REPORT OF

ASSOCIATION EXAMINATION

OF

WOODBROOK CASUALTY INSURANCE, INC.

BIRMINGHAM, ALABAMA

AS OF

DECEMBER 31, 2006

PARTICIPATION:

SOUTHEASTERN ZONE
ALABAMA

TABLE OF CONTENTS

EXAMINER'S AFFIDAVIT i

SALUTATION 1

SCOPE OF EXAMINATION 2

ORGANIZATION AND HISTORY 3

MANAGEMENT AND CONTROL 4

- SHAREHOLDER 4
- BOARD OF DIRECTORS 4
- COMMITTEES 4
  - *Executive Committee* 5
  - *Investment Committee* 5
- OFFICERS 5
- CONFLICTS OF INTEREST 5

CORPORATE RECORDS 6

HOLDING COMPANY AND AFFILIATE MATTERS 6

- HOLDING COMPANY 6
- DIVIDENDS TO STOCKHOLDERS 6
- MANAGEMENT AND SERVICE AGREEMENTS 6
  - *2006 Management Agreement* 6
  - *2006 Expense Allocation Agreement* 7
  - *2006 Consolidated Tax Allocation Agreement* 8
- ORGANIZATIONAL CHART 9

FIDELITY BOND AND OTHER INSURANCE 11

EMPLOYEE AND AGENT WELFARE 11

SPECIAL DEPOSITS 12

FINANCIAL CONDITIONS/GROWTH OF THE COMPANY 12

SCHEDULE T – EXHIBIT OF PREMIUMS WRITTEN 12

LOSS EXPERIENCE 13

MARKET CONDUCT ACTIVITIES 13

- TERRITORY 13
- PLAN OF OPERATION 13
- POLICY FORMS AND UNDERWRITING PRACTICES 14
- DIVIDENDS TO POLICYHOLDERS 14

Advertising and Marketing 14
Claims Review 14
Policyholder Complaints 14
Compliance with Agents' Licensing Requirements 14
PRIVACY STANDARDS 15
REINSURANCE 15
Assumed Reinsurance 15
Ceded Reinsurance 15
ACCOUNTS AND RECORDS 16
Record Retention Compliance 17
FINANCIAL STATEMENTS INDEX 18
NOTES TO THE FINANCIAL STATEMENTS 22
CONTINGENT LIABILITIES AND PENDING LITIGATION 22
SUBSEQUENT EVENTS 22
COMPLIANCE WITH PREVIOUS RECOMMENDATIONS 25
IMPORTANT POINTS, COMMENTS AND RECOMMENDATIONS 25
CONCLUSION 27

EXAMINER'S AFFIDAVIT

STATE OF ALABAMA
COUNTY OF Jefferson

Mary B. Packard, being first duly sworn, upon her oath

deposes and says:

That she is an examiner appointed by the Commissioner of Insurance for the State of Alabama;

That an examination was made of the affairs and financial condition of Woodbrook Casualty Insurance, Inc., for the period of January 1, 2003 through December 31, 2006.

That the following 27 pages constitute the report thereon to the Commissioner of Insurance of the State of Alabama.

And that the statements, exhibits, and data therein contained are true and correct to the best of her knowledge and belief.

Mary B. Packard
Examiner-in-Charge

Subscribed and sworn to before the undersigned authority this 28th day of September, 2007

Tonia M. King
(Signature of Notary Public)

TONIA M. KING Notary Public
(Print Name)

in and for the State of Alabama.

My Commission expires 6-20-08.

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
201 MONROE STREET, SUITE 1700
POST OFFICE BOX 303351
MONTGOMERY, ALABAMA 36130-3351
TELEPHONE: (334) 269-3550
FACSIMILE: (334) 241-4192
INTERNET: www.aldoi.gov

BOB RILEY
GOVERNOR

WALTER A. BELL
COMMISSIONER

ASSISTANT COMMISSIONER
REN WHEELER

DEPUTY COMMISSIONER
D. DAVID PARSONS

CHIEF EXAMINER
RICHARD L. FORD

STATE FIRE MARSHAL
EDWARD S. PAULK

GENERAL COUNSEL
REYN NORMAN

RECEIVER
DENISE B. AZAR

LICENSING MANAGER
JIMMY W. GUNN

September 28, 2007

Honorable Mary Jo Hudson, Director,
Chairman, Examination Oversight Task Force
Ohio Department of Insurance
2100 Stella Court
Columbus, Ohio 43215-1067

Honorable Julie McPeak, Executive Director, Secretary, Southeastern Zone
Kentucky Office of Insurance
Post Office Box 517
Frankfort, Kentucky 40602-0517

Honorable Walter Bell, Commissioner
Alabama Department of Insurance
201 Monroe Street, Suite 1700
Montgomery, Alabama 36104

Dear Directors and Commissioner:

Pursuant to your authorizations and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners (NAIC), an examination has been made of the affairs and finacial condition of

WOODBROOK CASUALTY INSURANCE, INC.

at its home office located at 100 Brookwood Place, Birmingham, Alabama 35209, as of December 31, 2006. The Report of Examiantion is submitted herewith. Where the description "Company" or "WCI" appears herein without qualification, it will be understood to indicate Woodbrook Casualty Insurance, Inc.

