and included the following:

		Three Months Ended September 30				Nine Months Ended September 30									
		Three Months Ended March 31													
		Three Months Ended March 31													
		Three Months Ended March 31													
(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change		(\$ in thousands)	2024	2023	Change		
Net investment income	Net investment income	\$32,153	\$24,451	\$ 7,702	31.5 %	\$93,089	\$ 66,515	\$26,574	40.0 %	Net investment income	\$33,204	\$29,890	\$ 3,314	11.1	11.1 %
Equity in earnings (loss) of unconsolidated subsidiaries	Equity in earnings (loss) of unconsolidated subsidiaries	\$ (61)	\$ (6,852)	\$ 6,791	99.1 %	\$ 5,450	\$ 5,948	\$ (498)	(8.4 %)	Equity in earnings (loss) of unconsolidated subsidiaries	\$ 2,963	\$ (1,121)	\$ 4,084	364.3	364.3 %
Net investment gains (losses)	Net investment gains (losses)	\$ (3,677)	\$ (7,530)	\$ 3,853	51.2 %	\$ (3,174)	\$ (41,427)	\$38,253	92.3 %	Net investment gains (losses)	\$ (1,739)	\$ 752	\$ (2,491)	(331.3)	(331.3 %)
Other income	Other income	\$ 2,847	\$ 4,695	\$ (1,848)	(39.4 %)	\$ 5,347	\$ 10,386	\$ (5,039)	(48.5 %)	Other income	\$ 3,061	\$ 327	\$ 2,734	836.1	836.1 %
Operating expense	Operating expense	\$ 8,344	\$ 8,921	\$ (577)	(6.5 %)	\$24,823	\$ 26,679	\$ (1,856)	(7.0 %)	Operating expense	\$ 8,688	\$ 8,204	\$ 484	5.9	5.9 %
Interest expense	Interest expense	\$ 5,514	\$ 5,513	\$ 1	— %	\$16,478	\$ 14,872	\$ 1,606	10.8 %	Interest expense	\$ 5,657	\$ 5,463	\$ 194	3.6	3.6 %
Income tax expense (benefit)	Income tax expense (benefit)	\$ (4,655)	\$ (2,673)	\$ (1,982)	(74.1 %)	\$ (3,901)	\$ (6,232)	\$ 2,331	37.4 %	Income tax expense (benefit)	\$ 692	\$ (2,172)	\$ 2,864	131.9	131.9 %

Net Investment Income, Equity in Earnings (Loss) of Unconsolidated Subsidiaries, Net Investment Gains (Losses)

Net Investment Income

Net investment income is primarily derived from the income earned by our fixed maturity securities and also includes dividend income from equity securities, income from our short-term and cash equivalent investments, earnings from other investments and changes in the cash surrender value of BOLI contracts, net of investment fees and expenses.

Net investment income (loss) by investment category was as follows:

		Three Months Ended September 30				Nine Months Ended September 30									
		Three Months Ended March 31													
		Three Months Ended March 31													
		Three Months Ended March 31													
(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change		(\$ in thousands)	2024	2023	Change		
Fixed maturities	Fixed maturities	\$28,035	\$23,437	\$4,598	19.6 %	\$82,669	\$66,485	\$16,184	24.3 %	Fixed maturities	\$30,957	\$27,020	\$3,937	14.6	
Equities	Equities	1,158	846	312	36.9 %	3,070	2,514	556	22.1 %	Equities	892	807	85	85	10

Short-term investments, including Other	Short-term investments, including Other	4,156	1,736	2,420	139.4 %	10,948	2,864	8,084	282.3 %	Short-term investments, including Other	3,075	3,101	3,101	(26)	(26)	(0)
BOLI	BOLI	668	421	247	58.7 %	1,784	635	1,149	180.9 %	BOLI	452	657	657	(205)	(205)	(31)
Investment fees and expenses	Investment fees and expenses	(1,864)	(1,989)	125	(6.3 %)	(5,382)	(5,983)	601	(10.0 %)	Investment fees and expenses	(2,172)	(1,695)	(1,695)	(477)	(477)	28
Net investment income	Net investment income	\$32,153	\$24,451	\$7,702	31.5 %	\$93,089	\$66,515	\$26,574	40.0 %	Net investment income	\$33,204	\$	\$29,890	\$	\$3,314	11.1

Fixed Maturities

Income from our fixed maturities increased during the 2023 three- and nine-month periods 2024 three-month period as compared to the same respective periods period of 2022 2023 driven by higher average book yields as we continue to reinvest at higher rates as our portfolio matures. However, average investment balances were approximately 2.7% and 1.5% 0.8% lower for the 2023 three- and nine-month periods, respectively, 2024 three-month period as compared to the same respective periods period of 2022 2023 as we have reduced the rate of reinvestment in order to allow for additional cash availability, primarily related to operating costs and the repurchase of our stock. common shares during the second and third quarters of 2023 pursuant to the existing share repurchase authorization. See additional information on our operating cash flows in the Liquidity section under the heading "Cash Flows."

Average yields for our fixed maturity portfolio were as follows:

		Three Months Ended September 30		Nine Months Ended September 30					
		Three Months Ended March 31		Three Months Ended March 31					
		2023		2022					
		2023		2022					
Average income yield	Average income yield	3.1%	2.5%	3.0%	2.4%	Average income yield		3.3%	2.9%
Average tax equivalent income yield	Average tax equivalent income yield	3.1%	2.5%	3.0%	2.4%	Average tax equivalent income yield		3.3%	2.9%

Short-term Investments and Other Investments

Short-term investments, which have a maturity at purchase of one year or less are carried at fair value, which approximates their cost basis, and are primarily composed of investments in U.S. treasury obligations, commercial paper, money market funds and a certificate of deposit. Income from our short-term and other investments increased during the 2023 three- and nine-month periods as compared to the same respective periods of 2022 primarily due to higher yields given the increase in interest rates.

