Risk Factors Comparison 2024-02-27 to 2023-02-27 Form: 10-K

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There are a number of factors, many beyond our control, which may cause results to differ significantly from our expectations. Through our ERM program, as previously discussed, we have attempted to identify and understand the nature, caliber and sensitivity of material foreseeable risks, mitigate or avoid those risks and determine a course of action necessary to address such risks. These risk factors generally fall under the following five categories: 1. Insurance 2. Financial 3. Regulatory and Compliance 4. Operational 5. Technology, Data Security and Privacy. Any factor described in this report could by itself, or together with one or more other factors, have a negative effect on our business, results of operations **, liquidity** and / or financial condition. There may be factors not described in this report that could also cause results to differ from our expectations. Insurance market conditions may alter **or limit** the effectiveness of our current business strategy and impact our revenues. The property and casualty insurance business is highly competitive. We compete in a fragmented market comprised of many insurers, ranging from large national insurers whose financial strength and resources may be greater than ours to smaller insurance entities that concentrate on a single state and as a result have an extensive knowledge of the local markets or smaller unrated organizations who are targeting growth aggressively in multiple jurisdictions. In many instances, coverage we offer is also available through mutual entities whose ROE objectives may be lower than ours. The healthcare environment in the U. S. is continuing to consolidate, which initially took the form of hospitals acquiring physician practices and later the growth of physician groups owned by outside investors. As these trends continue most physicians no longer practice medicine as owners of an independent practice. Also, there are many opportunities for self- insurance and for participation in an alternative risk transfer mechanism, such as a captive insurer or a risk retention group. Competition in the property and casualty insurance business is based on many factors, including premiums charged and other terms and conditions of coverage, services provided, financial ratings assigned by independent rating agencies, claims services, reputation, geographic scope, local presence, agent and client relationships, financial strength and the experience of the insurance company in the line of insurance to be written. Actions of competitors could adversely affect our ability to attract and retain business at current premium levels, impact our market share and reduce the profits that would otherwise arise from operations. The cyclicality in the property and casualty insurance industry could have a material adverse effect on our ability to improve or maintain underwriting profits or to grow or maintain premium volume. 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 business ~~that is deemed profitable~~. This action drives pricing down. Since the insurance industries in which we operate have a long development period, particularly **the** medical professional liability industry, prices typically fall too far resulting in poor underwriting results for a period of time. The reaction is then a withdrawal of capacity, reduced availability of coverage offerings and price increases. In past cycles, these actions improve profitability over a few years inviting new capital into the market again which causes the cycle to repeat. Events other than price can also have a material effect on the duration and depth of the underwriting cycles, such as severity spikes, tort reforms, abrupt frequency changes or reinsurance availability. Changes in the frequency and severity of losses may 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 volume. During the initial stages of" hard markets", premium volumes rise for existing business and retention levels fall. As more carriers enter this action phase, underwriting profits begin to improve, although their achievement may take several years to materialize. As the cycle progresses, opportunities may then be presented to grow profitably at the higher premium levels. The Company' s results of operations could be adversely impacted by catastrophes, both natural and man- made, pandemics, severe weather conditions, climate change or closely related series of events. Catastrophes can be caused by unpredictable natural events such as hurricanes, windstorms, severe storms, tornadoes, floods, hailstorms, severe winter weather, earthquakes, explosions and fire, and by other natural and man- made events, such as terrorist attacks, civil and political unrest, as well as pandemics and other similar outbreaks in many parts of the world. Insurance companies are not permitted to reserve for a catastrophe until it has occurred. Although we purchase reinsurance protection for risks we believe bear a significant level of catastrophe exposure, actual losses resulting from a catastrophic event or events may exceed our reinsurance protection. Furthermore, for significant catastrophic exposure, the inability or unwillingness of the reinsurer to make timely payments under the terms of the reinsurance agreement could impact our liquidity. These events may have a material adverse effect on our workforce and business operations as well as the workforce and operations of our insureds and independent agents. Some of the assets in our investment portfolio may be adversely affected by declines in the equity markets, changes in interest rates, reduced liquidity and economic activity caused by large- scale catastrophes, pandemics, terrorist attacks or similar events which could have a material adverse effect on our financial position, results of operations and liquidity. The incidence, frequency and severity of catastrophes are inherently unpredictable. While we use historical data and modeling tools to assess our potential exposure to catastrophic losses under various conditions and probability scenarios, such assessments do not necessarily accurately predict future losses or accurately measure our potential exposure. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Our loss exposure for a terrorist act meeting the TRIA definition is mitigated by our coverage provided by this program as described in Part I under the heading" Insurance Regulatory Matters." Congress has the ability to alter or repeal the provisions of TRIA at its discretion, and if altered or repealed, our exposure could increase and result in premium increases for those types of coverages. Workers' compensation coverages cannot exclude damages related to an act of terrorism, and if TRIA were repealed or the benefits were substantially reduced, this might affect our ability to offer these coverages at a reasonable rate. In addition, the program currently expires at the end of 2027, and the failure to extend the program could adversely affect our business through increased exposure to a catastrophic level of terrorism losses. Our results of operations and financial condition may be affected if actual insured losses differ from our loss reserves or if actual amounts recoverable under reinsurance agreements differ from our estimated recoverables. We establish reserves as balance sheet liabilities, representing our estimates of amounts needed to resolve reported and unreported losses and pay related loss adjustment expenses. Our largest liability is our reserve for losses and loss adjustment expenses. Due to the size of our reserve for losses and loss adjustment expenses, even a small percentage adjustment to our reserve can have a material effect on our results of operations for the period in which the change is made. The process of estimating loss reserves is complex **and highly judgmental** . Significant periods of time may elapse between the occurrence of an insured loss, the reporting of the loss by the insured and payment of that loss. Ultimate loss costs, even for claims with similar characteristics, can vary significantly depending upon many factors including but not limited to the nature of the claim, including whether the claim is an individual or a mass tort claim, the personal situation of the claimant or the claimant' s family, the outcome of jury trials, the legislative and judicial climate where the insured event occurred, general economic conditions and, for claims involving bodily injury, the trend of healthcare costs. Consequently, the loss cost estimation process requires actuarial skill and the application of judgment and such estimates require periodic revision. As part of the reserving process, we review the known facts surrounding reported claims as well as historical claims data and consider the impact of various factors such as: • for reported claims, the nature of the claim and the jurisdiction in