SCOPE OF EXAMINATION

The Company was last examined for the five-year period ended December 31, 2002 by examiners from West Virginia. The current examination covers the intervening period from the date of the last examination through December 31, 2006 and was conducted by examiners from Alabama, representing the Southeastern Zone, NAIC. The examination was conducted concurrently with the examination of affiliated companies, The Medical Assurance Company, Inc. (TMAC), and Red Mountain Casualty Insurance Company, Inc. (RMCI), both of Birmingham, Alabama and NCRIC, Inc. (NCRIC) of Washington, D.C. Where deemed appropriate, transactions subsequent to 2006 were reviewed.

The examination was made in accordance with the statutory requirements of the Alabama Insurance Code and the Alabama Insurance Department's regulations and bulletins; in accordance with the applicable guidelines and procedures promulgated by the NAIC; and in accordance with generally accepted examination standards and practices in connection with the verification of assets and determination of liabilities.

The examination included an inspection of corporate records, test checks of recorded income and disbursement items for selected periods, and a general review of records and files pertaining to operations, administrative practices and compliance with statutes and regulations. Assets were verified and valued, and all known liabilities were established or estimated as of December 31, 2006 as shown in the Financial Statements contained herein. However, the discussion of assets and liabilities contained in this report is confined to those items where a change was made by the examiners, or which indicated violation of the Alabama Insurance Code and the Insurance Department's rules and regulations or other insurance laws or rules, or which are deemed to require comments or recommendations.

A Company office copy of the filed Annual Statement for the year 2006 was compared with or reconciled to account balances with respect to ledger items.

The market conduct review consisted of a review of the Company's plan of operation, territory, policy forms and underwriting practices, dividends to policyholders, advertising, claims payments, policyholder complaints and compliance with agents' licensing requirements.

The Company's accounts were examined by Ernst and Young, LLP, certified public accountants (E&Y), for the years of 2003, 2004, 2005 and 2006. The Company does not maintain an internal audit department; however, its ultimate parent, ProAssurance Corporation (PRA), does maintain an internal audit department which services the parent and all its subsidiaries.

A signed letter of representation was obtained during the course of the examination. In this letter, management attests to having valid title to all assets, except as disclosed in the Annual Statement, and to the nonexistence of unrecorded liabilities as of December 31, 2006.

ORGANIZATION AND HISTORY

At December 31, 2006, the Company was a wholly-owned subsidiary of Medical Assurance, Inc. (MAI), a Delaware holding company which was a wholly-owned subsidiary of ProAssurance Corporation (PRA), a Delaware holding corporation. Effective May 16, 2007, MAI was merged into an affiliate, PRA Professional Liability Group, Inc., a new holding corporation.

The Company was organized on May 20, 1986, as West Virginia Hospital Insurance Company. At that time, the Company was a wholly-owned subsidiary of West Virginia Hospital Services, Inc. which in turn was wholly-owned by West Virginia Hospital Association, Inc.

On January 1, 1994, the Company was acquired by Mutual Assurance, Inc., an Alabama domestic casualty stock insurer, and began reinsuring with its parent 100% of all new business written after the acquisition date. This reinsurance agreement continued through December 31, 2005.

On March 31, 1994, Mutual Assurance, Inc., which changed its name to The Medical Assurance Company, Inc. (TMAC) in 1999, acquired all of the outstanding capital stock of the Company.

Effective August 4, 1994, the Company's name was changed to Medical Assurance of West Virginia, Inc. Effective August 31, 1995, TMAC became a wholly-owned subsidiary of MAI and distributed all of the capital stock of the Company as a dividend to MAI. This resulted in MAI becoming the immediate parent of the Company. On June 22, 2000, MAI and Professionals Group, Inc. agreed to consolidate and, as a result, formed a new holding company named ProAssurance Corporation.

Effective March 31, 2005, the Company changed its state of domicile from West Virginia to Alabama. In addition, the Company changed its name to Woodbrook Casualty Insurance, Inc. The Company writes business in West Virginia.

MANAGEMENT AND CONTROL

Shareholder

At December 31, 2006, the Company was a stock corporation with control vested in its stockholder. The Company was a wholly owned subsidiary of Medical Assurance, Inc. (MAI), a Delaware holding corporation, which was wholly owned by ProAssurance Corporation (PRA). Effective May 16, 2007, MAI was merged into an affiliate, PRA Professional Liability Group, Inc., a new holding company incorporated under the laws of the state of Delaware.

Board of Directors

Members elected to the Board of Directors by MAI as of December 31, 2006, in accordance with the By-Laws of the Company and serving at December 31, 2006 were as follows:

Director/Residence	Office
Aubrey Derrill Crowe, M.D.* Birmingham, Alabama	Chairman, President, Chief Executive Officer
Victor Thomas Adamo Birmingham, Alabama	Director
Paul Richard Butrus Birmingham, Alabama	Director, Vice President
Howard Harley Friedman Timonium, Maryland	Director
James Joseph Morello Birmingham, Alabama	Director, Treasurer

*Retired effective June 30, 2007. See "SUBSEQUENT EVENTS" for further detail.

Committees

The Company has the following committees at year-end 2006.

Executive Committee

The Executive Committee consisted of the following members: Aubrey Derrill Crowe, M.D., Victor Thomas Adamo and Howard Harley Friedman.

Investment Committee

The Investment Committee consisted of the following members: Aubrey Derrill Crowe, M.D., Victor Thomas Adamo, Edward Lewis Rand, Jr. and James Joseph Morello.