BOLI

We hold BOLI policies that are carried at the current cash surrender value of the policies, which includes the BOLI policies acquired from NORCAL policies. All insured individuals were members of ProAssurance or NORCAL management at the time the policies were acquired. Income from our BOLI policies increased in decreased for the 2023 three- and nine-month periods 2024 three-month period as compared to the same respective periods period of 2022 2023 primarily attributable to an increase a decrease in the cash surrender value.

Investment Fees and Expenses

Investment fees and expenses increased for the 2024 three-month period as compared to the same period of 2023 primarily due to the renegotiation of our contracts in 2023.

Equity in Earnings (Loss) of Unconsolidated Subsidiaries

Equity in earnings (loss) of unconsolidated subsidiaries was comprised as follows:

		Three Months Ended September 30				Nine Months Ended September 30										
		Three Months Ended March 31														
		Three Months Ended March 31														
		Three Months Ended March 31														
		Three Months Ended March 31														
(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change		(\$ in thousands)	2024		2023		Change	
All other investments, primarily investment fund LPs/LLCs	All other investments, primarily investment fund LPs/LLCs	\$368	\$(4,688)	\$5,056	107.8 %	\$7,744	\$12,347	\$(4,603)	(37.3 %)	All other investments, primarily investment fund LPs/LLCs	\$3,066	\$	\$(767)	\$	\$3,833	495
Tax credit partnerships	Tax credit partnerships	(429)	(2,164)	1,735	(80.2 %)	(2,294)	(6,399)	4,105	(64.2 %)	Tax credit partnerships	(103)	(354)	(354)	251		251
Equity in earnings (loss) of unconsolidated subsidiaries	Equity in earnings (loss) of unconsolidated subsidiaries	\$(61)	\$(6,852)	\$6,791	99.1 %	\$5,450	\$5,948	\$(498)	(8.4 %)	Equity in earnings (loss) of unconsolidated subsidiaries	\$2,963	\$	\$(1,121)	\$	\$4,084	364

Net Investment Gains (Losses)

The following table provides detailed information regarding our net investment gains (losses).

		Three Months Ended March 31				Three Months Ended March 31				Three Months Ended March 31			
(In thousands)						(In thousands)							
Total impairment losses													
		Three Months Ended September 30				Nine Months Ended September 30							
(In thousands)		2023		2022		2023		2022					
Total impairment losses													
Corporate debt													
Corporate debt													
Corporate debt	Corporate debt	\$	—	\$	—	\$ (2,984)	\$	(972)					
Asset-backed securities	Asset-backed securities		(141)		—		(133)		—				
Portion of impairment losses recognized in other comprehensive income before taxes:	Portion of impairment losses recognized in other comprehensive income before taxes:												
Portion of impairment losses recognized in other comprehensive income before taxes:													
Portion of impairment losses recognized in other comprehensive income before taxes:													
Corporate debt													
Corporate debt													
Corporate debt	Corporate debt		—		—		—		419				
Net impairment losses recognized in earnings	Net impairment losses recognized in earnings		(141)		—		(3,117)		(553)				
Gross realized gains, available-for-sale fixed maturities	Gross realized gains, available-for-sale fixed maturities		254		142		793		1,511				
Gross realized (losses), available-for-sale fixed maturities	Gross realized (losses), available-for-sale fixed maturities		(285)		(54)		(1,509)		(2,047)				

Net realized gains (losses), trading fixed securities	Net realized gains (losses), trading fixed securities	5	(31)	(101)	(127)
Net realized gains (losses), equity investments	Net realized gains (losses), equity investments	(7)	—	(7)	(5,928)
Net realized gains (losses), other investments	Net realized gains (losses), other investments	(683)	209	(2,570)	99
Change in unrealized holding gains (losses), trading fixed securities	Change in unrealized holding gains (losses), trading fixed securities	(70)	(100)	81	(881)
Change in unrealized holding gains (losses), equity investments	Change in unrealized holding gains (losses), equity investments	(3,893)	(5,925)	(3,532)	(19,272)
Change in unrealized holding gains (losses), convertible securities, carried at fair value as a part of other investments	Change in unrealized holding gains (losses), convertible securities, carried at fair value as a part of other investments	(588)	(1,441)	3,473	(14,499)
Other	Other	1,731	(330)	3,315	270
Net investment gains (losses)	Net investment gains (losses)	<u>\$ (3,677)</u>	<u>\$ (7,530)</u>	<u>\$ (3,174)</u>	<u>\$ (41,427)</u>

For the three and nine months ended September 30, 2023 March 31, 2024, we recognized a nominal amount and \$3.1 million \$0.9 million of credit-related impairment losses in earnings respectively, related to a corporate bond in the consumer sector as well as an asset-backed security. We recognized non-credit impairment losses in OCI of \$0.6 million related to a corporate bond during the 2024 three-month period. For the three months ended March 31, 2023, we recognized credit-related impairment losses in earnings of \$2.9 million related to two corporate bonds in the financial sector. We did not recognize any non-credit impairment losses in OCI during the three and nine months ended September 30, 2023 March 31, 2023. The credit-related impairment losses recognized during the three and nine months ended September 30, 2023 related to a mortgage-backed security and, for the 2023 nine-month period, two corporate bonds in the financial sector. For the three months ended September 30, 2022 we did not recognize any credit-related impairment losses in earnings or non-credit impairment losses in OCI. For the nine months ended September 30, 2022, we recognized credit-related impairment losses in earnings of \$0.6 million and non-credit impairment losses in OCI of \$0.4 million. The credit-related and non-credit impairment losses in OCI during the nine months ended September 30, 2022 related to a corporate bond in the consumer sector.

