PROXY STATEMENT

Special Meeting of Shareholders of
FINCOR HOLDINGS, INC.
to approve an Agreement and Plan of Merger among
FinCor Holdings, Inc.,
Horizon Merger Corporation,
Medical Professional Mutual Insurance Company, and
Holders Agent, Inc.

The Board of Directors of FinCor Holdings, Inc. is furnishing this proxy statement to FinCor common and preferred shareholders and the accompanying form of proxy to FinCor common shareholders to solicit proxies to vote at a special meeting of FinCor's shareholders to be held on July 9, 2009, at The Lexington Hotel, 925 South Creyts Road, Lansing, Michigan 48917, at 10:00 a.m. local time, and at any adjournments of the special meeting. At the special meeting, FinCor common shareholders will consider and vote upon a proposal to approve an Agreement and Plan of Merger among FinCor, Horizon Merger Corporation, Medical Professional Mutual Insurance Company, and Holders Agent, Inc. under which Horizon Merger Corporation will be merged with and into FinCor. The surviving corporation will be FinCor, which will be a wholly-owned subsidiary of Medical Professional Mutual Insurance Company. Holders Agent, Inc. will act as agent for FinCor common shareholders for the purposes stated in the Agreement after their shares of FinCor common stock are converted into the right to receive the merger consideration.

If the Merger is completed, each share of FinCor common stock issued and outstanding at the Effective Time of the Merger will be converted into the right to receive $239.11 in cash per share (subject to adjustment as described under "The Merger — What FinCor Shareholders Will Receive in the Merger"), the Per Share Adjustment Amount (if any), and the Deferred Payment Per Share (if any). Each Preferred Share will be converted into the right to receive $1,000 per Preferred Share plus accrued and unpaid dividends. Holders of Preferred Shares are not entitled to vote on approval of the Agreement.

FinCor shareholders should read and consider all of the information contained in this proxy statement. Completion of the Merger is subject to approval of the Agreement by the FinCor common shareholders, regulatory approvals, and certain other conditions. See "The Merger — Conditions to the Merger."

Raymond James & Associates, Inc. issued an opinion to FinCor's Board of Directors that the consideration to be received by holders of shares of FinCor common stock is fair, from a financial point of view, to holders of shares of FinCor common stock. See "The Merger — Fairness Opinion of Raymond James & Associates, Inc."

Your vote is important. To approve the Agreement, the holders of at least a majority of shares of FinCor common stock issued and outstanding as of the record date must vote FOR approval of the Agreement. **Please sign and date the enclosed proxy and mail it promptly in the enclosed envelope, regardless of whether or not you expect to attend the meeting in person.**

Your Board of Directors unanimously recommends that you vote FOR approval of the Agreement.

This proxy statement is dated June 15, 2009.

FINCOR HOLDINGS, INC.

6215 West St. Joseph Highway
Lansing, Michigan 48917-4852

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

A special meeting of shareholders of FinCor Holdings, Inc. will be held on July 9, 2009, at The Lexington Hotel, 925 South Creyts Road, Lansing, Michigan 48917, at 10:00 a.m. local time, for the following purposes:

1. To consider and vote upon a proposal to approve an Agreement and Plan of Merger among FinCor Holdings, Inc., Horizon Merger Corporation, Medical Professional Mutual Insurance Company, and Holders Agent, Inc (the "Agreement").

2. To transact such other business as may properly come before the meeting.

The Board of Directors has established the close of business on June 10, 2009, as the record date for the determination of FinCor common shareholders entitled to notice of and to vote at the meeting and any adjournment of the meeting. FinCor common shareholders are not entitled to dissent and be paid the fair value of shares of FinCor common stock as determined under the Michigan Business Corporation Act. Holders of Preferred Shares are not entitled to vote on approval of the Agreement.

By Order of the Board of Directors,

Thomas F. Dickinson

Thomas F. Dickinson
Chief Executive Officer and President

June 15, 2009

YOUR VOTE IS IMPORTANT. EVEN IF YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY PROMPTLY.

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SUMMARY

This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. For a more complete description of the legal terms of the Merger, you should carefully read and consider the Agreement attached as Appendix A to this proxy statement. Capitalized terms used in this proxy statement and not defined in this proxy statement have the meanings given to them in the Agreement.

Parties to the Merger.

Medical Professional Mutual Insurance Company ("ProMutual")
101 Arch Street, P.O. Box 55178
Boston, Massachusetts 02205

ProMutual is a Massachusetts mutual insurance company and a member of ProMutual Group. ProMutual Group is one of the leading providers of medical liability insurance in the Northeast, insuring more than 17,000 physicians, surgeons, and dentists as well as a large number of hospitals, health centers and clinics. It is the ninth largest medical liability insurance provider in the country based on direct written premium according to *Best's Review*, August 2008. ProMutual Group has $2.2 billion in net admitted assets, $612 million in policyholder surplus and approximately $306 million in direct written premium in 2008. ProMutual Group has an A.M. Best rating of A- (Excellent), and is acknowledged as a leader in providing risk management and claim services to the healthcare community.

Based in Massachusetts, ProMutual Group member companies operate in Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, Pennsylvania, Rhode Island, and Vermont. Member company ProSelect Insurance Company also recently became licensed in Virginia. ProMutual Group distributes its products directly and through independent agents. For more information, visit ProMutual Group's web site at www.promutualgroup.com.

Horizon Merger Corporation ("MergerSub")

MergerSub is a Michigan corporation and a wholly-owned subsidiary of ProMutual. It was incorporated on May 19, 2009, solely for the purpose of completing the Merger. In connection with the Merger, MergerSub will be merged with and into FinCor and its separate existence will cease.

FinCor Holdings, Inc. ("FinCor")
6215 West St. Joseph Highway
Lansing, Michigan 48917-4852

FinCor is a Michigan corporation and an insurance holding company. Through its subsidiaries—FinCor Solutions, The Risk Management and Patient Safety Institute, MHA Insurance Company ("MHAIC"), Washington Casualty Company ("WCC") and Capital Risk Solutions, SPC—FinCor provides insurance products and support services including medical liability insurance, workers compensation insurance and clinical risk management solutions to clients nationally. In 2008, FinCor reported annual revenues of $97.2 million, and $17 million in net income which represented an increase of 12 percent over 2007 net income. The company's insurance subsidiary, MHAIC, has maintained a 15-year A.M. Best rating of A- (Excellent). WCC, FinCor's Pacific Northwest medical liability insurer, which it acquired in 2006, has an A.M. Best rating of B+ (Good). With its years of experience focusing on financial loss protection and clinical risk reduction, FinCor has built an outstanding reputation for serving the needs of the healthcare industry. For more information, visit www.fincorholdings.com.

Holders Agent, Inc. ("Holders Agent")

Holders Agent is a Michigan corporation and a wholly-owned subsidiary of FinCor. It was incorporated on May 22, 2009 solely for the purpose of acting as agent for certain purposes under the Agreement. See "The Merger-Holders Agent" below.

Structure of the Merger (see page 24). If the Merger is completed, MergerSub will be merged with and into FinCor. The Surviving Corporation will be FinCor, which will be wholly-owned by ProMutual.

What FinCor Common Shareholders Will Receive in the Merger (see page 18). A holder of shares of FinCor common stock issued and outstanding immediately before the Effective Time ("Share") will be entitled to receive $239.11 in cash per Share (subject to adjustment as described under "The Merger – What FinCor Shareholders Will Receive in the Merger"), the Per Share Adjustment Amount (if any), and the Deferred Payment Per Share (if any).

What FinCor Preferred Shareholders Will Receive in the Merger (see page 22). A holder of Preferred Shares will be entitled to receive $1,000 per Preferred Share plus accrued and unpaid dividends. Holders of Preferred Shares are not entitled to vote on approval of the Agreement.

What Option Holders Will Receive in the Merger (see page 21). Each Option outstanding immediately before the Effective Time will be cancelled and extinguished and automatically converted into the right to receive for each Share that would have been issued if the Option were exercised in full (i) an amount in cash equal to the product of (x) the excess, if any, of $239.11 over the exercise price per Share of such Option and (y) the total number of Shares subject to such Option, (ii) the Per Share Adjustment Amount (if any), and (iii) the Deferred Payment Per Share (if any). All amounts received will be without interest and less any applicable withholding taxes.

What Restricted Share Holders Will Receive in the Merger (see page 22). Each Restricted Share issued, outstanding, and remaining restricted immediately before the Effective Time will be cancelled and extinguished and automatically converted into the right to receive (i) $239.11 per Restricted Share, (ii) the Per Share Adjustment Amount (if any), and (iii) the Deferred Payment Per Share (if any). All amounts received will be without interest and less any applicable withholding taxes.

Recommendation to FinCor Shareholders (see page 15). FinCor's Board of Directors unanimously recommends that each holder of Shares vote FOR approval of the Agreement.

Fairness Opinion (see page 32). In deciding to adopt the Agreement, FinCor's Board of Directors considered the opinion of its financial advisor, Raymond James & Associates, Inc. ("Raymond James"), that the consideration to be received by holders of Shares pursuant to the Agreement is fair, from a financial point of view, to holders of Shares. The written opinion of Raymond James is attached as Appendix B to this proxy statement.

Completion of the Merger (see page 28). Completion of the Merger is subject to certain conditions, including, among others, that the holders of Shares approve the Agreement and that necessary regulatory approvals be obtained. At any time before the Effective Time of the Merger, the boards of directors of ProMutual and FinCor may, by mutual consent, abandon the Merger and terminate the Agreement. In addition, for certain specified reasons, the Board of Directors of either ProMutual or FinCor may abandon the Merger and terminate the Agreement.

Vote Required for Approval (see page 4). Only holders of record of shares of FinCor common stock on June 10, 2009, have the right to vote on approval of the Agreement. To approve the Agreement, the holders of at least a majority of Shares entitled to vote as of the record date must vote FOR approval of the Agreement. Holders of Preferred Shares are not entitled to vote on approval of the Agreement.

As of June 10, 2009, FinCor's directors, executive officers, and their affiliates beneficially owned 41,366 Shares, or approximately 6.65% of the Shares entitled to vote on the Agreement. FinCor's executive officers and directors have entered into voting agreements under which they have agreed to vote their Shares for approval of the Agreement.

Regulatory Approvals (see page 28). Completion of the Merger is subject to various regulatory approvals. FinCor does not know of any reason why the various regulatory approvals will not be obtained in a timely manner, but it cannot be certain when or if they will be obtained.

Dissenters' Rights (see page 26). Holders of Shares are not entitled to dissent and be paid the fair value of Shares as determined under the Michigan Business Corporation Act.

Interests of Certain Persons in the Merger (see page 24). Certain insiders of FinCor may have interests in the Merger in addition to their interests as shareholders of FinCor generally. These interests exist because of, among other things, employment or severance agreements that the executive officers entered into with FinCor, rights that officers and directors have under FinCor benefit plans, and rights to indemnification and directors and officers insurance following the Merger. The FinCor Board of Directors was aware of these interests and considered them, among other matters, when considering the Merger.

What FinCor Shareholders Should Do Now. After you have carefully reviewed this proxy statement, please complete, sign, date, and mail the proxy in the enclosed postage-paid return envelope as soon as possible so that your Shares will be represented and voted at the meeting. **If you do not return your proxy or vote in person at the special meeting, it will have the same effect as a vote against approval of the Agreement.**

Revocability of Proxies (see page 5). There are two ways for you to revoke your proxy and change your vote. You may send a written notice to the Chief Executive Officer and President of FinCor, Thomas F. Dickinson, stating that you would like to revoke your proxy. This notice must be received before July 9, 2009. You may also vote in person at the special meeting. Your last dated proxy or vote will be the vote that is counted.

What to do with Stock Certificates. Please DO NOT send in stock certificates with your proxy. Shortly after the Effective Time, you will receive a transmittal letter from the Paying Agent with instructions for surrendering your Shares or Preferred Shares and receiving payment for your Shares or Preferred Shares. **You should carefully read and follow the instructions in the letter of transmittal regarding how and when to surrender your Shares or Preferred Shares to receive payment.**

Questions. If you have questions about the special meeting or the Merger, you may contact:

FinCor Holdings, Inc.
6215 West St. Joseph Highway
Lansing, Michigan 48917-4852
Attn: Thomas F. Dickinson
(517) 886-8297

THE SPECIAL MEETING

FinCor is furnishing this proxy statement to FinCor shareholders as part of the solicitation of proxies from Fincor common shareholders by FinCor's Board of Directors for use at the special meeting.

Date, Time and Place

The special meeting will be held on July 9, 2009, at The Lexington Hotel, 925 South Creyts Road, Lansing, Michigan 48917, at 10:00 a.m. local time.

Purpose of the Special Meeting

The purpose of the special meeting will be to vote on approval of the Agreement. The FinCor Board of Directors has determined that the Agreement is in the best interests of FinCor shareholders and unanimously recommends that the FinCor common shareholders vote for approval of the Agreement.

Record Date; Stock Entitled to Vote; Quorum

The FinCor Board of Directors has established the close of business on June 10, 2009, as the record date for the determination of FinCor common shareholders entitled to notice of and to vote at the meeting and any adjournment of the meeting. On June 10, 2009, 622,434.3 Shares were issued and outstanding and held by approximately 114 holders of record. Each Share is entitled to one vote on each matter submitted to a vote at the special meeting. A majority of the outstanding Shares entitled to vote as of the record date represented in person or by proxy is necessary to establish a quorum. Abstentions will be counted for the purpose of establishing a quorum for the transaction of business at the special meeting. If a quorum is not present at the special meeting, the meeting will be adjourned or postponed to solicit additional proxies.

Vote Required to Approve the Agreement

FinCor is soliciting proxies from FinCor common shareholders for the purpose of approving the Agreement. The affirmative vote of the holders of a majority of shares of FinCor common stock entitled to vote as of the record date is required to approve the Agreement. Holders of Preferred Shares are not entitled to vote on the approval of the Agreement.

Voting of Proxies; Discretionary Authority

All Shares represented by properly executed proxies received at or before the special meeting will be voted at the special meeting in the manner specified by the holders. To vote, please complete, sign, date and return the enclosed proxy. Executing a proxy will not in any way affect your right to attend the special meeting and vote in person.

Shares affirmatively voted for approval of the Agreement and properly executed proxies that do not contain voting instructions will be voted for approval of the Agreement. If you abstain from voting or do not execute a proxy, it will have the effect of a vote against approval of the Agreement.

The persons named as proxies may propose and vote for one or more adjournments or postponements of the special meeting, including adjournments or postponements to permit further solicitation of proxies. No proxy voted against approval of the Agreement will be voted in favor of any adjournment or postponement.

The FinCor Board of Directors does not currently expect that any matter other than voting on the approval of the Agreement will be brought before the special meeting. If, however, another matter is presented at the special meeting, the persons named as proxies will vote in accordance with their judgment.

Revocability of Proxies

A proxy may be revoked at any time before the Shares are voted at the special meeting by:

- Sending a written notice to the Chief Executive Officer and President of FinCor, Thomas F. Dickinson, stating that you would like to revoke your proxy; or
- Appearing at the special meeting and voting in person. A shareholder's attendance at the special meeting will not, by itself, constitute a revocation of proxy.

Your latest dated proxy or vote at the special meeting will be the vote that is counted.

Proxy Solicitation

The Board of Directors and management of FinCor will initially solicit proxies by mail. Directors, officers, and employees of FinCor may also solicit proxies in person, by telephone, by electronic mail or by facsimile without additional compensation. In addition, trustees and other fiduciaries may solicit voting instructions or proxies. Such persons may at the request of FinCor's management mail material to or otherwise communicate with the beneficial owners of shares held by them.

Expenses

FinCor will pay all expenses incurred in connection with the solicitation of proxies of FinCor shareholders and the printing and mailing of this proxy statement. Except as otherwise stated in the Agreement, ProMutual, MergerSub and FinCor will each pay their own fees and expenses incident to preparing for, entering into, and carrying out the Agreement and procuring any necessary approvals, including fees and expenses of its own legal counsel and accountants and postage expenses.

PROMUTUAL

ProMutual is a Massachusetts mutual medical liability insurance company that originated as a joint underwriting association created by the legislature of the Commonwealth of Massachusetts in 1975. The joint underwriting association was created to guarantee the continued availability of medical liability insurance within Massachusetts. In 1992, upon the expiration of the legislation that created the joint underwriting association, the Massachusetts legislature removed the insurance industry responsibility for the joint underwriting association's liability and changed the name of the organization to the Medical Malpractice Professional Insurance Association. In 1995, the Massachusetts legislature converted the Medical Malpractice Professional Insurance Association into the mutual insurance company that is today called ProMutual.

In the four years following ProMutual's conversion into a mutual insurance company, ProMutual undertook to expand its operations, beginning with the formation of ProMutual Group, Inc., a Massachusetts insurance holding company and a direct subsidiary of ProMutual, in 1995. At the end of 1995, ProMutual formed ProMutual Insurance Agency, Inc., a Massachusetts corporation. Today, ProMutual Insurance Agency, Inc. is a wholly-owned subsidiary of ProMutual Group, Inc., but is not actively placing any insurance business. The formation of ProMutual Insurance Agency, Inc. was followed by the acquisition of the insurance licenses of Abington Mutual Insurance Company (from its

court appointed Massachusetts liquidator) in the beginning of 1996. This entity was subsequently converted into a Massachusetts stock insurance company and renamed ProSelect Insurance Company, which is referred to as ProSelect. ProSelect was formed to permit ProMutual to expand its insurance writing capabilities outside of the Commonwealth of Massachusetts. Today ProSelect is a wholly-owned subsidiary of ProMutual Group, Inc. and currently writes business in Connecticut, Maine, New Hampshire, New Jersey, Pennsylvania, Rhode Island and Vermont. ProSelect is also licensed in New York, but does not transact business at this time. It recently became licensed in Virginia, and has a pending license application in North Carolina. In 1998, ProMutual acquired 100% of the stock of Cimarron Insurance Company, an Arizona stock insurance company, and subsequently changed that entity's name to ProSelect National Insurance Company, Inc., which is referred to as ProSelect National. Today, ProSelect National is a direct subsidiary of ProMutual Group, Inc., but is not actively writing any business. Finally, in 2006, ProMutual formed ProMutual Solutions Insurance Company, which is domiciled in Vermont and referred to as ProMutual Solutions. ProMutual Solutions is a direct wholly-owned subsidiary of ProMutual. ProMutual Solutions, a sponsored cell captive insurance company, provides clients with the ability to partake in the risk-sharing aspects of insurance by putting their own capital at risk. The group of companies is referred to as ProMutual Group.

ProMutual and its insurance subsidiaries collectively hold licenses to write insurance in 36 states and actively write business in eight states. In 2008, ProMutual and ProSelect collectively wrote 46 percent of their business in the Commonwealth of Massachusetts, where they held a 47.6 percent share of the medical malpractice market based on direct premium written, the largest of any consolidated group. The business is focused in the New England states, New Jersey and Pennsylvania, and ProMutual and ProSelect together currently insure more than 17,000 physicians, surgeons and dentists in addition to 232 hospitals, health centers and clinics. ProMutual Group is the ninth largest medical liability insurance provider in the country based on direct written premium according to *Best's Review*, August 2008. For the year ended December 31, 2008, it had direct written premiums of approximately $306 million, which represented approximately two percent of the total United States medical malpractice market. In addition, as of December 31, 2008, ProMutual and its subsidiaries have net admitted assets of $2.2 billion and policyholder surplus of $612 million. ProMutual and ProSelect both currently hold a rating of A- (Excellent) from A.M. Best Company, which was last reaffirmed in November of 2008. ProMutual currently employs 210 people in seven states.

ProMutual's Leadership

Richard W. Brewer, President and CEO: Richard W. Brewer is the president and CEO of ProMutual Group and has over 30 years of experience in the insurance business and has been with ProMutual Group since January, 2001. He has demonstrated the ability to direct large, complex insurance organizations and has earned a reputation within the industry for integrity and leadership. Mr. Brewer is responsible for the overall operation of the organization.

Prior to joining ProMutual Group, Mr. Brewer served as the president and CEO of Arbella Mutual Insurance Company from 1988 until December, 2000. He started his insurance career as a claims representative and later was an underwriter before moving into various management positions. He has held executive positions with national carriers, such as Hartford Financial and National Grange Mutual.

Mr. Brewer is a member of the Massachusetts Insurance Federation. He is presently a member of the board of trustees of the American Institute for Economic Research in Great Barrington, Massachusetts, and also serves on a number of other committees. Civically active, Mr. Brewer also received the Public Services Award in 1998 from Work, Inc. which recognizes recipients for assisting and supporting individuals with disabilities.

Mr. Brewer graduated from Fairfield University with a Bachelor of Arts degree in Economics and from the University of Bridgeport with a Masters in Business Administration.

John J. Donehue, Senior Vice President and Chief Financial Officer: John J. Donehue is senior vice president and chief financial officer for ProMutual Group and has served in this position since 1984. Mr. Donehue is responsible for the overall financial stability and reporting of the organization. Prior to joining ProMutual, Mr. Donehue served as deputy controller and assistant treasurer for Commercial Union Insurance Company. He is also a former manager of corporate accounting for Liberty Mutual Insurance Company.

Mr. Donehue has served on the Board of Managers and the Investment Committee of the Property Casualty Initiative and is a current member of the Association of Mutual Insurance Accountants and the Society of Insurance Accountants. He also jointly authored the original NAIC Accounting Practices and Procedures Manual.

Mr. Donehue graduated from Northeastern University with a Bachelor of Science degree.

Gregg L. Hanson, Chief Operating Officer: Gregg L. Hanson is Chief Operating Officer and oversees the company's Claims, Information Technology, Human Resources, Underwriting, Marketing, Risk Management and Physician Education Departments. He also assists the president and CEO in strategic decisions for the entire company. Mr. Hanson has served in this position since September 2000.

Prior to joining ProMutual Group, Mr. Hanson was senior vice president of southern operations and underwriting for ProNational Insurance Company. Past positions include numerous executive positions with St. Paul Insurance Company, which encompassed underwriting, marketing, and overall operational management.

Mr. Hanson is a graduate of the University of North Dakota where he received his Bachelor of Science degree in Business Administration. He is also a member of The American Society of Healthcare Risk Management and Professional Liability Underwriting Society.

Janice W. Allegretto, Vice President and General Counsel: Janice W. Allegretto is vice president and general counsel for ProMutual Group and has served in this position since 2000. Ms. Allegretto is responsible for advising the company on general legal issues, and overseeing legal and compliance staff. She previously served in the positions of associate counsel and counsel for ProMutual Group prior to her current position.

Prior to joining ProMutual Group, Ms. Allegretto was chief enforcement counsel and special hearing officer at the Massachusetts Division of Insurance. As special hearing officer, a position appointed by the commissioner, she reviewed, evaluated, conducted public hearings and wrote decisions on three large transactions that came before the Division. She also has worked as litigation associate in private practice and as an assistant district attorney for Plymouth County, Massachusetts.

Ms. Allegretto graduated from Suffolk University Law School and received her Bachelor of Arts in American Studies from Brandeis University. She is a member of the American Bar Association, the Massachusetts Bar Association, the Boston Bar Association and the American Corporate Counsel Association.

In addition, ProMutual's board of directors is composed of a majority of practicing or retired healthcare professionals concerned with the needs of the healthcare community. In brief, its bylaws require that

ProMutual's 13-member board be comprised of seven licensed physicians, one licensed dentist, one hospital representative, and four other persons who are not physicians, dentists or hospital officers or employees. Of these four, one must have experience as an insurance agent or broker, two must have other insurance experience, and one must have experience as an advocate for the rights and interests of healthcare consumers.

ProMutual's executive offices are located at 101 Arch Street, P.O. Box 55178, Boston, Massachusetts 02205-5178. The company also has a claims office in Morristown, New Jersey.

ProMutual's Reasons for the Merger

Beginning in 2007, ProMutual undertook a concerted effort to explore opportunities to expand its share of the United States medical liability insurance market. It identified several key strategic initiatives to achieve this goal, including geographic expansion, offering and expanding excess and umbrella coverage, increasing its hospital business, offering additional risk management services and ACCME accredited continuing medical education activities nationwide, and adding additional healthcare provider lines to the company's product offerings.

In particular, ProMutual researched expansion into new geographic markets through organic means similar to its expansion into the New England states and New Jersey in the late 1990s and more recently in Pennsylvania in 2006. As it did in the past, ProMutual performed extensive research and outreach in each of the states, conforming to its characteristically conservative, cautious and fiscally responsible operational style. Once these prerequisites were completed, ProMutual pursued slow and stable growth through one of its member companies, ProSelect Insurance Company. In Pennsylvania, growth has been slow, but steady, and has gradually built to yield an increasingly significant presence in the market for the company. ProSelect recently became licensed in Virginia and anticipates licensure in North Carolina shortly, and it intends to implement the same conservative entry strategy it used in other states.

Given ProMutual and ProSelect's sizable share of the New England market, ProMutual realized that any further measurable growth would require additional geographic diversification beyond New Jersey, Pennsylvania, Virginia and North Carolina. Among the geographic markets considered by ProMutual were those of New York, the Southeast, Midwest and Pacific Northwest. ProMutual's success to date has largely been built upon the long-term relationships it has developed with the independent agents that comprise its distribution system as well as the physicians, surgeons, dentists, hospitals, health centers and clinics that it insures. When considering geographic expansion, the company understood that breaking into any new geographic market through organic growth would be slow, given the current market cycle and the company's lack of prior exposure in such markets. Therefore, ProMutual allowed for the contingency of achieving expansion at an accelerated rate through a strategic acquisition.

ProMutual recognized the potential opportunity an acquisition could present. While ProMutual's leadership understood that growth is important to the long-term viability of the organization, it also emphasized that it is in the best interest of ProMutual to carefully select the right company that fits into its strategic goals and shares the organization's structure, mission and values. ProMutual was highly selective in looking for a financially strong organization that could benefit from a larger capital base and had a strong management team with a skilled employee base.

When the opportunity to explore a strategic transaction with FinCor first came to ProMutual's attention, ProMutual immediately reached out to FinCor's representatives realizing that FinCor's primary market in the Midwest and recent expansion into the Pacific Northwest would allow ProMutual Group to gain entry into two markets simultaneously. Both the Midwest and the Pacific Northwest are markets that ProMutual had previously identified as attractive for its expansion. ProMutual next learned more about FinCor's

business model and found that it offers characteristics that meet ProMutual's established strategic objectives.

MHAIC and WCC will be attractive additions to the underwriting capabilities of ProMutual and ProSelect. The book of business of MHAIC and WCC is particularly attractive to ProMutual given the loyalty of their insureds, their high rates of renewal and ProMutual's interest in expanding its hospital market share. ProMutual and its subsidiaries have a strong, physician dominant book of business and when combined with FinCor's hospital market share, will yield a well diversified book of business for the organization. The licenses held by MHAIC and WCC will allow for the continuation of current business held by FinCor and will accommodate additional growth with ProMutual's financial backing. FinCor will retain its individual territory as a subsidiary without the impediment of redundant ProMutual Group entry into their markets.

Furthermore, as ProMutual learned more about FinCor and its book of business, ProMutual soon realized that the benefits a strategic transaction with FinCor could provide went beyond the book of business of MHAIC and WCC. FinCor's non-insurance subsidiaries provide services outside the scope of services traditionally provided by ProMutual and its subsidiaries and as a result are particularly attractive to ProMutual. The consultative approach and multi-line offerings of FinCor Solutions, Inc. add substantial value to customers. Of particular interest is the potential to offer The Risk Management & Patient Safety Institute's ("RM&PSI") risk and education services to ProMutual's existing policyholder base across the Northeast. ProMutual is recognized as a leader in risk management services in its territories and the addition of RM&PSI offers educational resources to policyholders of both companies and is another attractive feature of this strategic transaction.

One of the most important reasons for ProMutual to seek a strategic transaction with FinCor is the similarity between the two companies. FinCor's insurance subsidiaries, MHAIC and WCC, with their background as mutual companies, have a similar history to ProMutual. The three companies were formed for the primary purpose of providing affordable medical liability insurance. In addition, all three companies are accountable to the doctors and hospitals that they insure. FinCor's shareholder base is primarily composed of medical service providers that received stock upon the conversion of MHAIC from a mutual insurer into a stock insurance company. While ProMutual does not have shareholders, its board of directors is elected by its policyholders. Furthermore, both companies are similar in structure, corporate culture and number of employees. Finally, FinCor's reputation among hospitals and doctors in the markets it serves mirrors ProMutual's own reputation and complements ProMutual's stated mission to "provide medical liability protection to physicians, hospitals, dentists and other healthcare providers, while maintaining financial strength, integrity and reputation for excellence."

This last point mirrors another important consideration for ProMutual, which is that both companies share a conservative management philosophy and strong dedication to healthcare providers, including exceptional risk management services and claims defense. With these characteristics of FinCor fitting in perfectly with the factors ProMutual set out as requirements for an acquisition, ProMutual believes that the acquisition of FinCor would not only be a positive strategic move for ProMutual but will benefit FinCor's constituents, as well.

Following ProMutual's proposed strategic acquisition of FinCor, ProMutual currently expects to continue serving FinCor's policyholders by providing the same continuity of operation, service, and protections currently provided by FinCor and its subsidiaries. Furthermore, ProMutual currently expects to continue plans to expand WCC's presence in the Pacific Northwest market, as well as to seek additional opportunities to expand MHAIC's book of business in the Midwest market. Finally, ProMutual expects to capitalize on the services provided by RM&PSI by offering their services to ProMutual Group's existing policyholders.