which the claim occurred; • trends in paid and incurred loss development; • trends in claim frequency and severity; • emerging economic and social trends; • trends in healthcare costs for claims involving bodily injury; • monetary ~~and~~ **,** social **and medical** inflation and levels of employment; and • changes in the regulatory, legal and political environment. The effect of COVID- 19 on recent historical trends regarding timing and severity of claims may also impact certain of these factors and our ultimate estimation of losses; however, the extent to which COVID- 19 impacts these factors is highly uncertain and cannot be predicted. As a result of COVID- 19, the industry has experienced new conditions, including **changes in settlement trends due to** the effect of the postponement of court cases **during the pandemic** ~~and changes in settlement trends~~ . Our reserving process assumes that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate, but not necessarily accurate, basis for predicting future events. There is no precise method for evaluating the impact of any specific factor on the adequacy of reserves, and actual results are likely to differ from original estimates. We evaluate our reserves each period and increase or decrease reserves as necessary based on our estimate of future claims payments. An increase to reserves has a negative effect on our results of operations in the period of increase ~~;~~ **whereas** a reduction to reserves has a positive effect on our results of operations in the period of reduction. Our loss reserves also may be affected by court decisions that expand liability of our policies after they have been issued. Further, a significant jury award or series of awards against one or more of our insureds could require us to pay large sums of money in excess of our reserved amounts. Due to uncertainties inherent in the jury system, any case that is litigated to a jury verdict has the potential to incur a loss that has a material adverse effect on our results of operations. Additionally, our loss reserves may be impacted by social inflation, which is generally described as the rising costs of insurance claims resulting from factors including, but not limited to, increasing litigation, broader definitions of liability, more plaintiff- friendly legal decisions, jury behavior, and larger compensatory jury awards and non- economic damages. These factors, could lead to greater than anticipated claims and claim handling expenses which could exceed our established reserves causing us to increase our loss reserves, as discussed above. ~~The~~ **Both the** effects of ~~monetary~~ **inflation overall as well as medical** inflation could cause the cost of claims to rise in the future. Our loss reserves include assumptions about future payments for settlement of claims and claims handling expenses, such as medical treatments and litigation costs **. For our workers' compensation reserves, healthcare wage inflation and medical advancements may also increase the cost of claims** . To the extent inflation causes these costs to increase above reserves established for these claims, we will be required to increase our loss reserves with a corresponding reduction in our financial results in the period in which the need for additional reserves is identified. We purchase reinsurance to mitigate the effect of large losses. Our receivable from reinsurers on unpaid losses and loss adjustment expenses represents our estimate of the amount of our reserve for losses that will be recoverable under our reinsurance programs. We base our estimate of funds recoverable upon our expectation of ultimate losses and the portion of those losses that we estimate to be allocable to reinsurers based upon the terms and conditions of our reinsurance agreements. Given the uncertainty of the ultimate amounts of our losses, our estimates of losses and related amounts recoverable may vary significantly from the eventual outcome. Also, for certain of our reinsurance agreements, we estimate premiums ceded to the reinsurer, subject to certain maximums and minimums, based in part on losses reimbursed or to be reimbursed under the agreement. Due to the size of our reinsurance balances, changes to our estimate of the amount of reinsurance that is due to us could have a material effect on our results of operations in the period for which the change is made. We use analytical models to assist our decision- making in key areas such as pricing and reserving and may be adversely affected if actual results differ materially from the model outputs and related analyses. We use various modeling techniques and data analytics to analyze and estimate exposures, loss trends and other risks associated with our assets and liabilities. This includes both proprietary and third- party modeled outputs and related analyses to assist us in decision- making (e. g., underwriting, pricing, claims, reserving, reinsurance and catastrophe risk) and to maintain a competitive advantage. Since there is no industry standard for assumptions and preparation of insured data for use in these models, our modeled losses may not be comparable to estimates made by other companies. The modeled outputs and related analyses from both proprietary and third parties are subject to various assumptions, uncertainties, model design errors and the inherent limitations of any statistical analysis, including those arising from the use of historical internal and industry data and assumptions. The loss of use of such proprietary models could impact our competitive advantage in certain aspects of our business and impact future financial performance. Changes in the social, judicial or economic environments in which we operate may make modeled outcomes less reliable or produce new, non- modeled risks. In addition, the effectiveness of any model can be degraded by operational risks including, but not limited to, the improper use of the model. Consequently, actual results may differ materially from our modeled results. If actual losses exceed assumptions that were made when our products were priced or our models fail to appropriately estimate the risks we are exposed to, our business, financial condition, results of operations or liquidity may be adversely affected. Furthermore, our results may be adversely affected if actual losses exceed assumptions that were made when pricing products that also include features such as an option to purchase extended reporting endorsement or" tail" coverage, which are offered at rates that are tied to expiring premiums charged. The profitability and financial condition of the Company substantially depends on the extent to which our actual experience is consistent with assumptions we use in our models and ultimate model outputs. We are exposed to and may face adverse developments involving mass tort claims arising from coverages provided to our insureds. Establishing reserves for mass tort claims is subject to uncertainties due to many factors, including expanded theories of liability, geographical location and jurisdiction of the lawsuits. Moreover, it is difficult to estimate our ultimate liability for such claims due to evolving judicial interpretations of various tort theories of liability and defense theories, such as federal preemption and joint and several liability, as well as the application of insurance coverage to these claims. If market conditions cause reinsurance to be more costly or unavailable, we may be required to bear increased risk or reduce the level of our underwriting commitments. As part of our overall risk and capacity management strategy, we purchase reinsurance for significant amounts of risk underwritten by our insurance subsidiaries. Market conditions beyond our control determine the availability and cost of the reinsurance. We may be unable to maintain current reinsurance coverage or to obtain other reinsurance coverage in adequate amounts and at favorable rates. If we are unable to renew our expiring coverage or to obtain new reinsurance coverage, either our net exposure to risk would increase or, if we are unwilling to bear an increase in net risk exposures, we would need to reduce the amount of our underwritten risk. Our claims handling could result in a bad faith claim against us. We have been sued from time to time for allegedly acting in bad faith during our handling of a claim. The damages claimed in actions for bad faith may include amounts owed by the insured in excess of the policy limits as well as consequential and punitive damages. Awards above policy limits are possible whenever a case is taken to trial. These actions have the potential to have a material and adverse effect on our financial condition and results of operations. If we are unable to maintain favorable financial strength ratings, it may be more difficult for us to write new business or renew our existing business. Independent rating agencies assess and rate the claims- paying ability and the