During the 2023 three- and nine-month periods, 2024 three-month period, we recognized \$3.7 million and \$3.2 million \$1.7 million of net investment losses respectively, driven primarily by realized losses from the sale of certain available-for-sale fixed maturities and, to a lesser extent, unrealized holding losses resulting from changes in the fair value of our equity investments, partially offset by death benefit proceeds from BOLI contracts and, for the 2023 nine-month period, unrealized holding gains resulting from changes in the fair value of our convertible securities. During the 2022 three- and nine-month periods, 2023 three-month period, we recognized \$7.5 million and \$41.4 million \$0.8 million of net investment losses, respectively, gains driven by unrealized holding losses gains resulting from changes in the fair value of our equity investments and convertible securities and, for the 2022 nine-month period, realized losses from the sale of equity investments.

securities.

Other Income

Other income was \$2.8 million and \$5.3 million for the 2023 three- and nine-month periods, respectively, as compared to \$4.7 million and \$10.4 million during the same respective periods of 2022. The decrease in Corporate other income for the three months ended March 31, 2024 as compared to the same period of 2023 three- and nine-month periods was driven by comprised of the effect of following:

Three Months Ended March 31

(\$ in thousands)		2024	2023	Change	
Foreign currency exchange rate gains (losses) ⁽¹⁾	\$	1,929	\$ (824)	\$ 2,753	334.1 %
Other		1,132	1,151	(19)	(1.7 %)
Total other income	\$	3,061	\$ 327	\$ 2,734	836.1 %

(1) See further information on foreign currency exchange rate gains (losses) in the Executive Summary of Operations section under the heading "Revenues."

Excluding the foreign currency exchange rate changes of \$1.4 million and \$6.6 million gains (losses), respectively, related to foreign currency denominated loss reserves associated with premium assumed from an international medical professional liability insured in our Specialty P&C segment. We mitigate foreign exchange exposure by generally matching the currency and duration of associated investments to the corresponding loss reserves. In accordance with GAAP, the impact on the market value of available-for-sale fixed maturities due to changes in foreign currency exchange rates is reflected as part of OCI. Conversely, the impact of changes in foreign currency exchange rates on loss reserves is reflected through net income (loss) as a component of other income. The effect of exchange rate changes on foreign currency denominated loss reserves are reported in our Corporate segment to be consistent with the reporting of the foreign currency denominated invested assets and associated investment income. Excluding the impact of foreign currency exchange rate changes in all periods, other income decreased \$0.5 million was relatively unchanged for the 2023 2024 three-month period and increased \$1.5 million for the 2023 nine-month period as compared to the same respective periods period of 2022. Other income for the 2023 nine-month period included proceeds of \$1.4 million associated with the sale of a portion of our ownership interest in the underwriting and operations entity associated with Syndicate 1729 to an unrelated third party during the second quarter of 2023.

Operating Expenses

Corporate segment operating expenses were comprised as follows:

		Three Months Ended September 30				Nine Months Ended September 30									
		Three Months Ended March 31													
		Three Months Ended March 31													
		Three Months Ended March 31													
(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change		(\$ in thousands)	2024	2023	Change		
Operating expenses	Operating expenses	\$10,023	\$10,806	\$(783)	(7.2 %)	\$29,481	\$31,963	\$(2,482)	(7.8 %)	Operating expenses	\$10,378	\$ 9,918	\$ 460	4.6	4.6 %
Management fee offset	Management fee offset	(1,679)	(1,885)	206	(10.9 %)	(4,658)	(5,284)	626	(11.8 %)	Management fee offset	(1,690)	(1,714)	24	24	(1.4 %)
Total	Total	\$ 8,344	\$ 8,921	\$(577)	(6.5 %)	\$24,823	\$26,679	\$(1,856)	(7.0 %)	Total	\$ 8,688	\$ 8,204	\$ 484	5.9	5.9 %

Operating expenses decreased increased for the 2023 three- and nine-month periods 2024 three-month period as compared to the same respective periods period of 2022 2023 driven by an increase in compensation-related costs, partially offset by a decrease in compensation-related costs professional fees and, to a lesser extent, a decrease in professional fees, share-based compensation expenses. The decrease increase in compensation-related costs during the 2023 three- and nine-month periods 2024 three-month period primarily reflected lower higher amounts accrued for performance-related incentive plans due to the decline of an improvement in the related performance metrics. In addition, the decrease metrics, an increase in compensation-related costs during the 2023 nine-month period reflected a decrease in segment headcount salaries due to organizational structure changes annual merit adjustments and, the movement of certain employees to the Specialty P&C segment beginning a lesser extent, an increase in the third quarter of 2022, employee headcount as we have filled open positions. The decrease in professional fees during for the 2023 three- and nine-month periods was 2024 three-month period primarily attributable to reflected a decrease in consulting fees and temporary personnel fees. The decrease in share-based compensation expenses for the 2024 three-month period was due to a lesser extent, employee placement fees as a result the timing of filling open positions across the organization in 2022, grants of current year share-based awards.

Core domestic operating subsidiaries within our Specialty P&C segment and our Workers' Compensation Insurance segment are charged a management fee by the Corporate segment for services provided to these subsidiaries. The management fee is based on the extent to which services are provided to the subsidiary and the amount of premium written by the subsidiary. Under the arrangement, the expenses associated with such services are reported as expenses of the Corporate segment, and the management fees charged are reported as an offset to Corporate operating expenses. While the terms of the arrangement were generally consistent between 2023 2024 and 2022, 2023, fluctuations in the amount of premium written by each subsidiary can result in corresponding variations in the management fee charged to each subsidiary during a particular period.