ProMutual's proposed acquisition of FinCor is a strategic purchase for ProMutual and as such it intends to remain committed to FinCor over the long term. Moreover, ProMutual and its subsidiary companies are established entities in the medical liability insurance industry and plan on maintaining this presence well into the future. With more than three decades of experience focused on the healthcare business, ProMutual has a deep understanding of its issues and is positioned as a lasting leader in the medical liability insurance industry.

The proposed acquisition of FinCor presents an appealing liquidity event for FinCor's shareholders with the comfort of knowing that ProMutual is a mutual company accountable to the healthcare providers it serves and has never left a market it or its subsidiaries have entered. As a mutual company, ProMutual is focused on sustainable long term growth and profitability, as opposed to short term quarterly results. With ProMutual's strong capital base, the ability to perform in difficult market cycles is more feasible. Also, the acquisition should lead to an economy of scale in future purchases of services from vendors creating added value and savings.

Additionally, ProMutual currently expects that FinCor will retain its individual identity as a subsidiary of ProMutual and will continue operating largely as it had before the acquisition. Policyholders will continue working with staff with whom they have developed relationships. This encompasses the skilled management and employee base at FinCor who will be working alongside the experienced management staff at ProMutual to create a formidable organization with a highly specialized and knowledgeable work force. Along with this, ProMutual will encourage FinCor and its subsidiary companies to grow and will encourage such activity with the support of ProMutual's strong financial base.

HORIZON MERGER CORPORATION

Horizon Merger Corporation is a Michigan corporation that was formed solely for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement. It has not conducted any activities to date other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement. Horizon Merger Corporation's executive offices are located at c/o ProMutual, 101 Arch Street, P.O. Box 55178, Boston, Massachusetts 02205-5178.

THE MERGER

The following discussion summarizes the material provisions of the Agreement and certain aspects of the Merger. This summary discussion does not purport to be a complete description of the Merger or the Agreement and is qualified in its entirety by reference to the Agreement, which is attached as Appendix A to this proxy statement and here incorporated by reference. You should carefully read and consider the Agreement.

Background of the Merger

In 2001, a group of large hospitals representing a majority of shares of MHAIC common stock demanded an opportunity to liquidate its shares. Substantially all of the shareholders of MHAIC at the time were hospitals who had invested in MHAIC years earlier primarily for the purpose of obtaining affordable medical professional liability insurance. Some of the larger shareholders had since obtained their insurance from other sources. After extensive negotiations, the shares of common stock owned by those shareholders were redeemed and recapitalized by MHAIC. Since 2001, shareholders holding a substantial percentage of FinCor's shares, mostly hospitals who have held shares of FinCor common stock (and MHAIC common stock before FinCor was organized as a holding company in 2004) for a very long

time, have expressed an expectation that FinCor would eventually provide them with an opportunity to liquidate their investment in FinCor.

For the last eight years, FinCor's Board of Directors (and the Board of Directors of MHAIC before FinCor was organized as a holding company in 2004) has been focused on a strategic plan directed toward maximizing long-term risk-adjusted shareholder value. FinCor has been successful in implementing this strategic plan, which continues to be a sound focus for FinCor. As part of this plan, FinCor's Board of Directors and management contemplated, among other things, an initial public offering of FinCor Stock. However, after conscientious review of the strategic direction of FinCor and the needs and expectations of FinCor's shareholders, FinCor's Board of Directors came to a preliminary conclusion in 2008 that shareholder value could be maximized through a change of control transaction.

On August 5, 2008, at a joint meeting of the Special Advisory and Executive/Finance Committees of the Board of Directors (which together are a majority of the Board of Directors), Raymond James, a national investment banking firm which provides advisory services to middle-market insurance companies, was asked to provide an analysis of FinCor's liquidity options. The key options presented were an initial public offering, an initial public offering followed by a sale of FinCor, and a sale of FinCor. The review of the three possible strategic alternatives to remaining an independent company included a presentation comparing the estimated range of present values which could be realized in each of the three strategic alternatives.

At this meeting, the Committees also received presentations on, and discussed, the state of the insurance market, FinCor's current operating environment, advantages and disadvantages of the strategic alternatives which could provide FinCor's shareholders with liquidity, and FinCor's future prospects as an independent company. FinCor's strategy to grow through acquisition, a critical element to its plan under current market conditions, carried both execution risk and integration risk. The strategy of providing shareholder liquidity through a public offering, which had been the focus of the Company's strategic plan, no longer appeared to be a feasible means of enhancing shareholder value within the timeframe previously envisioned. Raymond James advised that the financial markets were then extremely unsettled and Raymond James was not confident that FinCor would be able to complete a successful public offering and realize the favorable valuation that was expected when a public offering was previously considered.

The Committees were also advised on the alternative methods which could be used to market FinCor to prospective buyers. Raymond James presented an overview of the medical professional liability insurance merger and acquisition market and the types of prospective buyers which might be interested in FinCor. Raymond James discussed with the Board the types of purchasers expected to be interested in buying FinCor and the reasons why each type of buyer would likely be interested in FinCor. The directors were advised by Raymond James that the acquisition climate had potentially become favorable to selling because of a strong appetite by other insurance companies to grow through acquisition during the soft market.

On August 13, 2008, at a full meeting of the Board of Directors, the Board discussed the strategic alternatives and other matters which were presented and discussed at the August 5, 2008 meeting. Further discussion continued regarding the strategic alternatives and the value ranges which might be realized by an initial public offering. The Board of Directors also considered the perceived needs and preferences of FinCor's hospital shareholders, which represented a substantial majority of FinCor's stock. It was the sense of the directors that most hospital shareholders would prefer to liquidate their investment in FinCor so that the hospitals could use the proceeds for the delivery of healthcare services rather than retaining FinCor stock as an investment. Directors also concluded that the large hospital shareholders would probably prefer to receive cash consideration for their FinCor stock rather than retain an investment in an acquiring company.

The Board of Directors unanimously voted to authorize FinCor's officers and advisors to explore the feasibility and means for maximizing shareholder value through strategies other than remaining an independent company, to develop and present those plans and proposals to the Board of Directors for further consideration, and to select and negotiate terms of engagement of financial advisors for this purpose. The Board delegated to the Special Advisory Committee the authority to consult with and authorize actions of the officers of FinCor and its legal and financial advisors within specified parameters.

The Special Advisory Committee met on August 27, 2008 and the Board of Directors met on September 5, 2008 to further consider exploring strategic alternatives. Several alternative strategies for marketing FinCor to prospective buyers were considered and objectives and priorities for the process were discussed. Representatives of Raymond James presented a preliminary list of prospective buyers with an analysis of the experience, capabilities and likely level of interest of each. The Board again discussed the potential risks and opportunities of other strategic alternatives. A process for exploring the prospect for a sale of FinCor was discussed and defined. Raymond James. was selected and engaged as FinCor's financial advisor. The Board of Directors voted unanimously to authorize the officers and advisors of the FinCor to initiate the process of soliciting expressions of interest concerning a merger or sale of FinCor.

On October 1, 2008 the Special Advisory Committee met with management and Raymond James to discuss deteriorating market conditions and the effect of adverse developments in the financial markets on prospective buyers. Raymond James representatives reviewed with the Committee the significant deterioration in the debt and equity markets, a significant shift in focus on conservation of capital vs. expansion within the insurance industry, and declines in values of insurance company stocks, which had occurred since the Board meeting on September 5. The representatives also reviewed with the Committee the recent operating results and stock price performance of the publicly traded medical professional liability insurance companies to which FinCor regularly compared itself. The Committee authorized management and Raymond James to proceed with the process, but authorized them to limit the process to potential buyers who were expected to have the most interest in a proposed transaction and the existing financial capacity to offer the best financial value for shareholders. Seven companies were selected to be invited to participate in the strategic transaction process based on their presence in the medical professional liability insurance market, their size, their perceived appetite for growth by acquisition and their financial capacity.

During October of 2008, Raymond James contacted potential buyers, confidentiality agreements were negotiated and executed, and evaluation material was distributed. On November 14, preliminary indications of interest were received from three prospective buyers.

At a meeting held on November 18, 2008, representatives of Raymond James reviewed with the Special Advisory Committee the strategic transaction process it had followed to the date of the meeting. The three expressions of interest which were received were summarized, compared and discussed. The two highest written expressions of interest appeared to offer substantially the same opportunity for financial value. Both expressions of interest were from strategic buyers who appeared to be capable of acquiring FinCor for cash without a financing contingency. The Special Advisory Committee authorized Raymond James and management to continue the process with these two bidders and provided guidance on the parameters of the process. The full Board of Directors received a report on the process at a meeting held on December 3, 2008 and provided further guidance to the Special Advisory Committee, Raymond James and management.

FinCor management then met with each of these bidders to present FinCor's business model, to provide insight into the value of FinCor's franchise, and to provide additional information about the value of the Company. Following these meetings, each of the two bidders provided new expressions of interest.

On December 11, 2008, FinCor received a revised and substantially improved preliminary nonbinding expression of interest of ProMutual relative to its intent in acquiring FinCor. Acting within the parameters specified by the full Board of Directors, the Special Advisory Committee authorized the officers of FinCor to proceed with the due diligence process and to negotiate a proposed definitive agreement with ProMutual while preserving, if feasible, the ability to resume the process with the other bidders, to re-open the process, or to terminate the process.

In part because of the complexity of the proposed transaction structure, the process of preparing and negotiating definitive agreements was protracted, beginning in December and continuing until early June. The process involved many drafts and negotiations. Management reported to and consulted with members of the Special Advisory Committee and Board of Directors frequently throughout this period on an informal basis. Management also provided full updates and received the guidance of the Special Advisory Committee at formal meetings held on January 29, March 12, April 6, April 17 and May 20, 2009. Management provided full updates and received the guidance of the full Board of Directors on March 13, 2009, May 26, 2009 and June 3, 2009.

Throughout this period, ProMutual and its advisors were provided an opportunity to perform an extremely comprehensive prepurchase investigation of FinCor and its subsidiaries through document production, responses to information requests, interviews with key members of FinCor's management team, Board level informal meetings, and interviews with the insurance subsidiaries' domiciliary regulators. Because of the complexity of the structures for payments after closing, Raymond James created financial models of each of the alternative scenarios for calculation of consideration and updated these models as the contract provisions evolved through negotiation. FinCor also frequently consulted with its independent actuaries on contract matters relating to loss reserves and development.

On May 20, 2009, the Special Advisory Committee and the Executive/Finance Committee of FinCor's Board of Directors met to consider the Agreement and the Merger. On May 26, 2009 and June 3, 2009, the FinCor Board of Directors met to consider the Agreement and the Merger. At these meetings, Mr. Dickinson reported on the history and progression of negotiation of the Merger, developments in the insurance industry and the Company's operating environment, and the consideration that would be paid to shareholders of FinCor. Legal counsel gave a detailed presentation on the terms of the Agreement and agreements and actions related to the Agreement. Management and Raymond James presented a detailed review and analysis of the financial terms of the Agreement. At the June 3, 2009 meeting of the FinCor Board of Directors, Raymond James delivered its verbal opinion that the consideration to be received by the holders of Shares pursuant to the Agreement is fair, from a financial point of view, to the holders of Shares. The FinCor Board of Directors considered factors to be considered by the Board of Directors under FinCor's articles of incorporation, including, without limitation, the fairness of the consideration to be received by the shareholders, the possible social and economic impact of the proposed offer and its consummation on FinCor, FinCor's employees, customers, vendors and communities, and the business, financial conditions and earnings prospects of ProMutual. The Board of Directors determined that, in its judgment, the Merger represented the best entire value reasonably available to the shareholders of FinCor and concluded that it would be in the best interests of FinCor and its shareholders to adopt the Agreement. The Board of Directors voted, unanimously, to adopt the Agreement and recommend that the shareholders of FinCor approve the Agreement.

The Agreement was executed on June 3, 2009. A joint press release regarding the Merger was issued on June 4, 2009.

Reasons for the Merger

FinCor's Board of Directors, with the assistance of its financial and legal advisors, evaluated and considered a wide variety of financial, legal, and market considerations relating to its decision to adopt the Agreement. The terms of the Merger, including the consideration to be received by FinCor shareholders, are the result of arm's length negotiation between the representatives of FinCor and ProMutual. The decision of the Board of Directors to maximize shareholder value through a strategy other than remaining independent, adopt the Agreement, and recommend that shareholders vote and approve the Agreement was the result of extensive discussion and deliberation which took place over a ten month period, with scheduled discussions occurring at seven formal meetings of the full Board of Directors and nine formal meetings of the Special Advisory Committee, as well as numerous informal discussions among directors and management. The Board of Directors received numerous presentations from its financial advisors and its legal counsel. Each critical decision of the Board of Directors was by unanimous vote.

There was no single reason for the Board's decision to adopt the Agreement and recommend that the shareholders of FinCor approve the Agreement. No specific levels of importance were placed on any of the factors considered, and different directors likely reached their decision by placing different weights on different factors. The factors considered by the Board of Directors included, but were not limited to, the following:

- The Board's belief that FinCor's hospital shareholders, which represent a substantial majority of FinCor's stock, would generally prefer to liquidate their investment in FinCor for cash that could be used for delivery of healthcare services rather than retaining FinCor's stock as an investment.

- The uncertainty of FinCor's ability to provide shareholders with liquidity by successfully completing a public offering of FinCor common stock.

- The financial value of the Merger and the premium that value represents over the value that was likely to be realized by remaining independent.

- The opportunity for shareholders to receive substantial value in excess of the cash to be paid at Closing through the Per Share Adjustment Amount (if any) and the Deferred Payment Per Share (if any).

- The terms of the Merger were the result of a competitive bidding process during which multiple prospective buyers had an opportunity to submit and to enhance expressions of interest, and ProMutual's expression of interest was the highest and best proposal resulting from that process.

- The total merger consideration, transaction structure and Agreement were the product of protracted negotiation which resulted in a final proposal which was considered to be significantly better than ProMutual's initial expression of interest.

- The opinion of FinCor's financial advisor, Raymond James, that the consideration to be received by holders of Shares is fair, from a financial point of view, to holders of Shares.

- The expected social and economic impact of the proposal on FinCor, its employees, customers and policyholders and the communities in which FinCor and its subsidiaries are located.

- The Board's judgment that the Merger and the Agreement and the consideration to be received by holders of Shares are entirely fair to the shareholders of the Company and represent the best entire value reasonably available to the holders of Shares.

The Board of Directors unanimously determined that accepting the ProMutual proposal and entering into the Agreement would be in the best interests of the Company and its shareholders.

Your Board of Directors recommends
that you vote For approval of the Agreement

FinCor Board of Directors

Biographical information about the directors of FinCor is presented below.

MARY E. CHOWNING joined X-Rite, Incorporated (NASDAQ: XRIT) in 2003 and served as Executive Vice President, Chief Financial Officer and Corporate Secretary until her retirement in April 2008. Previously, she was a co-founder, General Partner and CFO for the Wind River Environmental Companies, a large non-hazardous residential and commercial liquid waste hauler. Prior to Wind River, she spent fourteen years in public accounting with Arthur Andersen and is a Certified Public Accountant. At Arthur Andersen she held various positions of increasing responsibility, serving public and private clients in manufacturing, consumer products, technology and various service industries and was admitted as a partner in 1996. Mary is a graduate of the University of California where she received a Bachelor of Arts in Economics. She is a Certified Public Accountant in California, is a member of the American Institute of CPAs and is currently on the Board of Directors of Interleukin Genetics, Inc. (AMEX: ILI).

RICHARD R. CURRENT is Chairman of the Special Advisory Committee and the Audit Committee. Mr. Current joined Neogen Corporation as Vice President and Chief Financial Officer in 1999 following a 25 year career in public accounting with Ernst & Young. While with Ernst & Young he was the Lansing office managing partner from 1986 to 1991 and specialized in services to financial institutions. Neogen Corporation is a publicly held company that manufactures and sells food and animal safety products throughout the world (NASDAQ: NEOG). Mr. Current has also served as Vice President and Chief Financial Officer of the Shane Group, Inc., a privately held company in Hillsdale, Michigan and Integral Vision, Inc., a publicly held company in Farmington Hills, Michigan. Mr. Current received Bachelors and Masters in Business Administration degrees from Western Michigan University and has been a Certified Public Accountant since 1970. During his 25 years in the Lansing area, Mr. Current has served in a number of community positions, including Chairman of the Board of Capital Area United Way and Treasurer of Junior Achievement of Mid-Michigan. He is a member of the Board of Directors of Summit Community Bank and Chairman of their Audit Committee, and he is also a member of the Board of Directors of Spartan Motors as well as serving on their Audit Committee.

THOMAS F. DICKINSON is Chief Executive Officer and President and a member of the Special Advisory Committee and the Executive/Finance Committee. A graduate of Albion College, with a double major in Economics and Computational Math, he began his career in the banking industry. While with Comerica Bank, he earned his Masters in Business Administration from Eastern Michigan University. He joined Foremost Insurance Company in 1984 as Group Merchandising Manager and advanced through several marketing and management positions. Mr. Dickinson has been employed with FinCor Holdings, Inc. and MHAIC since 1993 serving as Vice President, Business Development and Marketing, Senior Vice President, Operations and now as President and CEO. Under his leadership as president, the company has expanded its insurance operations from Michigan to the Midwest and Pacific Northwest. In addition, The Risk Management and Patient Safety Institute was created and has been marketed throughout the United States. He also played an integral role in the development of FinCor

Solutions which is a consultative, multi-line insurance agency offering both traditional and alternative risk products and services. Mr. Dickinson is an active Board member with Hospital Insurance Forum, and the Lansing Economic Area Partnership.

RICHARD S. HILTZ received a Master Degree in Hospital Administration from Xavier University, Cincinnati, Ohio. He has been associated with the hospital industry since 1962. He is a past Board member and chairman of Southeast Michigan Hospital Council and Michigan Health & Hospital Association. He is a past Board member of Blue Cross/Blue Shield of Michigan and Greater Detroit Area Health Council. He retired as President and CEO of Mercy-Memorial Hospital Foundation in January, 2005. He currently serves on three not-for-profit foundations.

BRUCE W. EVANS, MD is a member of the Executive/Finance Committee. He attended the University of Michigan Medical School and completed his post-graduate education at the University of Kentucky and the University of Wisconsin. He began his clinical practice in 1978 as Attending Anesthesiologist at St. Mary's Hospital in Grand Junction, Colorado. He practiced at William Beaumont Hospitals until March of 2004 at which point he entered into a new practice as Medical Director and anesthesiologist for UnaSource Surgery Center in Troy, Michigan. He has medical licensure in Michigan and is certified by the American Board of Anesthesiology. Dr. Evans is a member of the Michigan State Medical Society, Oakland County Medical Society, the American Society of Anesthesiologists and the Michigan Society of Anesthesiologists. He is a previous Board member of APAC, a national anesthesiologist malpractice insurer.

RICHARD C. HELGREN is Executive Vice President & Chief Operating Officer. A 1984 graduate of Aquinas College, Rick began his career with Ernst and Young as a Staff Auditor, serving a wide variety of audit and tax clients. He earned his Certified Public Accountant designation in 1986 and advanced to the position of Manager in the firm's tax department. Since joining MHAIC in 1989 as Controller, Rick was promoted to Director of Finance and Treasurer of MHAIC in 1993, Chief Financial Officer of MHAIC in 1994, Vice President of MHAIC in 1995, Senior Vice President of MHAIC in 2000 and Executive Vice President and Chief Operating Officer of FinCor in 2004. A Chartered Property Casualty Underwriter and licensed Property and Casualty agent, he has taken a leadership role in developing investment strategies and financial reporting systems that support the Company's strategic direction to meet its operational requirements. He continues to be an integral part of corporate strategic planning activities.

JOHN E. HORNS received his Bachelor Degree in Business Administration from Iowa State University and MBA from Columbia University. Mr. Horns is President of the West and North Regions for ProMedica Health System. He is a member of the Michigan Small and Rural Hospital Board, Defiance Boy Scouts of America, 2004 and 2005 Chairman for Defiance County United Way, St. John's Catholic Church, Kettenring Country Club, 2003 Chairman of the American Cancer Society, Defiance Area Chamber of Commerce Board of Directors, and a member of the Executive Committee of the Board of Directors at Defiance College. John's professional memberships include Ohio Hospital Association Small and Rural Hospital Board, Hospital Council of Northwest Ohio, American College of Healthcare Executives, American Hospital Association, Ohio Hospital Association, and VHA Alliance Executive Network. John is the recipient of the 2002 Silver Beaver Award from Boy Scouts of America, State of Ohio Delbert Pugh Award, the American Hospital National Award for Healthcare Marketing, and the 2005 Distinguished Rural CEO of Ohio Award. Mr. Horns was also Chairman of the 2003 American Cancer Walk, the Chairman of the American Heart Association for 2003 and past member of the Junior Achievement Board for Defiance County.

DENNIS M. LITOS is Chairman of the Board of Directors and of the Executive/Finance Committee and *ex officio* of all Board committees. He received the Bachelor Degree in Business Administration from

Wayne State University, the Master Degree in Business Management from Central Michigan University and the Master Degree in Health Care Administration from Trinity University. Beginning in 1977 he has held various administrative positions at Mt. Carmel Mercy Hospital, Detroit, Pontiac Osteopathic Hospital, Bi-County Community Hospital, Warren, Clinton Memorial Hospital, St. Johns, before joining the staff at Lansing General Hospital in 1986, where he became Vice President of Business Development. He served in positions of increasing responsibility at Lansing General and became Senior Vice President for Network Operations at the new Michigan Capital Healthcare Corporation created by the merger with Ingham Medical Center in 1993. He then became Executive Vice-President and in 1994 was named President & Chief Executive Officer. In May 2006, he assumed the new position of President and CEO of Doctors Medical Center of Modesto, California. Doctors Medical Center is owned and operated by Tenet Healthcare, a publicly traded healthcare corporation (NYSE: THC). He is a Diplomat in the American College of Healthcare Executives.

JOHN A. MC VEETY received the Bachelor Degree from Wartburg College in Waverly, Iowa and served as an instructor in the Biology Department of Drake University in Des Moines, Iowa. He received the Master Degree from the University of Iowa and is a Life Fellow of the American College of Healthcare Executives. He has been an active participant in the Iowa Hospital Association, The Minnesota Hospital Association, and became the Chairman of the Michigan Health & Hospital Association for a one year term beginning in July, 1995. While in Minnesota, he was founder and served as the first Treasurer of the North Star Mutual Insurance Company, Minnesota's malpractice insurance company. He served as Chief Executive Officer of Alpena Regional Medical Center from July of 1978 to November 2007 He continues to serve on numerous health-related and community service Boards.

JOSEPH D. REID is a member of the Special Advisory Committee and the Executive/Finance Committee. He is Chairman and Chief Executive Officer of Capitol Bancorp Limited (NYSE: CBC), a bank holding company operating 58 separately-chartered banking institutions located in 17 states. He also serves as Chairman and CEO of two business and industrial development companies (BIDCOs). He has been involved in the private practice of law, real estate development and teaching and has held several professional service positions including Governor appointments to the Michigan State Board of Law Examiners. Additionally, he has served on Boards of many community organizations and human service agencies. In 2005 he was recognized by *American Banker Magazine* as "Innovater of the year". Mr. Reid received a Bachelor of Science in Economics from Eastern Michigan University and a Juris Doctorate from Wayne State University Law School.

JOHN M. ROCKWOOD, JR. is a member of the Special Advisory Committee and the Executive/Finance Committee. Mr. Rockwood retired in January 2006 after 12 years as President and CEO of Munson Healthcare, a six hospital healthcare system. Munson is the largest employer in northern Michigan with approximately 5000 employees throughout the system and aggregate revenues for owned and managed hospitals exceeding $500 million. The flagship hospital, Munson Medical Center, has been recognized as one of the Top 100 Hospitals in America numerous times, a record equaled by only four other hospitals nationwide. Prior to serving as the System's CEO, he held the positions of Executive Vice President for 5 years and Chief Financial Officer for 6 years. Mr. Rockwood graduated with honors from Boston University with a MBA and DePauw University with a BA . He is also a Certified Public Accountant. He has served as chair of a large excess insurance company and currently is a Board member of a health insurance company and a large Midwest resort.

JOHN E. SZTYKIEL is President and Chief Executive Officer of Spartan Motors, Inc. (NASDAQ: SPAR). Mr. Sztykiel has been with the company since 1985, serving in a number of operations, sales, and marketing positions during his tenure. Prior to Spartan Motors, Mr. Sztykiel was employed by Burroughs Corporation (now Unisys) and also worked for Eaton Corporation. Mr. Sztykiel is involved in several professional and community organizations. He is a graduate of Michigan State University.

HENRY A. VEENSTRA is a member of the Executive/Finance Committee. He received his Bachelors and Masters Degrees in Business Administration from Grand Valley State University in Allendale, Michigan. He is a past Chairman of the FinCor Holdings Board of Directors, the Michigan Health & Hospital Association Board of Trustees, the Hospital Council of West Michigan, and the West Michigan Shared Hospital Laundry. Mr. Veenstra is currently President of the Board of the Lakeshore Area Radiation Oncology Center, Vice Chairman of the Zeeland Community Physician Hospital Organization and a member of the Great Lakes Hospital Network Board of Directors. Mr. Veenstra is a Fellow of the American College of Healthcare Executives. He is active in a variety of health care organizations and community service programs. Mr. Veenstra has been employed at Zeeland Community Hospital, Zeeland, Michigan since 1971 and has served as President since February, 1974.

What FinCor Shareholders Will Receive in the Merger

Treatment of Shares

If the Agreement is approved and the Merger is completed, each Share issued and outstanding immediately before the Effective Time of the Merger will be automatically converted into the right to receive the Merger Consideration (subject to any applicable withholding Taxes), without interest, except that Shares held by FinCor or any wholly-owned subsidiary of FinCor will be cancelled without payment.

There are three components to the Merger Consideration: the Per Share Closing Amount, the Per Share Adjustment Amount (if any), and the Deferred Payment Per Share (if any).

Per Share Closing Amount

The Per Share Closing Amount will be $239.11 per Share. At the Effective Time of the Merger, ProMutual must deposit the aggregate Per Share Closing Amount payable to holders of Shares with the Paying Agent for payment to holders of Shares. It is calculated as follows:

$182 million
– Downside Collar ($10,000,000)
– Pro Forma Adjustments Allowance ($8,000,000)
+ Proceeds received if Options were fully exercised ($8,582,000)
Total Closing Non-Preferred Consideration ($172,582,000)
/ Fully Diluted Common Share Number (721,780)
Per Share Closing Amount ($239.11)

The Per Share Closing Amount could be adjusted slightly upward due to cancellation of Options and Restricted Stock before the Effective Time. All discussion of the Per Share Closing Amount in this proxy statement assumes no such adjustment.

Per Share Adjustment Amount

Approximately 150 days after the Closing Date (subject to dispute resolution procedures), ProMutual must deposit the aggregate Per Share Adjustment Amount, if any, payable to former holders of Shares with the Paying Agent for payment to holders of Shares. Determination of the Per Share Adjustment Amount is based on the extent to which FinCor's net book value as of the Closing Date exceeds

$103,400,000 (up to $126,400,000[1]) and the extent to which the Closing Aggregate Pro Forma Adjustment Amount is more or less than the Pro Forma Adjustments Allowance of $8,000,000. An itemized estimate of the Pro Forma Adjustments is attached as Appendix C to this proxy statement. The Per Share Adjustment Amount is calculated as follows:

(Closing NBV – Target NBV ($113,400,000)) (up to Upside Collar ($13,000,000))[2]
+ Downside Collar ($10,000,000)
– Pro Forma Adjustment Amount Setoff (if any)
+ Pro Forma Adjustment Amount Increase (if any)
* 99.03

Per Share Adjustment Amount (aggregate)
/ Fully Diluted Common Share Number

Per Share Adjustment Amount

The Pro Forma Adjustment Amount Setoff is the amount by which the Closing Aggregate Pro Forma Adjustment Amount exceeds $8,000,000. See "Pro Forma Adjustment Amount Setoff" in Section 2.1 of the Agreement. The Pro Forma Adjustment Amount Increase is the amount by which the Closing Aggregate Pro Forma Adjustment Amount is less than $8,000,000. See "Pro Forma Adjustment Amount Increase" in Section 2.1 of the Agreement. If there is a Pro Forma Adjustment Amount Setoff, then there cannot be a Pro Forma Adjustment Amount Increase and *vice versa*. The Per Share Adjustment Amount cannot be less than zero.

The following examples are intended to be illustrative and do not represent every scenario or result under the complex provisions for determining the Per Share Adjustment Amount (if any) in the Agreement. See Sections 2.1 and 2.4 of the Agreement. Also, for additional examples of the calculation of the Per Share Adjustment Amount, see Exhibit D to the Agreement, which is attached as Appendix A to this proxy statement.

Example #1:

Assume the Closing Net Book Value is $123,400,000. Further assume that the Pro Forma Adjustment Amount Setoff is $1,000,000. The Per Share Adjustment Amount would be $26.07, calculated as follows:

($123,400,000 – $113,400,000)
+ $10,000,000
– $1,000,000

$19,000,000
* 99.03%

$18,815,700
/ 721,780

$26.07 per share

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[1] If the Estimated Closing Net Book Value at Closing is more than $126,400,000, then FinCor may terminate the Agreement subject to ProMutual's option to increase the Merger Cash Price by an amount equal to the difference between the Estimated Closing Net Book Value and $126,400,000.

[2] If the Closing has not occurred on or before August 31, 2009, the Upside Collar will be increased each day after August 31, 2009 until and including the Closing Date by an amount equal to the quotient of (i) $1,500,000 and (ii) the number of days in the applicable calendar month.