Officers

The following officers were elected by the Board of Directors and were serving at December 31, 2006:

Officer	Title
Aubrey Derrill Crowe, M.D.*	Chairman, President and Chief Executive Officer
James Joseph Morello	Treasurer
Larry Keith Chamblee*	Assistant Treasurer
Paul Richard Butrus	Vice President
Martin Deveraux Ennis	Vice President
Desmond Patrick O'Doherty	Vice President
Frank Berry O'Neil	Vice President
Kathryn Anne Neville	Secretary

*Retired in 2007.

Conflicts of Interest

The Company requires that Conflict of Interest Statements be signed every year by directors and officers. All Conflict of Interest Statements were complete for all years under examination.

CORPORATE RECORDS

The Articles of Incorporation and By-Laws were amended and restated on March 10, 2005 after the Company's name change and redomestication to the State of Alabama. The Secretary of State of the State of Alabama granted the name change to Woodbrook Casualty Insurance, Inc. on January 27, 2005. The Articles were filed and certified by the State of Alabama Jefferson County Judge of Probate on March 10, 2005. The By-Laws were adopted by the Board of Directors on March 10, 2005.

The documents were inspected during the course of the examination and appeared to provide for the operation of the Company in accordance with usual corporate practice and applicable statutes and regulations.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company

The Company is subject to the Alabama Insurance Holding Company Regulatory Act as defined in ALA. CODE § 27-29-1 (1975). In connection therewith, the Company is registered with the Alabama Department of Insurance as joint registrant of an Insurance Holding Company System. Appropriate filings required under the Holding Company Act were made from time to time by the Company as joint registrant. A review of the Company's filings during the period under review did not disclose any omissions in them.

Dividends to Stockholders

2003	2004	2005	2006
$999,000	$0	$0	$0

No extraordinary dividends were paid during this period.

Management and Service Agreements

2006 Management Agreement

This agreement was entered into by ProAssurance Corporation (PRA) and its subsidiaries effective January 1, 2006. The agreement was for one year with automatic renewals for subsequent calendar years.

It was determined that by combining certain portions of the insurance operations, the companies could operate more effectively and efficiently. It was decided that The Medical Assurance Company, Inc. (TMAC) would be responsible for the coordination and delivery of the management services to be provided, including but not limited to the following:

- Accounting Services, Financial Statements and Tax Returns
- Underwriting Services
- Marketing and Sales
- Claims Administration
- Reinsurance
- Information Systems Services
- Administrative Services
- Legal Services
- Actuarial Service
- Risk Management

Services may be performed using the personnel of any of the companies party to the agreement or through the use of consultants, advisors, investment managers, and other third parties as reasonably required to perform the services referenced above. The direct or indirect expenses incurred shall be allocated as determined by the Expense Allocation Agreement that was entered into simultaneously with this agreement. TMAC should not charge any management fee, commission or override fee for performing the services set forth in the agreement.

2006 Expense Allocation Agreement

The agreement is between ProAssurance Corporation (PRA) and its subsidiaries and was effective January 1, 2006. The agreement will continue in-force unless amended or modified in writing by all of the companies involved. The agreement defines the types of expenses involved (direct and indirect) and establishes the method of allocating these expenses.

Direct expenses are defined as those expenses arising from services performed by employees of the companies or outside vendors that can be identified as being applicable to one specific company. Direct expenses will be allocated to the company incurring the expenses.

Indirect expenses are defined as those expenses arising from services performed for the benefit of one or more companies, and cannot be identified as applicable to one company. These expenses will be allocated during each accounting period on a closely estimated basis and in a fair and reasonable method in conformity with customary insurance accounting practices. The method will be consistently applied.

All expenses will be settled on a quarterly basis.

2006 Consolidated Tax Allocation Agreement

The agreement, dated August 10, 2006, is between ProAssurance Corporation (PRA) and its subsidiaries (Group). The agreement succeeds the Consolidated Tax Allocation Agreement dated September 1, 2005 between PRA and its subsidiaries and the Tax Sharing Agreement dated August 15, 1995 between Physicians Insurance Company of Wisconsin, Inc. and its subsidiaries. The agreement should continue until terminated by the mutual agreement of the members. Any amendments, modifications or supplements to this agreement shall be in writing and shall be executed by a duly appointed representative of each of the members.

A consolidated federal income tax return shall be filed under the terms of Section 1501, et seq. of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations. Pursuant to Regulation Section 1.1552-1(c), PRA elects to allocate the consolidated tax liability of the Group among the members in accordance with the ratio of each member's taxable income to the consolidated taxable income. This calculation shall be made pursuant to Regulation Section 1.1552-1(a)(1). Each member would pay this amount on the date the liability was due had it not been consolidated, or soon thereafter. In lieu of actual payments, adjustments to the intercompany receivables or payables will be made if any exists.

If any member's losses or tax credits resulted in reduced taxes for the other members, then the member who experienced the loss would receive a reduction to its intercompany payable by the members experiencing the benefit. The payment would be calculated by allocating to each benefiting member an additional tax liability in an amount equal to 100 percent of the excess, if any, of the (1) separate return tax liability of each benefiting member for the taxable year over (2) the tax liability allocated to the benefiting members under this agreement. This additional tax liability shall be paid or adjustments made to the intercompany balances of the member experiencing the loss on the ratio of separate return tax benefit divided by the total tax benefit of all the members who experienced a loss. If the tax credit exceeds the intercompany payable of the member who experienced the loss, then an actual cash payment will be made. The additional tax amount owed by each benefiting member or adjustment to intercompany balances should be made on the date this amount was due had it not be consolidated, or soon thereafter.