Interest Expense

Consolidated interest expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 was comprised as follows:

		Three Months Ended September 30				Nine Months Ended September 30			
		Three Months Ended March 31							
		Three Months Ended March 31							
		Three Months Ended March 31							

(\$ in thousands)	(\$ in thousands)	2023	2022	Change		2023	2022	Change		(\$ in thousands)	2024	2023	Change	
Senior Notes due 2023	Senior Notes due 2023	\$3,357	\$3,357	\$—	— %	\$10,071	\$10,071	\$—	— %	Senior Notes due 2023	\$—	\$3,357	\$ (3,357)	nm
Contribution Certificates (including accretion) ⁽¹⁾	Contribution Certificates (including accretion) ⁽¹⁾	1,910	1,906	4	0.2 %	5,652	5,438	214	3.9 %	Contribution Certificates (including accretion) ⁽¹⁾	1,898	1,859	39	2.1 %
Revolving Credit Agreement (including fees and amortization) ⁽²⁾		247	250	(3)	(1.2 %)	755	768	(13)	(1.7 %)					
Revolving Credit Agreement (including fees and amortization)										Revolving Credit Agreement (including fees and amortization)	2,640	247	2,393	968.8 %
Term Loan (including fees and amortization)										Term Loan (including fees and amortization)	2,477	—	2,477	nm
(Gain)/loss on cash flow hedges reclassified from AOCI										(Gain)/loss on cash flow hedges reclassified from AOCI	(1,358)	—	(1,358)	nm
Interest expense										Interest expense	\$5,657	\$5,463	\$ 194	3.6 %
⁽¹⁾ Includes accretion of approximately \$0.5 million and \$0.4 million for the three months ended March 31, 2024 and 2023, respectively, which is recorded as an increase to interest expense as a result of the difference between the recorded acquisition date fair value and the principal balance of the Contribution Certificates associated with our acquisition of NORCAL.										⁽¹⁾ Includes accretion of approximately \$0.5 million and \$0.4 million for the three months ended March 31, 2024 and 2023, respectively, which is recorded as an increase to interest expense as a result of the difference between the recorded acquisition date fair value and the principal balance of the Contribution Certificates associated with our acquisition of NORCAL.				

(Gain)/loss on interest rate cap	—	—	—	nm	—	(1,405)	1,405	nm
Interest expense	<u>\$5,514</u>	<u>\$5,513</u>	<u>\$ 1</u>	— %	<u>\$16,478</u>	<u>\$14,872</u>	<u>\$1,606</u>	10.8 %

(1) Includes accretion of approximately \$0.5 million and \$1.4 million for the three and nine months ended September 30, 2023, respectively, as compared to \$0.4 million and \$1.3 million during the same respective periods of 2022, which is recorded as an increase to interest expense as a result of the difference between the recorded acquisition date fair value and the principal balance of the Contribution Certificates associated with our acquisition of NORCAL.

(2) There were no outstanding borrowings on our Revolving Credit Agreement during the three and nine months ended September 30, 2023 or 2022. Interest expense in both the 2023 and 2022 three- and nine-month periods primarily reflected unused commitment fees.

Consolidated interest expense was unchanged increased for the three months ended September 30, 2023 and increased during the nine months ended September 30, 2023 March 31, 2024 as compared to the same respective periods period of 2022. The 2023 due to an increase in consolidated interest expense for the nine months ended September 30, 2023 was driven borrowings on our Revolving Credit Agreement and Term Loan to refinance our Senior Notes that matured in November 2023, partially offset by the prior year impact of the change in the fair value of our Interest Rate Swaps. The Interest Rate Swaps are designated as highly effective cash flow hedges to manage our exposure to interest rate cap which was terminated risk due to variability in the second quarter of 2022. See further discussion base rates on the borrowings under both the Revolving Credit Agreement and Term Loan. Interest expense on our previous interest rate cap agreement in Note 3 of Revolving Credit Agreement for the Notes to Consolidated Financial Statements in our December 31, 2022 report on Form 10-K and three months ended March 31, 2023 primarily reflected unused commitment fees as there were no outstanding borrowings during the period. See further discussion on our outstanding debt in Note 7 of the Notes to Condensed Consolidated Financial Statements and additional information regarding our Interest Rate Swaps is provided in Note 8 of the Notes to Condensed Consolidated Financial Statements.

Taxes

Tax expense allocated to our Corporate segment includes U.S. and U.K. tax expense including U.S. tax expense incurred from our corporate membership in Lloyd's of London, if any. The SPCs at Inova Re, one of our Cayman Islands reinsurance subsidiaries, have each made a 953(d) election under the U.S. Internal Revenue Code and are subject to U.S. federal income tax; therefore, tax expense allocated to our Corporate segment also includes tax expense incurred from any SPC at Inova Re in which we have a participation interest of 80% or greater as those SPCs are required to be included in our consolidated tax return. Consolidated tax expense (benefit) reflects the tax expense (benefit) of both segments and the tax impact of items excluded from segment reporting, as shown in the table below:

(In thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Corporate segment income tax expense (benefit)	\$ (4,655)	\$ (2,673)	\$ (3,901)	\$ (6,232)
Income tax expense (benefit) - transaction-related costs*	—	—	—	(391)
Consolidated income tax expense (benefit)	<u>\$ (4,655)</u>	<u>\$ (2,673)</u>	<u>\$ (3,901)</u>	<u>\$ (6,623)</u>

*Represents the income tax benefit associated with the transaction-related costs related to our acquisition of NORCAL that are not included in a segment as we do not consider these costs in assessing the financial performance of any of our operating or reportable segments. See Note 13 of the Notes to Condensed Consolidated Financial Statements for a reconciliation of our segment results to our consolidated results.

