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PROFESSIONALS GROUP INC

Form 425

May 08, 2001

1

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SUBJECT COMPANY: PROFESSIONALS GROUP, INC.
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NEWS RELEASE

FOR IMMEDIATE RELEASE
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PROFESSIONALS GROUP REPORTS FIRST QUARTER 2001 RESULTS

OKEMOS, MICH., MAY 8, 2001 -- PROFESSIONALS GROUP, INC. (NASDAQ: PICM) REPORTS NET INCOME FOR THE QUARTER ENDED MARCH 31, 2001 WAS \$2.7 MILLION (\$0.29 PER DILUTED SHARE), COMPARED TO 2000 FIRST QUARTER NET INCOME OF \$3.1 MILLION (\$0.33 PER DILUTED SHARE). OPERATING INCOME FOR THE FIRST QUARTER OF 2001 WAS \$2.4 MILLION (\$0.26 PER DILUTED SHARE), COMPARED TO \$3.1 MILLION (\$0.33 PER DILUTED SHARE) DURING THE FIRST QUARTER OF 2000.

Victor T. Adamo, President and Chief Executive Officer stated, "Professionals Group's pending merger with Medical Assurance, Inc. is expected to close by the end of June. Accordingly, this will be Professionals Group's final quarterly report to shareholders. We express our thanks for the continuing support of Professionals Group's shareholders; and, we look forward to becoming a founding member of the new ProAssurance Corporation."

2001 First Quarter Financial Results:

The personal lines segment (MEEMIC) generated net premiums earned of \$31.2 million during the first quarter of 2001, compared to \$28.6 million during the first quarter of 2000, an increase of 9.0% due primarily to an increase in the number of insured vehicles and homes. Operating income attributable to MEEMIC for the first quarter of 2001 was \$3.1 million (\$0.34 per diluted share), compared to \$2.9 million (\$0.31 per diluted share) during the first quarter of 2000. This increase was due primarily to Professionals Group's increased ownership interest in MEEMIC of 84% at March 31, 2001 compared to 77% at March 31, 2000. MEEMIC's combined ratio increased

2

modestly from 93.6% in 2000 to 96.2% in 2001 due to a more harsh winter in 2001 compared to 2000.

The professional liability lines segment (primarily medical malpractice coverage for health care providers and institutions through ProNational Insurance Company) generated net premiums earned of \$31.8 million during the first quarter of 2001, compared to \$28.0 million during the first quarter of 2000, an increase of 13.5%. This increase was due primarily to significant rate increases implemented in all markets during 2000 and 2001. The operating loss attributable to ProNational for the first quarter of 2001 was \$0.7 million (\$0.08 loss per diluted share), compared to operating income of \$0.2 million

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(\$0.02 per diluted share) during the first quarter of 2000. Operating income for the first quarter of 2000 included the recognition of favorable prior year reserve development and reduced loss costs attributable to a stop loss reinsurance contract, neither of which existed during the first quarter of 2001. ProNational has posted current accident year reserves at the same loss ratios as recommended in 2000 by its consulting actuary despite significant rate increases in all markets. The decrease in operating income was mitigated by an increase in the federal income tax benefit reported in 2001 compared to 2000.

Professionals Group's net investment income increased 5.0%, to \$11.8 million during the first quarter of 2001 compared to \$11.2 million for the first quarter of 2000.

Professionals Group's book value per common share (excluding unrealized appreciation/depreciation on the investment portfolio) increased to \$27.16 at March 31, 2001 compared to \$26.82 at December 31, 2000.

Consolidation Update:

On June 22, 2000, Professionals Group entered into a definitive agreement to consolidate with Medical Assurance, Inc. (NYSE: MAI) and form a new holding company, ProAssurance Corporation, that would be the nation's third largest writer of liability insurance for health care professionals and facilities. The proposed consolidation will be considered and voted upon by Professionals Group's shareholders at a Special Meeting of Shareholders to be held at 10:00 a.m. local time on June 25, 2001 at the company headquarters. The record date for the Meeting was the close of business on April 27, 2001. The proposed consolidation is expected to be closed before June 30, 2001, pending receipt of, among other things, shareholder and final regulatory approvals.