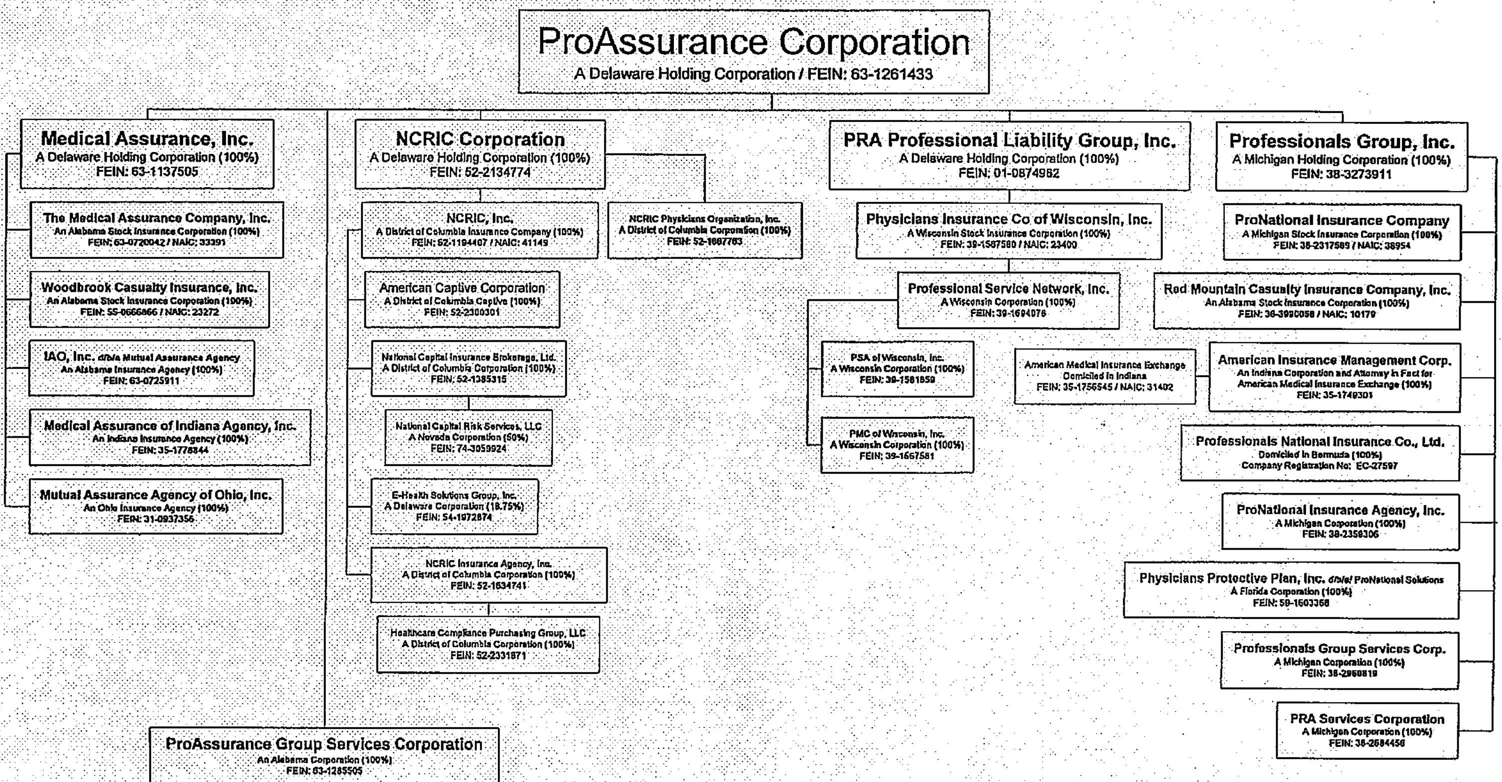
If any member owes another member an amount in addition to its liability, then the overpayment amount would be repaid or readjusted on the date or dates the amount would have been paid to the Internal Revenue Service (IRS) had the member filed a separate return, or as soon thereafter as possible.

If any member owes another member an amount less than its liability, then the member would pay or adjust the intercompany balance of the member due the payment on the date or dates the amount would have been required by the IRS had the member filed a separate return, or as soon thereafter as possible.

Subsequent changes in a member's tax liability and the reimbursement payment shall be considered an intercompany liability or receivable and not a dividend or surplus contribution, until the adjustment is made.

Organizational Chart

The following chart presents the identities of and interrelationships among all affiliated person within the Insurance Holding Company System as of December 31, 2006.



As of December 31, 2006

FIDELITY BOND AND OTHER INSURANCE

The Company was a named insured on a financial institution bond issued by The Cincinnati Insurance Company of Cincinnati, Ohio, which met the suggested minimum requirements of the NAIC Financial Condition Examiners Handbook. The bond covered forgery or alteration, securities, trading loss, computer system fraud and extortion.