(In thousands)	Three Months Ended March 31	
	2024	2023
Consolidated income tax expense (benefit)	<u>\$ 692</u>	<u>\$ (2,172)</u>

Listed below are the primary factors affecting our consolidated effective tax rate for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023. The comparability of each factor's impact on our effective tax rate is affected by the consolidated pre-tax income recognized during the three months ended March 31, 2024 as compared to the consolidated pre-tax loss recognized during the same period of 2023. Factors that have the same directional impact on income tax expense in each period have an opposite impact on our effective tax rate due to the effective tax rate being calculated based upon the pre-tax income during the three months ended March 31, 2024 versus a pre-tax loss during the same period of 2023. These factors include the following:

(\$ in thousands)	Three Months Ended September 30			
	2023		2022	
	Income tax (benefit)		Income tax (benefit)	
	expense	Rate Impact	expense	Rate Impact
Computed "expected" tax expense (benefit) at statutory rate	\$ (11,359)	21.0 %	\$ (2,478)	21.0 %
Tax-exempt income (1)	(387)	0.7 %	(291)	2.5 %
Tax credits	(401)	0.7 %	(1,201)	10.2 %
Non-U.S. operating results	(95)	0.2 %	37	(0.2 %)

Interest Income from IRS									
refunds									
Interest Income from IRS									
refunds									
— — % (333) 4.0 %									
Other									
Other									
Other	Other	(82)	— %	358 (1.9 %)	(55)	(1.1 (1.1 %)	(25)	0.3 %	
Total income	Total income				Total				
tax expense	tax expense				income				
(benefit)	(benefit)				tax				
					expense				
					(benefit)				
		\$ (3,901)	8.0 %	\$ (6,623) 31.6 %	\$ 692	13.0 13.0 %	\$ (2,172)	26.0 26.0 %	

(1) Includes tax-exempt interest, dividends received deduction and change in cash surrender value of BOLI.

(2) Represents the tax impact of the \$1.5 million and \$5.5 million for the three and nine months ended September 30, 2023, respectively, a decrease in the contingent consideration liability issued in connection with the NORCAL acquisition of \$2.0 million for the three months ended March 31, 2023, all of which are non-taxable. See further discussion on the contingent consideration in Note Notes 2 and 6 of the Notes to Condensed Consolidated Financial Statements and in Note 2 of the Notes to Consolidated Financial Statements in our December 31, 2022 report on Form 10-K. Statements.

(3) Represents the tax impact of the impairment of non-deductible goodwill in relation to the Workers' Compensation Insurance reporting unit during the third quarter of 2023 (see further discussion on the impairment charge under the heading "Goodwill / Intangibles" in the Critical Accounting Estimates section and in Note 5 of the Notes to Condensed Consolidated Financial Statements).

(4) Represents the tax rate differential between our actual effective tax rate for the three and nine months ended September 30, 2022 March 31, 2024 and 2023 and our projected annual effective tax rate as of September 30, 2022 March 31, 2024 and March 31, 2023 as calculated under the estimated annual effective tax rate method. There was no tax rate differential recorded for the nine months ended September 30, 2023 as we utilized the discrete effective tax rate method at September 30, 2023 (see further discussion on this method in the Critical Accounting Estimates section under the heading "Estimation of Taxes/Tax Credits").

For the three and nine months ended September 30, 2023, March 31, 2024 and 2023 the provision (benefit) for income taxes and the effective tax rate were determined utilizing the discrete effective tax rate method for recording the provision (benefit) for income taxes which treats the income tax expense (benefit) for the period as if it were the income tax expense (benefit) for the full year and determines the income tax expense (benefit) on that basis. For the three and nine months ended September 30, 2022 we utilized the estimated annual effective tax rate method which is based upon our current estimate of our annual effective tax rate at the end of each quarterly reporting period (the projected annual effective tax rate) plus the impact of certain discrete items that are not included in the projected annual effective tax rate. See further discussion on these methods utilized to compute interim taxes in the Critical Accounting Estimates section under the heading "Estimation of Taxes/Tax Credits" Taxes and in Note 4 of the Notes to Condensed Consolidated Financial Statements.

Our effective tax rates for both the 2024 and 2023 three- and nine-month three-month periods were different from the statutory federal income tax rate of 21% primarily due to the estimated tax rate differential between our actual effective tax rate in each period and our projected annual effective tax rate as calculated under the estimated annual effective tax rate method and, to a \$44.1 million goodwill impairment recognized in relation to lesser extent, the Workers' Compensation Insurance reporting unit during the third quarter effects of 2023, all of which is non-deductible. See further discussion on this goodwill impairment in Note 5 of the Notes to Condensed Consolidated Financial Statements. In addition, tax-favored income. Further, our effective tax rates rate for both the 2023 three- and nine-month periods were three-month period was impacted by the \$1.5 million and \$5.5 million, respectively, \$2.0 million decrease in the contingent consideration liability related to the NORCAL acquisition, all of which was non-taxable. See further discussion on our contingent consideration in Note 2 and 6 of the Notes to Condensed Consolidated Financial Statements. Our effective tax rates for both the 2022 three- and nine-month periods were different from the statutory federal income tax rate of 21% primarily due to the benefit recognized from the tax credits transferred to us from our tax credit partnership investments. There were no other individually significant items impacting our effective tax rates for the 2024 and 2023 and 2022 three- and nine-month periods. three-month period.

Our effective tax rate for the 2022 nine-month period, 2024 and 2023 three-month periods, as shown in the table above, differed from our projected annual effective tax rate of 9.6% 17.3% and 19.9%, respectively, due to certain discrete items. When we utilize the estimated annual effective tax rate method, certain items are treated as discrete items and are reflected in the effective tax rate in the period in which they are included in net income (loss). These discrete items decreased our effective tax rate by 4.3% for the 2024 three-month period and increased our effective tax rate by 22.0% 6.1% for the 2022 nine-month 2023 three-month period mainly due to the treatment of net investment losses. This treatment of net investment losses of \$40.4 million for the nine months ended September 30, 2022 in our Corporate segment, excluding the investment results of assets solely allocated to Lloyd's Syndicate operations, accounted for an increase of 21.9% in the effective tax rate. The remaining discrete items that affected our effective tax rate for the 2022 nine-month period was and were comprised of individually insignificant components.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We believe that we are principally exposed to two types of market risk: interest rate risk and credit risk. We have limited exposure to foreign currency risk as we issue few insurance contracts denominated in currencies other than the U.S. dollar and we have few monetary or non-monetary assets or obligations denominated in foreign currencies.