Example #2:

Assume the Estimated Closing Net Book Value was $125,400,000 and the Closing Net Book Value is $133,400,000. Further assume that there is no Pro Forma Adjustment Amount Setoff or Pro Forma Adjustment Amount Increase. The Per Share Adjustment Amount would be $31.56, calculated as follows:

($133,400,000 – $113,400,000) (up to $13,000,000)
+ $10,000,000

$23,000,000
* 99.03%

$22,776,900
/ 721,780

$31.56 per share

This example demonstrates that the holders of Shares are entitled to the benefit of the amount by which the Closing Net Book Value exceeds the Target Net Book Value up to the Upside Collar ($13,000,000).

Example #3:

Assume the Closing Net Book Value is $101,400,000. Further assume that the Pro Forma Adjustment Amount Setoff is $1,000,000. The Per Share Adjustment Amount would be $0, calculated as follows:

($101,400,000 – $113,400,000)
+ $10,000,000
– $1,000,000

($3,000,000)
*99.03%

($2,970,900)
/ 727,231

($4.08)

Shareholders would be entitled to an aggregate Per Share Adjustment Amount of $0 per share. This example demonstrates that when the Closing Net Book Value plus or minus any Pro Forma Adjustment Increase or Pro Forma Adjustment Amount Setoff is less than the Floor Amount ($103,400,000), the Per Share Adjustment Amount will be zero. ProMutual may offset the amount by which the Closing Net Book Value plus or minus any Pro Forma Adjustment Increase or Pro Forma Adjustment Amount Setoff is less than the Floor Amount against the Contingent Consideration, if any. In this example, $3,000,000 would be offset against the Contingent Consideration, if any.

Deferred Payment Per Share

The Deferred Payment Per Share, if any, is payable in 2014 in accordance with the procedures set forth in Sections 2.5, 2.6, and 2.7 of the Agreement. It is calculated as follows:

Contingent Consideration
– Offset Adjustment Amount
– Holders Expenses
*99.03%
Deferred Payment
/ 727,231
Deferred Payment Per Share

The Contingent Consideration is calculated according to the formula in Section 2.5 of the Agreement and represents favorable development in the loss reserves of MHAIC and WCC from January 1, 2009, through December 31, 2013. The Offset Adjustment Amount is calculated in accordance with the procedures in Section 2.6 and Article VIII of the Agreement and represents any offsets against the Contingent Consideration for Losses to the Surviving Corporation as a result of any breach by FinCor of any representation or warranty or covenant in the Agreement or as a result of certain tax liabilities.

Example:

Assume the Contingent Consideration is $10,000,000, the Offset Adjustment Amount is $2,000,000, and the Holders Expenses are zero. The Deferred Payment Per Share would be $10.89, calculated as follows:

$10,000,000
– $2,000,000
– $0
$8,000,000
* 99.03%
$7,922,400
/ 721,780
$10.98 per share

If the amount of the Contingent Consideration is zero, or if the Offset Adjustment Amount exceeds the amount of the Contingent Consideration, then the amount of the Deferred Payment Per Share would be $0. See Sections 2.5, 2.6, and 2.7 of the Agreement. Also, for additional examples of the calculation of the Deferred Payment Per Share, see Exhibit D to the Agreement, which is attached as Appendix A to this proxy statement.

Treatment of Options

Each Option outstanding immediately before the Effective Time will be cancelled and extinguished and automatically converted into the right to receive for each Share that would have been issued if the Option were exercised in full (i) an amount in cash equal to the product of (x) the excess, if any, of $239.11 over the exercise price per Share of such Option and (y) the total number of Shares subject to such Option, (ii)

the Per Share Adjustment Amount (if any), and (iii) the Deferred Payment Per Share (if any). All amounts received will be without interest and less any applicable withholding taxes.

Treatment of Restricted Shares

Each Restricted Share issued, outstanding, and remaining restricted immediately before the Effective Time will be cancelled and extinguished and automatically converted into the right to receive (i) $239.11 per Restricted Share, (ii) the Per Share Adjustment Amount (if any), and (iii) the Deferred Payment Per Share (if any). All amounts received will be without interest and less any applicable withholding taxes.

Treatment of Preferred Shares

Each Preferred Share issued and outstanding immediately before the Effective Time of the Merger will be automatically converted into the right to receive the Preferred Share Price (subject to any applicable withholding Taxes), without interest. The Preferred Share Price is an amount in cash equal to $1,000 per Preferred Share plus any unpaid dividends accrued to the Effective Time as provided in the articles of incorporation of FinCor.

Holders Agent

Holders Agent is a wholly-owned subsidiary of FinCor. It was formed to act as agent for holders of Shares immediately before the Effective Time and holders of Options and Restricted Shares cancelled and extinguished immediately before the Effective Time ("Holders") for the purposes stated in the Agreement, including, without limitation, the determination, compromise or settlement of claims and matters under Sections 2.4 (Post Closing Net Worth Adjustment), 2.5 (Contingent Consideration), 2.6 (Offset Adjustment), 2.7 (Deferred Payment) and Article VIII (Survival and Recovery) of the Agreement. Upon completion of the Merger, Holders will own Holders Agent. The Board of Directors of Holders Agent will consist of certain former directors of FinCor and at least one representative from a former, major shareholder of FinCor.

Contemporaneous with the Closing, FinCor will declare a dividend of a number of shares of common stock of Holders Agent equal to the number of Shares held by each holder. The dividend will be payable and distributed to each holder if and when the holder has executed and delivered an Acceptance of Shares as provided in Section 3.1(c) of the Agreement that will, among other things, include (i) the agreement of the holder to be a shareholder of Holders Agent and to be bound by the Holders' Agency Agreement (attached to the Agreement as Exhibit C), (ii) the agreement of the holder that the holder may assign or transfer the holder's right to payment of the Per Share Adjustment Amount and Deferred Payment per share only in connection with an authorized transfer of the holder's Holders Agent Shares, (iii) the agreement of the holder that execution and delivery of an Acceptance of Shares is a condition to the payment of the Deferred Payment Per Share, if any, and (iv) the appointment of Holders Agent as the agent of the holder for the purposes stated in the Agreement and the Holders Agency Agreement.

Contemporaneous with the Closing, FinCor will make a compensatory award (i) to each holder of Options of a number of Holders Agent Shares equal to the number of Shares which are subject to each Option held by the holder, and (ii) to each holder of Restricted Shares of a number of Holders Agent Shares equal to the number of Restricted Shares held by the holder .

Before Closing, FinCor will make a capital contribution of $3,000,000 to Holders Agent. The capital contribution will provide Holders Agent with resources to utilize professional services providers (accounting, actuarial, legal, etc.) while serving as agent for the Holders for the purposes stated in the Agreement, allow Holders Agent to compensate its Board of Directors, officers, and employees for the

services they provide to Holders Agent, and pay operating expenses. When the Deferred Payment amount has been finally determined, Holders Agent will be dissolved and holders of Holders Agent Shares will be entitled to their proportionate share of any remaining assets of Holders Agent.

Payment Procedures

The Bank of New York Mellon will act as Paying Agent for the purpose of making payment of the Merger Consideration and the Preferred Share Price.

Per Share Closing Amount, Preferred Share Price, and Per Share Adjustment Amount

Within three Business Days after the Effective Time of the Merger, the Paying Agent will mail to each record holder of Shares or Preferred Shares immediately before the Effective Time a letter of transmittal that will contain instructions for use in surrendering Shares or Preferred Shares (and any Certificates) and receiving payment of the Per Share Closing Amount, the Per Share Adjustment Amount, and the Preferred Share Price. The Paying Agent will also mail to each record holder of Shares immediately before the Effective Time an Acceptance of Shares. See "The Merger – Holders Agent".

At the Effective Time of the Merger, ProMutual will deposit with the Paying Agent an amount of cash necessary for the Paying Agent to pay the aggregate Per Share Closing Amount to holders of Shares and the aggregate Preferred Share Price to holders of Preferred Shares. Within two Business Days after delivery of a properly executed letter of transmittal, any Certificate (or effective affidavit of loss in lieu of any Certificate), and any other required documents, the Paying Agent will pay to the holder, as applicable, (i) cash in an amount equal to the Per Share Closing Amount multiplied by the number of Shares formerly held by the holder, and (ii) cash in an amount equal to the Preferred Share Price multiplied by the number of Preferred Shares formerly held by the holder.

Within two Business Days after the date of determination of the Per Share Adjustment Amount, ProMutual will deposit with the Paying Agent an amount of cash necessary for the Paying Agent to pay the Per Share Adjustment Amount. Within two Business Days after the deposit (or, if the holder has not yet delivered a letter of transmittal, upon delivery of the letter of transmittal), the Paying Agent will pay to each holder cash in an amount equal to the Per Share Adjustment Amount multiplied by the number of Shares formerly held by the holder.

Payment of the Per Share Closing Amount is subject to reduction only for any applicable withholding Taxes and, for any holder who has pledged Shares to secure repayment of any indebtedness owed to FinCor, repayment of the indebtedness. Payment of the Preferred Share Price and Per Share Adjustment Amount is subject to reduction only for any applicable withholding Taxes.

After the Effective Time of the Merger, there will be no transfers on the stock transfer books of the Surviving Corporation of any Shares or Preferred Shares. After the Effective Time, if any Shares or Preferred Shares are presented to ProMutual, the Surviving Corporation, or the Paying Agent, they will be surrendered and cancelled in return for payment, as applicable, of the Per Share Closing Amount, the Preferred Share Price or the Per Share Adjustment Amount.

Deferred Payment Per Share

In 2014, within three Business Days after the date of determination of the amount of the Deferred Payment Per Share, if any, ProMutual will deposit with the Paying Agent an amount of cash necessary for the Paying Agent to pay the aggregate Deferred Payment Per Share to former holders of Shares. Within

the same three-day period, the Paying Agent will mail to each registered holder of any share of common stock of Holders Agent (see "The Merger – Holders Agent") an agreement that will:

- Contain instructions for receiving the Deferred Payment Per Share;
- Include the agreement of the holder to the amount of the Deferred Payment Per Share; and
- Include the waiver and release by the holder of any and all claims against the Holders Agent and its current or former directors, officers, employees, Representatives, agents, and advisors arising out of or related to payment or administration of the Deferred Payment Per Share.

Within two Business Days after delivery of a properly executed agreement and any other required documents, the Paying Agent will pay to the holder cash in an amount equal to the Deferred Payment Per Share multiplied by the number of shares of common stock of Holders Agent held by the holder.

Structure of the Merger

At the Effective Time of the Merger, MergerSub will merge with and into FinCor. Each issued and outstanding share of common stock of MergerSub will be converted into one share of common stock of the Surviving Corporation. The Surviving Corporation will be FinCor, which will be a wholly-owned subsidiary of ProMutual. The Articles of Incorporation and Bylaws of FinCor in effect immediately before the Effective Time of the Merger will be the Articles of Incorporation and Bylaws of the Surviving Corporation immediately after the Effective Time of Merger.

Effective Time of the Merger

The Effective Time of the Merger will be the date and time at which the Certificate of Merger is filed with the Michigan Department of Energy, Labor and Economic Growth, or at a later date and time agreed upon by FinCor, MergerSub, and ProMutual and specified in the Certificate of Merger. The parties intend to file the Certificate of Merger as soon as practicable after satisfaction or waiver of the conditions to the Merger described in the Agreement. See "The Merger – Conditions to the Merger."

Interests of Certain Persons

Certain insiders of FinCor may have interests in the Merger in addition to their interests as shareholders of FinCor generally. These interests exist because of, among other things, employment or severance agreements that the executive officers entered into with FinCor, rights that officers and directors have under FinCor benefit plans, and rights to indemnification and directors and officers insurance following the Merger. The FinCor Board of Directors was aware of these interests and considered them, among other matters, when considering the Merger.

Options

Each Option outstanding immediately before the Effective Time will be cancelled and extinguished and automatically converted into the right to receive for each Share that would have been issued if the Option were exercised in full (i) an amount in cash equal to the product of (x) the excess, if any, of $239.11 over the exercise price per Share of such Option and (y) the total number of Shares subject to such Option, (ii) the Per Share Adjustment Amount (if any), and (iii) the Deferred Payment Per Share (if any). All amounts received will be without interest and less any applicable withholding taxes.

Restricted Shares

Each Restricted Share issued, outstanding, and remaining restricted immediately before the Effective Time will be cancelled and extinguished and automatically converted into the right to receive (i) $239.11 per Restricted Share, (ii) the Per Share Adjustment Amount (if any), and (iii) the Deferred Payment Per Share (if any). All amounts received will be without interest and less any applicable withholding taxes.

Employment and Severance Agreements

Prior to the Closing, FinCor intends to establish a grantor trust, which will be subject to the claims of the general creditors of FinCor, or other mutually agreeable arrangement, and deposit sufficient funds in such trust to enable the Surviving Corporation to pay in cash all severance obligations owed to Messrs. Dickinson and Helgren and Ms. Schmitt under the terms of the respective employment agreements entered into between FinCor and each individual and in effect as of the Effective Date.

Prior to the Closing, FinCor intends to establish a grantor trust, which will be subject to the claims of the general creditors of FinCor, or other mutually agreeable arrangement, and deposit sufficient funds in such trust to enable the Surviving Corporation to pay in cash all amounts due to Messrs. Dickinson and Helgren and Ms. Schmitt under the Michigan Hospital Association Insurance Company Supplemental Pension Benefits Plan according to the terms of the plan.

Deferred Directors Fees

Prior to the Closing, FinCor intends to establish a grantor trust, which will be subject to the claims of the general creditors of FinCor, or other mutually agreeable arrangement, and deposit sufficient funds in the trust to enable the Surviving Corporation to pay in cash all amounts due under FinCor's Plan for Deferring the Payment of Directors Fees according to the terms of that plan and the elections of each of the applicable participants in that plan.

Indemnification and Directors and Officers Insurance

The Surviving Corporation has agreed to honor the rights to indemnification and advancement of expenses now existing in favor of the directors and officers of FinCor under FinCor's Articles of Incorporation and Bylaws. These enforceable contractual rights will remain in effect following the Merger and will continue with respect to acts or omissions occurring before the Effective Time.

At the direction of ProMutual, either (i) ProMutual will maintain or will cause the Surviving Corporation to maintain in effect for a period of six years after the Effective Time a directors' and officers' liability insurance policy, or (ii) FinCor will obtain a "tail" insurance policy endorsement with a claims reporting period of at least six years after the Effective Time with the same coverage and amounts as FinCor's current directors' and officers' liability insurance policy, in either case, covering the officers and directors of FinCor immediately before the Effective Time and subject to a cost limitation of 300% of the annual premiums paid by FinCor for its current directors' and officers' liability insurance policy.

Cessation of Shareholder Status

As of the Effective Time of the Merger, holders of Shares outstanding immediately before the Effective Time will cease to be shareholders of FinCor and will have no rights as FinCor shareholders.

No Dissenter's Rights

Holders of Shares are not entitled to dissent and be paid the fair value of Shares as determined under the Michigan Business Corporation Act.

Voting Agreements

On June 3, 2009, each of the executive officers and directors of FinCor entered into a voting agreement with ProMutual. Under the voting agreement, each individual has agreed to vote or consent all of his or her Shares, (i) in favor of approval of the Agreement, (ii) against any action, proposal, transaction or agreement that would result in a breach in any respect of any covenant, representation or warranty or any other obligation or agreement of FinCor contained in the Agreement, and (iii) against the following actions or proposals (other than the transactions contemplated by the Agreement): (A) any Acquisition Transaction Proposal or any proposal in opposition to approval of the Agreement or in competition with or materially inconsistent with the Agreement; (B) any change in the persons who constitute the Board of Directors of FinCor; (C) any material change in the present capitalization of FinCor or any amendment of the Organizational Documents of FinCor; or (D) any other action or proposal involving FinCor or any subsidiary of FinCor that is intended, or could reasonably be expected, to prevent, impede, or interfere with the transactions contemplated by the Agreement or could reasonably be expected to result in any of the conditions to the FinCor's obligations under the Agreement not being fulfilled.

In addition, each individual has agreed that, before the completion of the Merger, he or she will not directly or indirectly (i) sell, transfer, exchange or otherwise dispose of his or her Shares, (ii) grant any proxies or powers of attorney, deposit any of his or her Shares into a voting trust or enter into a voting agreement with respect to any of such Shares, or (iii) take any action that could reasonably be expected to have the effect of preventing or disabling him or her from performing his or her obligations under his or her voting agreement at any time before the Effective Time of the Merger. Each is permitted, however, to transfer his or her Shares to any family member or trust for the benefit of any family member or any charitable organization so long as the transferee agrees to be bound by the terms of the voting agreement.

The voting agreements will automatically terminate upon the earlier of the Effective Time of the Merger and termination of the Agreement. At the close of business on June 10, 2009, FinCor's directors and executive officers were entitled to vote 41,366 Shares, which represented approximately 6.65% of the outstanding Shares on that date.

Representations and Warranties

The Agreement contains certain representations and warranties made by FinCor, ProMutual, and the MergerSub, which are customary for this type of transaction.

FinCor's representations and warranties concern, among other things, the following matters:

- FinCor's and its subsidiaries organization and qualification to do business in the respective jurisdictions in which they operate;
- Capitalization of FinCor and its subsidiaries;
- Authority of FinCor to enter into and perform its obligations under the Agreement;
- Consolidated financial statements of FinCor and statutory statements of the Insurance Company Subsidiaries;
- Compliance with applicable law by FinCor and its subsidiaries;
- Taxes and tax returns of FinCor and its subsidiaries;

- Employee benefit plans of FinCor and its subsidiaries;
- Environmental matters; and
- Certain contracts of FinCor and its subsidiaries.

See Article IV of the Agreement for additional information about FinCor's representations and warranties.

If ProMutual or the Surviving Corporation incurs Losses as a result of any breach of any representation or warranty by FinCor within the time periods provided in Article VIII of the Agreement, then ProMutual is entitled to offset the amount of the Losses against the Contingent Consideration, subject to the terms and conditions of Article VIII of the Agreement.

ProMutual's and the MergerSub's representations and warranties concern, among other things, the following:

- ProMutual's and the MergerSub's organization;
- Authority of ProMutual and the MergerSub to enter into and perform their obligations under the Agreement; and
- ProMutual has existing financial resources sufficient to pay the Merger Consideration and Preferred Share Price.

See Article V of the Agreement for additional information about ProMutual's and the MergerSub's representations and warranties.

Business of FinCor Pending Completion of the Merger

Until the earlier of the termination of the Agreement or the Effective Time of the Merger, FinCor and its subsidiaries must conduct their business in the ordinary course of business and in a manner consistent with past practice. Except as permitted by the Agreement, FinCor and its subsidiaries may not do, among other things, any of the following without the consent of ProMutual:

- Change their Articles of Incorporation or Bylaws;
- Issue, sell, or deliver any stock of any class or any other securities;
- Split, combine, recapitalize or reclassify any shares of their capital stock;
- Declare or pay any dividend or other distribution on their capital stock or redeem any of their securities (other than, among others, payment of the annual dividend on Preferred Shares and the annual dividend not to exceed $0.75 per Share);
- Adopt a plan of liquidation, dissolution, merger, consolidation or other reorganization;
- Incur or prepay any short-term debt, issue any debt securities, or pledge any shares of capital stock or any assets;
- Enter into, adopt or amend any compensation or retirement plan or agreement or increase the compensation or fringe benefits of any director, officer, or employee;
- Acquire or dispose of any assets;
- Enter into any material contract outside of the ordinary course of business or amend or waive any material rights under any material contract;
- Change any accounting principles or practices, any actuarial methodologies, or any pricing or reserving policy;
- Acquire any business organization or any equity interest in a business organization;
- Revalue in any material respect any of its assets or properties;
- Pay or satisfy any material claim, liability, or obligation;

- Change policies or practices for investment, underwriting, reinsurance cessions and assumptions, claim processing and payment, selling, or customer rating;
- Enter into, amend, assign, or terminate any reinsurance agreement;
- Change underwriting standards, reinsurance standards, pricing bases, retention limits, administrative practices, or claims practices and standards;
- Apply for any license to carry on any insurance business; or
- Reduce the amount of any Insurance Reserves of the Insurance Company Subsidiaries.

There are exceptions to some of these prohibitions that allow FinCor to engage in the prohibited action in certain instances. See Section 6.1 of the Agreement for additional information about the business of FinCor pending completion of the Merger.

If ProMutual or the Surviving Corporation incurs any Losses as a result of any breach by FinCor of its covenants under the Agreement, then ProMutual is entitled to offset the amount of the Losses against the Contingent Consideration, subject to the terms and conditions of Article VIII of the Agreement.

Regulatory Approvals

The Hart-Scott-Rodino Antitrust Improvements Act of 1976 and related rules (the "HSR Act") provides that the Merger may not be completed until the parties have notified and submitted certain information about the Merger to the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice and the applicable waiting period has expired. During the waiting period, the Federal Trade Commission or the Antitrust Division of the Department of Justice may challenge the Merger on antitrust grounds. FinCor knows of no reason why the Antitrust Division of the Department of Justice or the Federal Trade Commission would challenge the Merger, but it cannot be certain that either agency will not challenge the Merger.

The Merger is subject to the approval of the Michigan Office of Financial and Insurance Regulation and the Washington Insurance Commissioner. FinCor knows of no reason why the Michigan Office of Financial and Insurance Regulation or the Washington Insurance Commissioner would not approve the Merger, but it cannot be certain that either agency will approve of the Merger.

Conditions to Completion of the Merger

The obligation of the parties to complete the Merger is subject to the satisfaction of certain conditions at or before the Effective Time of the Merger, including, among others, the following:

Conditions to Obligation of Each Party to Complete the Merger

- Approval of the Agreement by the FinCor common shareholders;
- Expiration or termination of the waiting period under the HSR Act;
- No court order prohibiting, or governmental proceeding seeking prohibition of, completion of the Merger; and
- No law making completion of the Merger illegal.

Conditions to Obligation of ProMutual and the MergerSub to Complete the Merger

- Representations and warranties of FinCor must be true as of the date of the Agreement and at the Effective Time;
- FinCor must comply with all agreements and covenants required by the Agreement;

- All required regulatory approvals and third-party consents concerning the Merger must be obtained; and
- No occurrence of any development that would reasonably be expected to have a Company Material Adverse Effect.

Conditions to Obligation of FinCor to Complete the Merger

- Representations and warranties of ProMutual and the MergerSub must be true as of the date of the Agreement and at the Effective Time;
- ProMutual and the MergerSub must comply with all agreements and covenants required by the Agreement; and
- All required regulatory approvals and consents concerning the Merger must be obtained.

FinCor, ProMutual, or the MergerSub may waive any condition to its obligation to complete the Merger, except where satisfaction of the condition is required by law.

No Solicitation of Other Transactions

While the Agreement remains in effect, and subject to the exception discussed below, FinCor (and its officers, directors, employees, and Representatives) may not:

- Solicit or otherwise encourage or induce any inquiry about, or the making of, any proposal to acquire FinCor;
- Discuss or negotiate any proposal to acquire FinCor;
- Furnish any nonpublic information about FinCor with respect to any proposal to acquire FinCor;
- Approve, endorse or recommend any proposal to acquire FinCor; or
- Enter into any letter of intent or any agreement with respect to any proposal to acquire FinCor.

However, if FinCor receives an unsolicited proposal to acquire FinCor before approval by FinCor common shareholders of the Merger that the Board of Directors determines to be, in accordance with its fiduciary duties and after consultation with FinCor's legal counsel and financial advisor, superior to the Merger, then FinCor may:

- Furnish nonpublic information about FinCor to the person making the proposal to acquire FinCor if the person making the proposal enters into a confidentiality agreement with comparable terms to the confidentiality agreement between FinCor and ProMutual provided that any information not previously disclosed to ProMutual must also be given to ProMutual;
- Discuss or negotiate the proposal to acquire FinCor provided that ProMutual must be informed of the identity of the party making the proposal and the status of the negotiations; and
- Change its recommendation to the FinCor shareholders to approve the Agreement or recommend that the FinCor shareholders approve the proposal to acquire FinCor provided that the FinCor Board of Directors may not change its recommendation in connection with a Superior Proposal unless it has given ProMutual three business days notice and negotiated with ProMutual in good faith.

Abandonment of the Merger and Termination of the Agreement

Either ProMutual or FinCor may abandon the Merger and terminate the Agreement at any time before the Effective Time of the Merger under the following circumstances:

- Mutual written consent of PM and FinCor;
- Effective Time of the Merger does not occur on or before November 30, 2009, subject to certain exceptions;
- FinCor common shareholders do not approve the Agreement; or
- All regulatory approvals are not obtained, applicable law or regulation prohibits the Merger, or a court or other governmental authority enters an order restraining or prohibiting the Merger.

ProMutual may abandon the Merger and terminate the Agreement at any time before the Effective Time of the Merger under the following circumstances:

- FinCor has materially breached any of its representations and warranties in the Agreement so that the closing condition that its representations and warranties be true as of the date of the Agreement and as of the Effective Time cannot be satisfied;
- FinCor has materially breached any of its covenants or other agreements in the Agreement;
- FinCor's Board of Directors changes or withdraws its recommendation that FinCor common shareholders approve the Agreement;
- FinCor's Board of Directors recommends that FinCor common shareholders approve a proposal to acquire FinCor other than the Merger;
- Any court or other governmental authority enters an order that, in the reasonable judgment of PM, prohibits the Merger or has or is reasonable expected to result in a Company Material Adverse Effect;
- Estimated Closing Net Book Value is less than $103,400,000;
- The A.M. Best Company, Inc. financial strength and claims paying ability rating of either of the Principal Insurers has been, or it has been announced by A.M. Best Company, Inc. that it will be, downgraded below their respective current rating; or
- A.M. Best Company, Inc. has announced that it has placed a "negative outlook," "credit watch" or similar adverse designation on either of the Principal Insurers.

FinCor may abandon the Merger and terminate the Agreement at any time before the Effective Time of the Merger under the following circumstances:

- ProMutual or the MergerSub has materially breached any of its representations and warranties in the Agreement so that the closing condition that its representations and warranties be true as of the date of the Agreement and as of the Effective Time cannot be satisfied;
- ProMutual or the MergerSub has materially breached any of its covenants or other agreements in the Agreement; or
- Estimated Closing Net Book Value is greater than $126,400,000, subject to ProMutual's option to increase the Merger Cash Price by an amount equal to the difference between the Estimated Closing Net Book Value and $126,400,000.

Expense Payments and Termination Fee

FinCor must reimburse ProMutual and the MergerSub for their reasonable and actual expenses directly relating to the Merger up to $2,000,000 ("ProMutual Expense Payment") if:

- Either ProMutual or FinCor terminates the Agreement because the FinCor shareholders do not approve the Agreement;
- ProMutual terminates the Agreement because FinCor has materially breached any of its representations and warranties in the Agreement so that the closing condition that its

representations and warranties be true as of the date of the Agreement and as of the Effective Time cannot be satisfied;

- ProMutual terminates the Agreement because FinCor has materially breached any of its covenants or other agreements in the Agreement;
- ProMutual terminates the Agreement because FinCor's Board of Directors changes or withdraws its recommendation that FinCor common shareholders approve the Agreement;
- ProMutual terminates the Agreement because FinCor's Board of Directors recommends that FinCor common shareholders approve a proposal to acquire FinCor other than the Merger; or
- ProMutual terminates the Agreement because Estimated Closing Net Book Value is less than $103,400,000.

ProMutual must reimburse FinCor for its reasonable and actual expenses directly relating to the Merger up to $2,000,000 if:

- FinCor terminates the Agreement because ProMutual or the MergerSub has materially breached any of its representations and warranties in the Agreement so that the closing condition that its representations and warranties be true as of the date of the Agreement and as of the Effective Time cannot be satisfied;
- FinCor terminates the Agreement because ProMutual or the MergerSub has materially breached any of its covenants or other agreements in the Agreement; or
- FinCor terminates the Agreement because the Estimated Closing Net Book Value is greater than $126,400,000 and ProMutual does not agree to increase the Merger Cash Price by an amount equal to the difference between the Estimated Closing Net Book Value and $126,400,000.

In addition to the ProMutual Expense Payment, FinCor must pay to ProMutual a termination fee of $6,000,000 if:

- ProMutual or FinCor terminates the Agreement because the Effective Time of the Merger does not occur on or before November 30, 2009, and (i) before the termination a proposal to acquire FinCor (other than the Merger) is publicly known, and (ii) within 18 months after the termination, an acquisition or other qualifying transaction of FinCor (other than the Merger) is consummated (or a definitive agreement for such a transaction is entered into during such 18-month period which is subsequently consummated);
- ProMutual or FinCor terminates the Agreement because the FinCor shareholders do not approve the Agreement and (i) before the termination a proposal to acquire FinCor (other than the Merger) is publicly known, and (ii) within 18 months after the termination, an acquisition of FinCor (other than the Merger) is consummated (or a definitive agreement for such a transaction is entered into during such 18-month period which is subsequently consummated); or
- ProMutual terminates the Agreement because FinCor's Board of Directors changes its recommendation that FinCor shareholders approve the Agreement or recommends that FinCor shareholders approve a proposal to acquire FinCor other than the Merger.

Material U.S. Federal Income Tax Consequences

The receipt of the Merger Consideration and Holders Agent Shares pursuant to the Merger will be a taxable transaction for federal income tax purposes (and may also be a taxable transaction under applicable state, local and foreign income or other tax laws) with respect to taxable entities and individuals. For federal income tax purposes, holders of Shares that are a U.S. resident or citizen or an entity that is subject to federal income taxation will recognize gain or loss at the time of the Merger equal to the difference, if any, between (a) (i) the value of the Merger Consideration plus (ii) the value of the

Holders Agent Shares and (b) the U.S. holder's adjusted tax basis in its Shares. The gain or loss will be capital gain or loss, long term or short term, depending on the holding period. A portion of the Merger Consideration received in later years is expected to be characterized as interest, taxable as ordinary income, and not capital gain. Holders of Shares are expected to be eligible for installment reporting under IRC § 453 with respect to the Merger Consideration received in later years to the extent not characterized as interest.