financial strength of insurers based upon criteria established by the agencies. Periodically the rating agencies evaluate us to confirm that we continue to meet the criteria of previously assigned ratings. The financial strength ratings assigned by rating agencies to insurance companies represent independent opinions of financial strength and ability to meet policyholder and debt obligations and are not directed toward the protection of equity investors. Our principal operating subsidiaries hold favorable claims paying ratings with AM Best ~~,~~ **and** Fitch ~~and Moody' s~~ . Claims- paying ratings are used by agents, brokers and customers as an important means of assessing the financial strength and quality of insurers. If our financial position deteriorates or the rating agencies significantly change the rating criteria that are used to determine ratings, we may not maintain our favorable financial strength ratings from the rating agencies. A downgrade or involuntary withdrawal of any such rating could limit or prevent us from writing desirable business. See previous discussion under the heading" Rating Agencies" for a table presenting the claims paying ratings of our principal insurance operations. In addition to the evaluation of our claims **-** paying ability, ~~four~~ **two** rating agencies (AM Best **and** ~~, S & P,~~ Fitch ~~and Moody' s~~) evaluate and rate our ability to service current ~~debt~~ and potential debt. These debt ratings reflect each agency' s independent evaluation of our ability to meet our obligation to holders of our debt, if any. While these ratings may be of greater interest to investors than our claims ~~–~~ paying ratings, these are not ratings of our equity securities nor a recommendation to buy, hold or sell our equity securities. A ratings downgrade could also have a material adverse effect on our liquidity, including the ability to refinance long term debt on favorable terms and potentially limit our access to capital markets **. We previously maintained S & P and Moody' s ratings for the purpose of issuing registered public debt. In November 2023, we repaid the outstanding balance on our Senior Notes and, as a result, no longer require or receive public ratings from S & P or Moody' s** . See previous discussion under the heading" Rating Agencies" for additional information on our ~~senior~~ debt ratings. Our business could be adversely affected by the loss or consolidation of independent agents, agencies, brokers or brokerage firms. We heavily depend on the services of independent agents and brokers in the marketing of our insurance products. We face competition from other insurance companies for their services and allegiance. These agents and brokers may choose to direct business to competing insurance companies. As a member of the Lloyd' s market and a participant in **open years of account in** certain Lloyd' s Syndicates we are subject to certain risks which could affect us. ~~As a~~ **Prior to the 2024 and 2022 underwriting years, we** ~~participant~~ **participated** in **the results of Syndicate 1729 and Syndicate 6131, respectively. For distribution purposes,** Lloyd' s **of London operates a three year accounting system. At the end of each year of account, the liabilities of the** Syndicates **are reinsured into the Syndicate' s following year of account. As such** , we are ~~subject~~ **still exposed** to **adverse loss development on** certain ~~risks and uncertainties~~ **large claims in open years of account in which we participated** , **primarily catastrophe related losses. Further, we are obligated** ~~including the following: • reliance on insurance and reinsurance brokers and distribution channels to distribute and market products; • obligation to pay levies to Lloyd' s; • obligations~~ to maintain ~~funds~~ **FAL** to support ~~underwriting activities~~ **those open year of accounts** and risk- based capital requirements ~~that~~ **which** are assessed periodically by Lloyd' s and subject to variation ~~; • ability to maintain liquidity to fund claims payments, when due; • ability to obtain reinsurance and retrocessional coverage to protect against adverse loss activity; • reliance on ongoing approvals from Lloyd' s and various regulators to conduct business, including a requirement that Annual Business Plans be approved by Lloyd' s before the start of underwriting for each account year; • financial strength ratings are derived from the rating assigned to Lloyd' s, although they have limited ability to directly affect the overall Lloyd' s rating; and • reliance on Lloyd' s trading licenses in order to underwrite business outside the U. K~~ . We cannot guarantee that our reinsurers will pay in a timely fashion or at all, and as a result, we could experience losses. We transfer part of our risks to reinsurance companies in exchange for part of the premium we receive in connection with the risk. Although our reinsurance agreements make the reinsurer liable to us to the extent the risk is transferred, our liability to our policyholders remains our responsibility. Reinsurers may periodically dispute our demand for reimbursement from them based upon their interpretation of the terms of our agreements or may fail to pay us for financial or other reasons. If reinsurers refuse or fail to pay us or fail to pay on a timely basis, our financial results and / or cash flows could be adversely affected and could have a material effect on our results of operations in the period in which uncollectible amounts are identified. At December 31, ~~2022~~ **2023** , our receivable from reinsurers on unpaid losses and loss adjustment expenses was $ ~~432~~ **446** million, our receivable from reinsurers on paid losses and loss adjustment expenses was $ ~~15~~ **21** million and our expected credit losses associated with our reinsurance receivables (related to both paid and unpaid losses) were nominal in amount. As of December 31, ~~2022~~ **2023** , no reinsurer, on an individual basis, had an estimated net amount due which exceeded $ ~~55~~ **65** million. If our businesses do not perform well, we may be required to recognize an impairment of our ~~goodwill or~~ **indefinite lived** intangible **assets or long- lived** assets, which could have a material adverse effect on our results of operations and financial condition. **Indefinite lived intangible assets are evaluated for impairment on an annual basis or upon the occurrence of certain triggering events or substantive changes in circumstances that indicate the asset may be impaired.** We review our ~~definite –~~ **long-** lived ~~intangible~~ assets for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable ~~from estimated future cash flows. We test goodwill and intangible assets with indefinite lives for impairment on an annual basis or upon the occurrence of certain triggering events or substantive changes in circumstances that indicate the asset may be impaired. This test may include the use of projected financial information which is inherently subject to significant risks, assumptions, estimates and uncertainties and may therefore differ materially from our actual financial results, which could have a material adverse effect on the results of our impairment analysis~~ . If we determine that such ~~goodwill or intangible~~ assets are impaired, we would be required to write down the ~~goodwill or the intangible~~ asset by the amount of the impairment, with a corresponding charge to net income (loss). Such write downs could have a material adverse effect on our results of operations or financial position. Our investment results may be impacted by changes in interest rates, U. S. monetary and fiscal policies as well as broader economic conditions. Changes in interest rates and U. S. fiscal, monetary and trade policies as well as broader economic conditions could have a material adverse effect on our investment results. Fluctuations in the value of our investment portfolio can occur as a result of these changes. Our investment portfolio is primarily comprised of interest- earning assets, marked to fair value each period. Thus, prevailing economic conditions, particularly changes in market interest rates, may significantly affect our results of operations, our financial position and our book value per share. Significant movements in interest rates potentially expose us to lower yields or lower asset values. Changes in market interest rate levels generally affect our financial results to the extent that reinvestment yields are different than the yields on maturing securities. Changes in interest rates also can affect the value of our interest- earning assets, which are principally comprised of fixed and adjustable- rate investment securities. Our equity portfolio is primarily bond funds which will fluctuate directionally with changes in interest rates, not equity markets, impacting the overall value of these holdings. Conversely, the values of fixed- rate investment