Interest Rate Risk

Investments

Our fixed maturities portfolio is exposed to interest rate risk. Fluctuations in interest rates have a direct impact on the market valuation of these securities. As interest rates rise, market values of fixed income portfolios fall and vice versa. Certain of the securities are held in an unrealized loss position; we do not intend to sell and believe we will not be required to sell any debt security held in an unrealized loss position before its anticipated recovery. If recovery is not anticipated, we will record an impairment loss through earnings either by establishing a credit allowance or by directly reducing the security's amortized cost basis if there is an intent to sell.

The following tables summarize estimated changes in the fair value of our available-for-sale fixed maturity securities for specific hypothetical changes in interest rates by asset class at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. There are principally two factors that determine interest rates on a given security: changes in the level of yield curves and credit spreads. As different asset classes can be affected in different ways by movements in those two factors, we have separated our portfolio by asset class in the following tables.

		Interest Rate Shift in Basis Points												
		September 30, 2023												
		Interest Rate Shift in Basis Points					Interest Rate Shift in Basis Points							
		March 31, 2024					March 31, 2024							
(\$ in millions)	(\$ in millions)	(200)	(100)	Current	100	200	(\$ in millions)	(200)	(100)	Current		100		200
Fair Value:	Fair Value:													
Fixed maturities, available-for-sale:	Fixed maturities, available-for-sale:													
Fixed maturities, available-for-sale:														
U.S. Treasury obligations														
U.S. Treasury obligations														
U.S. Government-sponsored enterprise obligations	U.S. Government-sponsored enterprise obligations	20	20	19	18	18								
State and municipal bonds	State and municipal bonds	472	454	436	418	401								
Corporate debt	Corporate debt	1,777	1,719	1,664	1,611	1,561								
Asset-backed securities	Asset-backed securities	1,059	1,029	998	968	939								
Total fixed maturities, available-for-sale	Total fixed maturities, available-for-sale	\$3,580	\$3,467	\$3,355	\$3,246	\$3,144								
Duration:	Duration:													
Duration:														
Duration:														
Fixed maturities, available-for-sale:	Fixed maturities, available-for-sale:													
Fixed maturities, available-for-sale:														
U.S. Treasury obligations														
U.S. Treasury obligations														
U.S. Treasury obligations	U.S. Treasury obligations	3.04	2.96	2.89	2.82	2.76	2.71	2.65	2.59		2.53		2.48	
U.S. Government-sponsored enterprise obligations	U.S. Government-sponsored enterprise obligations	3.48	3.45	3.39	3.32	3.23	U.S. Government-sponsored enterprise obligations		3.36	3.39		3.42		3.38

State and municipal bonds	State and municipal bonds	3.85	3.93	4.06	4.19	4.26	State and municipal bonds	4.13	4.15	4.20		4.25
Corporate debt	Corporate debt	3.41	3.38	3.33	3.27	3.20	Corporate debt	3.23	3.21	3.17	3.13	3.07
Asset-backed securities	Asset-backed securities	2.79	2.90	2.95	2.97	2.97	Asset-backed securities	2.74	2.88	2.97	3.06	3.10
Total fixed maturities, available-for-sale	Total fixed maturities, available-for-sale	3.26	3.28	3.28	3.27	3.24	Total fixed maturities, available-for-sale	3.17	3.20	3.21		3.20

Interest Rate Shift in Basis Points						
December 31, 2022						
Interest Rate Shift in Basis Points						
December 31, 2023						
(\$ in millions)	(\$ in millions)	(200)	(100)	Current	100	200
Fair Value:	Fair Value:					
Fixed maturities, available-for-sale:	Fixed maturities, available-for-sale:					
Fixed maturities, available-for-sale:						
U.S. Treasury obligations	U.S. Treasury obligations					
U.S. Treasury obligations						
U.S. Government-sponsored enterprise obligations	U.S. Government-sponsored enterprise obligations					
U.S. Government-sponsored enterprise obligations						
State and municipal bonds	State and municipal bonds					
State and municipal bonds						
Corporate debt	Corporate debt					
Corporate debt						
Asset-backed securities	Asset-backed securities					
Asset-backed securities						
Total fixed maturities, available-for-sale	Total fixed maturities, available-for-sale					
Total fixed maturities, available-for-sale						
Duration:	Duration:					
Duration:						
Duration:						
Fixed maturities, available-for-sale:	Fixed maturities, available-for-sale:					
Fixed maturities, available-for-sale:						
U.S. Treasury obligations	U.S. Treasury obligations					
U.S. Treasury obligations						

U.S. Treasury obligations	U.S. Treasury obligations	3.41	3.36	3.30	3.25	3.20	2.95	2.88	2.82	2.76	2.70
U.S. Government-sponsored enterprise obligations	U.S. Government-sponsored enterprise obligations	3.41	3.45	3.43	3.38	3.32	3.46	3.46	3.41	3.35	3.27
State and municipal bonds	State and municipal bonds	3.91	3.99	4.10	4.21	4.30	3.90	3.97	4.07	4.19	4.30
Corporate debt	Corporate debt	3.79	3.74	3.68	3.60	3.52	3.26	3.25	3.23	3.18	3.12
Asset-backed securities	Asset-backed securities	2.76	2.87	2.97	3.00	3.01	2.82	2.94	3.03	3.10	3.14
Total fixed maturities, available-for-sale	Total fixed maturities, available-for-sale	3.48	3.50	3.50	3.48	3.45	3.19	3.23	3.25	3.26	3.25

Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including the maintenance of the existing level and composition of fixed income security assets, and should not be relied on as indicative of future results.

Certain shortcomings are inherent in the method of analysis presented in the computation of the fair value of fixed rate instruments. Actual values may differ from the projections presented should market conditions vary from assumptions used in the calculation of the fair value of individual securities, including non-parallel shifts in the term structure of interest rates and changing individual issuer credit spreads.