Backup withholding may apply to payments made to shareholders in connection with the Merger. Backup withholding will not apply however to a shareholder who furnishes a correct taxpayer identification number and certifies that it is not subject to backup withholding or is otherwise exempt from backup withholding.

The application of the federal income tax laws to the Merger, particularly the installment sale treatment to the Deferred Payment Per Share, if any, is complex and may vary based on a taxpayer's particular circumstances and elections that might be available. We strongly recommend that you consult your own tax advisor with respect to the federal income tax consequences of the Merger, as well as the effect of applicable foreign, state or local tax laws.

Opinion of Raymond James

On September 5, 2008, FinCor retained Raymond James to act as the financial advisor to its Board of Directors. As part of this engagement, the FinCor Board of Directors requested Raymond James' opinion as to the fairness, from a financial point of view, of the aggregate consideration to be received by holders Shares in connection with a sale of FinCor to ProMutual pursuant and subject to the Agreement. FinCor selected Raymond James based upon its qualifications, expertise, and reputation as a nationally recognized investment banking firm and FinCor's prior experience with Raymond James.

In connection with its engagement, Raymond James delivered to the FinCor Board of Directors its opinion that, based upon and subject to the various considerations set forth in its written opinion dated June 3, 2009, the aggregate consideration to be received by holders of Shares pursuant to the Agreement, is fair, from a financial point of view, to the holders of Shares. The consideration was agreed upon through arms length negotiations between the parties and Raymond James did not recommend the amount of the consideration to be paid by ProMutual. In requesting Raymond James' opinion, the FinCor Board of Directors imposed no limitations upon Raymond James with respect to the investigations made or procedures followed by it in rendering its opinion.

The full text of Raymond James' opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limits on the review undertaken by Raymond James is attached as Appendix B to this proxy statement. Shareholders are urged to read the opinion in its entirety. Any description of or reference to Raymond James' opinion is subject to, and qualified in its entirety by reference to, the full text of such opinion. **Raymond James' opinion is directed to the FinCor Board of Directors and does not constitute a recommendation to any FinCor common shareholder or any other person as to whether such person should vote to approve the Agreement.**

In connection with its review of the proposed Merger and the preparation of its opinion, Raymond James, among other things: (i) reviewed the financial terms and conditions as stated in the Agreement; (ii) reviewed the audited financial statements of FinCor prepared in accordance with generally accepted accounting principles ("GAAP") as of and for the years ended December 31, 2008, 2007 and 2006 and the unaudited financial statements of FinCor prepared in accordance with GAAP for the period ended March 31, 2009; (iii) reviewed the Annual Statements of FinCor's wholly owned U.S. domiciled insurance company subsidiaries (the "Insurance Subsidiaries") filed with the Michigan Office of Financial and

Insurance Regulation and the Washington State Office of the Insurance Commissioner for the years ended December 31, 2008, 2007, and 2006; (iv) reviewed Quarterly Statements of the Insurance Subsidiaries filed with the Michigan Office of Financial and Insurance Regulation and the Washington State Office of the Insurance Commissioner for the three month period ended March 31, 2009; (v) reviewed other FinCor financial and operating information requested from and/or provided by FinCor; (vi) reviewed certain other publicly available information on FinCor; (vii) reviewed and discussed with senior management of FinCor the historical and anticipated future financial performance of the operations of FinCor, including the review of forecasts prepared by senior management; and (viii) discussed with members of the senior management of FinCor certain information relating to the aforementioned and any other matters which Raymond James deemed relevant to its inquiry.

In addition, Raymond James reviewed the financial terms, to the extent publicly available, of certain recent business combinations in the medical professional liability insurance industry, the current market environment generally, and the medical professional liability insurance industry environment in particular.

Raymond James' opinion is necessarily based upon market, economic, financial and other circumstances and conditions existing and disclosed to it as of June 2, 2009, and any material change in such circumstances and conditions would require a reevaluation of its opinion, which Raymond James is under no obligation to undertake.

Raymond James expressed no opinion as to the underlying business decision to effect the Merger, the structure or tax consequences of the Merger or the availability or advisability of any alternatives to the Merger. Raymond James did not structure the Merger, nor did it negotiate the final terms of the Agreement. Raymond James' opinion is limited to the fairness, from a financial point of view, of the aggregate consideration to be received by holders of Shares in connection with the Merger. Raymond James expressed no opinion with respect to any other reasons, legal, business, or otherwise, that may support the decision of the FinCor Board of Directors to approve or consummate the Merger.

In preparing its opinion, Raymond James relied on and assumed the accuracy and completeness of the financial and other information that was provided by FinCor or its actuary or was publicly available and did not attempt to independently verify the same. Raymond James, with FinCor's consent, assumed that forecasts provided by FinCor management in fact were reasonably prepared on a basis reflecting the best currently available estimates and judgments of FinCor, and expressed no opinion with respect to such forecasts or the assumptions on which they are based. In addition, Raymond James did not make or obtain any independent evaluations or appraisals of the properties, assets, liabilities, reserves or surplus of FinCor and its subsidiaries, including MHA Insurance Company, Washington Casualty Company, FinCor Solutions, Inc., and Capital Risk Solutions, nor was Raymond James furnished with any such appraisals. Raymond James is not an actuarial firm and its services did not include actuarial determinations or evaluations by it or an attempt to evaluate any actuarial assumptions. In that regard, Raymond James has made no analysis of, and expresses no opinion as to, the adequacy of MHA Insurance Company or Washington Casualty Company's losses and loss adjustment expense reserves under any state or federal laws relating to bankruptcy, insolvency or similar matters.

In arriving at its opinion, Raymond James did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. Raymond James arrived at its opinion based on the results of all the analyses it undertook, assessed as a whole, and did not draw conclusions from, or

with regard to, any one method of analysis. Accordingly, Raymond James believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering all analyses, would create an incomplete view of the process underlying its opinion.

With respect to the comparison of selected comparable companies and selected merger and acquisition transactions analyses, no company utilized as a comparison is identical to FinCor and no transaction is identical to the Merger. Such analyses necessarily involve complex considerations and judgments concerning the differences in financial and operating characteristics of the companies and other factors that could affect the acquisition or public trading values of the companies concerned.

Summary of Merger Consideration

The Merger provides for holders of Shares to receive the aggregate consideration described below in exchange for 100% of their common equity ownership of FinCor upon completion of the Merger. The Merger provides for holders of Shares to receive aggregate consideration comprised of:

i) a cash payment at Closing of $164 million plus an additional amount within approximately 150 days of the Closing Date (subject to dispute resolution procedures) equal to (subject to a minimum of $0):
   a. up to $23 million based on the amount, if any, by which FinCor's net book value as of the Closing Date is greater than $103.4 million;
   b. plus (or minus) the amount by which certain Merger-related costs incurred or accrued by FinCor, net of taxes, are less than (or greater than) $5 million;
ii) a dividend from FinCor of 100% of the common shares of Holders Agent, which will initially be capitalized with a $3 million cash contribution from FinCor
iii) cash consideration in 2014 equal to the Deferred Payment Per Share described below under "What FinCor Shareholders Will Receive in the Merger – Treatment of Shares – Deferred Payment Per Share" reduced by the amount, if any, by which FinCor's net book value as of the Closing Date plus the amount described under i-b above is less than $103.4 million.

In addition, ProMutual will redeem all outstanding Preferred Shares and assume FinCor's outstanding debt, which amounted to $8.9 million and $49.7 million, respectively at March 31, 2009.

For purposes of comparing the transaction value to valuation benchmarks and reported financial data as of March 31, 2009, Raymond James estimated that $183.6 million would be paid to holders of Shares within approximately 150 days of the Closing Date (subject to dispute resolution procedures) (the "Consideration"), based on:

i) $164 million; plus
ii) a dividend from FinCor of 100% of the common shares of Holders Agent, which will initially be capitalized with a $3 million cash contribution from FinCor; plus
iii) $16.6 million, which equals FinCor's GAAP Equity Value at March 31, 2009 of $120.0 million minus $103.4 million

The analysis of the Consideration was primarily based on the $183.6 million estimate of funds to be received within approximately 150 days of the Closing Date (subject to dispute resolution procedures), without regard to the possible receipt of the Deferred Payment Per Share in 2014.

Summary of Comparable Companies Analysis

Raymond James compared publicly available historical and projected earnings, historical operating earnings, equity values, and tangible equity values of four publicly held companies in businesses Raymond James believed to be comparable to FinCor with certain financial data of FinCor. Raymond James used consolidated FinCor financial data prepared in accordance with GAAP, as of and for the twelve month period ended March 31, 2009 and projected earnings data for the years ended December 31, 2009 and 2010. For the selected companies, Raymond James used the latest available financial information prepared in accordance with GAAP, which was as of and for the twelve month period ended March 31, 2009 and projected 2009 and 2010 median earnings per share estimates provided by First Call. The group of selected publicly traded medical professional liability insurance companies consisted of:

- ProAssurance Corporation;
- FPIC Insurance Group, Inc.;
- American Physicians Capital, Inc.; and
- American Physicians Service Group, Inc.

Raymond James reviewed the equity market value of the comparable companies as of June 2, 2009, as a multiple of the following for each of the selected companies: (i) most recent quarter GAAP common equity value as of March 31, 2009; (ii) most recent quarter tangible common equity value as of March 31, 2009. Raymond James also reviewed the stock price of the comparable companies as of June 2, 2009, as a multiple of the following for each of the selected companies: (i) last twelve month net operating income per share as of March 31, 2009; (ii) 2009 estimated earnings per share; and (iii) 2010 estimated earnings per share. Raymond James then calculated the multiples for the above selected comparable companies and applied the minimum and maximum multiples for those companies to FinCor's GAAP common equity value, tangible common equity value, LTM net operating earnings, 2009 projected earnings and 2010 projected earnings as provided by the Company to derive imputed ranges of values for FinCor. Raymond James calculated an implied value range of $104.6 million to $227.0 million for the Consideration.

Selected Merger and Acquisition Transactions Analysis

Raymond James reviewed eight merger and acquisition transactions announced since 2005 that involved insurance companies considered by Raymond James to be most comparable to FinCor for which public information was available. The selected transactions included the sale of:

- Podiatry Insurance Company of America;
- Darwin Professional Underwriters, Inc;
- SCPIE Holdings Inc;
- OHIC Insurance Co;
- Physicians Insurance Company of Wisconsin;
- Northwest Physicians Mutual Insurance Company;

- Medical Protective Corp; and
- NCRIC Group Inc.

The primary business, or a significant portion of these companies' business, was in the medical professional liability insurance business. In reviewing these transactions, Raymond James evaluated the multiple of the transaction equity value relative to the acquired company's GAAP equity value, GAAP tangible equity value, and GAAP earnings and the multiple of the transaction enterprise value relative to the acquired company's STAT surplus and STAT net income at or for the twelve month period ending the fiscal quarter before transaction announcement for which information is publicly available. Raymond James then applied the minimum and maximum multiples from the transactions to the financial information of FinCor for the twelve months ending March 31, 2009, and calculated an implied range of values for the Consideration of $21.2 million to $383.3 million.

Discounted Cash Flow Analysis

Raymond James performed an analysis that estimated the future stream of cash flows available to FinCor common shareholders through December 31, 2013, assuming that FinCor operated as an independent entity, and performed in accordance with the earnings projections for 2009 and the years thereafter, as provided by FinCor management. The analysis assumed FinCor redeemed its outstanding Preferred Shares in 2009, and paid dividends to common shareholders out of the statutory earnings of its two U.S. insurance company subsidiaries, the substantial majority of its earnings, subject to assumed statutory limitations. To approximate the terminal value of FinCor at December 31, 2013, Raymond James applied two methods. In the first method, Raymond James applied a range of GAAP earnings multiples of 8.0x to 11.0x to FinCor's projected 2013 GAAP earnings. Raymond James then discounted the cash flow stream and terminal values to present values using different discount rates ranging from 11.0% to 15.0%. This analysis indicated an implied range of values for the Consideration of $116.8 million to $163.5 million. In the second method, Raymond James applied a range of GAAP equity multiples of 1.2x to 1.5x FinCor's projected December 31, 2013 GAAP equity value. Raymond James then discounted the cash flow stream and terminal values to present values using different discount rates ranging from 11.0% to 15.0%. This analysis indicated an implied range of values for the Consideration of $132.3 million to $176.2 million.

The FinCor Board of Directors retained Raymond James based upon the recognized experience and expertise of its investment banking personnel and its reputation as a nationally recognized investment banking firm. Raymond James, as a part of its investment banking and advisory business, is continually engaged in the valuation of investment securities in connection with mergers and acquisitions, public offerings, private placements, and valuations for estate, corporate and other purposes, and provides research reports to its clients on many property and casualty insurance companies. The FinCor Board of Directors selected Raymond James as its financial advisor because of its reputation, because of its experience in transactions similar to the Merger, and because of FinCor's prior experience with Raymond James.

FinCor and Raymond James entered into a letter agreement, dated September 5, 2008, relating to the services to be provided by Raymond James in connection with the Merger. In accordance with the terms of the letter agreement, Raymond James received $200,000 for providing the Fairness Opinion. The foregoing fees and expenses related to the fairness opinion were payable whether or not Raymond James gave FinCor a favorable fairness opinion. FinCor will also pay Raymond James additional fees for other advisory services in connection with the series of transactions contemplated by the Agreement, $50,000 of which was payable upon FinCor's initial engagement of Raymond James, which are contingent upon consummation of the Merger. In 2014, FinCor will pay Raymond James an additional sum when the

Deferred Payment Per Share, if any, is payable to holders of Shares. In addition, FinCor will reimburse Raymond James for its out-of-pocket expenses. FinCor has agreed to indemnify Raymond James and its affiliated entities, directors, officers, employees, legal counsel, agents, and controlling persons against certain costs, expenses and liabilities to which they may become subject arising out of or in connection with their engagement.

FINANCIAL INFORMATION

The audited consolidated financial statements of FinCor and its subsidiaries as of and for the years ended December 31, 2008, 2007, and 2006 and the unaudited interim consolidated financial statements of FinCor and its subsidiaries as of and for the three months ended March 31, 2009 and 2008 are attached as Appendix D to this proxy statement. You should carefully review and consider the financial statements.

Appendix A

Agreement and Plan of Merger, dated June 3, 2009
(with certain exhibits and schedules omitted)

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

by and among

FINCOR HOLDINGS, INC.

(the "Company"),

HORIZON MERGER CORPORATION

(the "Purchaser"),

MEDICAL PROFESSIONAL MUTUAL INSURANCE COMPANY

("Parent"),

and

HOLDERS AGENT, INC.

(the "Holders Agent")

Dated as of June 3, 2009

EXECUTION COPY

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EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER is dated as of June 3, 2009 (the "Agreement"), by and among FinCor Holdings, Inc., a Michigan corporation (the "Company"), Horizon Merger Corporation, a Michigan corporation (the "Purchaser"), Medical Professional Mutual Insurance Company, a Massachusetts mutual insurance company ("Parent"), and Holders Agent, Inc., a Michigan corporation (the "Holders Agent").

RECITALS

WHEREAS, the respective Boards of Directors of each of Parent, the Purchaser, and the Company have approved the acquisition by Parent of the Company upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, in furtherance of such acquisition, the respective Boards of Directors of each of Parent, the Purchaser and the Company have approved the merger of the Purchaser with and into the Company in accordance with the terms of this Agreement and the Michigan Business Corporation Act (the "MBCA") and with any other applicable Law;

WHEREAS, concurrently with the execution of this Agreement, as a condition and inducement to Parent's and the Purchaser's willingness to enter into this Agreement, Parent is entering into a voting agreement with certain shareholders of the Company, which is attached as Exhibit A hereto; and

WHEREAS, the Board of Directors of the Company (the "Board") has, in light of and subject to the terms and conditions set forth in this Agreement, unanimously (a) determined that (i) the consideration to be paid for each Share in the Merger is fair to the shareholders of the Company, and (ii) the Merger is otherwise in the best interests of the Company and its shareholders, and (b) resolved to adopt this Agreement and the transactions contemplated by it and to recommend approval by the shareholders of the Company of this Agreement.

THEREFORE, in consideration of the representations, warranties, covenants, agreements, and conditions contained in this Agreement, the parties agree as follows:

ARTICLE I

THE MERGER

Section 1.1 The Merger.

(a) In accordance with the provisions of this Agreement and the MBCA, at the Effective Time, the Purchaser shall be merged with and into the Company (the "Merger"), and the Company shall be the surviving corporation (sometimes called the "Surviving Corporation")

and shall continue its corporate existence under the Laws of the State of Michigan. At the Effective Time, the separate existence of the Purchaser shall cease.

(b) The name of the Surviving Corporation shall be "FinCor Holdings, Inc."

(c) The "Closing" of the Merger shall be held on August 31, 2009 or on a later date as agreed to by the Company and Parent or as provided in this Agreement. If all of the consents, approvals, Orders, authorizations, notifications, registrations, declarations, and filings listed or described in Schedule 4.4(b)(ii) of the Disclosure Statement and Schedule 5.3(b) of the Parent Disclosure Statement have not been made or obtained on or before August 31, 2009 and remain in full force and effect on such date, then the Closing shall be held on the last day of the month in which all such consents, approvals, Orders, authorizations, notifications, registrations, declarations, and filings are made or obtained and remain in full force and effect. In the absence of an agreement to the contrary, the Closing shall be held at the offices of Warner Norcross & Judd LLP, 111 Lyon Street NW, Grand Rapids, Michigan 49503, commencing at 11 a.m. The date on which the Closing occurs is referred to herein as the "Closing Date." Scheduling or commencing the Closing shall not constitute a waiver of the respective conditions of the parties set forth in Article VII. The Merger shall have the effects on the Company and the Purchaser provided under the MBCA and this Agreement. As of the Effective Time, the Company shall be a wholly-owned subsidiary of Parent.

Section 1.2 Effective Time. At Closing, the parties shall file a certificate of merger in the form required by and executed in accordance with the MBCA (the "Certificate of Merger") with the Michigan Department of Energy, Labor and Economic Growth (the "MDELEG") in accordance with the provisions of the MBCA. The Merger shall become effective at the time of filing of, or at such later time specified in, the Certificate of Merger. The date and time when the Merger becomes effective is referred to as the "Effective Time."

Section 1.3 Effects of Merger. At the Effective Time, the effect of the Merger shall be as provided in this Agreement, the Certificate of Merger, and the applicable provisions of the MBCA. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time (a) all the rights, privileges, powers, franchises, licenses, and interests of the Company and the Purchaser in and to every type of property (whether real, personal, or mixed), shall vest in the Surviving Corporation, (b) all choses in action of the Company and the Purchaser shall continue unaffected and uninterrupted by the Merger and shall accrue to the Surviving Corporation, and (c) all debts, liabilities and duties of the Company and the Purchaser shall become the debts, liabilities and duties of the Surviving Corporation. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right, title, possession, privileges, powers, franchises, licenses, and interests of the Company and the Purchaser in and to every type of property (whether real, personal, or mixed), the officers and directors of the Company and the Purchaser immediately prior to the Effective Time are fully authorized in the name of their respective corporations or otherwise to take all such lawful and necessary action.

Section 1.4 Articles of Incorporation and Bylaws of Surviving Corporation. Subject to Section 1.1(b), the articles of incorporation of the Company shall be the articles of incorporation of the Surviving Corporation and the bylaws of the Company shall be the bylaws of the Surviving Corporation, in each case until subsequently amended as provided by applicable Law.

Section 1.5 Directors and Officers of Surviving Corporation.

(a) Subject to applicable Law, the directors of the Purchaser immediately prior to the Effective Time shall be the initial directors of the Surviving Corporation and shall hold office until their respective successors are duly elected and qualified, or their earlier death, resignation or removal.

(b) The officers of the Company immediately prior to the Effective Time shall be the initial officers of the Surviving Corporation and shall hold office until their respective successors are duly elected and qualified, or their earlier death, resignation or removal.

Section 1.6 Closing Deliverables.

(a) The Company shall deliver or cause to be delivered to Parent:

(i) the executed certificates described in Sections 7.2(a), 7.2(b) and 7.2(f);

(ii) the articles of incorporation of the Company and each of its subsidiaries, certified as of a date within five Business Days prior to the Closing Date by the MDELEG, OFIR, or WIC (or other appropriate Governmental Authority), as applicable;

(iii) a good standing certificate (or its equivalent) for the Company and each of its subsidiaries issued by the MDELEG, OFIR, or WIC (or other appropriate Governmental Authority), as applicable;

(iv) a title insurance policy issued to the Company for the benefit of Parent showing title as tenants in common to the Company Real Property, subject only to the Permitted Exceptions; and

(v) all other previously undelivered documents, agreements, instruments, writings and certificates, as Parent and the Purchaser may reasonably request no later than five Business Days prior to the Closing Date, that are

necessary to effect the transactions provided for by this Agreement, in form and substance reasonably satisfactory to Parent and the Purchaser.

(b) Parent shall deliver or cause to be delivered to the Company:

(i) the executed certificates described in Sections 7.3(a) and 7.3(b); and

(ii) all other previously undelivered documents, agreements, instruments, writings and certificates, as the Company may reasonably request at least five Business Days prior to the Closing Date, that are necessary to effect the transactions provided for by this Agreement, in form and substance reasonably satisfactory to the Company.

ARTICLE II

CONVERSION OF SHARES

Section 2.1 Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

"Adjusted Net Worth Hold Back Amount" means:

(a) in the event the Closing Net Book Value exceeds the Estimated Closing Net Book Value, the amount equal to (i) the Net Worth Adjustment Amount plus (ii) the Net Worth Hold Back Amount;

(b) in the event the Closing Net Book Value is equal to the Estimated Closing Net Book Value, the Net Worth Hold Back Amount; and

(c) in the event the Closing Net Book Value is less than the Estimated Closing Net Book Value, the amount equal to (i) the Net Worth Hold Back Amount minus (ii) the Net Worth Adjustment Amount.

"Adjustment Cap" means the amount equal to the greater of (a) the Net Worth Hold Back Amount and (b) the amount equal to (i) the Ceiling Amount minus (ii) (x) in the event the Estimated Closing Net Book Value is equal to or greater than the Floor Amount, the Estimated Closing Net Book Value or (y) in the event that the Estimated Closing Net Book Value is less than the Floor Amount, the Floor Amount.

"Aggregate Preferred Share Consideration" means an amount equal to the aggregate amount of the Preferred Share Price payable to all holders of the Preferred Shares outstanding immediately prior to the Effective Time.

"Ceiling Amount" means the amount equal to (a) the Target Net Book Value plus (b) the Upside Collar.

"Closing Aggregate Consideration" means an amount equal to (a) $182,000,000 plus (b) in the event the Estimated Closing Net Book Value exceeds the Target Net Book Value, the Upside Closing Date Adjustment Amount, minus (c) in the event the Estimated Closing Net Book Value is less than the Target Net Book Value, the Downside Closing Date Adjustment Amount, minus (d) the Pro Forma Adjustments Allowance, plus (e) the Aggregate Preferred Share Consideration.

"December 31, 2008 Balance Sheet" means the audited consolidated balance sheet of the Company as of December 31, 2008, attached as Exhibit B hereto.

"Downside Closing Date Adjustment Amount" means the amount equal to (a) the Target Net Book Value minus (b) the Estimated Closing Net Book Value up to the Downside Collar.

"Downside Collar" means the amount equal to $10,000,000.

"Floor Amount" means the amount equal to (a) the Target Net Book Value minus (b) the Downside Collar.

"Fully Diluted Common Share Number" means (a) the number of Shares outstanding immediately before the Effective Time (which shall include the number of Restricted Shares cancelled and extinguished immediately before the Effective Time under Section 2.3(b)) plus (b) the number of Shares subject to Options that are cancelled and extinguished immediately before the Effective Time under Section 2.3(a).

"Holders" means the holders of Shares immediately before the Effective Time and the holders of Options and Restricted Shares cancelled and extinguished immediately before the Effective Time.

"Merger Cash Price" means the amount equal to (a) the Per Share Closing Amount plus (b) the Per Share Adjustment Amount, if any.

"Net Book Value" means the amount equal to (a) the Total Assets minus (b) the Total Liabilities.

"Net Worth Adjustment Amount" means:

(a) in the event the Closing Net Book Value is (i) less than or equal to the Ceiling Amount plus the Top-Up Amount, if any, and (ii) is equal to or greater than the Estimated Closing Net Book Value, the amount equal to (x) the Closing Net Book Value minus (y) the Estimated Closing Net Book Value up to the Adjustment Cap; provided, however, if the Estimated Closing Net Book Value is less than the Floor Amount, the Net Worth Adjustment

Amount shall be the amount equal to the difference between the Closing Net Book Value and the Floor Amount;

(b) in the event the Closing Net Book Value is (i) greater than the Ceiling Amount plus the Top-Up Amount, if any, and (ii) greater than the Estimated Closing Net Book Value, the amount equal to (x) the Ceiling Amount plus the Top-Up Amount, if any, minus (y) the Estimated Closing Net Book Value; provided, however, if the Estimated Closing Net Book Value is less than the Floor Amount, the Net Worth Adjustment Amount shall be the amount equal to (A) the Ceiling Amount, minus (B) the Floor Amount; or

(c) in the event the Closing Net Book Value is less than the Estimated Closing Net Book Value, the amount equal to (i) the Estimated Closing Net Book Value minus (ii) the Closing Net Book Value up to the Net Worth Hold Back Amount.

In the event that the Net Worth Adjustment Amount is a negative number, the Net Worth Adjustment Amount shall be deemed to be equal to zero.

"Net Worth Hold Back Amount" means the amount equal to the Downside Collar plus (a) in the event the Estimated Closing Net Book Value exceeds the Target Net Book Value, the Upside Closing Date Adjustment Amount, or minus (b) in the event the Estimated Closing Net Book Value is less than the Target Net Book Value, the Downside Closing Date Adjustment Amount.

"Per Share Adjustment Amount" means the amount equal to 99.03% of the quotient of (a) the Adjusted Net Worth Hold Back Amount (i) minus the Pro Forma Adjustment Amount Setoff, if any, and (ii) plus (x) in the event the Closing Net Book Value is less than the Floor Amount, the Pro Forma Adjustment Amount Increase, if any, minus the difference between (A) the Floor Amount and (B) the Closing Net Book Value, or (y) in the event Closing Net Book Value is greater than or equal to the Floor Amount, the Pro Forma Adjustment Amount Increase, if any, and (b) the Fully Diluted Common Share Number; provided, however, in the event the Adjusted Net Worth Hold Back Amount is less than the Pro Forma Adjustment Amount Setoff, the Per Share Adjustment Amount shall be zero; provided, further, in the event the Closing Net Book Value plus the Pro Forma Adjustment Amount Increase, if any, is less than the Floor Amount, the Per Share Adjustment Amount shall be zero.

"Per Share Closing Amount" means the amount equal to the quotient of (a) the Total Closing Non-Preferred Consideration, and (b) the Fully Diluted Common Share Number.

"Pro Forma Adjustment Amount Increase" means in the event the Closing Aggregate Pro Forma Adjustment Amount is less than the Pro Forma Adjustments Allowance, the amount equal to (a) the Pro Forma Adjustments Allowance minus (b) the Closing Aggregate Pro Forma Adjustment Amount.

"Pro Forma Adjustment Amount Setoff" means in the event the Pro Forma Adjustments Allowance is less than the Closing Aggregate Pro Forma Adjustment Amount, the amount equal to (a) the Closing Aggregate Pro Forma Adjustment Amount minus (b) the Pro Forma Adjustments Allowance; provided, however, if the Closing Net Book Value is greater than the Ceiling Amount, the Pro Forma Adjustment Amount Setoff shall be reduced by the difference between (1) the Closing Net Book Value and (2) the Ceiling Amount. For the avoidance of doubt, the Pro Forma Adjustment Amount Setoff cannot be less than zero.

"Pro Forma Adjustments" means the following amounts, net of tax effect at the applicable federal and state marginal rates to the extent such amounts result or will result in an actual reduction to the total Taxes paid or accrued by the Company and its subsidiaries, to the extent that they have not otherwise been recorded as an expense paid prior to December 31, 2008 or accrued as a liability and reflected in shareholder's equity on the December 31, 2008 Balance Sheet (each of which, to the extent expensed, accrued or reflected in the December 31, 2008 Balance Sheet, shall be set forth in Schedule 2.1(a)) and if and to the extent that they have reduced the Company's shareholders' equity on the Closing Balance Sheet under GAAP or will reduce the Surviving Corporation's shareholders' equity under GAAP after the Effective Time: (a) the Holders Agent Capital Contribution, plus (b) payments to fund the trust for the severance obligations as provided in Section 6.11(d), plus (c) any unpaid dividends accrued as provided in the articles of incorporation of the Company on the Preferred Shares through the Closing Date or any dividends paid on the Preferred Shares for the period from January 1, 2009 through the Closing Date, plus (d) the actual or estimated expense of purchasing Tail Coverage or Continuation Coverage, as mutually agreed to by Parent and the Company prior to the Closing, plus (e) the actual or estimated fees and expenses to be paid to Raymond James & Associates, Inc. (the "Company Financial Advisor") (excluding any payments payable to the Company Financial Advisor after the Effective Time on the Per Share Adjustment Amount and the Deferred Payment Per Share) and any other financial advisor, plus (f) legal fees and expenses paid or owed to the Company's legal counsel for services related to the Merger, plus (g) the cost of life insurance continuation coverage for Mr. Dickinson, Mr. Helgren and Ms. Schmitt pursuant to the terms of the severance obligations of the Company if such cost is not included in the amount of payments described in clause (b) of this definition, plus (h) liability for the two-year service credit under the Company's supplemental executive retirement plan for Mr. Dickinson, Mr. Helgren and Ms. Schmitt pursuant to the terms of the severance obligations of the Company if such cost is not included in the amount of payments described in clause (b) of this definition, plus (i) the amount of any dividends paid or declared on or after January 1, 2009 on any Shares, plus (j) the cost of obtaining an annuity to fund the founder's stipend pursuant to Section 6.11(e), plus (k) all out-of-pocket costs of the Company and its subsidiaries in connection with Section 7.2(d), plus (l) any actual or estimated fees and expenses to be paid to any other advisors of the Company for services related to the Merger, plus (m) the cost of the title policy required to be delivered by the Company to Parent pursuant to Section 1.6(a)(iv) (each of (a) through (m) individually referred to as a "Pro Forma Adjustment"). Schedule 2.1(b) sets forth the Company's itemized estimate of the Pro Forma Adjustments as of the date of this Agreement.