In addition to the fidelity bond, the Company maintained the following coverages to protect the Company against hazards to which it may be exposed:

- Corporate Accident Liability
- Publicly Traded Blue Chip Liability
- Commercial Automobile Liability
- Commercial Excess and Umbrella Liability
- International Blanket Accident Liability
- International Commercial Liability
- International General Liability
- International Workers' Compensation Liability
- Property Insurance Liability
- Workers' Compensation Liability
- Pension Retirement Liability
- Directors and Officers Liability
- Errors and Omissions Liability

The coverages and limits carried by the Company were reviewed during the course of the examination and appeared to adequately protect the Company's interest at the examination date.

EMPLOYEE AND AGENT WELFARE

The Company had no employees or agents. All services were provided to the Company by employees of ProAssurance Group Services Corporation. Expenses were allocated in accordance with the Expense Allocation Agreement that is discussed under "HOLDING COMPANY AND AFFILIATE MATTERS" section of this report under the caption "Management and Service Agreements."

The Company did not report any salaries or payroll taxes for 2006, while it had for the other years under examination. Per the Company's management, its business has been declining and the salary totals were so small that it was determined to be more efficient not to allocate these expenses. ALA. CODE § 27-29-5(a)(3) states, "Transactions with affiliate. Material transactions by registered insurers with their affiliates shall be subject to the following standards:...(3) Expenses incurred and payment received shall be allocated to the insurer in conformity with customary insurance accounting practices consistently applied;..." The Company was not in compliance with this Code section.

SPECIAL DEPOSITS

The Company maintained the following deposits with the respective statutory authorities at December 31, 2006, as required or permitted by law

States and Territories	Book Value	Fair Value
Alabama	$ 100,109	$ 99,750
Aggregate Alien and Other	1,000,000	1,000,000
TOTAL	**$ 1,100,109**	**$ 1,099,750**

FINANCIAL CONDITIONS/GROWTH OF THE COMPANY

	Admitted Assets	Liabilities	Capital & Surplus	Premiums Earned
2006*	$33,730,864	$21,081,275	$12,659,589	$6,486,682
2005	27,342,065	17,055,430	10,286,635	6,480,736
2004	20,363,078	12,077,751	8,285,327	1,620,468
2003	17,420,795	7,219,122	10,201,673	238,897
2002*	23,056,088	13,057,799	9,998,289	-

*Per Examination

SCHEDULE T – EXHIBIT OF PREMIUMS WRITTEN

States	Premiums
West Virginia	$ 7,690,628
Total Premiums Written	**$ 7,690,628**

LOSS EXPERIENCE

The following are the percentages of losses and loss expenses incurred to premiums earned for each year under examination.

2003	2004	2005	2006
404.0%	240.7%	107.0%	54.8%

In addition, the following are the One Year Loss Development and the Two Year Loss Development for each year under examination.

($000 Omitted)	2003	2004	2005	2006
One Year Loss	$ (23)	$ 1	$ 1,254	$ (3,883)
Two Year Loss	$ (491)	$ 24	$ 1	$ (2,664)

MARKET CONDUCT ACTIVITIES

Territory

At December 31, 2006, the Company was licensed to transact business in the following three states:

- Alabama
- Mississippi
- West Virginia

At that time, the Company only wrote business in West Virginia.

Plan of Operation

On March 31, 2005, Medical Assurance of West Virginia changed its name to Woodbrook Casualty Insurance, Inc. and redomesticated to Alabama. The Company is licensed in Alabama to transact medical malpractice, other liability, miscellaneous casualty, surety and marine. The Company can transact casualty/liability and workers' compensation in Mississippi and casualty in West Virginia.

The Company had a total of sixty-four employed or licensed agents of which fifteen were in Mississippi and forty-nine in West Virginia. The Company did not have any licensed agents in Alabama.

Policy Forms and Underwriting Practices

The Company is domiciled in the State of Alabama; however, policies and direct premiums are written in the State of West Virginia. According to the 2006 Annual Statement Schedule T, the Company had direct premiums written in West Virginia and paid direct losses in the State of Mississippi; however, there was no business written in Alabama. Policy form filings for West Virginia appeared to be appropriately filed and approved. For Alabama, the Company was authorized to sell miscellaneous casualty, official surety bonds and marine.

Dividends to Policyholders

There were no dividends paid to policyholders during the period covered by this examination.

Advertising and Marketing

The Company did not have any advertising materials for Alabama.

Claims Review

There were no claims for the period under review in Alabama.

Policyholder Complaints

There were no documented complaints in the Company's register for the State of Alabama nor were there any complaints registered with the Alabama Department of Insurance during the examination period.

Compliance with Agents' Licensing Requirements

The Company is licensed in Alabama; however, there were no agent appointments or direct premiums written in the state during the exam period. The Company has agents that are licensed and appointed for Mississippi and West Virginia. The 2006 Annual Statement - Schedule T, showed direct premiums written for West Virginia and direct losses paid, incurred and unpaid for Mississippi.

PRIVACY STANDARDS

The examiners reviewed the Company's privacy procedures and found the following:

1. The Company provides new employees with a copy of the Employee Handbook which contains the Code of Ethics. The Company's policy on Confidential Information in general as well as its requirements under HIPAA are included in the Code of Ethics. The employees are required to sign an acknowledgement form after they have received and reviewed the document.