At **September 30, 2023** **March 31, 2024**, our fixed maturities portfolio includes fixed maturities classified as trading securities which do not have a significant amount of exposure to market interest rates or credit spreads.

Our cash and short-term investments at **September 30, 2023** **March 31, 2024** were carried at fair value which approximates their cost basis due to their short-term nature. Our cash and short-term investments lack significant interest rate sensitivity due to their short duration.

Debt

We are exposed to interest rate risk due to variability in the base rate on borrowings under our **amended** Revolving Credit Agreement and Term Loan. **See further information regarding the amended Revolving Credit Agreement and Term Loan in Note 8 of the Notes to Condensed Consolidated Financial Statements.** Borrowings under our **amended** Revolving Credit Agreement and Term Loan accrue interest at a selected SOFR base rate, adjusted by a margin. To manage our exposure to interest rate risk on any borrowings under these agreements, we entered into two Interest Rate Swaps which effectively fix the base rate on borrowings under the **amended** Revolving Credit Agreement and Term Loan to 3.187% and 3.207%, respectively. **See further information regarding the Interest Rate Swaps in Note 8 of the Notes to Condensed Consolidated Financial Statements.** As of **September 30, 2023** **March 31, 2024**, **no borrowings were outstanding under our the Revolving Credit Agreement, Agreement and Term Loan each have \$125 million in outstanding borrowings.** Additional information regarding our debt is provided in Note 10 of the Notes to Consolidated Financial Statements in our December 31, 2023 report on Form 10-K.

Defined Benefit Pension Plan

We are exposed to certain economic risks related to the costs of our defined benefit pension plan, including changes in discount rates for high quality corporate bonds and changes in the expected return on plan assets. **See further discussion in our December 31, 2022 report on Form 10-K within Item 7, Management's Discussion and Analysis, in the Critical Accounting Estimates section under the heading "Pension."**

Credit Risk

We have exposure to credit risk primarily as a holder of fixed income securities. We control this exposure by emphasizing investment grade credit quality in the fixed income securities we purchase.

As of **September 30, 2023** **March 31, 2024**, 92% of our fixed maturity securities were rated investment grade as determined by NRSROs, such as Fitch, Moody's and Standard & Poor's. We believe that this concentration in investment grade securities reduces our exposure to credit risk on our fixed income investments to an acceptable level. However, investment grade securities, in spite of their rating, can rapidly deteriorate and result in significant losses. Ratings published by the NRSROs are one of the tools used to evaluate the creditworthiness of our securities. The ratings reflect the subjective opinion of the rating agencies as to the creditworthiness of the securities; therefore, we may be subject to additional credit exposure should the ratings prove to be unreliable.

We also have exposure to credit risk related to our premiums receivable and receivables from reinsurers; however, to-date we have not experienced any significant amount of credit losses. At **September 30, 2023** **March 31, 2024**, our premiums receivable was approximately **\$279 million** **\$262 million**, net of an allowance for expected credit losses of approximately \$8 million. See Note 1 of the Notes to Consolidated Financial Statements in our **December 31, 2022** **December 31, 2023** report on Form 10-K for further information on our allowance for expected credit losses related to our premiums receivable. Our receivables from reinsurers (with regard to both paid and unpaid losses) approximated **\$445 million** **\$457 million** at **September 30, 2023** **March 31, 2024** and **\$447 million** **\$467 million** at **December 31, 2022** **December 31, 2023**. We monitor the credit risk associated with our reinsurers using publicly available financial and rating agency data. We have not historically experienced material credit losses due to the financial condition of a reinsurer, and as of **September 30, 2023** **March 31, 2024** our expected credit losses associated with our receivables from reinsurers were nominal in amount.

ITEM 4. CONTROLS AND PROCEDURES.

The principal executive officer and principal financial officer of the Company participated in management's evaluation of our disclosure controls and procedures (as defined in SEC Rule 13a-15(e)) as of **September 30, 2023** **March 31, 2024**. ProAssurance's disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to our management as appropriate to allow timely decisions regarding disclosure and is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Based on that evaluation, the principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, those controls during the quarter.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

See Note **7** **6** of the Notes to Condensed Consolidated Financial Statements.

ITEM 1A. RISK FACTORS.

Our results may differ materially from those we expect and discuss in any forward-looking statements. The principal risk factors that may cause these differences are described in "Item 1A, Risk Factors" in our **December 31, 2022** **December 31, 2023** report on Form 10-K and other documents we file with the SEC, such as our current reports on Form 8-K. There have been no material changes to the "Risk Factors" disclosed in Part 1, Item 1A of ProAssurance's **December 31, 2022** **December 31, 2023** report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

- (a) Not applicable.
- (b) Not applicable.
- (c) Information required by Item 703 of Regulation S-K.

Period	Total Number of Shares		Total Number of Shares		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs* (In thousands)
	Purchased	Average Price Paid per Share	Purchased as Part of Publicly Announced Plans or Programs		
July 1 - July 31, 2023	653,587	\$15.61	653,587		\$76,102
August 1 - August 31, 2023	449,677	\$17.85	449,677		\$67,987
September 1 - September 30, 2023	646,246	\$18.50	646,246		\$55,902
Total	1,749,510	\$17.25	1,749,510		

Period	Total Number of Shares		Total Number of Shares		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs* (In thousands)
	Purchased	Average Price Paid per Share	Purchased as Part of Publicly Announced Plans or Programs		
January 1 - January 31, 2024	—	N/A	—		\$55,902
February 1 - February 29, 2024	—	N/A	—		\$55,902
March 1 - March 31, 2024	—	N/A	—		\$55,902
Total	—	\$—	—		

* Under its current plan begun in November 2010, the Board has authorized \$600 million for the repurchase of common shares or the retirement of outstanding debt. This is ProAssurance's only plan for the repurchase of common shares, and the plan has no expiration date.