"Pro Forma Adjustments Allowance" means $8,000,000, which represents the estimated amount of Pro Forma Adjustments at the Effective Time.

"Target Net Book Value" means $113,400,000.

"Top-Up Amount" means the amount equal to (a) the Estimated Closing Net Book Value minus (b) the Ceiling Amount. For the avoidance of doubt, the Top-Up Amount cannot be less than zero.

"Total Assets" means the total consolidated assets of the Company and its subsidiaries calculated in accordance with the Agreed Net Book Value Principles.

"Total Cash Consideration" means an amount equal to (a) the Closing Aggregate Consideration plus (b) the aggregate exercise price of all Options.

"Total Closing Non-Preferred Consideration" means the amount equal to (a) the Total Cash Consideration minus (b) the sum of (i) the Aggregate Preferred Share Consideration and (ii) the Net Worth Hold Back Amount.

"Total Liabilities" means the total consolidated liabilities of the Company and its subsidiaries calculated in accordance with the Agreed Net Book Value Principles.

"Upside Closing Date Adjustment Amount" means the amount equal to (a) the Estimated Closing Net Book Value minus (b) the Target Net Book Value up to the Upside Collar; provided, however, in the event that (i) the Company exercises its right to terminate this Agreement pursuant to Section 9.3(c), and (ii) Parent agrees to increase the maximum aggregate Merger Consideration payable pursuant to this Article II by an amount equal to the Top-Up Amount, the Upside Closing Date Adjustment Amount shall be an amount equal to (x) the Upside Collar plus (y) the Top-Up Amount.

"Upside Collar" means the amount equal to $13,000,000; provided, however, that if the Closing has not occurred on or before August 31, 2009, such amount shall be increased each day after August 31, 2009 until and including the Closing Date by an amount equal to the quotient of (a) $1,500,000 and (b) the number of days in the applicable calendar month.

Section 2.2 Effect on the Shares and the Purchaser's Capital Stock.

(a) As of the Effective Time, by virtue of the Merger and without any action on the part of the holders of common stock of the Company, each share of common stock of the Company (together with each associated share purchase right (each a "Right") under the Company's Rights Agreement, dated March 10, 2005, between the Company and Fifth Third Bank, as rights agent (the "Rights Plan")) (each a "Share" and collectively the "Shares") issued and outstanding immediately before the Effective Time (other than any Shares held by a wholly-owned subsidiary of the Company, which Shares, by virtue of the Merger and without any action on the part of the holder of such Shares, shall be canceled and retired and shall cease to exist with no payment being made with respect thereto) shall be converted into the right to receive (i) the Merger Cash Price (subject to any applicable withholding Taxes specified in Section 3.1(f)), without interest, payable to the holder as set forth in Article III; and (ii) the Deferred Payment Per Share, if any (subject to any applicable withholding Taxes specified in Section 3.3(e)),

without interest, payable to the holder as set forth in Article III. Collectively, the Merger Cash Price and the Deferred Payment Per Share are referred to as the "Merger Consideration."

(b) As of the Effective Time, by virtue of the Merger and without any action on the part of the holders of Class A Preferred Shares of the Company (the "Preferred Shares"), each Preferred Share issued and outstanding immediately before the Effective Time shall be canceled and retired and automatically converted into the right to receive an amount in cash equal to $1,000 per share plus any unpaid dividends accrued as provided in the articles of incorporation of the Company to the Effective Time (the "Preferred Share Price"), without interest, payable to the holder as set forth in Article III (subject to any applicable withholding Taxes specified in Section 3.1(f)).

(c) As of the Effective Time, by virtue of the Merger and without any action on the part of the holders of shares of capital stock of the Purchaser, each share of capital stock of the Purchaser issued and outstanding immediately before the Effective Time shall be converted into and become one fully paid and nonassessable share of common stock of the Surviving Corporation.

Section 2.3 Treatment of Options and Other Stock Based Awards.

(a) Immediately before the Effective Time, without any action on the part of Parent, the Purchaser, the Company or the holders of Options, each Option, whether vested or unvested, that is outstanding immediately before the Effective Time shall be cancelled and extinguished. Each Option shall be automatically converted into solely the right to receive for each Share that would have been issued if the Option were exercised in full (i) an amount in cash equal to the excess, if any, of the Per Share Closing Amount over the exercise price per Share of such Option (the "Option Closing Consideration"), (ii) the Per Share Adjustment Amount, if any, and (iii) the Deferred Payment Per Share, if any, in each case without interest and subject to any applicable withholding Taxes pursuant to Sections 3.1(f) and 3.3(e). The Surviving Corporation shall pay the Option Closing Consideration in accordance with its ordinary payroll procedures (which shall include payment of any withholding Taxes by Parent or the Surviving Corporation when and as due) as promptly as practicable but in no event later than five Business Days after the Effective Time to the individuals and in the amounts listed in Schedule 2.3(a). For the avoidance of doubt, all holders of Options shall receive payment of the Per Share Adjustment Amount, if any, and the Deferred Payment Per Share, if any, as if the Options were fully exercised and the number of Shares subject to each Option had been issued and outstanding immediately before the Effective Time.

(b) Immediately before the Effective Time, and without any action on the part of Parent, the Purchaser, the Company or the holders of Restricted Shares, each Restricted Share that is outstanding immediately before the Effective Time shall be cancelled and extinguished. Each Restricted Share shall be automatically converted into solely the right to receive for each Restricted Share cancelled (i) the Per Share Closing Amount, (ii) the Per Share Adjustment

Amount, if any, and (iii) the Deferred Payment Per Share, if any, in each case without interest and subject to any applicable withholding Taxes pursuant to Sections 3.1(f) and 3.3(e). The Surviving Corporation shall pay the Per Share Closing Amount in accordance with its ordinary payroll procedures (which shall include payment of any withholding Taxes by Parent or the Surviving Corporation when and as due) as promptly as practicable but in no event later than five Business Days after the Effective Time to the holders of Restricted Shares and in the amounts listed in Schedule 2.3(b).

(c) Before the Effective Time, the Company shall (i) cause to be effected any necessary amendments to the Company Incentive Plans and any other resolutions or actions, in such form reasonably acceptable to Parent, as may reasonably be required to (A) authorize the actions contemplated by this Section 2.3 and terminate the Company Incentive Plans in their entirety and (B) cancel and extinguish all Options and Restricted Shares issued thereunder, without any further compensation except as provided in this Agreement and (ii) obtain the consent of each holder of Options and each holder of Restricted Shares to the treatment of such awards as provided in this Section 2.3, in such form reasonably approved by Parent.

(d) For purposes of this Agreement, (i) "Option" means the right to receive Shares pursuant to the exercise of any stock options granted pursuant to the Company Incentive Plans; (ii) "Restricted Shares" means all shares of restricted stock awarded under the Company Incentive Plans which are unvested immediately before the Effective Time; and (iii) "Company Incentive Plans" means, collectively, the Company's Stock Incentive Plan of 2005 and the Company's Stock Incentive Plan of 2004.

Section 2.4 Post Closing Net Worth Adjustment.

(a) Not later than five Business Days prior to the Closing, the Company shall prepare and deliver to Parent an estimated closing statement (the "Estimated Closing Statement") consisting of (X) a pro forma unaudited consolidated balance sheet of the Company and its subsidiaries as of the Closing Date (the "Estimated Closing Balance Sheet"), (Y) a reasonably detailed written statement of the calculation of the Net Book Value as of the close of business on the Closing Date based on the Estimated Closing Balance Sheet (the "Estimated Closing Net Book Value"), and (Z) an itemized calculation of the amount of each of the Pro Forma Adjustments (the "Pro Forma Adjustments Allowance Itemization") (which Pro Forma Adjustments Allowance Itemization shall have no effect on the Estimated Closing Balance Sheet). The Estimated Closing Balance Sheet shall:

(i) be prepared in the same format as the December 31, 2008 Balance Sheet,

(ii) be derived from the books of account and other financial records of the Company and its subsidiaries, and

(iii) be prepared in accordance with GAAP applied consistently with its application in connection with the preparation of the December 31, 2008 Balance Sheet.

The preceding clauses (i) through (iii) are collectively referred to as the "Agreed Balance Sheet Principles." In the case of any inconsistencies between the Agreed Balance Sheet Principles and GAAP, GAAP shall control.

The Estimated Closing Net Book Value shall be derived from the books of accounts and other financial records of the Company and its subsidiaries and shall be prepared in accordance with the Agreed Net Book Value Principles. For purposes of this Agreement, the Estimated Closing Net Book Value and the Closing Net Book Value shall be the "Total shareholders' equity" as set forth on the Estimated Closing Balance Sheet or the Closing Balance Sheet, as applicable, subject to the following adjustments:

(i) the calculation of the Estimated Closing Net Book Value and the Closing Net Book Value shall exclude (which shall have the effect of adding to Net Book Value) the aggregate amount of any of the items defined as Pro Forma Adjustments (to the extent not expensed, accrued or reflected in the December 31, 2008 Balance Sheet) to the extent such items have been expensed, accrued or reflected in accordance with GAAP on the Estimated Closing Balance Sheet and the Closing Balance Sheet, respectively;

(ii) the calculation of the Estimated Closing Net Book Value and the Closing Net Book Value shall exclude (which shall have the effect of adding to Net Book Value) the amount of any fees payable to the Company Financial Advisor that are accrued in accordance with GAAP on the Estimated Closing Balance Sheet and the Closing Balance Sheet, as applicable, if and to the extent such fees will be deducted from the Per Share Adjustment Amount, if any, pursuant to Section 2.1;

(iii) the Estimated Closing Net Book Value and the Closing Net Book Value shall be adjusted to eliminate the aggregate effect of any changes in the accounting policies or practices required by GAAP to be adopted from the date of January 1, 2009 until the Closing Date; and

(iv) if, and to the extent that the Net Loss and LAE Incurred by the Principal Insurers in the period from January 1, 2009 through the Closing Date for all accident years (or portions thereof) on or before the Closing Date determined in accordance with Section 6.15 is greater or less than the Net Loss and LAE incurred in the period from January 1, 2009 through the Closing Date for all accident years (or portions thereof) on or before the Closing Date determined in accordance with GAAP to prepare the Estimated Closing Balance Sheet and Closing Balance Sheet, as applicable, then the amount of such difference (net of tax effect) shall be subtracted from or added to, respectively, the "Total

shareholders' equity" to determine the Estimated Closing Net Book Value and the Closing Net Book Value, as applicable.

The preceding clauses (i) through (iv) are collectively referred to as the "Agreed Net Book Value Principles". For the avoidance of doubt, any item that is a Pro Forma Adjustment or any tax effect which reduces the amount of any Pro Forma Adjustment shall affect the Estimated Closing Net Book Value and the Closing Net Book Value, as applicable, only once without duplication.

The Estimated Closing Statement, the Estimated Closing Net Book Value, and the Pro Forma Adjustments Allowance Itemization shall be accompanied by a certificate signed by the Chief Financial Officer of the Company, certifying that (X) the Estimated Closing Balance Sheet was prepared in accordance with this Section 2.4(a), (Y) the Estimated Closing Net Book Value was calculated in accordance with this Section 2.4(a), and (Z) the Pro Forma Adjustments Allowance Itemization accurately represents good faith estimates of the actual expense or liability associated with each Pro Forma Adjustment. For purposes of the Closing, the Closing Aggregate Consideration shall be calculated based on the Estimated Closing Net Book Value delivered by the Company pursuant to this Section 2.4(a) and the Pro Forma Adjustments Allowance. Parent and Company agree to use commercially reasonable efforts and good faith to identify any issues and points of disagreement relating to the valuation of assets and liabilities reflected in the Estimated Closing Balance Sheet and to agree upon the calculation of the Estimated Closing Net Book Value; provided, however, that any such agreement shall not bind Parent in any respect in connection with its preparation and delivery of the Closing Statement pursuant to Section 2.4(b). Subject to Section 2.4(b), the mutual purpose of any agreement on the Estimated Closing Net Book Value is to avoid or minimize any difference between the Estimated Closing Net Book Value and the Closing Net Book Value, which is acknowledged to be in the best interest of all parties.

(b) Within 90 days after the Closing Date, Parent shall prepare and deliver to the Holders Agent a closing statement (the "Closing Statement"), consisting of (X) a consolidated balance sheet of the Company and its subsidiaries as of the Closing Date (the "Closing Balance Sheet"), (Y) a reasonably detailed written statement of the calculation of the Net Book Value as of the close of business on the Closing Date based on the Closing Balance Sheet, without giving effect to transactions following the Closing (the "Closing Net Book Value") and (Z) Parent's itemized calculation of the Pro Forma Adjustments (the "Closing Aggregate Pro Forma Adjustment Amount"). The Closing Balance Sheet shall be prepared in accordance with the Agreed Balance Sheet Principles; provided, however, that in the case of any inconsistencies between the Agreed Balance Sheet Principles and GAAP, GAAP shall control. The Closing Balance Sheet shall be accompanied by an audit opinion that the Closing Balance Sheet presents fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries at the Closing Date, in conformity with GAAP (the "Closing Audit Opinion") provided by Ernst & Young LLP (or, if such firm is unable or unwilling to act, such other nationally recognized independent public accounting firm as shall be agreed upon by Parent and the Holders Agent in writing), with the expenses related to the Closing Audit Opinion to be

shared equally between the Surviving Corporation and the Holders Agent. The Closing Net Book Value shall be prepared in accordance with the Agreed Net Book Value Principles. The Closing Statement shall be accompanied by a certificate signed by the Chief Financial Officer of Parent, certifying that (X) the Closing Net Book Value was calculated in accordance with this Section 2.4(b) and (Y) the Closing Aggregate Pro Forma Adjustment Amount accurately represents the actual expense or liability associated with each Pro Forma Adjustment.

(c) During the 60-day period following the Holders Agent's receipt of the Closing Statement, the Holders Agent and its Representatives shall have access to the working papers of Parent and, subject to Holders Agent executing any release or similar document reasonably requested, Ernst & Young LLP (or such other accounting firm retained to deliver the Closing Audit Opinion), in each case, relative to the preparation of the Closing Balance Sheet or Closing Net Book Value, as applicable. The Closing Statement shall become final and binding upon the Holders Agent on behalf of the Holders, on the 60th day following delivery thereof (the "Notice Deadline"), unless the Holders Agent gives written notice of its disagreement with the Closing Statement (the "Notice of Disagreement") to Parent prior to the Notice Deadline. After the Notice Deadline, the Holders Agent may not deliver any Notice of Disagreement. The Notice of Disagreement shall (i) specify in reasonable detail the nature of each disagreement so asserted, (ii) only include disagreements based on (A) mathematical errors, (B) the Closing Net Book Value not being calculated in accordance with this Section 2.4 or any other provision of this Agreement, or (C) the Closing Aggregate Pro Forma Adjustment Amount not being calculated in accordance with this Section 2.4 or any other provision of this Agreement, (iii) set forth the amount of the Closing Net Book Value that the Holders Agent believes to be correct and (iv) set forth the Closing Aggregate Pro Forma Adjustment Amount (itemized for each Pro Forma Adjustment) that the Holders Agent believes to be correct. During the 30-day period following the delivery of the Notice of Disagreement, Parent and the Holders Agent shall seek in good faith to resolve in writing any differences that they may have with respect to the matters specified in the Notice of Disagreement. During such period, Parent and its Representatives shall have access to the working papers of the Holders Agent and the working papers of the Company, in each case, relative to the preparation of the Estimated Closing Balance Sheet.

(d) At the end of such 30-day period, Parent and the Holders Agent shall submit to an independent accounting firm that is not the independent auditor of Parent, the Company or the Holders Agent (the "Accounting Firm") for arbitration any and all matters that remain in dispute with respect to the Notice of Disagreement in the form of a written document. The Accounting Firm shall be Deloitte & Touche LLP or, if such firm is unable or unwilling to act, such other nationally recognized independent public accounting firm as shall be agreed upon by Parent and the Holders Agent in writing. If Parent and the Holders Agent fail to agree on an Accounting Firm within ten Business Days after the expiration of the 30-day period, either Parent or the Holders Agent may request The American Arbitration Association to appoint, within ten Business Days from the date of such request, a nationally recognized independent accounting firm that is independent and impartial, with significant arbitration experience and significant audit experience in the insurance industry, to act as the Accounting Firm and such appointment shall be conclusive and binding on Parent and the Holders Agent. Parent and the Holders Agent agree to enter into an engagement letter with the Accounting Firm containing customary terms

and conditions for this type of engagement. The Accounting Firm shall (i) review only the matters that were properly included in the Notice of Disagreement and which Parent and the Holders Agent have not otherwise resolved and (ii) make its determination based on the terms and conditions set forth in this Section 2.4 and (A) for purposes of the Closing Net Book Value, within the range of (I) the amount of Closing Net Book Value set forth in the Closing Statement and (II) the amount of Closing Net Book Value set forth in the Notice of Disagreement and (B) for purposes of the Closing Aggregate Pro Forma Adjustment Amount, within the range of (I) the amount of the Closing Aggregate Pro Forma Adjustment Amount set forth in the Closing Statement and (II) the amount of the Closing Aggregate Pro Forma Adjustment Amount set forth in the Notice of Disagreement. Parent and the Holders Agent shall reasonably cooperate with, and provide information and documentation, including any working papers relative to the preparation of the Closing Net Book Value or the Notice of Disagreement, as applicable, to assist the Accounting Firm. Any such information and documentation provided by Parent or the Holders Agent to the Accounting Firm shall concurrently be provided to the other party to the extent not already so provided. Neither Parent nor the Holders Agent shall disclose to the Accounting Firm, and the Accounting Firm shall not consider for any purpose, any settlement discussions or settlement offer made by Parent or the Holders Agent with respect to any matter submitted for arbitration under this Section 2.4(d), unless otherwise agreed by Parent and the Holders Agent. The Accounting Firm's report shall include a reasonably detailed accounting of any change to the Closing Statement. The Accounting Firm shall deliver as promptly as practicable and if possible within 60 days after its appointment, a written award setting forth its decision. The Accounting Firm's decision shall be final and binding upon Parent and the Holders Agent, on behalf of the Holders, to the fullest extent permitted by applicable Law and judgment thereon may be entered and enforced in any court having jurisdiction. Each of Parent and the Holders Agent shall bear the fees and disbursements incurred by it in connection with the matters set forth in this Section 2.4, except that the fees and expenses of the Accounting Firm incurred pursuant to this Section 2.4 shall be borne equally by the Holders Agent and Parent. The 60-day period for delivering the written award may be extended by the mutual written consent of Parent and the Holders Agent or by the Accounting Firm for up to an additional 30 days for good cause shown. Notwithstanding anything else contained herein, no party may assert that any award issued by the Accounting Firm is unenforceable because it has not been timely rendered.

(e) If the Closing Net Book Value plus the Pro Forma Adjustment Amount Increase, if any, or minus the Pro Forma Adjustment Amount Setoff, if any, as applicable, is less than the Floor Amount, Parent shall be entitled to an offset against the Contingent Consideration, if any (the "Net Book Value Shortfall").

(i) In the event of a Pro Forma Adjustment Amount Increase, the Net Book Value Shortfall shall be equal to (x) the Floor Amount minus (y) the sum of (A) the Closing Net Book Value and (B) the Pro Forma Adjustment Amount Increase.

(ii) In the event of a Pro Forma Adjustment Amount Setoff, the Net Book Value Shortfall shall be equal to (x) the Floor Amount minus (y) the

difference between (A) the Closing Net Book Value and (B) the Pro Forma Adjustment Amount Setoff.

(iii) In the event there is neither a Pro Forma Adjustment Amount Increase nor a Pro Forma Adjustment Amount Setoff, the Net Book Value Shortfall shall be equal to (x) the Floor Amount minus (y) the Closing Net Book Value.

(f) The Holders Agent shall serve as agent for the Holders for purposes of determining and administering any payments owed to the Holders pursuant to this Section 2.4.

Section 2.5 Contingent Consideration.

(a) The Holders Agent shall serve as agent for the Holders for purposes of determining and administering the Contingent Consideration pursuant to this Section 2.5.

(b) For purposes of this Agreement, "Contingent Consideration" shall equal an amount in dollars calculated pursuant to the following formula (the "Contingent Consideration Formula"):

$$X=(A+D)-((B+C)+(D*((B+C)/A)))$$

Where:

A is $230,301,000, which equals the aggregate amount in dollars recorded by MHA Insurance Company ("MHAIC") and Washington Casualty Company ("WCC" and, together with MHAIC, the "Principal Insurers") for statutory financial reporting purposes in conformity with accounting practices prescribed or permitted by the Principal Insurers' respective domiciliary state Insurance Regulators (OFIR and WIC) for "Losses and Defense and Cost Containment Expenses", as defined by Applicable SAP ("Permitted Expenses"), as reported as unpaid in the financial statements of the Principal Insurers as of December 31, 2008;

B equals the aggregate amount in dollars paid by the Principal Insurers (or any successors) on and after January 1, 2009 through and including December 31, 2013 for Permitted Expenses associated with claims reported or incurred, as applicable, on or before December 31, 2008;

C equals the Agreed Central Estimate as determined pursuant to Sections 2.5(d), (e) and (f); and

D is $22,239,000, which equals the amount in dollars recorded by the Principal Insurers for statutory financial reporting purposes in conformity with accounting practices prescribed or permitted by the Principal Insurers' respective domiciliary state Insurance Regulators (OFIR and WIC) for (i) "Adjusting and Other Expenses" that are unpaid and (ii) "Death, Disability and Retirement Reserves", each as defined by Applicable SAP, as of December 31, 2008

And then:

If X is (i) a negative number or less than or equal to the Contingent Consideration Deductible, then the Contingent Consideration shall equal zero (0); or (ii) greater than the Contingent Consideration Deductible, then the Contingent Consideration shall be equal to (A) X minus the Contingent Consideration Deductible, multiplied by (B) 0.7, multiplied by (C) 0.65. The "Contingent Consideration Deductible" shall be an amount equal to Thirty Eight Million Dollars ($38,000,000).

For purposes of the Contingent Consideration Formula: (I) losses or expenses associated with claims-made policies include claims reported on or before December 31, 2008; (II) losses or expenses associated with occurrence policies include claims involving events occurring on or before December 31, 2008; (III) losses or expenses associated with reporting endorsements or tail-policies include claims on policies issued on or before December 31, 2008 and (IV) all Permitted Expenses shall, in each case, be net of any related reinsurance.

(c) Not later than January 30, 2014, Parent shall provide, or shall cause the Principal Insurers to provide, to the Holders Agent all information and data necessary for the calculation of the Contingent Consideration pursuant to this Section 2.5 (the "Contingent Consideration Data"). Parent shall retain a nationally recognized actuarial firm to calculate the Parent Central Estimate on behalf of Parent (the "Parent Actuary"). The Holders Agent shall retain a nationally recognized actuarial firm to calculate the Holders Agent Central Estimate on behalf of the Holders Agent (the "Holders Agent Actuary"), provided, however, that the same actuarial firm shall not serve as both the Parent Actuary and the Holders Agent Actuary. Parent shall instruct the Parent Actuary, and the Holders Agent shall instruct the Holders Agent Actuary, to communicate with each other during the period commencing on the date Parent delivers the Contingent Consideration Data to the Holders Agent pursuant to this Section 2.5(c) and ending on the Business Day prior to the Central Estimate Delivery Date. Not later than March 15 of each year for the years 2010 through 2013, Parent shall provide, or shall cause the Principal Insurers to provide, to the Holders Agent the information set forth on Schedule 2.5(c) as of December 31 of the preceding year.

(d) Not later than March 17, 2014 (the "Central Estimate Delivery Date"), (i) Parent shall deliver to the Holders Agent the Parent Actuary's actuarial central estimate of the Permitted Expenses that are unpaid as of December 31, 2013 associated with claims reported or incurred, as applicable, on or before December 31, 2008 (the "Parent Central Estimate") and (ii) the Holders Agent shall deliver to Parent the Holders Agent's actuarial central estimate of the Permitted Expenses that are unpaid as of December 31, 2013 associated with claims reported or incurred, as applicable, on or before December 31, 2008 (the "Holders Agent Central Estimate"). If (A) the Parent Central Estimate is within $2,000,000 of the Holders Agent Central Estimate, the mid-point of the range between the Parent Central Estimate and the Holders Agent Central Estimate shall be the "Agreed Central Estimate" and shall become binding and final for purposes of the Contingent Consideration Formula within five Business Days of the Central Estimate Delivery Date (the "Central Estimate Period") or (B) if the range between the Parent Central Estimate and the Holders Agent Central Estimate (the "Central Estimate Range") is greater than $2,000,000, the Agreed Central Estimate shall be (i) as agreed to in writing by Parent and the Holders Agent during the Central Estimate Period or (ii) if Parent and the Holders Agent are unable to agree on the Agreed Central Estimate during the Central Estimate Period, determined by the Actuary Firm in accordance with Section 2.5(e). If the Central Estimate Range is greater than $2,000,000, Parent and the Holders Agent shall negotiate in good faith during the Central Estimate Period to reach agreement on the Agreed Central Estimate.

(e) If the Central Estimate Range is greater than $2,000,000 and Parent and the Holders Agent do not otherwise reach agreement on the Agreed Central Estimate in accordance with Section 2.5(d), Parent and the Holders Agent shall submit the Parent Central Estimate and the Holders Agent Central Estimate along with the Contingent Consideration Data to an independent actuarial firm that is not the Parent Actuary or the Holders Agent Actuary (the "Actuary Firm") for arbitration. The Actuary Firm shall be a nationally recognized independent actuarial firm as agreed upon by Parent and the Holders Agent in writing. If Parent and the Holders Agent fail to agree on an Actuary Firm within five Business Days after expiration of the Central Estimate Period, either Parent or the Holders Agent may request The American Arbitration Association to appoint, within five Business Days from the date of such request, a nationally recognized independent actuarial firm that is independent and impartial to act as the Actuary Firm and such appointment shall be conclusive and binding on Parent and the Holders Agent. Parent and the Holders Agent agree to enter into an engagement letter with the Actuary Firm containing customary terms and conditions for this type of engagement. The Actuary Firm shall (i) review only the Contingent Consideration Data and (ii) make its determination of the actuarial central estimate of the Permitted Expenses that are unpaid as of December 31, 2013 associated with claims reported or incurred, as applicable, on or before December 31, 2008 (the "Actuary Firm Central Estimate"). The Actuary Firm shall deliver as promptly as practicable and if possible within 45 days after its appointment, a written report setting forth the Actuary Firm Central Estimate and the Agreed Central Estimate as determined in accordance with Section 2.5(f). The 45-day period for delivering the written report may be extended by mutual written consent of Parent and the Holders Agent or by the Actuary Firm for up to an additional 15 days for good cause shown. The Actuary Firm's decision shall be final and binding upon Parent and the Holders Agent to the fullest extent permitted by applicable Law and judgment thereon may be entered and enforced in any court having jurisdiction.

(f) Unless determined in accordance with Section 2.5(d), the Agreed Central Estimate shall be: (i) if the Actuary Firm Central Estimate is greater than the Parent Central Estimate and the Holders Agent Central Estimate, the higher of the Parent Central Estimate and the Holders Agent Central Estimate, (ii) if the Actuary Firm Central Estimate is less than the Parent Central Estimate and the Holders Agent Central Estimate, the lower of the Parent Central Estimate and the Holders Agent Central Estimate; and (iii) if the Actuary Firm Central Estimate is within the Central Estimate Range, the Actuary Firm Central Estimate. The Agreed Central Estimate determined in accordance with this Section 2.5(f) shall become final and binding upon Parent and the Holders Agent for purposes of the Contingent Consideration Formula upon delivery of the Actuary Firm's report pursuant to Section 2.5(e).