securities generally fluctuate inversely with changes in interest rates. Recently, the significant rise in interest rates have reduced the market value of our existing fixed maturity portfolio, thereby impacting our financial position and book value per share. As we have both the intent and ability to hold the vast majority of these investments until maturity, we consider this negative impact to be temporary. Our investments are subject to credit, prepayment and other risks. A significant portion of our total assets ($ 4. ~~4~~ **3** billion or 77 %) at December 31, ~~2022~~ **2023** are financial instruments whose value can be significantly affected by economic and market factors beyond our control including, among others, the unemployment rate, the strength of the domestic housing market, the price of oil, changes in interest rates and spreads, consumer confidence, investor confidence regarding the economic prospects of the entities in which we invest, corrective or remedial actions taken by the entities in which we invest, including mergers, spin- offs and bankruptcy filings, the actions of the U. S. government and global perceptions regarding the stability of the U. S. economy. Adverse economic and market conditions could cause investment losses or impairment of our securities, which could affect our financial condition, results of operations or cash flows. At December 31, ~~2022~~ **2023** approximately ~~23~~ **24** % of our investment portfolio was invested in mortgage and asset- backed securities. We utilize ratings determined by NRSROs (Moody' s, Standard & Poor' s and Fitch) as an element of our evaluation of the creditworthiness of our securities. The ratings are subject to error by the agencies; therefore, we may be subject to additional credit exposure should the rating be misstated. Our asset- backed securities are also subject to prepayment risk. A prepayment is the unscheduled return of principal. When rates decline, the propensity for refinancing may increase and the period of time we hold our asset- backed securities may shorten due to prepayments. Prepayments may cause us to reinvest cash proceeds at lower yields than the retired security. Conversely, as rates increase and motivations for prepayments lessen, the period of time over which our asset- backed securities are repaid may lengthen, causing us to not reinvest cash flows at ~~the~~ higher available yields. At December 31, ~~2022~~ **2023** the fair value of our state / municipal portfolio was $ ~~439~~ **454** . ~~5~~ **4** million (amortized cost basis of $ ~~483~~ **482** . ~~6~~ **4** million). While our state / municipal portfolio had a high credit rating (AA on average), which indicates a strong ability to pay, there is no assurance that there will not be a credit related event which would cause fair values to decline. An economic downturn could lessen tax receipts and other revenues in many states and their municipalities. In a period of market illiquidity and instability, the fair values of our investments are more difficult to assess, and our assessments may prove to be greater or less than amounts received in actual transactions. At December 31, ~~2022~~ **2023** and in accordance with applicable GAAP, we valued 97 % of our investments at fair value and the remaining 3 % at cost, equity, or cash surrender value. See Notes 1, **2 and** 3 ~~and 4~~ of the Notes to Consolidated Financial Statements for additional information. We determine the fair value of our investments using quoted exchange or over- the- counter prices, when available. At December 31, ~~2022~~ **2023** , we valued approximately 7 % of our investments in this manner. When exchange or over- the- counter quotes are not available, we estimate fair values based on broker dealer quotes and various other valuation methodologies, which may require us to choose among various input assumptions and utilize judgment. At December 31, ~~2022~~ **2023** , approximately 84 % of our investments were valued in this manner. When markets exhibit significant volatility, there is more risk that we may utilize a quoted market price, broker dealer quote, valuation technique or input assumption that results in a fair value estimate that is either over or understated as compared to actual amounts that would be received upon disposition of the security. At December 31, ~~2022~~ **2023** , approximately 6 % of our investments are investment funds which measure fund assets at fair value on a recurring basis and provide us with a NAV for our interest. As a practical expedient, we consider the NAV provided to approximate the fair value of the interest. NAV is provided by the asset managers, and in some cases, estimates are used for valuation and are subject to variations depending on those estimates. Our funds valued at NAV have various redemption requirements and lock- up provisions (see Note ~~3~~ **2** of the Notes to Consolidated Financial Statements for further information). Our ability to issue ~~additional~~ debt or letters of credit or other types of indebtedness on terms consistent with current debt is subject to market conditions, economic conditions at the time of proposed issuance, results of ratings reviews and the inclusion in certain bond indices of past and future issues. Also, certain of our current debt agreements include financial covenants, and the issuance of debt by one of our insurance subsidiaries requires regulatory approval, both of which may limit or prohibit the issuance of additional debt. Our **amended** Revolving Credit Agreement, which expires in ~~November~~ **April** ~~2024~~ **2028** , permits borrowings of up **to** $ 300 million **and also includes an additional $ 125 million delayed draw term loan (" Term Loan")** . The agreement requires that our consolidated debt to capital ratio (0. 28 to 1. 0 at December 31, ~~2022~~ **2023**) be 0. 35 to 1. 0 or less and that we maintain a minimum net worth **, excluding AOCI,** of **at least** $ ~~1~~ **912** ~~billion~~ **million** which represented 65 % of consolidated shareholders' equity, excluding AOCI, determined as of ~~June 30~~ **December 31** , ~~2019~~ **2022** . ~~During~~ **In November** ~~2013~~ **2023** , we ~~issued~~ **refinanced our expiring** $ 250 million ~~of unsecured~~ Senior Notes **with** ~~Payable due in November 2023 at~~ a **$ 125 million draw on our amended Revolving Credit Agreement as well as funded the $ 125 million Term Loan with an interest rate of** 5. 3 % ~~interest rate~~ **and 5. 5 %, respectively. See Note 10 of the Notes to Consolidated Financial Statements for additional information** . Furthermore, on May 5, 2021, NORCAL Insurance Company, successor to NORCAL Mutual Insurance Company, issued Contribution Certificates, which are due in 2031, to certain NORCAL policyholders in the conversion at a 3. 0 % interest rate with a principal amount of $ 191 million. There is no guarantee that additional debt could be issued on similar terms in the future as rates available to us may change due to changes in the economic climate, or shifts in the yield curve may occur, or an increase in our level of debt may result in rating agencies lowering our debt rating. ~~The~~ **Our outstanding debt is exposed to fluctuations in** interest rates **, which could adversely impact our results. We utilize cash flow hedge instruments to mitigate this risk, however our hedge instruments could be ineffective. We utilize derivative instruments as part of our risk management strategy to reduce the market risk related to fluctuations in future interest rates associated with a portion of our variable- rate debt. In November 2023, we refinanced our expiring $ 250 million Senior Notes with a $ 125 million draw** on our **amended** Revolving Credit Agreement **as** ~~and available- for- sale fixed maturities portfolio are priced using a spread over LIBOR, which will~~ **well as funded** ~~be phased out in~~ the ~~future~~ **$ 125 million Term Loan, as previously discussed** . ~~LIBOR is the basic rate~~ **To manage our exposure to variability in cash flows** of **forecasted** interest ~~used~~ **payments attributable to variability** in ~~lending between banks on~~ the **selected base** ~~London interbank market and is widely used as a reference for setting interest~~ rates on **borrowings under both** ~~loans globally. The terms of certain of our debt agreements include interest rates which are calculated based on LIBOR. On July 27, 2017, the United Kingdom' s Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. On March 5, 2021, the United Kingdom' s Financial Conduct Authority and Intercontinental Exchange Benchmark Administration announced that the one- week and two- month U. S. dollar LIBOR settings will cease to be published immediately after December 31, 2021 and the publication of overnight and one-, three~~ -- **the amended** ~~-, six-, and twelve- month U. S. dollar LIBOR settings will be extended through June 30, 2023. In addition, the U. S. Federal