2. The Company has safeguards in its data systems to prevent unauthorized access to nonpublic and personal information stored there.

3. The Company sends an initial privacy notice with every new policy and at renewal.

4. The Company does not disclose any nonpublic information on its policyholders unless required by law. This includes personal health or financial information. For this reason, the Company does not need to provide opt-out statements to its policyholders.

Overall, the examiners determined that the Company was following the privacy procedures and standards contained in ALA. ADMIN. CODE 482-1-122 (2001).

REINSURANCE

Assumed Reinsurance

The Company had no assumed reinsurance business, as of December 31, 2006; however, loss reserve changes and loss payments will continue on the intercompany treaty which was terminated, but not commuted, effective December 31, 2003.

Ceded Reinsurance

Prior to January 1, 2004, the Company's reinsurance ceded programs provided coverage on an excess-of-loss basis, using two layers of reinsurance. Multiple reinsurers participated on each layer, including both authorized and unauthorized reinsurers. The reinsurance program consisted of two coverage layers, $4 million excess of $1 million and $11 million excess of $5 million. Major participants in the program included Hannover Re, Lloyds Syndicate # 2791, Transatlantic Reinsurance Company and AXA Re.

The first layer was retrospectively rated, with minimum and maximum premiums based on percentages of the provisional premium. The provisional premium was calculated by applying a specified set of factors to the collected premium for the Company's primary coverage ($1 million/$3 million limits). From October 1, 2002, through December 31, 2004, the layer was 100% placed with a variety of reinsurers.

The second layer ($11 million excess of $5 million) was flat-rated, also based on a specified set of factors.

Effective January 1, 2004, the Company entered into a separate reinsurance program, with coverage of $800,000 excess of $200,000 per claim. Effective at that date, the Company no longer sells policies with limits above $1 million per claim. The program is flat-rated based on collected premium and contains an annual aggregate deductible. The Company had a 7.5% participation in the program for the 2004 and 2005 years and no participation for the 2006 year. The 2004 and 2005 contracts have been commuted.

The review of the Company's reinsurance treaties disclosed no unusual provisions.

ACCOUNTS AND RECORDS

The Company's principal accounting records were maintained primarily on electronic data processing (EDP) equipment. The Company uses a system to maintain files on claims and underwriting, including premiums. This system interfaces with the Company's general ledger system as needed.

The Company was audited annually by the independent certified public accounting firm of Ernst & Young, LLP (E&Y), Birmingham, Alabama. E&Y conducted all of the Company's audits for the four-year period under examination.

The actuarial firm of Tillinghast-Towers Perrin, Atlanta, Georgia, was retained by the Company throughout the examination period and prepared the 2006 Statutory Loss Reserve Opinion and the Statement of Actuarial Opinion. The reserve calculations were verified by Mr. James D. Hurley, ACAS, MAAA, a qualified actuary.

The Company does not have a Corporate Level Business Continuity Plan. Without a plan, senior management's ability to efficiently respond to contingencies could be impaired.

The Company has seven individuals with access to the production data. Project Managers should not have access to production data. No one should have access to production data all day every day. Access should be limited and tracking of the use of superuser accounts should be performed and audited.

Record Retention Compliance

The examiners determined that the Company's record retention policy did not require that the Company maintain all records in accordance with ALA. ADMIN. CODE 482-1-118-.03 (1999), which states: "Every insurer, which term shall include every domestic insurer, foreign insurer, health care services corporation, health maintenance organization, prepaid dental plan, managing general agent or any other legal entity regulated by the Insurance Code and licensed to do business in this state shall maintain its books, records, documents and other business records in order that the insurer's financial condition may be readily ascertained by the Department of Insurance, taking into consideration other record retention requirements. All records must be maintained for not less than five (5) years." These items included: petty cash records, audits or adjustments, vendor W-9 forms, payroll records, files for commissions, bonuses, incentives, awards, employee personnel records, affirmative action and EEO files, requests for reasonable accommodation under ADA, records related to FLMA leave, job descriptions, job advertisements, applications and resumes, service requests, and risk management files.

FINANCIAL STATEMENTS INDEX

The Financial Statements included in this report were prepared on the basis of the Company's records and the valuations and determinations made during the course of the examination for the year 2006. Amounts shown in the comparative statements for the year 2003, 2004, 2005 and 2006 were compiled from Company copies of filed Annual Statements. The statements are presented in the following order:

	Page
Statement of Assets, Liabilities, Surplus and Other Funds...............	19
Statement of Income..	21
Capital and Surplus..	21

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTREGRAL PART THEREOF.

Woodbrook Casualty Insurance, Inc.
Statement of Assets, Liabilities, Surplus and Other Funds
For the Year Ended December 31, 2006

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 21,490,398	$ -	$ 21,490,398
Cash, cash equivalents and short-term investments	6,843,567	-	6,843,567
Subtotal, cash and invested assets	$ 28,333,965	$ -	$ 28,333,965
Investment income due and accrued	170,660	-	170,660
Premium considerations:			
Uncollected premiums and agents' balances in the course of collection	468,332	54,214	414,118
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,003,682	-	1,003,682
Reinsurance:			
Amounts recoverable from reinsurers	1,906,734	-	1,906,734
Other amounts receivable under reinsurance contracts	1,507,539	-	1,507,539
Net deferred tax asset	878,250	490,499	387,751
Furniture and equipment, including health care delivery assets	1,605	1,605	-
Receivable from parent, subsidiaries and affiliates	6,415	-	6,415
Prepaid Other Taxes and Fees	4,702	4,702	-
TOTAL	$ 34,281,884	$ 551,020	$ 33,730,864

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTREGRAL PART THEREOF.