(g) Within five Business Days after the determination of the Agreed Central Estimate, Parent shall deliver to the Holders Agent a statement setting forth its calculation of the Contingent Consideration and identifying each component of the Contingent Consideration Formula (the "Contingent Consideration Statement"). The Contingent Consideration Statement shall be accompanied by a certificate certifying that the Contingent Consideration was calculated in accordance with this Section 2.5 and signed by the Chief Financial Officer of Parent. The Contingent Consideration Statement shall become final and binding upon Parent and the Holders Agent, on behalf of the Holders, on the tenth Business Day following delivery thereof (the "Contingent Consideration Notice Deadline"), unless the Holders Agent provides written notice of its disagreement with the Contingent Consideration Statement (the "Contingent Consideration Notice of Disagreement") to Parent prior to the Contingent Consideration Notice Deadline. After the Contingent Consideration Notice Deadline, the Holders Agent is not permitted to deliver any Contingent Consideration Notice of Disagreement. The Contingent Consideration Notice of Disagreement shall (i) specify in reasonable detail the nature of each disagreement so asserted, (ii) only include disagreements based on (A) mathematical errors or (B) the Contingent Consideration not being calculated in accordance with this Section 2.5 or any other provision of this Agreement and (iii) the amount of the Contingent Consideration the Holders Agent believes to be correct; provided, however, the Holders Agent shall not be permitted to challenge the Agreed Central Estimate. If any Contingent Consideration Notice of Disagreement is delivered, then the Contingent Consideration Statement (as revised in accordance with this sentence) shall become final and binding upon Parent and the Holders Agent, on behalf of the Holders, on the earlier of (X) the date Parent and the Holders Agent resolve in writing any and all differences they have with respect to the matters specified in the Contingent Consideration Notice of Disagreement timely delivered and (Y) the date any disputed matters are finally resolved in writing by the Actuary Firm. During the five Business Day period following the Contingent Consideration Notice Deadline, Parent and the Holders Agent shall seek in good faith to resolve in writing any differences that they may have with respect to the matters specified in the Contingent Consideration Notice of Disagreement. During such period, Parent and the Holders Agent and their Representatives shall have access to the working papers of the Parent Actuary and the Holders Agent Actuary relative to the preparation of the Contingent Consideration Statement and the Contingent Consideration Notice of Disagreement, as applicable.

(h) At the end of such five Business Day period, Parent and the Holders Agent shall submit to the Actuary Firm for arbitration any and all matters that remain in dispute with respect

to the Contingent Consideration Notice of Disagreement in the form of a written document. The Actuary Firm shall (i) review only the matters that were properly included in the Contingent Consideration Notice of Disagreement and which Parent and the Holders Agent have not otherwise resolved and (ii) make its determination based on the terms and conditions set forth in this Section 2.5 and within the range of the amount of Contingent Consideration set forth in the Contingent Consideration Statement and the amount of Contingent Consideration set forth in the Contingent Consideration Notice of Disagreement. Parent and the Holders Agent shall reasonably cooperate with, and provide information and documentation, including any working papers relative to the preparation of the Contingent Consideration Statement and the Contingent Consideration Statement of Disagreement, as applicable, to assist the Actuary Firm. Any such information and documentation provided by Parent or the Holders Agent to the Actuary Firm shall concurrently be provided to the other party to the extent not already so provided. Neither Parent nor the Holders Agent shall disclose to the Actuary Firm, and the Actuary Firm shall not consider for any purpose, any settlement discussions or settlement offer made by Parent or the Holders Agent with respect to any matter submitted for arbitration under this Section 2.5, unless otherwise agreed by Parent and the Holders Agent. The Actuary Firm's report shall include a reasonably detailed accounting of its determination of the amount of the Contingent Consideration. The Actuary Firm shall deliver within 15 days after its receipt of the submission of the matters remaining in dispute, a written award setting forth its decision. The Actuary Firm's decision shall be final and binding upon Parent and the Holders Agent, on behalf of the Holders, to the fullest extent permitted by applicable Law and judgment thereon may be entered and enforced in any court having jurisdiction. Each of Parent and the Holders Agent shall bear the fees and expenses incurred by it in connection with the matters set forth in this Section 2.5, except that the fees and expenses of the Actuary Firm incurred pursuant to this Section 2.5 shall be paid by Parent and 50% of such fees and expenses paid by Parent (the "Holders Actuary Expenses") shall be subtracted from the Deferred Payment Excess, if any, in accordance with Section 2.7(a) and, to the extent any amount of the Holders Expenses exceeds the Deferred Payment Excess, such amount shall be reimbursed by the Holders Agent. The 15-day period for delivering the written award may be extended by the mutual written consent of Parent and the Holders Agent or by the Actuary Firm for up to an additional 10 days for good cause shown. Notwithstanding anything else contained herein, no party may assert that any award issued by the Actuary Firm is unenforceable because it has not been timely rendered.

Section 2.6 Offset Adjustment.

(a) The Holders Agent shall serve as agent for the Holders for purposes of determining and administering the Offset Adjustment Amount pursuant to this Section 2.6.

(b) Not later than January 30, 2014 (the "Recovery Cut-Off Date"), Parent shall prepare and deliver to the Holders Agent a statement (the "Offset Adjustment Statement") setting forth the following items: (i) a calculation of the total amount to be offset against the Contingent Consideration (including an itemization by claim) based on all finally resolved claims for Losses and Taxes pursuant to Article VIII of this Agreement, if any; (ii) a calculation of the total amount to be offset against the Contingent Consideration (including an itemization by claim) for all pending claims for Losses and Taxes pursuant to Article VIII of this Agreement, if any; (iii) a

calculation of the total amount to be credited to the Contingent Consideration (including an itemization by claim) for all finally resolved and pending recoveries against third parties for Losses and Taxes offset against the Contingent Consideration pursuant to Article VIII of this Agreement, if any; and (iv) the Net Book Value Shortfall, if any (the aggregate amount of (i), (ii), (iii) and (iv) is referred to herein as the "Offset Adjustment Amount"). The Offset Adjustment Statement shall become final and binding upon the Holders Agent, on behalf of the Holders, on March 31, 2014 (the "Offset Adjustment Notice Deadline"), unless the Holders Agent gives written notice of its disagreement with the Offset Adjustment Statement (the "Offset Adjustment Notice of Disagreement") to Parent prior to the Offset Adjustment Notice Deadline. For the avoidance of doubt, the Offset Adjustment Notice of Disagreement shall include all Tax Offset Adjustment Notice of Disagreements delivered pursuant to Section 8.3; provided, however, that the Offset Adjustment Notice of Disagreement may not include any Tax Claim for which the Holders Agent failed to deliver a Tax Offset Adjustment Notice of Disagreement to Parent in accordance with Section 8.3. After the Offset Adjustment Notice Deadline, the Holders Agent may not deliver any Offset Adjustment Notice of Disagreement. The Offset Adjustment Notice of Disagreement shall (A) specify in reasonable detail each claim or matter the Holders Agent disputes and the nature of each disagreement so asserted, (B) specify the amount the Offset Adjustment Amount should be adjusted as a result of each such dispute and (C) set forth the amount of the Offset Adjustment Amount that the Holders Agent believes to be correct. If Parent receives the Offset Adjustment Notice of Disagreement before the Offset Adjustment Notice Deadline, then the Offset Adjustment Statement (as revised in accordance with this sentence) shall become final and binding upon Parent and the Holders Agent, on behalf of the Holders, on the earlier of (x) the date Parent and the Holders Agent resolve in a written agreement any and all differences they have with respect to the matters specified in the Offset Adjustment Notice of Disagreement timely delivered and (y) the date any disputed matters are finally resolved in writing by the Arbitrator in accordance with Section 2.6(c) below. During the 30-day period following delivery of the Offset Adjustment Notice of Disagreement, Parent and the Holders Agent shall seek in good faith to resolve in writing any differences that they may have with respect to the matters specified in the Offset Adjustment Notice of Disagreement. During such period, Parent and the Holders Agent and their Representatives shall have access to all documents used by Parent (including information with respect to the calculation of Losses or recoveries associated with any finally resolved or pending claims) relative to the preparation of the Offset Adjustment Statement.

(c) At the end of such 30-day period, Parent and the Holders Agent shall submit to The American Arbitration Association a request to appoint, within fifteen days from the date of such request, an arbitrator that is independent and impartial to act as the arbitrator (the "Arbitrator") and such appointment shall be conclusive and binding on Parent and the Holders Agent. Parent and the Holders Agent shall submit for arbitration to the Arbitrator any and all matters that remain in dispute with respect to the Offset Adjustment Notice of Disagreement in the form of a written document. The Arbitrator shall (i) review only the matters that were properly included in the Offset Adjustment Notice of Disagreement and which Parent and the Holders Agent have not otherwise resolved and (ii) make its determination based on the terms of this Agreement and, for each disputed item submitted to the Arbitrator, within the range of the amount assigned to such disputed item by each of Parent and the Holders Agent in the Offset

Adjustment Statement and the Offset Adjustment Notice of Disagreement, respectively. Parent and the Holders Agent shall reasonably cooperate with, and provide information and documentation, including any working papers relative to the preparation of the Offset Adjustment Statement and the Offset Adjustment Notice of Disagreement, as applicable, to assist, the Arbitrator. Any such information and documentation provided by Parent or the Holders Agent to the Arbitrator shall concurrently be provided to the other party to the extent not already so provided. Neither Parent nor the Holders Agent shall disclose to the Arbitrator and the Arbitrator shall not consider for any purpose: (1) any settlement discussions or settlement offer made by Parent or the Holders Agent with respect to any matter submitted for arbitration under this Section 2.6, unless otherwise agreed by Parent and the Holders Agent or (2) any statement, whether written or oral, made by a Parent Covered Party or Parent, on the one hand, to the Holders Agent or any third party, on the other hand, in connection with a Third Party Claim, including, for the avoidance of doubt, any response or reply by a Parent Covered Party or Parent to the party making such Third Party Claim regarding the validity of such Third Party Claim. Notwithstanding anything to the contrary contained herein, in determining any recovery that Parent is entitled to in connection with any Third Party Claim, the defense of which the Holders Agent is not permitted to assume pursuant to Section 8.4(c)(i)(E), Parent shall be entitled to disclose to the Arbitrator the actual amount of any judgment, settlement, fine or penalty paid by the Parent Covered Party in connection with such Third Party Claim, but such amount shall not be binding upon the Arbitrator. The Arbitrator shall determine the total amount to be offset against the Contingent Consideration with respect to any Third Party Claim, the defense of which the Holders Agent is not permitted to assume pursuant to Section 8.4(c)(i)(E), taking into account all facts and circumstances. Notwithstanding anything to the contrary herein, in determining any amount that Parent is entitled to offset against the Contingent Consideration for any Tax Claim, other than for Tax Claims for which the Holders Agent failed to deliver a Tax Offset Adjustment Notice of Disagreement to Parent in accordance with Section 8.3, Parent shall be entitled to disclose to the Arbitrator the actual amount of any additional Taxes paid by Parent or the Surviving Corporation which is the basis for such Tax Claim, but such amount shall not be binding upon the Arbitrator. The Arbitrator shall determine the total amount to be offset against the Contingent Consideration with respect to such Tax Claim taking into account all facts and circumstances. The Arbitrator's decision shall contain a calculation of the Offset Adjustment Amount, and the findings supporting such calculation, including the Arbitrator's decision on each disputed item. The Arbitrator shall deliver as promptly as practicable, but in no event later than 30 days after its receipt of the submission of the matters remaining in dispute, a written award setting forth its decision. The Arbitrator's decision shall be final and binding upon Parent and the Holders Agent, on behalf of the Holders, to the fullest extent permitted by applicable Law and judgment thereon may be entered and enforced in any court having jurisdiction. Each of Parent and the Holders Agent shall bear the fees and expenses incurred by it in connection with the matters set forth in this Section 2.6, except that the fees and expenses of the Arbitrator incurred pursuant to this Section 2.6 shall be paid by Parent and 50% of such fees and expenses paid by Parent (the "Holders Arbitrator Expenses") shall be subtracted from the Deferred Payment Excess, if any, in accordance with Section 2.7(a) and, to the extent any amount of the Holders Expenses exceeds the Deferred Payment Excess, such amount shall be reimbursed by the Holders Agent. The 30-day period for delivering the written award may be extended by the mutual written consent of Parent and the Holders Agent or by the Arbitrator for up to an additional 30 days for good cause shown. Notwithstanding anything else contained herein, no

party may assert that any award issued by the Arbitrator is unenforceable because it has not been timely rendered.

Section 2.7 Deferred Payment.

(a) Within three Business Days after the Deferred Payment Calculation Date, Parent shall (or shall cause Surviving Corporation to) deposit with the Paying Agent funds equal to the aggregate amount of the Deferred Payment Per Share in accordance with Section 3.3. For purposes of this Agreement, (i) "Deferred Payment Excess" means the Contingent Consideration minus the Offset Adjustment Amount, (ii) "Deferred Payment" means the Deferred Payment Excess minus the Holders Expenses, (iii) "Deferred Payment Per Share" means 99.03% of the aggregate amount of the Deferred Payment divided by the Fully Diluted Common Share Number, (iv) "Deferred Payment Calculation Date" means the later of (A) the date the determination of the calculation of the Contingent Consideration becomes final and binding on Parent and the Holders Agent, on behalf of the Holders, pursuant to Section 2.5, and (B) the date the determination of the amount of the Offset Adjustment Amount becomes final and binding on Parent and the Holders Agent, on behalf of the Holders, pursuant to Section 2.6, and (v) "Holders Expenses" means the sum of (A) the Holders Actuary Expenses and (B) the Holders Arbitrator Expenses. The Holders Agent shall serve as agent for the Holders for purposes of determining and administering the Deferred Payment and Deferred Payment Per Share pursuant to this Section 2.7. Execution and delivery of an Acceptance of Shares is a condition to the right to receive payment of the Deferred Payment Per Share, if any. For the avoidance of doubt, in no event shall the Deferred Payment Excess or the Deferred Payment be less than zero.

(b) By way of example only, Exhibit D includes example calculations of the Per Share Closing Amount, the Per Share Adjustment Amount, the Contingent Consideration, and the Deferred Payment Per Share. Parent, Purchaser, and the Company agree that such examples are intended to be illustrative only and are in no way binding on any of the parties.

ARTICLE III

PAYMENT FOR SHARES

Section 3.1 Payment for Shares.

(a) Following the date of this Agreement and in any event not less than five days prior to the mailing of the Proxy Statement to the holders of Shares, Parent shall designate a bank or trust company, reasonably acceptable to the Company, to act as paying agent (the "Paying Agent") for the purpose of making payment of the Per Share Closing Amount, the Per Share Adjustment Amount, the Deferred Payment Per Share, and the Preferred Share Price to persons entitled to such amounts, as applicable, under this Agreement. At the Effective Time and from time to time thereafter, Parent shall, or shall cause the Purchaser or the Surviving Corporation (including, if necessary, providing the Purchaser or the Surviving Corporation with sufficient

funds) to, deposit, or cause to be deposited, in trust with the Paying Agent sufficient funds to permit the Paying Agent to make the payments contemplated by Section 3.1(b) (the "Payment Fund"). The Payment Fund shall be invested by the Paying Agent in (i) direct obligations of the United States of America, (ii) obligations for which the full faith and credit of the United States of America is pledged to provide for payment of all principal and interest, (iii) commercial paper obligations rated A-1 or P-1 or better by Moody's Investors Services, Inc. or Standard & Poor's Corporation, respectively, or (iv) a combination of the foregoing or in certificates of deposit, bank repurchase agreements or banker's acceptances of commercial banks with capital exceeding $1,000,000,000 and, in any case, no such instrument shall have a maturity exceeding three months, as directed in writing by Parent or the Purchaser, for the benefit of the holders of the Shares and the Preferred Shares, for payment of the Per Share Closing Amount and the Preferred Share Price, as applicable, in exchange for outstanding Shares and Preferred Shares. Parent or the Surviving Corporation may cause the Paying Agent to pay over to Parent or Surviving Corporation any net earnings with respect to the investment of the Payment Fund. In no event will any holder of Shares or Preferred Shares be entitled to any earnings on the Payment Fund. If there are losses with respect to any investment of the Payment Fund or the Payment Fund diminishes for any reason below the level required to make prompt cash payment of the Per Share Closing Amount and Preferred Share Price, as applicable, Parent shall, or shall cause the Surviving Corporation (including, if necessary, providing the Surviving Corporation with sufficient funds) to, promptly replace or restore the Payment Fund in cash so as to ensure that the Payment Fund at all times is maintained at a level sufficient to make prompt cash payments of the Per Share Closing Amount and Preferred Share Price.

(b) Not later than three Business Days after the Effective Time, Parent shall cause the Paying Agent to mail to each record holder of Shares or Preferred Shares immediately before the Effective Time (other than any Shares or Preferred Shares held by a wholly-owned subsidiary of the Company) a form of letter of transmittal that shall (i) specify that delivery shall be effected, and risk of loss and title to the Shares or Preferred Shares shall pass, only upon proper delivery of the letter of transmittal (and, in the case of certificated Shares or Preferred Shares, the certificate representing such Shares or Preferred Shares (each a "Certificate")) to the Paying Agent, (ii) contain instructions for use in surrendering Shares or Preferred Shares (and, in the case of certificated Shares or Preferred Shares, the Certificate) and receiving the Merger Cash Price and Preferred Share Price, (iii) require the authorized signature of the holder, (iv) provide that the Merger Cash Price payable to any holder who has pledged Shares to the Company to secure repayment of any indebtedness owed to the Company shall be reduced by the amount of such indebtedness and that such amount shall be paid to the Company in satisfaction of that debt up to the aggregate amount of the Merger Cash Price payable to such holder pursuant to this Section 3.1, and (v) such other provisions as Parent and the Company may agree to specify. Upon the delivery of such letter of transmittal, duly executed (and, in the case of certificated Shares or Preferred Shares, surrender of the Certificate or effective affidavit of loss in lieu thereof), to the Paying Agent, together with such other customary documents as may be required pursuant to such instructions, the Paying Agent shall, within two Business Days of such delivery, pay the holder of such Shares or Preferred Shares, as applicable, (y) cash in an amount equal to the Per Share Closing Amount multiplied by the number of Shares held by the holder, less any required withholding Taxes as specified in Section 3.1(f), and (z) cash in an amount equal to the

Preferred Share Price multiplied by the number of Preferred Shares held by such holder of Preferred Shares, less any required withholding Taxes as specified in Section 3.1(f), and such Shares or Preferred Shares (and any Certificate) shall be canceled. Until so surrendered, Shares or Preferred Shares (other than Shares or Preferred Shares held by a wholly-owned subsidiary of the Company) shall represent solely the right to receive, as applicable, the aggregate Merger Consideration and Preferred Share Price represented by such Shares or Preferred Shares. No interest shall be paid or accrued on the Merger Consideration or Preferred Share Price.

(c) Parent will cause the Paying Agent to mail with the letter of transmittal to each record holder of Shares immediately before the Effective Time (other than any Shares held by a wholly-owned subsidiary of the Company) an Acceptance of Shares ("Acceptance of Shares") in substantially the form in Appendix A to the Holders' Agency Agreement in the form attached to this Agreement as Exhibit C, that shall, among other things, include (i) the agreement of the holder to be a shareholder of Holders Agent and to be bound by the Holders Agency Agreement, (ii) the agreement of the holder that the holder may assign or transfer the holder's right to payment of the Per Share Adjustment Amount and Deferred Payment Per Share only in connection with an authorized transfer of the holder's Holders Agent Shares, (iii) the agreement of the holder that execution and delivery of an Acceptance of Shares is a condition to payment of the Deferred Payment Per Share, if any, and (iv) the appointment of the Holders Agent as the agent of the holder for the purposes stated in this Agreement and the Holders Agency Agreement. The Paying Agent shall promptly deliver to the Holders Agent all Acceptances of Shares delivered to the Paying Agent.

(d) Within three Business Days after the Closing Balance Sheet becomes final and binding on Parent and the Holders Agent pursuant to Section 2.4, Parent shall, or shall cause the Surviving Corporation to (including, if necessary, providing the Surviving Corporation with sufficient funds), deposit or cause to be deposited in the Payment Fund sufficient funds to permit the Paying Agent to make the payments contemplated by this Section 3.1(d). Within two Business Days after the deposit of such amount in the Payment Fund, Parent shall cause the Paying Agent to pay (i) to the holders of Shares previously surrendered in accordance with Section 3.1(b) cash in the amount equal to the Per Share Adjustment Amount, if any, multiplied by the number of Shares formerly held by the holder and theretofore surrendered, less any required withholding Taxes as specified in Section 3.1(f), and (ii) to the holders of Shares not yet surrendered in accordance with Section 3.1(b), upon the delivery of the letter of transmittal and surrender of such Shares in accordance with Section 3.1(b), cash in the amount equal to the Per Share Adjustment Amount, if any, multiplied by the number of Shares held by the holder immediately before the Effective Time, less any required withholding Taxes as specified in Section 3.1(f).

(e) Promptly following the date which is one year after the Effective Time, Parent shall be entitled to require the Paying Agent to deliver to Parent any portion of the Payment Fund (including any interest received with respect to such funds), Certificates, and other documents in its possession relating to the transactions described in this Agreement and, except for the Paying Agent's duties with respect to the Deferred Payment pursuant to Section 3.3, the Paying Agent's

duties shall terminate. Thereafter, each holder of Shares or Preferred Shares not surrendered pursuant to Section 3.1(b) (other than Shares or Preferred Shares held by a wholly-owned subsidiary of the Company) shall be entitled to look to Parent (subject to applicable abandoned property, escheat and similar Laws) only as general creditors of Parent with respect to the Merger Cash Price or Preferred Share Price payable upon the surrender of their Shares or Preferred Shares, without any interest. None of Parent, the Purchaser, the Surviving Corporation or the Holders Agent shall be liable to any holder of Shares or Preferred Shares for any amount paid to a public official in accordance with applicable abandoned property, escheat or similar Laws.

(f) The Merger Cash Price and Preferred Share Price shall be net to each holder of Shares or Preferred Shares in cash, subject to reduction only for (i) any applicable federal backup withholding and any other Taxes required to be withheld, (ii) repayment of any indebtedness owed to the Company by a holder who has pledged Shares to the Company to secure repayment of such indebtedness. Parent, the Surviving Corporation or the Paying Agent shall be entitled to deduct and withhold from the Merger Cash Price, Preferred Share Price, and any other payment otherwise payable pursuant to this Agreement to any holder of Shares, Preferred Shares, Options, Restricted Shares, or other stock based awards such amounts as Parent, the Surviving Corporation or the Paying Agent is required to deduct and withhold with respect to the making of such payment under the Internal Revenue Code of 1986, as amended (the "Code"), or any provision of state, local or non-U.S. tax Law and shall pay the amounts so deducted to the appropriate Taxing Authority for the account of the relevant holder. To the extent that amounts are so withheld by Parent, the Surviving Corporation or the Paying Agent, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the relevant holder in respect of which such deduction and withholding was made by Parent, the Surviving Corporation or the Paying Agent.

(g) If payment of cash in respect of any Share or Preferred Share is to be made to a person other than the person in whose name such Share or Preferred Share is registered, it shall be a condition to such payment that the Share or Preferred Share shall be properly endorsed for transfer, if certificated, or shall be otherwise in proper form for transfer and that the person requesting such payment shall have paid any Taxes required by reason of such payment in a name other than that of the registered holder of the Shares or Preferred Shares or shall have established to the satisfaction of Parent or the Paying Agent that such Tax either has been paid or is not payable.

(h) The Merger Cash Price delivered upon the surrender of Shares, and the Preferred Share Price delivered upon the surrender of Preferred Shares, for exchange in accordance with the terms of this Agreement shall be deemed to have been issued in full satisfaction of all rights pertaining to such Shares and Preferred Shares, except for, in the case of Shares, the right to payment of the Deferred Payment Per Share, if any. After the Effective Time, there shall be no transfers on the stock transfer books of the Surviving Corporation of any Shares or Preferred Shares which were outstanding immediately before the Effective Time. If, after the Effective Time, Shares or Preferred Shares (other than Shares or Preferred Shares held by a wholly-owned

subsidiary of the Company) are presented to Parent, the Surviving Corporation or the Paying Agent, they shall be surrendered and canceled in return for the payment by Parent or the Paying Agent, as applicable, of the aggregate Merger Cash Price or Preferred Share Price relating thereto, without interest, as provided in this Section 3.1.

(i) At the Closing, Company will deliver to Parent and the Paying Agent a certified list of holders of record of Shares who hold Shares in "book-entry" form on the Company's stock ledger ("Book-Entry Holders"), including names, addresses, number of shares held, and tax identification number of each holder of record. Except with respect to the surrender of Certificates, Book-Entry Holders shall be entitled to payment of the Merger Consideration in the manner and subject to the terms and conditions set forth in this Article III.

(j) If a Certificate has been lost, stolen or destroyed, Parent and the Surviving Corporation will cause the Paying Agent to accept an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed instead of the Certificate; provided, that, the Surviving Corporation may require the Person to whom any Merger Consideration or Preferred Share Price is to be paid, as a condition precedent to the payment thereof, to give the Surviving Corporation a bond in such reasonable amount as it may direct or otherwise indemnify the Surviving Corporation in a manner reasonably satisfactory to the Surviving Corporation against any claim that may be made against the Surviving Corporation with respect to the Certificate claimed to have been lost, stolen or destroyed.

Section 3.2 Payment of Per Share Adjustment Amount for Options and Restricted Shares. Within five Business Days after the Closing Statement becomes final and binding on Parent and the Holders Agent pursuant to Section 2.4, Parent shall cause the Surviving Corporation to pay in accordance with its ordinary payroll procedures (which shall include payment of withholding Taxes by Parent or the Surviving Corporation when and as due) (i) to the holders of Options canceled pursuant to Section 2.3(a) immediately before the Effective Time, cash in the amount equal to the Per Share Adjustment Amount, if any, multiplied by the number of Shares subject to all Options held by the holder immediately prior to cancellation pursuant to Section 2.3(a), less any required withholding Taxes as specified in Section 3.1(f), and (ii) to the holders of Restricted Shares cancelled pursuant to Section 2.3(b) immediately before the Effective Time, cash in the amount equal to the Per Share Adjustment Amount, if any, multiplied by the number of Restricted Shares held by the holder immediately prior to cancellation pursuant to Section 2.3(b), less any required withholding Taxes as specified in Section 3.1(f).

Section 3.3 Payment of Deferred Payment.

(a) Within three Business Days after the Deferred Payment Calculation Date, Parent shall cause the Surviving Corporation to (including, if necessary, providing the Surviving Corporation with sufficient funds), deposit, or cause to be deposited, in trust with the Paying Agent funds equal to the aggregate amount of the Deferred Payment Per Share due to the holders of Shares previously surrendered in accordance with Section 3.1(b) (the "Deferred Payment

Fund"). The Deferred Payment Fund shall be invested by the Paying Agent in (i) direct obligations of the United States of America, (ii) obligations for which the full faith and credit of the United States of America is pledged to provide for payment of all principal and interest, (iii) commercial paper obligations rated A-1 or P-1 or better by Moody's Investors Services, Inc. or Standard & Poor's Corporation, respectively, or (iv) a combination of the foregoing or in certificates of deposit, bank repurchase agreements or banker's acceptances of commercial banks with capital exceeding $1,000,000,000 and, in any case, no such instrument shall have a maturity exceeding three months, as directed in writing by Parent or the Surviving Corporation, for the benefit of the holders of Shares previously surrendered in accordance with Section 3.1(b), for payment of the Deferred Payment Per Share. Parent or the Surviving Corporation may cause the Paying Agent to pay over to Parent or Surviving Corporation any net earnings with respect to the investment of the Deferred Payment Fund. In no event will any holder be entitled to any earnings on the Deferred Payment Fund. If there are losses with respect to any investment of the Deferred Payment Fund or the Deferred Payment Fund diminishes for any reason below the level required to make prompt cash payment of the Deferred Payment Per Share, Parent shall, or shall cause the Surviving Corporation (including, if necessary, providing the Surviving Corporation with sufficient funds) to, promptly replace or restore the Deferred Payment Fund in cash so as to ensure that the Deferred Payment Fund at all times is maintained at a level sufficient to make prompt cash payments of the Deferred Payment Per Share.

(b) Within three Business Days after the Deferred Payment Calculation Date, Parent shall, or shall cause the Paying Agent to mail to each registered holder of any Holders Agent Shares (as set forth in a certified list of registered holders of Holders Agent Shares submitted by the Holders Agent to Parent and the Paying Agent) a form of agreement, mutually acceptable to both Parent and the Holders Agent, that shall (i) contain instructions for use in receiving the Deferred Payment Per Share, if any, (ii) include the agreement of the Holder that the Holder irrevocably consents and agrees to the amount of the Deferred Payment Per Share, if any, (iii) include the waiver and release by the Holder of any and all claims against Parent, the Surviving Corporation and the Holders Agent and their current or former members and managers, shareholders, directors, officers, employees, if any, Representatives, agents, and advisors arising out of or related to payment or administration of the Deferred Payment Per Share, if any, and (iv) such other provisions as Parent and the Holders Agent may agree to specify (the "Deferred Payment Agreement"). Within two Business Days after delivery of the Deferred Payment Agreement, duly executed, to the Paying Agent, together with such other customary documents as may be required pursuant to such instructions, the Paying Agent shall pay to each registered holder of any Holders Agent Shares received with respect to Shares previously surrendered in accordance with Section 3.1(b) cash in an amount equal to the Deferred Payment Per Share, if any, multiplied by the number of Holders Agent Shares received with respect to Shares previously surrendered in accordance with Section 3.1(b), less any required withholding Taxes as specified in Section 3.3(e). No interest shall be paid or accrued on the Deferred Payment Per Share, if any.

(c) Promptly following the date which is one year after the Deferred Payment Calculation Date, Parent shall be entitled to require the Paying Agent to deliver to Parent any portion of the Deferred Payment Fund (including any interest received with respect to such funds)

and other documents in its possession relating to the transactions described in this Agreement, and the Paying Agent's duties shall terminate. Thereafter, each holder of Holders Agent Shares received with respect to Shares for which the Deferred Payment Per Share has not been paid pursuant to this Section 3.3 shall be entitled to look to Parent (subject to applicable abandoned property, escheat and similar Laws) only as general creditors of Parent with respect to the Deferred Payment Per Share, if any, without any interest, payable upon the delivery of the Deferred Payment Agreement and surrender of the Shares in accordance with Section 3.1(b). None of Parent, the Surviving Corporation, nor the Holders Agent shall be liable to any Holder for any amount paid to a public official in accordance with applicable abandoned property, escheat or similar Laws.