Reserve announced that it intends for all contracts written with LIBOR benchmarks to end on or before June 30, 2023. The U. S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U. S. financial institutions, announced the replacement of U. S. dollar LIBOR with a new index calculated by short- term repurchase agreements, backed by U. S. Treasury securities called the Secured Overnight Financing Rate. The first publication of SOFR was released in April 2018 and was subsequently codified by the FASB in October 2018. The updated codification added the overnight index swap rate (" OIS") based on the SOFR to the list of U. S. benchmark interest rates that are eligible to be hedged. During 2020, the FASB issued guidance intended to assist stakeholders during the market- wide reference rate transition period and was effective for a limited period between March 12, 2020 and December 31, 2022; during December 2022, the FASB issued final guidance which defers the transition period to December 31, 2024. The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate that is expected to be discontinued because of reference rate reform. We have exposure to LIBOR- based financial instruments through our variable rate~~ Revolving Credit Agreement ~~; however~~ **and Term Loan** , ~~this~~ **ProAssurance entered into two forward- starting interest rate swap** ~~agreement~~ **agreements** ~~includes provisions~~ **on May 2, 2023, each with an effective date of December 29, 2023 and maturity date of March 31, 2028. See Note 11 of the Notes to Consolidated Financial Statements** for ~~an alternative benchmark~~ **additional information. Our interest** rate ~~if LIBOR ceases to exist which does not materially change~~ **swaps are designated and qualify as highly effective cash flow hedges. However, there is a possibility that** our **cash flow hedge instruments may be ineffective. The effectiveness of our cash flow hedges depends on our** ~~liability~~ -- **ability to execute interest renewal terms that mirror the previously contracted swap agreements. If our** exposure ~~. Additionally,~~ **to interest rate fluctuations exceeds what** we ~~have exposure~~ **are able** to ~~LIBOR in~~ **hedge against, we could incur significant losses. We assess the effectiveness of** our ~~available-~~ **hedge instruments quarterly. Our provision** for **income taxes** ~~- sale fixed maturities portfolio which represented approximately 6 % of our total investments~~ , ~~or~~ **our recorded** ~~$ 255 million, as of December 31, 2022; 63 % of these investments with exposure to LIBOR were issued since 2020 and include~~

~~provisions for an alternative benchmark rate. Optional expedients for contract modifications include a prospective adjustment that does not require contract remeasurement or reassessment of a previous accounting determination; therefore, the modified contract is accounted for as a continuation of the existing contract. At this time, we cannot predict the overall effect of the modification or discontinuation of LIBOR or the establishment of alternative benchmark rates. Resolution of uncertain~~ tax ~~matters~~ **liabilities** and ~~changes in~~ **net deferred** tax ~~laws or taxing authority interpretations of tax laws could result in~~ **assets, including any valuation allowances, are recorded based on estimates and** actual tax **amounts may be** ~~benefits or deductions that are~~ different than we have estimated, both with regard to amounts recognized and the timing of recognition. Such differences could affect our results of operations or cash flows. Our provision for income taxes, our recorded tax liabilities and net deferred tax assets, including any valuation allowances, are recorded based on estimates. These estimates require us to make significant judgments regarding a number of factors, including, among others, the applicability of various federal and state laws, the interpretations given to those tax laws by taxing authorities, courts and the Company, the timing of future income and deductions, and our expected levels and sources of future taxable income. Projections about our future operations and taxable income are inherently subject to significant risks, assumptions, estimates and uncertainties and may therefore differ materially from our actual financial results, which could have a material adverse effect on our tax positions. We believe our tax positions **, except for our uncertain tax positions,** are supportable under current tax laws and that our estimates are prepared in accordance with GAAP. **Resolution of uncertain tax positions could result in an actual tax benefit or deduction that is different than we have estimated.** Additionally, from time to time, due to changes in economic and / or political conditions, there are changes in tax laws and interpretations of tax laws which could significantly change our estimates of the amount of tax benefits or deductions expected to be available to us in future periods. Changes to our prior estimates in these cases would be reflected in the period changed and could have a material effect on our effective tax rate, financial position, results of operations and cash flows. As the Company has reinsurance operations domiciled in the Cayman Islands, changes in the tax laws of the Cayman Islands **as well as the change in U. S. federal tax law as a result of the TCJA regarding outbound cross border affiliate reinsurance could result in the loss of profitability of that business** . We are subject to U. S. federal and various state income taxes as well as U. K. related taxes. We are periodically under examination by federal, state and local authorities regarding income tax matters, and our tax positions could be successfully challenged; the costs of defending our tax positions could be considerable. Our estimate of our potential liability for known uncertain tax positions is reflected in our financial statements. As of December 31, ~~2022~~ **2023** we had a net deferred tax asset of approximately $ ~~209~~ **186** . ~~5~~ **2** million and a net federal income tax ~~receivable~~ **payable** of approximately $ ~~8~~ **4** . 0 million, which included a liability for unrecognized current tax benefits of $ ~~3~~ **4** . ~~6~~ **8** million. Changes due to financial reform legislation could have a material effect on our operations. The U. S. federal government generally has not directly regulated the insurance industry except for certain areas of the market, such as insurance for flood, nuclear and terrorism risks. However, the federal government has undertaken initiatives or considered legislation in several areas that may affect the insurance industry. The Dodd- Frank Act was enacted in July 2010 and established additional regulatory oversight of financial institutions (see previous discussion under the heading" Insurance Regulatory Matters"). Our business could be affected by changes to the U. S. system of insurance regulation including legislative or regulatory requirements imposed by or promulgated in connection with the Dodd- Frank Act. The passage of tort reform or other legislation, and the subsequent review of such laws by the courts could have a material impact on our operations. Tort reforms generally protect the rights of a defendant by, among other limitations, eliminating certain claims that may be heard in a court, limiting the amount or types of damages, changing statutes of limitation or the period of time to make a claim, and limiting venue or court selection. A number of states in which we do business previously enacted tort reform legislation in an effort to reduce escalating loss trends. Challenges to tort reform have been undertaken in most states where tort reforms have been enacted, and in some states the reforms have been fully or partially overturned. Additional challenges to tort reform may be undertaken. We cannot predict with any certainty how state appellate courts will rule on these laws. While the effects of tort reform have been generally beneficial to our business in states where these laws have been enacted, there can be no assurance that such reforms will be ultimately upheld by the courts. Furthermore, if tort reforms are effective, the business of providing professional liability insurance may become more attractive, thereby causing an increase in competition. In addition, the enactment of tort reforms could be accompanied by legislation or regulatory actions that may be detrimental to our business because of expected benefits which may or may not be realized. These expectations could result in regulatory or legislative action limiting the ability of professional liability insurers to maintain rates at adequate levels. Coverage mandates or other expanded insurance requirements could also be imposed. States may also consider state- sponsored insurance entities that could remove our potential insureds from the private insurance market. In 1975, California enacted the Medical Injury Compensation Reform Act (MICRA) which, among other things, established a $ 250, 000 cap on non- economic damages in medical cases. In May 2022, California' s Governor signed an amendment to MICRA which substantially changed many aspects of MICRA, including, but not limited to, an increase in the cap on non- economic damages and an increase in caps on attorney' s fees. For a non- death case, the cap increased from $ 250, 000 to $ 350, 000 on January 1, 2023, with an incremental increase over the next 10 years to $ 750, 000. For a wrongful death case, the cap increased from $ 250, 000 to $ 500, 000 on January 1, 2023, with an incremental increase over the next 10 years to $ 1. 