Woodbrook Casualty Insurance, Inc.
Statement of Assets, Liabilities, Surplus and Other Funds (Continued)
For the Year Ended December 31, 2006

LIABILITIES	2006
Losses	$ 8,183,949
Loss adjustment expenses	8,443,639
Commissions payable, contingent commissions and other similar charges	87,429
Other expenses	46,460
Taxes, licenses and fees	78,106
Current federal and foreign income taxes	1,177,746
Unearned premiums	3,040,215
Amounts withheld or retained by company for account of others	13,229
Payable to parent, subsidiaries and affiliates	503
Other	(1)
TOTAL LIABILITIES	$ 21,071,275
CAPITAL AND SURPLUS	
Common capital stock	$ 1,000,000
Gross paid in and contributed surplus	5,398,586
Unassigned funds (surplus) (**Note 1**)	6,261,003
TOTAL CAPITAL AND SURPLUS	$ 12,659,589
TOTAL LIABILITIES, CAPITAL AND SURPLUS	$ 33,730,864

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTREGRAL PART THEREOF.

Woodbrook Casualty Insurance, Inc.
Statement of Income
For the Years Ended December 31, 2006, 2005, 2004 and 2003

	2006	2005	2004	2003
Underwriting income				
Premiums earned	$ 6,486,682	$ 6,480,736	$ 1,620,468	$ 238,897
Deductions:				
Loss incurred	784,495	3,560,194	1,630,570	(3,919)
Loss expenses incurred	2,768,943	3,374,890	2,270,125	969,051
Other underwriting expenses incurred	505,631	287,442	674,403	(654,947)
Premium deficiency reserve	-	(355,000)	355,000	-
Total underwriting deductions	$ 4,059,069	$ 6,867,526	$ 4,930,098	$ 310,185
Net underwriting gain (loss)	$ 2,427,613	$ (386,790)	$ (3,309,630)	$ (71,288)
Investment income				
Net investment income earned	$ 1,256,881	$ 626,801	$ 363,361	$ 363,648
Net realized capital gains (losses)	(14,843)	11	47,551	(964)
Net investment gain (loss)	$ 1,242,038	$ 626,812	$ 410,912	$ 362,684
Other income				
Miscellaneous other income	$ 6,847	$ (45,482)	$ (2,014)	$ 346
Total other income	$ 6,847	$ (45,482)	$ (2,014)	$ 346
Net income before federal and foreign income taxes	$ 3,676,498	$ 194,540	$ (2,900,732)	$ 291,742
Federal and foreign income taxes incurred	1,249,956	132,487	(293,132)	333,613
NET INCOME	$ 2,426,542	$ 62,053	$ (2,607,600)	$ (41,871)
Capital and Surplus Account				
Surplus as regards policyholders, prior year	$ 10,286,636	$ 8,285,327	$ 10,201,673	$ 9,998,289
Net income	2,426,542	62,053	(2,607,600)	(41,871)
Change in net unrealized capital gains or (losses)	-	-	-	59,594
Change in net deferred income tax	55,577	127,661	722,661	320,872
Change in nonadmitted assets	(109,165)	1,811,595	(2,031,407)	(121,456)
Capital changes: Paid in	-	-		860,000
Surplus adjustments: Paid in	-	-	2,000,000	-
Dividends to stockholders	-	-	-	(999,000)
Correction of Prior Period Error in Premiums due	-	-	-	125,245
Change in surplus as regards policyholders	$ 2,372,954	$ 2,001,309	$ (1,916,346)	$ 203,384
Surplus as regards policyholders, December 31, current year	$ 12,659,590	$ 10,286,636	$ 8,285,327	$ 10,201,673

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTREGRAL PART THEREOF.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Unassigned funds (surplus) $6,261,003

The above captioned amount is the same as reported by the Company in its 2006 Annual Statement.

The following schedule presents a reconciliation of the unassigned funds per the Company's filed statement to this examination's findings:

Unassigned funds (surplus) per Company		$6,261,003
Examination increase/(decrease) to assets:	0	
Total increase/(decrease) to assets		0
Examination (increase)/decrease to liabilities:	0	
Total (increase)/decrease to liabilities		0
Unassigned funds (surplus) per Examination		$6,261,003

CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included an inspection of representations made by management to the Company's independent certified public accountants regarding the Company and its affiliates, a review of the report on litigation and claims made by the Company's counsel to the Company's independent certified public accountants, a review of the report to the examiners on pending litigation made by Company's counsel, and a general review of the Company's records and files conducted during the course of the examination, including a review of claims. These reviews did not disclose any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

SUBSEQUENT EVENTS

The following two agreements were effective subsequent to the exam period:

Management and Service Agreement

This agreement effective January 1, 2007 was signed and entered into by ProAssurance Corporation (PRA) and its subsidiaries on August 1, 2006. The companies determined that by combining certain portions of its insurance operations, they could operate more effectively and efficiently.