(d) Within three Business Days after the Deferred Payment Calculation Date, Parent shall cause the Surviving Corporation to mail to each registered holder of any Holders Agent Shares received with respect to Options or Restricted Shares (in each case as set forth in a certified list of registered holders of Holders Agent Shares received with respect to Options or Restricted Shares submitted by the Holders Agent to Parent) a form of Deferred Payment Agreement. Within two Business Days after delivery of a Deferred Payment Agreement, duly executed, to the Surviving Corporation, together with such other customary documents as may be required pursuant to such instructions, Parent shall or shall cause the Surviving Corporation to pay in accordance with its ordinary payroll procedures (which shall include payment of any withholding Taxes by Parent or the Surviving Corporation when and as due) to each registered holder of any Holders Agent Shares received with respect to Options or Restricted Shares cash in an amount equal to the Deferred Payment Per Share, if any, multiplied by the number of Holders Agent Shares received with respect to Options or Restricted Shares held by such holder, less any required withholding Taxes as specified in Section 3.3(e). No interest shall be paid or accrued on the Deferred Payment Per Share, if any.

(e) The Deferred Payment Per Share, if any, shall be net to each Holder in cash subject to reduction only for any applicable federal backup withholding and any other Taxes required to be withheld. Parent, the Surviving Corporation or the Paying Agent shall be entitled to deduct and withhold from the Deferred Payment Per Share, if any, such amounts as Parent, the Surviving Corporation or the Paying Agent is required to deduct and withhold with respect to the making of such payment under the Code or any provision of state, local or non-U.S. tax Law. To the extent that amounts are so withheld by Parent, the Surviving Corporation or the Paying Agent, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the relevant Holder in respect of which such deduction and withholding was made by Parent, the Surviving Corporation or the Paying Agent.

(f) Parent shall cause the Surviving Corporation or Paying Agent to provide the Holders Agent with a copy of each executed Deferred Payment Agreement received in accordance with this Section 3.3.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and the Purchaser that the statements contained in this Article IV are true and complete as of the date of this Agreement and at the Effective Time, except as disclosed by the Company to Parent and the Purchaser in the Company's disclosure statement, delivered on or before the date of execution of this Agreement (the "Disclosure Statement"), with specific reference to the Sections hereof to which such exception relates.

Section 4.1 Organization.

(a) The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of Michigan. The Company has all requisite corporate or other power and authority necessary to own, lease and operate the properties it purports to own, lease or operate and to carry on its business substantially as now being conducted. Each subsidiary of the Company is duly incorporated or organized, validly existing, and in good standing under the Laws of its jurisdiction of incorporation or organization. Each subsidiary of the Company has all requisite corporate or other power and authority necessary to own, lease and operate the respective properties it purports to own, lease or operate and to carry on its business substantially as now being conducted. Each of the Company and its subsidiaries is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing has not had and would not, individually or in the aggregate, be reasonably expected to have a Company Material Adverse Effect. Each of the Insurance Company Subsidiaries is duly qualified or licensed and in good standing to do business in each jurisdiction in which the nature of the business conducted by it makes such qualification or licensing necessary. Schedule 4.1(a) of the Disclosure Statement sets forth the name and state of incorporation or organization of each of the Company's subsidiaries. Except for the Company subsidiaries set forth in Schedule 4.1(a) of the Disclosure Statement, the Company does not directly or indirectly own any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for any equity or similar interest in, any corporation, partnership, joint venture or other business association or entity, except for securities in any publicly-traded company held for investment by the Company and comprising less than five percent of the outstanding stock of such company.

For purposes of this Agreement, "Company Material Adverse Effect" means any circumstance, condition, change in or effect that (a) is materially adverse to the business, operations, assets, liabilities, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole, except for any effect attributable to (i) acts of sabotage or terrorism, or the engagement by the United States in military or other hostilities, whether or not pursuant to the declaration of a national emergency or war, (ii) changes in general

economic conditions or financial or securities markets (including any disruption thereof and any decline in the price of any security or any market index), (iii) changes generally affecting the medical professional liability insurance industry in the geographic areas in which the Insurance Company Subsidiaries operate, (iv) the execution and announcement of this Agreement and the completion of the transactions contemplated by this Agreement or the taking of any action outside of the ordinary course of business that is expressly required by this Agreement, (v) Parent's or the Purchaser's announcement or other communication by Parent or the Purchaser of its plans or intentions with respect to the Company or any of its subsidiaries, (vi) acts or omissions of the Company prior to the Effective Time taken at the written request of Parent or the Purchaser or with the prior written consent of Parent or the Purchaser in connection with the transactions contemplated hereby, (vii) changes in generally accepted accounting principles in the United States ("GAAP") or Applicable SAP after the date of this Agreement and (viii) changes in Tax Laws; provided, that the exceptions set forth in clauses (i), (ii), (iii) and (vii) shall only apply to the extent the circumstance, condition, change in or effect does not (x) relate only to (or have the effect of relating only to) the Company and its subsidiaries or (y) have a disproportionate impact on the Company and its subsidiaries, taken as a whole, compared to the impact on other participants in the medical professional liability insurance industry generally; or (b) would materially impair or delay the ability of the Company to perform its obligations under this Agreement or to consummate the Merger and the transactions contemplated hereby.

(b) True and complete copies of the articles of incorporation and bylaws of the Company and articles of incorporation (or equivalent document) and bylaws (collectively, the "Organizational Documents") of each of its subsidiaries and all amendments thereto have been made available to Parent and such copies are true and complete. Neither the Company nor any of its subsidiaries is in material default under or in material violation of any provision of its Organizational Documents and such Organizational Documents as made available to Parent are in full force and effect. The Company owns directly or indirectly all of the outstanding capital stock of each of its subsidiaries, free and clear of any Lien, limitation on the Company's voting rights, charges or other encumbrances of any nature whatsoever, other than Liens listed on Schedule 4.1(b) of the Disclosure Statement.

Section 4.2 Capitalization.

(a) The authorized capital stock of the Company consists of (i) 20,000,000 Shares, (ii) 12,000 Preferred Shares, and (iii) 100,000 shares of Class B preferred stock. The Company has 622,434.3 Shares issued and outstanding as of the date hereof. The Company has 8,853 Preferred Shares issued and outstanding as of the date hereof. The Company has no shares of Class B preferred stock issued and outstanding. All issued and outstanding Shares and Preferred Shares are duly authorized and validly issued, fully paid, nonassessable and free of preemptive rights. An aggregate of 99,346 Shares are reserved for issuance upon or otherwise deliverable in connection with the exercise of outstanding Options issued pursuant to the Company Incentive Plans and an aggregate of 5,450 Restricted Shares are issued and outstanding and unvested as of the date hereof. All issued and outstanding Shares have been duly authorized, validly issued and are fully paid and, to the extent applicable, non-assessable. No Shares are held by the Company as treasury stock or by any of its subsidiaries. All accrued dividends on the Preferred Shares

required to be paid as of the date hereof have been paid to the holders of such Preferred Shares as provided in the Company's articles of incorporation.

(b) Schedule 4.2(b)(i) of the Disclosure Statement accurately sets forth, with respect to each subsidiary of the Company, (i) the number of and designation of all authorized shares of capital stock or other equity interests and (ii) the number of issued and outstanding shares of capital stock or other equity interests by class, the names of the holders thereof and the number of shares or percentage held by each such holder. Such shares and other equity interests have been duly authorized, validly issued and are fully paid and, to the extent applicable, non-assessable. Except as set forth on Schedule 4.2(b)(ii) of the Disclosure Statement, the Company and/or one or more of its subsidiaries are and shall be on the date of the Closing the sole record and beneficial owners of such shares and other equity interests, free and clear of all Liens.

(c) Except as set forth on Schedule 4.2(c) of the Disclosure Statement, and other than the Rights, the Company and its subsidiaries have no, and at all times through the Effective Time there will not be any, existing options, warrants, calls, subscriptions or other rights (contingent or otherwise) or other agreements or commitments obligating the Company or any of its subsidiaries to issue, transfer, sell, vote or pay any dividend or any other distribution in respect of any shares of capital stock or other equity interests of the Company or any of its subsidiaries or any other securities convertible into or evidencing the right to subscribe for any such shares or other equity interests under any equity compensation plan or otherwise. From and after the Effective Time, no holder of any Option will have the right to any consideration with respect thereto, except as set forth in this Agreement.

Section 4.3 Authority. The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and each instrument required hereby to be executed, delivered and performed by the Company at the Closing and, subject to the affirmative vote of the holders of at least a majority of the Shares entitled to vote in accordance with the MBCA (the "Company Shareholder Approval") and receipt of approvals set forth in Section 4.4(b), to complete the transactions contemplated by this Agreement. No consents, approvals, authorizations, notices or waivers of, to or by the holders of Preferred Shares are required to be made or obtained in connection with the execution, delivery or performance of this Agreement and each instrument required hereby to be executed, delivered and performed by the Company at the Closing or to complete the Merger. Except for the Company Shareholder Approval, no other corporate proceedings on the part of the Company are necessary in connection with the execution, delivery or performance of this Agreement and each instrument required hereby to be executed, delivered and performed by the Company at the Closing or to complete the Merger. This Agreement has been duly adopted and completion of the Merger has been duly authorized by the Board. The Board has unanimously determined that this Agreement and the transactions contemplated in this Agreement are in the best interest of the Company and its shareholders and has unanimously recommended that the Company's shareholders approve this Agreement and the Merger. None of such actions by the Board has been amended, rescinded or modified. This Agreement and each instrument required hereby to be executed and delivered by the Company at the Closing have been or will have been duly and validly executed, delivered and performed by the Company and, assuming each constitutes a

legal, valid and binding agreement of Parent and the Purchaser, each constitutes a legal, valid and binding agreement of the Company, enforceable against it in accordance with its terms, except that (a) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, relating to creditors' rights generally and (b) equitable remedies of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. The Board has amended the Rights Plan so that (y) neither the execution, delivery or performance of this Agreement nor the consummation of the Merger will cause the Rights to become exercisable and (z) the Rights will expire immediately before the Effective Time without any payment being made or shares of the Company's capital stock being issued in respect of such Rights.

Section 4.4 No Violations; Consents and Approvals.

(a) None of the execution and delivery of this Agreement and each instrument required hereby to be executed and delivered by the Company at the Closing, the completion of the transactions contemplated by it, or the compliance by the Company with any of the provisions of this Agreement and each instrument required hereby to be executed and delivered by the Company at the Closing will, subject to the Company Shareholder Approval and receipt of the approvals set forth in Section 4.4(b) of this Agreement, (i) violate any provision of its Organizational Documents or those of its subsidiaries, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default, or give rise to any right of termination, cancellation or acceleration or any right which becomes effective upon the occurrence of a merger, consolidation or change in control of ownership, under any of the terms, conditions or provisions of any note, bond, mortgage, indenture or other instrument of indebtedness for money borrowed to which the Company or any of its subsidiaries is a party, or by which the Company or any of its subsidiaries or any of their respective properties is bound, (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default, or give rise to any right of termination, cancellation or acceleration or any right which becomes effective upon the occurrence of a merger, consolidation or change in control or ownership, under, any of the terms, conditions or provisions of any license, franchise, permit or agreement to which the Company or any of its subsidiaries is a party, or by which the Company or any of its subsidiaries or any of their respective properties is bound, or (iv) conflict with or violate any federal, foreign, state, local or provincial statute, rule, regulation, order, directive, judgment or decree (collectively, "Laws") of any public body or authority by which the Company or any of its subsidiaries or any of their respective properties is bound (items (i) through (iv) being referred to herein as a "Conflict"), excluding from the foregoing clauses (ii), (iii) and (iv) violations, breaches, defaults or rights which have not had and would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect or for which the Company has received, or prior to the Effective Time will have received, appropriate consents or waivers. Neither the declaration nor the making of the dividend contemplated by Section 6.13(b) hereof will result in a Conflict by the Company or any of its subsidiaries, nor require the Company to make any dividend or distribution to any holder of any security of the Company other than to the record holders of Shares as of the Effective Time. All material consents and approvals required to be obtained by the Company or its subsidiaries from

any non-governmental third party for the completion of the Merger are set forth on Schedule 4.4(a) of the Disclosure Statement.

(b) No filing or registration with, notification to, or authorization, consent or approval of, any Governmental Authority is required in connection with the execution and delivery of this Agreement by the Company, or the completion by the Company of the transactions contemplated by this Agreement, except (i) the filing of the Certificate of Merger with the MDELEG, (ii) those consents, approvals, orders, authorizations, notifications, registrations, declarations and filings with or by Governmental Authorities (including the Commissioner of the Michigan Office of Financial and Insurance Regulation ("OFIR") and the Washington Insurance Commissioner ("WIC")) listed on Schedule 4.4(b)(ii) of the Disclosure Statement, (iii) the notification and report forms required to be filed under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") with the Federal Trade Commission (the "FTC") and the Antitrust Division of the Department of Justice (the "Antitrust Division") and (iv) such other consents, approvals, orders, authorizations, notifications, registrations, declarations and filings not obtained or made prior to the Effective Time, the failure of which to be obtained or made have not had and would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(c) No shareholder of the Company has any right to dissent (or otherwise assert appraisal rights) and obtain payment for his or her Shares under applicable Law with respect to, or as a result of, the transactions contemplated by this Agreement (including the Merger).

Section 4.5 Financial Statements; Quarterly Reports. Attached hereto as Schedule 4.5 of the Disclosure Statement are the consolidated financial statements of the Company as of and for each of the years ended December 31, 2008, 2007 and 2006, as reported by the Company's accountants, including all schedules and notes relating to such statements, as previously delivered to Parent and the Purchaser (collectively, the "Company Financial Statements"). The Company Financial Statements have been prepared in accordance with GAAP, consistently applied, and fairly present, and the unaudited consolidated financial statements of the Company as of and for each quarter ending after the date of this Agreement until the Effective Time, including all schedules and notes relating to such statements, will be prepared in accordance with GAAP, consistently applied, and will fairly present, the financial condition and the results of operations, changes in shareholders' equity, and cash flows of the Company and its subsidiaries as of the respective dates of and for the periods referred to in such financial statements, subject, in the case of unaudited interim financial statements, to normal, recurring year-end adjustments and the absence of notes.

Section 4.6 Absence of Certain Changes; No Undisclosed Liabilities.

(a) Except as set forth on Schedule 4.6(a) of the Disclosure Statement and except as otherwise contemplated by this Agreement, since December 31, 2008, each of the Company and its subsidiaries has conducted its business in the ordinary course consistent with past practice and there has not occurred:

(i) any action, event or occurrence that has had or would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect;

(ii) any amendments or changes in the Organizational Documents of the Company or any of its subsidiaries;

(iii) any changes by the Company or any of its subsidiaries in its accounting methods, principles or practices or underwriting, reserving or actuarial practices or methods, except as may be required to conform to changes in statutory or regulatory accounting rules, or GAAP, or applicable regulatory requirements;

(iv) any declaration, setting aside or payment of any dividend or other distribution in respect of capital stock or other equity interests of the Company or any of its subsidiaries, other than (y) declaration and payment of the annual dividend on Preferred Shares at the rate provided in the Company's articles of incorporation and (z) declaration and payment of the annual dividend not to exceed $0.75 per Share and related required redemption of Preferred Shares as provided in the Stock Purchase Agreement, dated September 26, 2001, as amended and assumed by the Company (the "Stock Purchase Agreement");

(v) any direct or indirect redemption, purchase or other acquisition by the Company or any of its subsidiaries of any capital stock or of any interest in or right to acquire any capital stock of the Company or any of its subsidiaries, except for purchases of Shares issued and purchased pursuant to the Company Incentive Plans, the Company's Employee and Director Stock Purchase Plan, or the Company's Employee Stock Ownership Plan and any required redemption of Preferred Shares as stated in clause (z) of Section 4.6(a)(iv) above;

(vi) any write-off or write-down of, or any determination to write-off or write-down, the assets or properties (other than investment assets of the Insurance Company Subsidiaries in the ordinary course of business) in excess of $100,000 in the aggregate of the Company or any of its subsidiaries or any portion thereof; or

(vii) any incurrence by the Company or any of its subsidiaries of any deferred purchase price obligations in excess of $100,000 in the aggregate.

(b) Except as set forth on Schedule 4.6(b) of the Disclosure Statement and except as otherwise contemplated by this Agreement, since December 31, 2008 and as of the date of this Agreement, with respect to each of the Company and its subsidiaries, there has not occurred:

(i) any borrowing of money by the Company or any of its subsidiaries;

(ii) any material Lien created or assumed on any of the assets or properties of the Company or any of its subsidiaries;

(iii) any acquisition (by merger, consolidation, acquisition of stock or substantially all of the assets, or otherwise) of any corporation, partnership or other business organization or division thereof;

(iv) any increase in the compensation or fringe benefits payable or to become payable to the Company's or any of its subsidiaries' directors, officers or employees, other than in the ordinary course of business consistent with past practice, or grant of any severance or termination pay to, or entry into any employment or severance agreement with, any director, officer or employee of either the Company or any of its subsidiaries;

(v) any sale of property or assets of the Company or any of its subsidiaries having a value in excess of $100,000 other than in the ordinary course of business;

(vi) the creation, amendment or modification of any Plan or employment, change of control or severance agreement or arrangement with any director, officer or employee of the Company or any of its subsidiaries;

(vii) any alteration to (A) the loss reserves or loss expense reserves of the Company and its subsidiaries other than for the administration of policy claims in the ordinary course of business or (B) all other Insurance Reserves of Insurance Company Subsidiaries other than in the ordinary course of business;

(viii) any material Tax election inconsistent with past practice, settlement or comprise of any material federal, state, local or non-U.S. Tax liability or agreement to an extension of a statute of limitations;

(ix) payment, discharge or satisfaction of any claims, liabilities or obligations of any kind other than in the ordinary course of business and consistent with past practice;

(x) any commencement or settlement of any lawsuit or any threat of any lawsuit or proceeding or other investigation against the Company or any of its subsidiaries, except for any coverage or other claim made with respect to Insurance Contracts issued by any of the Insurance Company Subsidiaries;

(xi) any receipt of written notice of any claim or potential claim of ownership, interest or right by any Person other than the Company of the Intellectual Property owned by or developed or created by the Company or of infringement by the Company of any other Person's Intellectual Property;

(xii) any material changes in pricing bases, retention limits, administrative practices or claims practices and standards of the Company and its subsidiaries, other than in the ordinary course of business consistent with past practices;

(xiii) any entering into or commutation of any reinsurance contract, other than in the ordinary course of business consistent with past practices; or

(xiv) any contract or agreement to take any of the actions set forth in subsections (i) through (vii) of Section 4.6(a) or subsections (i) through (xiii) of this Section 4.6(b).

(c) Neither the Company nor any of its subsidiaries has any material liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, required by GAAP to be reflected on a consolidated balance sheet of the Company and its subsidiaries, except for liabilities or obligations (i) under this Agreement, (ii) reflected in the December 31, 2008 Balance Sheet (including the notes thereto), or (iii) incurred in the ordinary course of business since December 31, 2008.

Section 4.7 Litigation. Except for any coverage or other claim made with respect to any Insurance Contracts issued by any Insurance Company Subsidiary, there is no claim, action, suit, litigation, or arbitration or any charge, complaint, notice or proceeding by or before any court, arbitrator or Governmental Authority ("Action") pending or, to the Knowledge of the Company, threatened against the Company or any of its subsidiaries or any of their respective properties or assets seeking damages of $75,000 or more. Neither the Company nor any of its subsidiaries is subject to any outstanding order, writ, injunction or decree (excluding claims made under the terms of any Insurance Contract issued by any of the Insurance Company

Subsidiaries). For purposes of this Agreement, "Knowledge of the Company" means the actual knowledge of the persons set forth on Schedule 4.7 of the Disclosure Statement after due inquiry of such persons.

Section 4.8 Compliance with Applicable Law.

(a) Except as set forth on Schedule 4.8(a) of the Disclosure Statement, since January 1, 2006, each of the Company and its subsidiaries has been in compliance with all applicable Law in all material respects.

(b) Since January 1, 2006, neither the Company nor any of its subsidiaries has received any written notice from any Governmental Authority that (i) alleges any material noncompliance (or that the Company or any of its subsidiaries is under investigation or the subject of an inquiry by any such Governmental Authority for such alleged material noncompliance) with any applicable Law, or (ii) asserts any risk-based capital deficiency. For purposes of this Agreement, "Governmental Authority" or "Governmental Authorities" means any governmental body, agency, official, instrumentality, subdivision or authority, whether federal, state, local or foreign.

(c) Except as set forth on Schedule 4.8(c) of the Disclosure Statement, since January 1, 2006, the Company and its subsidiaries have filed with the appropriate Governmental Authorities, including state insurance regulatory authorities and any applicable federal or foreign regulatory authorities, all material reports, statements, documents, registrations, filings or submissions required to be filed by them, including any holding company act reports. Except as set forth on Schedule 4.8(c) of the Disclosure Statement, all such registrations, filings and submissions filed by the Company and its subsidiaries were in compliance in all material respects with applicable Law when filed or as amended or supplemented, and no material deficiencies have been asserted by any Governmental Authority with respect to such registrations, filings or submissions that have not been cured.

(d) Except as set forth on Schedule 4.8(d) of the Disclosure Statement, (i) all Insurance Contracts written by an Insurance Company Subsidiary have been, if and to the extent required by applicable Law, issued on forms approved by all applicable Insurance Regulators or filed with and not objected to by such Insurance Regulators within the period provided by applicable Law for objection, (ii) all such forms comply in all material respects with, and have been administered in all material respects in accordance with, applicable Law, and (iii) if and to the extent required by Applicable Law, all applications, brochures and marketing materials pertaining to Insurance Contracts have been, in all material respects, approved by all applicable Insurance Regulators or filed with and not objected to by such Insurance Regulators within the period provided by applicable Law for objection. For purposes of this Agreement, "Insurance Contract" means any insurance policy written by an Insurance Company Subsidiary, including endorsements, amendments, certificates, riders, applications and binders related thereto. For

purposes of this Agreement, "Insurance Regulator" means any Governmental Authority regulating the business of insurance under insurance Laws.

(e) To the extent required by applicable Law, since January 1, 2006, all rates applied and premiums charged in connection with any Insurance Contracts written by the Insurance Company Subsidiaries have been approved by the applicable Insurance Regulators or filed with and not objected by such Insurance Regulators within the time periods provided by applicable Law for objection.

(f) Except as set forth on Schedule 4.8(f) of the Disclosure Statement, there are no directives, agreements, memoranda of understanding, commitment letters or similar undertakings binding on the Company or any of its subsidiaries or to which the Company or any of its subsidiaries is a party, on the one hand, and any Governmental Authority is a party or addressee, on the other hand, or Orders specifically with respect to the Company or any of its subsidiaries, which (i) limit the ability of the Company or any of its subsidiaries to issue insurance policies, (ii) require any investments of the Company or any of its subsidiaries to be treated as nonadmitted assets, (iii) require any divestiture of any investments of the Company or any of its subsidiaries, (iv) in any manner impose any requirements on the Company or any of its subsidiaries in respect of risk-based capital requirements that add to or otherwise modify the risk-based capital requirements imposed under applicable Laws, (v) relate to the ability of the Company or any of its subsidiaries to pay dividends or otherwise restrict the conduct of business of the Company or any of its subsidiaries in any material respect, or (vi) otherwise place any restrictions or conditions on the Company or any of its subsidiaries. For purposes of this Agreement, "Order" means any order, writ, injunction, judgment, decree, ruling, award or settlement issued by a Governmental Authority, whether civil, criminal or administrative, applicable to the Company or any of its subsidiaries.

(g) The Company and its subsidiaries have implemented policies, procedures or programs designed to provide commercially reasonable assurances that their agents and employees are in compliance in all material respects with applicable Law.

(h) Except as set forth on Schedule 4.8(h) of the Disclosure Statement, the Company and its subsidiaries have complied in all material respects with all applicable Laws relating to privacy, data protection and the collection and use of personal information and user information gathered, accessed, collected or used in the course of the operations of the Company or its subsidiaries ("Business Confidential Information"), as applicable, including the applicable provisions of the Health Insurance Portability and Accountability Act of 1996 and the Privacy Rule and the Security Rule adopted thereunder. No Action is pending or, to the Knowledge of the Company, threatened against the Company or any of its subsidiaries by any Person alleging a violation of such Person's privacy, personal or confidentiality rights under any Laws.

(i) With respect to all Business Confidential Information, each of the Company and its subsidiaries has taken commercially reasonable steps (including implementing and monitoring compliance with adequate measures with respect to responding to complaints regarding the use of Business Confidential Information and technical and physical security) to ensure that Business Confidential Information is protected against loss and against unauthorized access, loss, destruction, use, modification, disclosure or other misuse. To the Knowledge of the Company, since January 1, 2005, no Business Confidential Information has been disclosed or authorized to be disclosed to any third party other than pursuant to a non-disclosure agreement that adequately protects it. To the Knowledge of the Company, since January 1, 2005, no party to any non-disclosure agreement relating to Business Confidential Information is in breach or default thereof.

(j) Since January 1, 2006, the Insurance Company Subsidiaries have paid all guarantee fee assessment and residual market payments due and payable by them under applicable Law.

(k) All Shares, Preferred Shares, Options and Restricted Shares, to the extent issued within any open statute of limitations period, have been issued in compliance with all foreign, federal and state securities Laws. All shares and capital stock of, and other equity interests in, the Company's subsidiaries, to the extent issued within any open statute of limitations period, have been issued in compliance with all foreign, federal and state securities Laws.

Section 4.9 Permits.

(a) Schedule 4.9(a) of the Disclosure Statement lists, as of the date of this Agreement, (i) all jurisdictions in which the Insurance Company Subsidiaries and FinCor Solutions, Inc. are licensed to write insurance business and (ii) the lines of business which the Insurance Company Subsidiaries and FinCor Solutions, Inc. are authorized to transact in each such jurisdiction.

(b) Each of the Company and its subsidiaries has all insurance Permits, as well as all other material Permits, necessary for the conduct of its business as it is conducted on the date of this Agreement. The Company and its subsidiaries are in compliance with all such Permits in all material respects. Except as set forth in Schedule 4.9(b) of the Disclosure Statement, all such Permits are in full force and effect, and neither the Company nor any of its subsidiaries has received any written notice of any proceeding or investigation pending or threatened in writing which would reasonably be expected to lead to the revocation, amendment, failure to renew, limitation, modification, suspension or restriction of any such Permit.

(c) For purposes of this Agreement, "Permit" means all permits and insurance and other licenses, accreditations, franchises, approvals, authorizations, exemptions, classifications, certificates, registrations and similar documents. True and complete copies of the Company's and subsidiaries' Permits in effect as of the date of this Agreement have been made available to Parent.

Section 4.10 Agents and Brokers. Except as set forth on Schedule 4.10 of the Disclosure Statement, to the Knowledge of the Company as of the date hereof, each insurance agent, third party administrator, broker, reinsurance intermediary and distributor that wrote, sold, produced or managed policies of insurance underwritten by the Company or any of its subsidiaries (each, an "Agent"), at the time such Person wrote, sold, produced or managed such insurance policies, was duly licensed as required by Law (for the type of insurance policies written, sold, produced or managed on behalf of the Company and its subsidiaries), and, to the Knowledge of the Company since January 1, 2006 and as of the date hereof, no Agent is or has been in material violation of (or with or without notice or lapse of time or both, would have materially violated) any term or provision of any Law applicable to the writing, sale, production, administration or management of insurance policies for the Company and its subsidiaries.

Section 4.11 Taxes.

(a) For purposes of this Agreement, "Tax" or "Taxes" means any federal, state, local or non-U.S. taxes, charges, assessments, levies, deficiencies, or governmental fees, charges or amounts required to be collected, withheld, or paid to any government, agency, or political subdivision of any government in respect of any tax or governmental fee or charge, together with any penalties, additions to tax or interest, due under any applicable Law to any governmental unit or agency, including, without limitation to the generality of the foregoing, taxes with respect to income, profits, gross receipts, value added, gains, ad valorem, employment, payroll and employee withholding, severance, unemployment insurance, escheat, premiums, license charges, gross receipts, withholding, backup withholding, social security, real property, personal property, sales, use, excise, intangibles, license, franchise, capital stock, environmental, workers' compensation, guaranty fund assessments and disability, taxes based on occupation, services rendered, real property, personal property or transfer, and other taxes, fees, duties, levies, customs, tariffs, imposts, assessments, obligations and charges of the same or of a similar nature to any of the foregoing, in all cases to the extent imposed by any Taxing Authority. "Taxing Authority" means any domestic, non-U.S., federal, national, state, county or municipal or other local government, any subdivision, agency, commission or authority thereof, or any quasi-governmental body, responsible for the administration, imposition and/or collection of any Tax. "Tax Returns" means all returns, reports, forms, estimates or information statements relating to or required to be filed with any Taxing Authority in connection with any Tax, including any schedule or attachment thereto and any amendment or supplement thereof.

(b) Each of the Company and its subsidiaries has duly and timely filed (or there has been timely filed on behalf of the Company and its subsidiaries) with the appropriate Taxing Authorities all Tax Returns required to be filed by them (taking into account any extension of time to file that has been granted to, or obtained by or on behalf of, the Company or any of its subsidiaries). Each such Tax Return is true, correct, and complete and complies in all material respects with all applicable Laws.

(c) All Taxes due and payable (whether or not shown on any Tax Return) by each of the Company and its subsidiaries have been timely paid (or properly accrued on the Company

Financial Statements). Each of the Company and its subsidiaries has, in accordance with applicable Laws, withheld and paid (or there was withheld and paid on behalf of the Company and its subsidiaries) all Taxes required to have been withheld and paid, and complied with all information reporting and backup withholding requirements in connection with amounts paid or owing to any employee, creditor, independent contractor or other persons or third parties. The provisions made for Taxes on the most recent Company Financial Statements reflect an adequate reserve in accordance with GAAP for all accrued but unpaid Taxes as of the date indicated, whether or not disputed, with respect to all periods through the date of the most recent Company Financial Statements.