0 million. After the caps reach $ 750, 000 / $ 1. 0 million in 2033, they will increase by 2 % per annum thereafter effective January 1, 2034. This amendment could have a material adverse effect on our financial condition, results of operations and cash flows given our concentration in California. On August 25, 2022 the Supreme Court of Pennsylvania invalidated a statutory provision that required medical liability claims to be filed in the county where the alleged malpractice occurred. Effective January 1, 2023, Pennsylvania healthcare providers can be sued in any county where they regularly conduct business or have significant contacts, regardless of where the actual care took place. To the extent that this change in law results in adjudication of more claims in venues favorable to plaintiffs, our loss costs may increase due to higher jury verdicts, larger settlement payments, and more non- meritorious claims. We continue to monitor developments on a state- by- state basis and make business decisions accordingly. Regulatory requirements or changes to regulatory requirements could have a material effect on our operations. Our insurance businesses are subject to extensive regulation by state insurance authorities in each state in which they operate. Regulation is intended for the benefit of policyholders rather than shareholders. In addition to the amount of dividends and other payments that can be made to a holding company by insurance subsidiaries, these regulatory authorities have broad administrative and supervisory power relating to: • licensing requirements; • trade practices; • capital and surplus requirements; • investment practices; and • rates charged to insurance customers. These regulations may impede or impose burdensome conditions on rate changes or other actions that we may desire to take in order to enhance our results of operations. In addition, we may incur significant costs in the course of complying with regulatory requirements. Most states also regulate insurance holding companies like us in a variety of matters such as acquisitions, solvency and risk assessment, changes of control and the terms of affiliated transactions. **In addition, rules and regulations have recently been introduced, or are being considered, in the areas of information security and Environmental, Social, and Governance (" ESG"), which may also affect our business.** Also, certain states sponsor insurance entities which affect the amount and type of liability coverages purchased in the sponsoring state. Changes to the number of state sponsored entities of this type could result in a large number of insureds changing the amount and type of coverage purchased from private insurance entities such as ProAssurance. We own two subsidiaries domiciled in the Cayman Islands and subject to the laws of the Cayman Islands and regulations promulgated by the CIMA. Failure to comply with these laws, regulations and requirements could result in consequences ranging from a regulatory examination to a regulatory takeover of our Cayman Islands subsidiaries, which could potentially impact profitability of alternative market solutions offered through these subsidiaries ~~. Syndicate 1729 is regulated in the U. K. by the Prudential Regulation Authority and the Financial Conduct Authority. All Lloyd' s Syndicates must also comply with the bylaws and regulations established by the Council of Lloyd' s. Failure to comply with bylaws and regulations could affect our ability to underwrite as a Lloyd' s Syndicate in the future and therefore affect our profitability. Changes in bylaws and regulations could also affect the profitability of the operations. Effective January 1, 2016, the European Union' s executive body, the European Commission, implemented capital adequacy and risk management regulations called Solvency II that apply to businesses within the European Union. Syndicate 1729 follows the Solvency II compliance guidelines set out by the Council of Lloyd' s~~. The assessments that we are required to pay to state associations may increase or our participation in mandatory risk retention pools could be expanded and our results of operations and financial condition could suffer as a result. Each state in which we operate has separate insurance guaranty fund laws requiring admitted property and casualty insurance companies doing business within their respective jurisdictions to be members of their guaranty associations. These associations are organized to pay covered claims (as defined and limited by the various guaranty association statutes) under insurance policies issued by insurance companies that have become insolvent. Most guaranty association laws enable the associations to make assessments against member insurers to obtain funds to pay covered claims after a member insurer becomes insolvent. These associations levy assessments (up to prescribed limits) on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the covered lines of business in that state. Maximum assessments generally vary between 1 % and 2 % of annual premiums written by a member in that state. Some states permit member insurers to recover assessments paid through surcharges on policyholders or through full or partial premium tax offsets, while other states permit recovery of assessments through the rate filing process. We had no significant guaranty fund recoupments or assessments in **2023,** 2022 ~~,~~ **or** 2021 ~~or 2020~~. Our practice is to accrue for insurance insolvencies when notified of assessments. We are not able to reasonably estimate assessments or develop a meaningful range of possible assessments prior to notice because the guaranty funds do not provide sufficient information for development of such estimates or ranges. Certain states in which we write workers' compensation insurance have established administrative and / or second injury funds that levy assessments against insurers that write business in their state. The assessments are generally based on an insurer' s proportionate share of premiums or losses in a particular state, and the assessment rate can vary from year to year. Risk pooling mechanisms have been established in certain states that offer insurance coverage to individuals or entities who are otherwise unable to purchase coverage from private insurers. Authorized property and casualty insurers in these states are generally required to share in the underwriting results of these pooled risks, which are typically adverse. Should our mandatory participation in such pools be increased or if the assessments from such pools increased, our results of operations and financial condition would be negatively affected, although that was not the case in **2023,** 2022 ~~,~~ **or** 2021 ~~or 2020~~. Provisions in our charter documents, Delaware law and state insurance law may impede attempts to replace or remove management or may impede a takeover, which could adversely affect the value of our common stock. Our certificate of incorporation, bylaws and Delaware law contain provisions that may have the effect of inhibiting a non- negotiated merger or other business combination. As of December 31, ~~2022~~ **2023** , we currently have no preferred stock outstanding. In addition, our Corporate Governance Principles provide that the Board, subject to its fiduciary duties, will not issue any series of preferred stock for any defense or anti- takeover purpose, for the purpose of implementing any stockholders rights plan, or with features intended to make any acquisition more difficult or costly without obtaining stockholder approval. However, because the rights and preferences of any series of preferred stock may be set by the Board in its sole discretion, the rights and preferences of any such preferred stock may be superior to those of our common stock and thus may adversely affect the rights of the holders of common stock. The voting structure of common stock and other provisions of our certificate of incorporation are intended to encourage a person interested in acquiring us to negotiate with and to obtain the approval of the Board in connection with a transaction. However, certain of these provisions may discourage our future acquisition, including an acquisition in which stockholders might otherwise receive a premium for their shares. As a