ITEM 5. OTHER INFORMATION

During the three months ended **September 30, 2023** **March 31, 2024**, no director or officer of the Company adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit Number	Description
21.1	Amendment to Subsidiaries of ProAssurance Corporation effective September 30, 2023 March 31, 2024 .
31.1	Certification of Principal Executive Officer of ProAssurance as required under SEC rule 13a-14(a).
31.2	Certification of Principal Financial and Accounting Officer of ProAssurance as required under SEC rule 13a-14(a).
32.1	Certification of Principal Executive Officer of ProAssurance as required under SEC Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as amended (18 U.S.C. 1350).
32.2	Certification of Principal Financial and Accounting Officer of ProAssurance as required under SEC Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as amended (18 U.S.C. 1350).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PROASSURANCE CORPORATION

November 8, 2023 **May 6, 2024**

/s/ Dana S. Hendricks

Dana S. Hendricks

Chief Financial Officer

(Duly authorized officer and principal financial officer)

83

EXHIBIT 21.1

SUBSIDIARIES OF PROASSURANCE CORPORATION

PRA Professional Liability Group, Inc. (Delaware)⁽¹⁾
ProAssurance Indemnity Company, Inc. (Alabama)⁽²⁾
ProAssurance American Mutual, A Risk Retention Group (District of Columbia)⁽²⁾
ProAssurance Casualty Company (Michigan) (3)
ProAssurance Specialty Insurance Company (Vermont)
ProAssurance Insurance Company of America (Illinois)
IAO, Inc. (Alabama)
PRA Services Corporation (Michigan)
Medmarc Casualty Insurance Company (Vermont)
Hamilton Resources Corporation (Delaware)⁽⁴⁾
PRACCL Ltd. (United Kingdom)
PRA Corporate Capital Ltd. (United Kingdom)
ProAssurance Group Services Corporation (Alabama)
Eastern Insurance Holdings, Inc. (Pennsylvania)
Eastern Re Ltd, S.P.C. (Cayman Islands)
Inova Re Ltd, S.P.C. (Cayman Islands)

Eastern Advantage Assurance Company (Pennsylvania)
 Allied Eastern Indemnity Company (Pennsylvania)
 Eastern Alliance Insurance Company (Pennsylvania)
 NORCAL Insurance Company (California)⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾
 NORCAL Specialty Insurance Company (Texas)
 FD Insurance Company (Florida)
 PPM Insurance Services, Inc. (Missouri)
 Preferred Physicians Medical Risk Retention Group, a Mutual Insurance Company (Missouri)⁽⁶⁾⁽⁸⁾
 Medicus Insurance Holdings, Inc. (Delaware)⁽⁷⁾⁽⁹⁾
 Medicus Insurance Company (Texas)

⁽¹⁾ Effective March 31, 2023, PRA Group Holdings, Inc. merged into PRA Professional Liability Group, Inc.

⁽²⁾ Effective December 31, 2023, ProAssurance Casualty Company merged into ProAssurance Indemnity Company, Inc.

⁽³⁾ Organized on January 1, 2015 by PRA Indemnity. PRA Indemnity provides all necessary services for the RRG through program management and captive management agreements and is the primary capital provider through a \$10 million surplus note. PRA Indemnity also reinsures 95% of the RRG's business through a quota share reinsurance agreement.

⁽⁴⁾ Effective January 15, 2024, Hamilton Resources Corporation became a direct subsidiary of PRA Professional Liability Group, Inc. Previously, Hamilton Resources Corporation was a subsidiary of Medmarc Casualty Insurance Company.

⁽⁵⁾ All NORCAL companies were acquired as part of ProAssurance's acquisition of NORCAL on May 5, 2021.

⁽⁶⁾ Effective July 31, 2022, Insurance Company Managers, LLC and FLDIC Practice Solutions, LLC merged into Florida Doctors Holding Company, LLC. Subsequently, Florida Doctors Holding Company, LLC and NORCAL Management Company merged into NORCAL Insurance Company effective December 31, 2022.

⁽⁷⁾ Effective July 31, 2023, NORCAL Specialty Insurance Services, LLC merged into NORCAL Insurance Company.

⁽⁸⁾ PPM Insurance Services, Inc. provides necessary services for Preferred Physicians Medical Risk Retention Group, a Mutual Insurance Company (PPM). NORCAL Insurance Company holds a \$5 million surplus note and reinsures 100% of PPM's business through a quota share reinsurance agreement.

⁽⁹⁾ Effective November 3, 2022, NORCAL Risk Purchasing Group, Inc. was dissolved.

Exhibit 31.1

CERTIFICATION

I, Edward L. Rand, Jr., certify that:

1. I have reviewed this report on Form 10-Q of ProAssurance Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023 May 6, 2024

/s/ Edward L. Rand, Jr.

Edward L. Rand, Jr.

Chief Executive Officer and
principal executive officer

Exhibit 31.2

CERTIFICATION

I, Dana S. Hendricks, certify that:

1. I have reviewed this report on Form 10-Q of ProAssurance Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023 May 6, 2024

/s/ Dana S. Hendricks

Dana S. Hendricks

Chief Financial Officer and
principal financial officer

Exhibit 32.1

A signed original of this written statement required by Section 906 has been provided to ProAssurance Corporation and will be retained by ProAssurance Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ProAssurance Corporation (the "Company") on Form 10-Q for the quarter ending September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edward L. Rand, Jr., principal executive officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Edward L. Rand, Jr.

Edward L. Rand, Jr.

Chief Executive Officer and
principal executive officer

November 8, 2023 May 6, 2024

Exhibit 32.2

A signed original of this written statement required by Section 906 has been provided to ProAssurance Corporation and will be retained by ProAssurance Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ProAssurance Corporation (the "Company") on Form 10-Q for the quarter ending September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dana S. Hendricks, principal financial officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Dana S. Hendricks

Dana S. Hendricks

Chief Financial Officer, and
principal financial officer

November 8, 2023 May 6, 2024

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.