This news release contains forward-looking statements that involve risks and uncertainties. The words "anticipate," "believe," "estimate," "expect," "intend," "will," and similar expressions are

3

intended to identify forward-looking statements. Such statements, which include the statements regarding the above described consolidation and the ability of the parties to complete it, reflect the current views of Professionals Group with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from those described herein. Factors that might cause such a difference include, but are not limited to, (1) those discussed in Professionals Group's filings with the SEC, including its Annual Report on Form 10-K/A (Amendment No. 1) for the year ended December 31, 2000, (2) those discussed in ProAssurance's filings with the SEC, including its Form S-4 registration statement, as amended (Registration No. 333-49378), relating to the consolidation, and (3) the risks and uncertainties that are inherent in any business combination such as the above described consolidation.

A registration statement on Form S-4, as amended (Registration No. 333-49378), has been filed by ProAssurance with the SEC regarding the proposed consolidation of Professionals Group and Medical Assurance. You are urged to read the registration statement and the documents included or incorporated by reference therein (including the respective Annual Reports on Form 10-K of Professionals Group and Medical Assurance) because they contain important information regarding the consolidation and the legal rights of security holders. ProAssurance's registration statement, as well as other documents filed by Professionals Group and Medical Assurance with the SEC are available from the SEC's website (<http://www.sec.gov>). These documents are also available without

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charge upon request to either:

Professionals Group, Inc.
2600 Professionals Drive
Okemos, Michigan 48864
Attention: Lori A. Beachnau
(800) 292-1036

Medical Assurance, Inc.
100 Brookwood Place
Birmingham, Alabama 35209
Attention: Frank B. O'Neil
(800) 282-6242

Corporate Profile:

Professionals Group is an insurance holding company traded under the symbol "PICM" on the Nasdaq National Market. Professionals Group provides professional liability insurance coverages and services to health care providers through its wholly owned subsidiary ProNational Insurance Company. Professionals Group owns 84% of MEEMIC Holdings, Inc. (Nasdaq listed: MEMH) that provides personal auto, homeowners, boat and umbrella coverages primarily for educational

4

employees and their families through MEEMIC Insurance Company. Both insurance companies are rated A- (Excellent) by A.M. Best.

Press Release Fax Service:

This news release and other Professionals Group releases are available at no charge through Professionals Group's website (www.ProfessionalsGroup.com) and PR Newswire's Company News on-Call fax service, 800-758-5804, extension 115602.

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5

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED) (IN THOUSANDS, EXCEPT SHARE DATA)

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
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REVENUES:		
Gross premiums written (incl. assumed premiums)	\$ 89,665	\$ 80,867
	=====	=====
Net premiums written	\$ 79,903	\$ 67,853
	=====	=====
Premiums earned, net	\$ 63,002	\$ 56,643
Net investment income	11,788	11,228
Net realized investment gains	456	49
Other income	1,243	1,168
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TOTAL REVENUES	76,489	69,088
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EXPENSES:		

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Losses, loss adjustment & DD&R expenses	62,353	53,214
Policy acquisition and underwriting expenses	12,660	11,607
Amortization expense, net	(302)	(220)
Interest expense	268	290
Other expense	697	512
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TOTAL EXPENSES	75,676	65,403
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Income before federal income taxes and minority interest	813	3,685
Federal income taxes (benefit)	(2,338)	(100)
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Income before minority interest	3,151	3,785
Minority interest - MEEMIC	(465)	(688)
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NET INCOME	\$ 2,686	\$ 3,097
	=====	=====
Basic net income per common share	\$ 0.30	\$ 0.35
	=====	=====
Diluted net income per common share	\$ 0.29	\$ 0.33
	=====	=====
Diluted weighted average shares outstanding	8,961,415	9,015,246
	=====	=====
Operating income per share*	\$ 0.26	\$ 0.33
	=====	=====
Professional liability combined ratio	141.4%	135.7%
Personal lines combined ratio	96.2%	93.6%
Professionals Group combined ratio	119.1%	114.4%

* Operating income excludes realized investment gains/losses.

6

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE DATA)

	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
Total investments	\$815,894	\$ 1,175,177
Total assets	1,175,177	1,175,177
Loss and loss adjustment expense reserves	690,953	690,953
Total liabilities	922,970	922,970
Total common shareholders' equity	252,207	252,207
Book value per common share	\$28.49	\$27.16
Book value per common share (excl. SFAS 115)	\$27.16	\$27.16
Common shares outstanding	8,851,223	8,851,223