result, stockholders who might desire to participate in such a transaction may not have the opportunity to do so. In addition, state insurance laws provide that no person or entity may directly or indirectly acquire control of an insurance company unless that person or entity has received approval from the insurance regulator. An acquisition of control of ProAssurance would be presumed if any person or entity acquires 10 % (5 % in Alabama) or more of our outstanding common stock, unless the applicable insurance regulator determines otherwise. These provisions apply even if the offer may be considered beneficial by stockholders. We are subject to numerous NYSE and SEC regulations including insider trading regulations, Regulation FD and regulations requiring timely and accurate reporting of our operating results as well as certain events and transactions. Noncompliance with these regulations could subject us to enforcement actions by the NYSE or the SEC, and could affect the value of our shares and our ability to raise additional capital. The Company carefully adheres to NYSE and SEC requirements as the loss of trading privileges on the NYSE or an SEC enforcement action could have a significant financial impact on the Company. Failure to comply with various SEC reporting and record keeping requirements could result in a decline in the value of our stock or a decline in investor confidence which could directly impact our ability to efficiently raise capital. Failure to adhere to NYSE requirements **, including the recent requirement around recovery of erroneously awarded compensation,** could result in fines, trading restrictions or delisting. In addition, we may incur significant costs in the course of complying with NYSE and SEC requirements. ~~In June 2020, a putative class action lawsuit was filed against the Company in the Northern District of Alabama, alleging violations of the Securities Exchange Act of 1934 and alleging that the Company made false and misleading statements regarding its Specialty Property and Casualty segment. The Company believes the lawsuit is without merit and continues to defend it vigorously; however, there can be no assurance regarding the ultimate outcome of the matter.~~ Our performance is dependent on the business, economic, regulatory and legislative conditions of states where we have a significant amount of business. Our top five states, Pennsylvania, California, Florida, Alabama and Texas represented ~~45~~ **46** % of our direct premiums written for the year ended December 31, ~~2022~~ **2023** . Moreover, on a combined basis, Pennsylvania, California and Florida accounted for 34 % of our direct premiums written for the year ended December 31, ~~2022~~ **2023** . Unfavorable business, economic or regulatory conditions in any of these states could have a disproportionately greater effect on us than they would if we were less geographically concentrated. From time to time we may identify opportunities for growth through acquisitions. However, approval of acquisitions may not be granted or conditions of approval may adversely alter the expected value and benefits of the acquisition. In addition, expected benefits from acquisitions may not be achieved or may be delayed longer than expected. Growth through the acquisition of other companies or books of business is opportunistic and sporadic. If we are able to identify a target for acquisition, state insurance regulation concerning change or acquisition of control could delay or prevent us from completing the acquisition. State insurance regulatory codes provide that the acquisition of " control " of a domestic insurer or of any person that directly or indirectly controls a domestic insurer cannot be consummated without the prior approval of the domiciliary insurance regulator. There is no assurance that we will receive such approval from the respective insurance regulator or that such approvals will not be conditioned in a manner that materially and adversely affects the aggregate economic value and business benefits expected to be obtained and cause us to not complete the acquisition. The Company performs thorough due diligence before agreeing to a merger or acquisition; however, there is no guarantee that the procedures we perform will adequately identify all potential weaknesses or liabilities of the target company or potential risks to the consolidated entity. There is also no guarantee that businesses acquired in the future will be successfully integrated into our business and therefore we may not be able to achieve expected synergies. Ineffective integration of our businesses and processes may result in substantial costs or delays and adversely affect our ability to compete. The process of integrating an acquired company or business can be complex and costly and may create unforeseen operating difficulties including the ineffective integration of underwriting, risk management, claims handling, finance, information technology and actuarial practices and the design and operation of internal controls over financial reporting. Difficulties integrating an acquired business may also result in the acquired business performing differently than we expected including the loss of customers or in our failure to realize anticipated growth or expense- related efficiencies. We could be adversely affected by the acquisition due to unanticipated performance issues and additional expense, unforeseen or adverse changes in liabilities, including liabilities arising from events prior to the acquisition or that were unknown to us at the time of the acquisition, transaction- related charges, diversion of management time and resources to integration challenges, loss of key team members, regulatory requirements, exposure to tax liabilities, exposure to pension liabilities, amortization of expenses related to intangibles, and charges for impairment of assets or goodwill. Furthermore, claims may be asserted by either the policyholders or shareholders of any acquired entity related to payments or other issues associated with the acquisition and merger into the consolidated entity. Such claims may prove costly or difficult to resolve or may have unanticipated consequences. We are a holding company and are dependent on dividends and other payments from our operating subsidiaries, which may be subject to dividend restrictions. We are a holding company whose principal source of external revenue is our investment revenues. In addition, cash dividends and other permitted payments from operating subsidiaries represent another source of funds. If our subsidiaries are unable to make payments to us, or are able to pay only limited amounts, we may be unable to make payments on our indebtedness, meet other holding company financial obligations, or pay dividends to shareholders. The payment of dividends by these operating subsidiaries is subject to restrictions set forth in the insurance laws and regulations of their respective states of domicile, as discussed in Item I under the heading" Insurance Regulatory Matters." Our Board may decide that our financial condition does not allow the continued payment of a quarterly cash dividend, or requires that we reduce the amount of our quarterly cash dividend. Our Board approved a cash dividend policy in September 2011, and we most recently paid a $ 0. 05 per share dividend for the three months ended ~~December~~ **March** 31, ~~2022~~ **2023** . ~~However~~ **In light of the price range in which our stock traded in the second quarter of 2023** , ~~any~~ **our 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 the Company' s financial performance, future expectations and other factors deemed relevant by the Board. A natural disaster or pandemic event, or closely related series of events, could cause loss of lives or a substantial loss of property or operational ability at one or more of the Company' s facilities. **Our** ~~The Company' s~~ disaster preparedness encompasses our Business Continuity Plan, Disaster Recovery Plan, Operations Plan and Pandemic Response Plan. Our disaster preparedness is focused on maintaining the continuity of **our** ~~the Company' s~~ data processing and telephone capabilities in the event of a natural disaster or medical event. Our disaster preparedness also allows team members to work remotely in the event of a natural disaster or medical event. **Our** ~~The Company' s~~ plans are reviewed during the insurance department examinations of the statutory insurance companies. While **we have** ~~the Company has~~ plans in place to respond to both short- and long- term disaster scenarios, the loss of certain key operating facilities or data processing capabilities could have a significant impact on ~~Company~~ **our** operations. Our business could be affected by the loss of one or more of our senior executives or other qualified personnel. We are heavily dependent upon our senior management, and the loss of services of our senior executives could