It was determined that The Medical Assurance Company, Inc. (TMAC) would be responsible for the coordination and delivery of the management services to be provided, including but not limited to the following:

- accounts receivable and accounts payable
- investment management
- preparation and filing of financial statements and tax returns
- reviewing applications for policies of insurance
- making decisions on coverage
- following-up with applicants for additional information
- working with reinsurers to arrange appropriate reinsurance for each Company
- selling and promoting the policies of insurance issued by each Company
- invoicing policies*
- mailing applications to insured's*
- collecting premiums*
- marketing policies to prospective*
- reviewing, processing, investigating, adjusting and settling or resisting all claims in accordance with each Company's policy and procedures
- establishing loss reserves for each claim as deemed necessary in accordance with each Company's policy and procedures
- providing all information systems service requirements
- preparing business plans
- actuarial services
- assisting in the arrangement of appropriate insurance for insurance company operations
- payroll administration
- benefit administration
- employee relations
- regulatory and financial compliance
- facilities operations
- legal services
- coordination of loss prevention services
- furnishing assistance and professional consultation to insured's
- developing and conducting training programs
- maintaining CME accreditation

TMAC can use the employees of the companies, consultants, advisors, investment managers or third-parties at any time to perform any of the aforementioned services. The companies involved will make all of its resources available to TMAC and TMAC will do the same. Direct and indirect expenses will be allocated as determined by the Expense Allocation Agreement that was signed simultaneously with this agreement. TMAC should not charge any management fee, commission or override for performing the services outlined in the agreement.

* Services provided for insurance companies only.

Expense Allocation Agreement

The agreement, effective January 1, 2007, was by and between ProAssurance Corporation (PRA) and its subsidiaries. This agreement was amended in 2007.

The companies determined that it would be more efficient and effective if certain operational services were combined and provided by the employees and managers of The Medical Assurance Company, Inc. (TMAC).

This agreement defines the types of expenses involved (direct and indirect) and establishes the method of allocation for these expenses. Direct expenses are defined as those expenses arising from services performed by employees of the companies or outside vendors that can be identified as being applicable to one specific company. Whereas indirect expenses are defined as those expenses arising from services performed by employees of the Companies or vendors for the benefit of one or more companies and cannot be identified as applicable to one company.

Direct expenses will be allocated to the company incurring the expenses. Indirect expenses will be allocated during each accounting period on a closely estimated basis. Indirect expenses will be allocated in a fair and reasonable method in conformity with customary insurance accounting practices and the method will be consistently applied.

These expenses (indirect and direct) will be settled on a quarterly basis. This agreement will continue in-force unless amended or modified in writing by all of the companies involved.

New Holding Company

Effective May 16, 2007, Medical Assurance, Inc. was merged into PRA Professional Liability Group, Inc., a newly formed holding company incorporated under the laws of the State of Delaware.

Retirement of Chief Executive Officer

Aubrey Derrill Crowe, M.D. retired as Chief Executive Officer (CEO) of ProAssurance Corporation (PRA) effective June 30, 2007. Dr. Crowe will continue to serve as Chairman of the Board in a non-executive capacity. William Stancil Starnes was named the new CEO effective July 1, 2007.

Reinsurance Intermediary

ProAssurance Corporation (PRA) entered into a new reinsurance intermediary agreement, on July 13, 2007, effective October 1, 2002, authorizing Towers Perrin Forster & Crosby, Inc. to solicit, negotiate, and procure reinsurance for the ProAssurance group of companies. The agreement appears to meet all statutory requirements.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was conducted during the current examination with regard to the Company's compliance with the recommendations made in the previous examination report. This review indicated that the Company complied with the prior recommendations.

IMPORTANT POINTS, COMMENTS AND RECOMMENDATIONS

Employee and Agent Welfare – Page 11

It is recommended that the Company's management comply with ALA. CODE § 27-29-5(a)(3) to conform with customary insurance accounting practices when allocating the Company's salary and payroll tax expenses.

Accounts and Records – Page 16

It is recommended the Company develop and maintain a Corporate Level Business Continuity Plan.

It is recommended that the Company put in place a procedure whereby the system administrators keep a log of changes that are made using the superuser account and additionally a second login should be used for normal job duties. The Company should review the list of employees with superuser access and limit to those with an absolute need. Secondary accounts should be created for those remaining on the list for use only when production data must be accessed.

It is recommended that the Company amend its record retention policy to maintain all records for not less than 5 years in accordance with the requirements of ALA. ADMIN. CODE 482-1-118-.03 (1999).

CONCLUSION

Acknowledgment is hereby made of the courteous cooperation extended by the officers and employees of the Company during the course of this examination.

The customary insurance examination procedures, as recommended by the NAIC have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, Lori Wright; Juliette Glenn; Charles Turner; Mora Perkins; Toni Bean; Janice Palmer, CPA, CFE, CPCU; Randall D. Ross, ACAS, MAAA, Consulting Actuary; Jenny Jeffers, CISA, AES and Joe Detrick, AFE, AES, CPA, CISA, Consulting Information Technology Specialists, all represented the Alabama Department of Insurance. David L. Daulton, CFE, Ed Fossa, Tim Oglesby and Nancy Ukairo represented the District of Columbia Department of Insurance, Securities and Banking.

Respectfully submitted,

Mary B. Packard

Mary B. Packard, CFE, CPA
Examiner-in-Charge
Department of Insurance
State of Alabama Department of Insurance
Southeastern Zone, NAIC