adversely affect our business. Our success has been, and will continue to be, dependent on our ability to retain the services of existing key team members and to attract and retain additional qualified personnel in the future. The loss of the services of key team members or senior managers, or the inability to identify, hire and retain other highly qualified personnel in the future, could adversely affect the quality and profitability of our business operations. Our Board regularly reviews succession planning relating to our Chief Executive Officer as well as other senior officers. If we fail to maintain proper and effective internal controls over financial reporting, our operating results and our ability to operate our business could be harmed. We continually enhance our operating procedures and internal controls to effectively support our operations and comply with our regulatory and financial reporting requirements. As a result of the inherent limitations in all control systems, no system of controls can provide absolute assurance that all control objectives have been or will be met, and that instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision- making can be faulty and that breakdowns can occur because of an error or mistake. Additionally, controls can be circumvented by the unauthorized and wrongful individual acts of some persons or by collusion of two or more persons. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or the degree of compliance with policies or procedures may deteriorate. Further, the design of a control system must reflect the fact that resource constraints exist. Accordingly, our control system can provide only reasonable, not absolute, assurance of achieving the desired control objectives. The operations of the Company are dependent upon the security, integrity and availability of our internal technology infrastructure and that of certain third parties **including, but not limited to, the use of cloud- based technology** . Any significant disruption of these infrastructures could result in unauthorized access to Company data, reduce our ability to conduct business effectively, or cause economic harm to the Company in the form of lost time, lost business opportunity, actual monetary loss or loss of investor confidence. The Company is dependent upon its technology infrastructure and that of certain third parties to operate and report financial and other Company information accurately and timely. ProAssurance collects, uses, stores or transmits an increasingly large amount of confidential, proprietary, personal, legally protected, and other information in connection with the operation of our business. **Certain third parties or vendors access, process or store data that the Company considers to be sensitive, significant, or legally protected.** Therefore, the Company has focused resources on securing and preserving the integrity of its data processing systems and related data **(see further discussion that follows in Item 1C" Cybersecurity")** . Despite the Company' s efforts to ensure the integrity of its systems **and those of certain third parties** , ProAssurance is increasingly exposed to the risk that its technology infrastructure **and that of certain third parties** could be subject to cyber- attacks and unauthorized access, such as physical and electronic break- ins or unauthorized tampering. **Furthermore** ~~ProAssurance' s IT department~~ , **it is impossible** ~~with assistance from third- party security vendors, regularly monitors the Company' s systems for indicators of attack or compromise~~ to ~~mitigate the~~ **defend against every** risk **being posed by changing** ~~of cyberattacks. The Company also evaluates the integrity and security of the technology~~ **technologies** ~~infrastructure of third parties that access, process or store data that the Company considers to be sensitive, significant, or legally protected~~ . ~~While ProAssurance reviews and assesses its third- party providers' cybersecurity controls, as appropriate, and make changes to the Company' s business processes to manage these risks, there~~ **There** is no guarantee that measures taken to date will completely prevent possible disruption, damage or destruction by intentional or unintentional acts or events such as cyber- attacks, viruses, sabotage, human error, system failure or the occurrence of numerous other human or natural events. A breach of IT systems operated by a vendor, customer, or other third- party with whom we conduct business could result in a breach of the Company' s data belonging to a third- party for which the Company is responsible, or financial harm in the form of misdirection of payments for valid invoices or other obligations. Disruption, damage or destruction of any of the Company' s systems or data could cause its normal operations to be disrupted, or unauthorized internal or external knowledge or misuse of confidential Company data could occur, all of which could be harmful to the Company from a financial, legal and reputational perspective. **Further, delays or difficulties in implementing or integrating new systems or enhancing current systems could cause our normal operations to be disrupted. In addition, we have migrated certain technology processes and infrastructure to the cloud and, as such, are dependent on cloud-based technology provided by third- parties for certain key aspects of our business and operations. Any disruption of or interference with our use of cloud- based technology could have a material adverse impact on our business and operations.** The **development** ~~Company continually enhances its cyber~~ and **use of artificial intelligence presents risks and challenges that can impact our business including, but not limited to, posing security risks to our confidential** information **, proprietary information, and personal data and could damage our reputation or otherwise materially harm our business. We develop and incorporate artificial intelligence technology in certain of our services and plan to develop and incorporate additional artificial intelligence technology in future services. Issues in the development and use of artificial intelligence, including machine learning, generative artificial intelligence tools and large language models may result in reputational harm, liability or other adverse consequences to our business operations as well as to certain of our insureds. Our vendors may incorporate generative artificial intelligence tools into their offerings without disclosing this use to us, and the providers of these generative artificial intelligence tools may not meet existing or rapidly evolving**

regulatory or industry standards with respect to privacy and data protection and may inhibit our vendors' ability to maintain an adequate level of service and experience. If we, our vendors, or our third- party partners experience an actual or perceived breach of privacy or security **incident because of** ~~in order to identify and neutralize emerging threats and improve its ability to prevent, detect and respond to attempts to gain unauthorized access to~~ the ~~Company' s data~~ **use of artificial intelligence, we may lose valuable intellectual property** and ~~systems. ProAssurance regularly adds additional~~ **confidential information and our reputation and the public perception of the effectiveness of our** security measures ~~to its computer systems and network infrastructure to mitigate~~ **could be harmed. Further, bad actors around** the ~~possibility of cybersecurity breaches~~ **world use increasingly sophisticated methods** , including ~~firewalls and penetration testing. However, it is impossible to defend against every risk being posed by changing technologies. The Company has a formal process in place for identifying, handling and disclosing of cybersecurity incidents. In addition,~~ the **use** ~~Company' s Board and Audit Committee are involved in the oversight~~ of **artificial intelligence** ~~our cybersecurity policies and procedures and are continually updated on material cybersecurity risks and cybersecurity issues~~ , **to engage in illegal activities** ~~if any, faced by executive management. While the Company has experienced limited and immaterial potential cyber events and is aware of system breaches~~ involving ~~a number of third parties with whom the Company transacts business, the Company has no knowledge as of this date of any material harm or loss relating to cyber- attacks or other~~ -- **the** ~~security breaches at the~~ **theft** ~~Company or its third parties. The Company' s Code of Ethics~~ and **misuse** ~~Conduct explicitly prohibits officers, directors, team members, or other insiders who are subject to the Code from transacting in the Company' s stock during a time when such individuals have knowledge~~ of ~~any material undisclosed cybersecurity incident or breach~~ **personal information, confidential information and intellectual property** .