(d) There is no contract, agreement, plan or arrangement with an employee or former director, officer or employee of the Company to which the Company or any of its subsidiaries is a party as of the date of this Agreement that, individually or collectively and as a result of the transaction contemplated hereby (whether alone or upon the occurrence of any additional or subsequent events), would reasonably be expected to give rise to the payment of any amount that would not be deductible pursuant to Sections 280G or 162(m) of the Code.

(e) None of the Tax Returns of the Company nor any of its subsidiaries filed for any Tax year within the last six years has been audited by any Taxing Authority, and all Tax Returns filed with respect to the Company and its subsidiaries for Tax periods ending on or before December 31, 2003, have been examined and closed or are Tax Returns with respect to which the applicable period of assessment under applicable Law, after giving effect to extensions or waivers, has expired. No audit or legal or administrative proceeding concerning the accuracy of any Tax Returns or the assessment or collection of Taxes (each an "Audit") currently exists or has been initiated with respect to the Company or any of its subsidiaries, and neither the Company nor any of its subsidiaries has received any notice that any such Audit is pending or, to the Knowledge of the Company, threatened with respect to any Taxes due from or with respect to any Tax Return filed by or with respect to the Company or such subsidiary. All deficiencies claimed, proposed, assessed or asserted by any Taxing Authority with respect to the Company or any of its subsidiaries have been fully paid, or adequate reserves in conformity with GAAP are provided on the Company Financial Statements. No waiver (or comparable consent) or extension of any statute of limitations is in effect, or has been requested by or given to or on behalf of the Company or any of its subsidiaries, with respect to Taxes or Tax Returns (for any Tax periods) of the Company or any of its subsidiaries.

(f) There are no Liens for Taxes upon the assets or properties of the Company or any of its subsidiaries, except for statutory liens for Taxes not yet due. Neither the Company nor any of its subsidiaries (i) has been a member of an affiliated group filing a consolidated, combined, or unitary Tax Return other than a group the common parent of which is the Company or (ii) has any liability for Taxes of any person under Treasury Regulations § 1.1502-6 (or similar provision of state, local or non-U.S. Law) or as a transferee or successor by contract, agreement or otherwise. No power of attorney has been granted by or with respect to the Company or any of its subsidiaries with respect to any matter relating to Taxes. Since January 1, 2001, neither the Company nor any of its subsidiaries has received or requested a ruling (including any request for

permission with respect to a change in any accounting method) from any Taxing Authority or signed an agreement with any Taxing Authority with respect to any Taxes or Tax Returns of the Company or its subsidiaries, including any closing agreement pursuant to Section 7121 of the Code (or any predecessor provision) or any similar provision of applicable Law. During the five-year period ending on the date hereof, neither the Company nor any of its subsidiaries was a "distributing corporation" or a "controlled corporation" (each within the meaning of Section 355 of the Code) in a transaction intended to be governed by Section 355 of the Code. Neither the Company nor any of its subsidiaries has any obligation under any Tax allocation, Tax indemnity or Tax sharing agreement, contract or arrangement pursuant to which it will have an obligation to make payments after the Closing.

(g) Neither the Company nor any of its subsidiaries is required to include in income for any taxable period ending after the Closing Date any adjustment pursuant to Section 481(a) of the Code or any similar provision of applicable Law, by reason of any voluntary change in accounting method (nor has any Taxing Authority proposed in writing any such adjustment or change of accounting method). There is no consolidated overall foreign loss that could be allocated, in whole or in part, to the Company or any of its subsidiaries.

(h) Neither the Company nor any of its subsidiaries has participated, within the meaning of Treasury Regulation Section 1.6011-4(c), or has been a "material advisor" or "promoter" (as those terms are defined in Sections 6111 and 6112 of the Code) in (i) any "reportable transaction" within the meaning of Sections 6011, 6662A and 6707A of the Code, (ii) any "confidential corporate tax shelter" within the meaning of Section 6111 of the Code or (iii) any "potentially abusive tax shelter" within the meaning of Section 6112 of the Code.

(i) Neither the Company nor any of its subsidiaries has received written notice from any Taxing Authority in any jurisdiction where it does not file a Tax Return asserting that it is subject to Tax by, or required to file a Tax Return in, that jurisdiction.

(j) As of December 31, 2008, the Company had a consolidated net operating loss carryover (within the meaning of Section 172 of the Code and Treasury Regulation Section 1.1502-21) for federal income tax purposes in an amount of $7,530,000 (the "Net Operating Loss"). At Closing, the Net Operating Loss will be not less than $7,530,000 minus the amount, if any, applied by the Company on its U.S. federal income tax return for the 2008 tax year (such amount to be applied against 2008 taxable income shall not exceed $443,000) (the "Closing Net Operating Loss"). Except as set forth on Schedule 4.11(j) of the Disclosure Statement, such net operating loss carryover is not currently subject to any limitations applicable to the utilization thereof (excluding any limitations arising as a result of the transactions contemplated by this Agreement).

Section 4.12 Labor and Employment Matters.

(a) The Company has made available to Parent and the Purchaser a true and complete copy of each (i) employment agreement with each executive officer and each other employee of the Company or its subsidiaries (each employee of the Company or its subsidiaries, an "Employee" and all such employees, collectively, the "Employees") not terminable without material liability or obligation on 60 days' or less notice; (ii) agreement with any director, executive officer or other Employee of the Company or its subsidiaries (A) the benefits of which are contingent, or the terms of which are materially altered, on the occurrence of a transaction involving the Company or its subsidiaries of the nature of any of the transactions contemplated by this Agreement or relating to an actual or potential change in control of the Company or (B) providing any compensation guarantee or extending severance benefits or other benefits after termination not comparable to benefits available to Employees generally; (iii) agreement, plan or arrangement under which any person may receive payments that may be subject to Tax imposed by Section 4999 of the Code or included in the determination of such person's "parachute payment" under Section 280G of the Code; and (iv) agreement or plan, including any stock option plan, stock appreciation right plan, restricted stock plan or stock purchase plan, any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement.

(b) Each of the Company and its subsidiaries is in material compliance with all applicable Laws respecting employment, employment practices, terms and conditions of employment, employment termination, employment discrimination, employee classifications (including independent contractor vs. employee and exempt vs. nonexempt status), employee safety and wages and hours, labor relations, and in each case, with respect to Employees: (i) has withheld and reported all amounts required by Law or by agreement to be withheld and reported with respect to wages, salaries and other payments to Employees, (ii) is not liable for any arrears of wages, severance pay or any Taxes or any penalty for failure to comply with any of the foregoing, and (iii) is not liable for any payment to any trust or other fund governed by or maintained by or on behalf of any Governmental Authority, with respect to unemployment compensation benefits, social security or other benefits or obligations for Employees (other than routine payments to be made in the normal course of business and consistent with past practice), excluding from the foregoing clauses (i), (ii) and (iii) any failure to withhold or report or any liability which has not had and would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(c) No work stoppage or labor strike is pending or, to the Knowledge of the Company, threatened against the Company or any of its subsidiaries. To the Knowledge of the Company, there are no activities or proceedings to organize any Employees relating to a labor union. There are no Actions, labor disputes or grievances pending or, to the Knowledge of the Company, threatened against the Company or any of its subsidiaries relating to any Employees, including, but not limited to, charges of unfair labor practices or discrimination. None of the Company or

any of its subsidiaries has engaged in any material unfair labor practices within the meaning of the National Labor Relations Act. Neither the Company nor any of its subsidiaries presently, nor have any of them been in the past, a party to, or bound by, any collective bargaining agreement or union contract with respect to Employees and no collective bargaining agreement is being negotiated by the Company or any of its subsidiaries. The Company and its subsidiaries have been in compliance with all notice and other requirements under and have no outstanding liability or obligation under the Worker Adjustment and Retraining Notification Act or any similar state or local Law. To the Knowledge of the Company, no Employees are in violation in any material respect of any term of any employment agreement, nondisclosure agreement, noncompetition agreement or restrictive covenant to a former employer of any such employee relating (i) to the right of any such Employee to be employed by the Company or any of its subsidiaries or (ii) to the disclosure or use of trade secrets or proprietary information. To the Knowledge of the Company, as of the date of this Agreement, none of the Persons set forth on Schedule 4.12 of the Disclosure Statement intend to terminate his or her employment.

Section 4.13 Employee Benefit Plans.

(a) Schedule 4.13(a) of the Disclosure Statement lists each "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), and all other employee benefit, bonus, incentive, stock option (or other equity based), severance, change in control, welfare (including post retirement medical and life insurance) and fringe benefit plans (whether or not subject to ERISA) maintained or sponsored by the Company or any of its subsidiaries or any trade or business, whether or not incorporated, that would be deemed a "single employer" within the meaning of Section 4001 of ERISA or Section 414 of the Code (an "ERISA Affiliate"), or to which the Company or any of its subsidiaries or ERISA Affiliates contributes or is required to contribute, or with respect to which the Company or any of its subsidiaries or ERISA Affiliates has or may have any liability (contingent or otherwise), in each case, for or to any current or former director, officer or employee of the Company or any of its subsidiaries (collectively, the "Plans"). Each Plan has been operated and administered, in all material respects, in accordance with its terms and with applicable Law. Without limiting the generality of the foregoing, each Plan that is intended to be qualified under Section 401(a) of the Code either has obtained a favorable determination letter from the Internal Revenue Service ("IRS") that the Plan is so qualified and all related trusts are exempt from U.S. federal income taxation under Section 501(a) of the Code or is within the applicable remedial amendment period to request such a determination letter, and, to the Knowledge of the Company, nothing has occurred, whether by action or by failure to act, which would reasonably be expected to cause the loss of or inability to obtain a determination of such qualification or exemption. All filings, disclosures and notices related to the Plans as required by applicable Law have been timely made. There is no pending or, to the Knowledge of the Company, threatened litigation, administrative action, suit or claim relating to any of the Plans (other than routine claims for benefits). The Company has not engaged in a transaction, or omitted to take any action, with respect to any Plan that would reasonably be likely to subject the Company to a penalty or Tax imposed by either Section 4975 of the Code or Section 502 of ERISA.

(b) For each Plan, the Company has made available to Parent true and complete copies of the following: the current Plan document, any amendments thereto, and the related summary plan description; the financial information or reports (including any FASB required reports, if applicable) relating to each such Plan; all Annual Report Form 5500 series filed with any Governmental Authority during the three year period ending on the Effective Time; and, with respect to each Plan that is intended to be qualified under Section 401(a) of the Code and its related trust, a favorable determination letter from the IRS or evidence that the Company has applied for such a letter within the requisite time period under the applicable regulations or still has a remaining period of time in which to apply for such a letter.

(c) None of the Company, any ERISA Affiliate, any Plan, any trust created under any Plan, or, to the Knowledge of the Company, any trustee or administrator of any such trust, has engaged in a transaction in connection with which the Company, any ERISA Affiliate, any Plan, any such trust or any such trustee or administrator would reasonably be likely to be subject to either a civil liability or penalty pursuant to Sections 409, 502(i) or 502(l) of ERISA or a Tax imposed pursuant to Chapter 43 of the Code.

(d) All contributions required to be made under the terms of any Plan or any employee benefit arrangements to which the Company is a party or of which the Company is a sponsor have been timely made for the three prior Plan years. All additional contributions, premium payments and other payments due on or before the Effective Time will have been paid by that date. Except as set forth on Schedule 4.13(d) of the Disclosure Statement, the Company has no material obligation to provide retiree health, life insurance, disability insurance or other retiree benefits under any Plan, other than benefits mandated by Section 4980B of the Code.

(e) At no time has the Company or an ERISA Affiliate contributed to or been obligated to contribute to any multiemployer plan, as defined in Section 3(37) of ERISA.

(f) Except as set forth in Schedule 4.13(f) of the Disclosure Statement, no Plan is subject to Title IV of ERISA. Neither the Company nor any ERISA Affiliate has made, or was required to make, contributions to any plan subject to Title IV of ERISA during the five year period ending on the last day of the most recent plan year ended prior to the date hereof. No liability under Title IV or Section 302 of ERISA has been incurred, or is expected to be incurred, by the Company or any ERISA Affiliate that has not been satisfied in full, and no condition exists that presents a risk of such liability.

(g) Except as expressly contemplated by this Agreement, neither the negotiation and execution of this Agreement nor the consummation of the transactions contemplated hereby will (either alone or upon the occurrence of any additional or subsequent events) constitute an event under any Plan that will or may result in any payment (whether of severance pay or otherwise), acceleration of payment, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any employee or former director, officer or

employee of the Company or any of its subsidiaries or limit the ability to amend, terminate or receive a reversion of assets from any Plan or related trust.

(h) The Company and its subsidiaries have not, since October 3, 2004, (A) granted to any current or former director, officer or employee of the Company or any of its subsidiaries an interest in a nonqualified deferred compensation plan (as defined in Sections 409A(d)(1) of the Code) which interest has been or, upon the lapse of a substantial risk of forfeiture with respect to such interest, will be subject to the Tax imposed by Sections 409A(a)(1)(B) or (b)(4)(A) of the Code, or (B) modified the terms of any nonqualified deferred compensation plan in a manner that could cause an interest previously granted under such plan to become subject to the Tax imposed by Sections 409A(a)(1)(B) or (b)(4) of the Code.

(i) The Company has not granted any Options under the Company Incentive Plans with an exercise price that is equal to or greater than the Per Share Closing Amount.

Section 4.14 Title to Property; Assets.

(a) The Company and its subsidiaries, have or at Closing shall have, good and marketable title to all of their respective properties and assets, whether real, personal, or a combination thereof, reflected in their books and records as being owned as of December 31, 2008, except as since disposed of in the ordinary course of business, free and clear of all Liens, except for the following permitted exceptions (collectively, the "Permitted Exceptions"): (i) Liens set forth on Schedule 4.1(b) of the Disclosure Statement; (ii) Liens for current Taxes and assessments not yet delinquent; (iii) Liens that are immaterial and granted or incurred in the ordinary course of business; (iv) such imperfections of title, easements, covenants, conditions, rights, restrictions, and encumbrances, if any, as are not material in character, amount, or extent, and do not materially detract from the value, or materially interfere with the present use, of the properties subject thereto or affected thereby; (v) with respect to real property, the standard printed exceptions and all other exceptions contained in and shown as exceptions on the Company's title commitment or reports which have been made available to the Purchaser and other encumbrances for real estate Taxes being contested in good faith as set forth on Schedule 4.14(a) of the Disclosure Statement; and (vi) such public easements, public rights of way, and interests of units of government of record, if any, as are not material in character, amount, or extent, and do not materially detract from the value, or materially interfere with the present use, of the properties subject thereto or affected thereby.

(b) Except as set forth in Schedule 4.14(b) of the Disclosure Statement, with respect to the Company Real Property (as hereinafter defined), (i) neither the Company nor any Company affiliate or subsidiary has leased or otherwise granted to any person the right to use or occupy Company Real Property or any portion thereof; (ii) there are no outstanding options, rights of first offer, rights of reverter or rights of first refusal to purchase the Company Real Property or any portion thereof or interest therein; and (iii) neither the Company nor any

Company affiliate is a party to any agreement or option to purchase any real property or interest therein.

(c) For purposes of this Agreement, "Liens" means any security interest, lien, pledge, charge, or other encumbrance of any nature whatsoever.

Section 4.15 Real and Personal Properties.

(a) With respect to each parcel of real property owned by the Company or any of its subsidiaries (the "Company Real Property"), (i) except for encroachments that have been insured over by a title insurance policy, no building or improvement to the Company Real Property encroaches on any easement or property owned by another person; (ii) to the Knowledge of the Company, none of the Company or any of its subsidiaries or the Company Real Property is in material violation of any applicable zoning regulation, building restriction, restrictive covenant, ordinance, any instrument of record or other Law, order, regulation, or requirement; (iii) to the Knowledge of the Company, all buildings and improvements to the Company Real Property are in good condition (normal wear and tear excepted), are structurally sound in all material respects and are not in need of material repairs and are adequately serviced by all utilities necessary for the operation of business as presently conducted at that location; (iv) none of the Company Real Property is the subject of any actual or, to the Knowledge of the Company, threatened or proposed expropriation, condemnation action or proceeding; (v) no assessment for public improvement or otherwise is due and remains unpaid; (vi) to the Knowledge of the Company, there are no currently proposed or pending assessments for public improvements or otherwise; (vii) prior to the date hereof, the Company has made available to Parent true and complete copies of all deeds and a title insurance policy or equivalent documentation with respect to the Company Real Property and other documents relating to or affecting the title to the Company Real Property or leasehold interests in the Company Leases; and (viii) the Company Real Property has direct vehicular and pedestrian access to a public street adjoining such Company Real Property or has vehicular and pedestrian access to a public street via an insurable, permanent, irrevocable and appurtenant easement benefiting such parcel of the Company Real Property, and such access is not dependent on any land or other real property interest which is not included in the Company Real Property.

(b) With respect to each lease and license pursuant to which the Company or any of its subsidiaries, as lessee or licensee, has possession of real or personal property (the "Company Leases"), (i) true and complete copies of each of the Company Leases have been made available to Parent and each Company Lease is valid, effective, and enforceable against the lessor or licensor in accordance with its terms, except as limited by bankruptcy, insolvency, moratorium, reorganization or similar Laws affecting the rights of creditors generally and the availability of equitable remedies; (ii) there is no (y) existing material default under any of the Company Leases or (z) any event that with notice or passage of time, or both, would constitute a material default with respect to the Company or any of its subsidiaries or, to the Knowledge of the Company, any other party to the contract; (iii) none of the Company Leases contain a prohibition against assignment by the Company or any of its subsidiaries, by operation of law, change in control,

transfer of interests or otherwise and which would be triggered by this Agreement or the consummation of the transactions contemplated by this Agreement, or any provision that would materially interfere with the possession, use, or rights with respect to the property for the same purposes and upon the same rental and other terms following completion of the Merger as are applicable to the Company or any of its subsidiaries before the Effective Time; (iv) no security deposit or portion thereof deposited with respect to such Company Leases has been applied in respect of a breach or default under such Company Leases which has not been redeposited in full; (v) the Company does not owe, nor will it owe in the future, any unpaid brokerage commissions or finder's fees with respect to such Company Leases; (vi) the Company has not subleased, licensed or otherwise granted any person the right to use or occupy such Company Leases or any portion thereof; and (vii) the Company has not collaterally assigned or granted any other security interest in such Company Leases or any interest therein and no Lien otherwise encumbers any of the Company's or any Company affiliate's interest in any of the Company Leases.

Section 4.16 Environmental Matters.

(a) The Company and each of its subsidiaries, and except for matters that have been fully resolved in accordance with environmental law, have at all times been in material compliance with all applicable foreign, federal, state and local statutes or Laws, common law, judgments, orders, regulations, licenses, permits, rules and ordinances relating to pollution or protection of health, safety or the environment, including Laws relating to Releases or threatened Releases of Hazardous Materials, the manufacture, processing, distribution, use, treatment, storage, Release, transport or handling of Hazardous Materials ("Environmental Law"), and possess all licenses, approvals, and authorizations required under Environmental Laws and are and have been in material compliance with the terms and conditions therein.

(b) There are not any present or, to the Knowledge of the Company, past Actions, conditions or circumstances at, or arising out of, any current or former business, assets or properties of the Company or any of its subsidiaries, including on-site or off-site disposal presence, Release of or exposure to any Hazardous Materials, the presence of underground storage tanks or any other condition or circumstance which has resulted in or would reasonably be likely to result in any Environmental Claim against the Company or any of its subsidiaries or, to the Knowledge of the Company, against any Person whose liability for any Environmental Claim the Company or its subsidiaries has or may have retained or assumed either contractually or by operation of law.

(c) Neither the Company nor any of its subsidiaries has received any written notice of noncompliance with, violation of, or liability or potential liability relating to any Environmental Law, or entered into any consent decree, agreement or order or is subject to any order of any federal, state, local or foreign court or Governmental Authority or tribunal or any contractual indemnity with any third party relating to any Environmental Law or relating to the Cleanup of any Hazardous Materials. There are no reports, studies, analyses, tests or monitoring results possessed by or within the reasonable control of the Company, or by any subsidiary which identify material quantities of Hazardous Materials in, on or beneath any property currently or

formerly owned, operated or leased by the Company or any of its subsidiaries (including any real property held as investment assets or pursuant to any other property acquisition), or any material violation by the Company or its subsidiaries of applicable Environmental Laws.

(d) For purposes of this Agreement, the following terms shall have the following meanings:

"Cleanup" means all actions required to (i) cleanup, remove, treat or remediate Hazardous Materials in the indoor or outdoor environment in accordance with Environmental Laws, (ii) perform pre-remedial studies and investigations and post-remedial monitoring and care or (iii) respond to any requests by a governmental entity for information or documents relating to cleanup, removal, treatment or remediation or potential cleanup, removal, treatment or remediation of Hazardous Materials in the indoor or outdoor environment.

"Environmental Claim" means any actual or threatened claim, notice, directive, action, cause of action, investigation, suit, demand, abatement order or other order (conditional or otherwise) by a governmental entity or any other Person, alleging liability, including potential liability, for investigatory costs, Cleanup costs, all reasonable fees, disbursements and expenses of counsel, expert and consulting fees and costs of investigations and feasibility studies and responding to any governmental requests for information or documents, natural resources damages, property damages, personal injuries, or penalties arising out of, based on, or resulting from, (i) the presence, Release or threatened Release of any Hazardous Materials at a location, currently or formerly owned or operated by the Company or any subsidiary, or at any third party location at which the Company, any subsidiary or any other Person whose liability for any Environmental Claim the Company or any subsidiary has or may have retained or assumed either by contract or by operation of law or (ii) any violation, or alleged violation, of any Environmental Law.

"Hazardous Materials" means all substances, wastes or materials defined or regulated as hazardous substances, oils, pollutants or contaminants in the National Oil and Hazardous Substances Pollution Contingency Plan, 40 C.F.R. § 300.5, or any other Environmental Law, including without limitation toxic mold and asbestos in any form or condition.

"Release" means any actual or threatened release, spill, emission, discharge, leaking, pumping, injection, deposit, disposal, dispersal, leaching or migration into the indoor or outdoor environment (including ambient air, surface water, groundwater and surface or subsurface strata or the abandonment or disposal of any barrels, containers or other closed receptacles containing Hazardous Materials) of Hazardous Materials, including the movement of Hazardous Materials through or in the air, soil, surface water, groundwater or real property.

Section 4.17 Intellectual Property.

(a) Schedule 4.17(a) of the Disclosure Statement sets forth a true and complete list of all registered Intellectual Property owned by the Company and/or its subsidiaries. All Intellectual Property listed on Schedule 4.17(a) of the Disclosure Statement is valid and subsisting. The Company or its subsidiaries own, or has valid binding licenses or otherwise possesses sufficient rights to use, all Intellectual Property (that is material individually or in the aggregate) used in the business of the Company and/or its subsidiaries as currently conducted, free and clear of all Liens. For purposes of this Agreement, "Intellectual Property" means all trademarks (together with all goodwill symbolized thereby), service marks, trade names, trade dress, patents, trade secrets, domain names, copyrights, software and computer programs, and similar rights, and registrations and applications to register or renew the registration of any of the foregoing.

(b) To the Knowledge of the Company, the use of the Intellectual Property owned by the Company or its subsidiaries in the conduct of their respective businesses or operations as currently conducted has not and does not, infringe, violate or misappropriate any Intellectual Property of any third party. Neither the Company nor any of its subsidiaries has made any written allegation in the past six years that any Person has infringed, diluted, misappropriated or violated any of their Intellectual Property. To the Knowledge of the Company, no Person is engaged in any activity that infringes, violates, or misappropriates any material Intellectual Property owned by the Company or its subsidiaries. Neither the Company nor any of its subsidiaries has received any written notice (including, without limitation, any demand or "cease and desist" letter or offer to license) from any third party alleging any such infringement, violation, or misappropriation, or pertaining to or challenging the right of the Company or any of its subsidiaries to use any Intellectual Property owned or licensed by the Company or any of its subsidiaries.

Section 4.18 SAP Financial Statements; Reports.

(a) "Insurance Company SAP Statements" means (i) the annual statutory statements of the Insurance Company Subsidiaries filed with any Insurance Regulator for each of the years ended December 31, 2008, 2007 and 2006 and for each calendar year ending after the date of this Agreement and before the Effective Time, (ii) the quarterly statutory statements of the Insurance Company Subsidiaries filed with any Insurance Regulator for each quarterly period ending after the date of this Agreement and before the Effective Time, and (iii) all exhibits, interrogatories, notes, schedules and any actuarial opinions, affirmations or certifications or other supporting documents filed in connection with such annual statutory statements and quarterly statutory statements.

(b) All Insurance Company SAP Statements were prepared (i) in conformity with Applicable SAP and (ii) from the respective books and records of the Insurance Company Subsidiaries. The Insurance Company SAP Statements, when read in conjunction with the notes

thereto and any statutory audit reports relating thereto, present fairly in all material respects the statutory financial condition and results of operations of the Insurance Company Subsidiaries as of the dates and for the periods indicated (subject, in the case of unaudited statements, to notes and normal year-end adjustments that are not material in amount or effect). The annual statutory balance sheets and income statements included in the Insurance Company SAP Statements have been, where required by insurance Laws, audited by an independent accounting firm.

(c) Since December 31, 2006, the Company and the Insurance Company Subsidiaries have filed all Insurance Company SAP Statements. The Company has made available to Parent true and complete copies of all Insurance Company SAP Statements filed by the Company or the Insurance Company Subsidiaries with any Insurance Regulator for periods ending, and events occurring, after January 1, 2006 and prior to the Effective Time. All such Insurance Company SAP Statements complied in all material respects with the insurance Laws when filed. No material deficiencies have been asserted by any Governmental Authority with respect to such Insurance Company SAP Statements that the Company has not appropriately addressed with such Governmental Authority.

(d) The Company has made available to Parent true and complete reports issued by the applicable Insurance Regulator with respect to the most recent financial examinations of the Company or the Insurance Company Subsidiaries. Except with respect to the transactions contemplated by this Agreement, there are no regulatory examinations of the Company or any of its subsidiaries currently in process as of the date of this Agreement.

(e) The Insurance Company SAP Statements as of and for periods ended December 31, 2007 and December 31, 2008 contain accurate lists, in accordance with Applicable SAP, as of their respective dates of investment, of assets held and purchases and sales of the investment assets by the Insurance Company Subsidiaries.

Section 4.19 Insurance Matters.

(a) The Company conducts its underwritten insurance operations exclusively through MHAIC, Capital Risk Solutions, A Segregated Portfolio Company, and WCC (individually, an "Insurance Company Subsidiary" and, collectively, the "Insurance Company Subsidiaries"). The Insurance Company Subsidiaries are duly authorized and licensed to write each line of business reported as being written in the Insurance Company SAP Statements, in each jurisdiction where each is required to be so authorized and licensed.

(b) As of the date of this Agreement, to the Knowledge of the Company, all reinsurance treaties or agreements to which the Company or any Insurance Company Subsidiary is a party or under which the Company or any Insurance Company Subsidiary has any existing rights, obligations or liabilities (the "Company Reinsurance Agreements") are in full force and effect in all material respects in accordance with their terms. No Company Reinsurance Agreement is in default as to any material provision thereof. Since the commencement of the

term of any such agreement, through the Business Day immediately prior to the date of this Agreement, where the Company or any of its subsidiaries is a cedent, neither the Company nor any of its subsidiaries has received any written notice to the effect that the financial condition of any party to any such agreement is impaired in any material respect with the result that a default thereunder may be reasonably likely, whether or not such default may be cured by the operation of any offset clause in such agreement. Transactions contemplated by this Agreement (including the Merger) will not result in any party having the right to terminate a Company Reinsurance Agreement solely as a result of consummation of the transactions contemplated by this Agreement (including the Merger).

(c) With respect to any Company Reinsurance Agreement for which the Company or any Insurance Company Subsidiary is taking credit on its most recent Insurance Company SAP Statement or has taken credit on any Insurance Company SAP Statement, after December 31, 2006 (i) there has been no separate written or oral agreement between any of the Company or the Insurance Company Subsidiaries and the assuming reinsurer that would under any circumstances reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under any such Company Reinsurance Agreement, other than contracts that are explicitly defined in any such Company Reinsurance Agreement, (ii) for each such Company Reinsurance Agreement entered into, renewed, or amended on or after December 31, 2006, for which risk transfer is not reasonably considered to be self-evident, documentation concerning the economic intent of the transaction and the risk transfer analysis evidencing the proper accounting treatment, as required by SSAP No. 62, is available for review by the domiciliary state insurance departments for each of the Company and the Insurance Company Subsidiaries, (iii) each of the Company and the Insurance Company Subsidiaries complies and has complied after December 31, 2006 in all material respects with all of the requirements set forth in SSAP No. 62, and (iv) each of the Company and the Insurance Company Subsidiaries has and has had from and after January 1, 2007 appropriate controls in place to monitor the use of reinsurance and to comply with the provisions of SSAP No. 62.

(d) The Insurance Reserves carried on the Insurance Company SAP Statements of each Insurance Company Subsidiary were, as of the respective dates of such Insurance Company SAP Statements, in compliance in all material respects with the requirements for Insurance Reserves established by the Insurance Regulators of the state of domicile of each Insurance Company Subsidiary, were determined in all material respects in accordance with generally accepted actuarial principles in effect at such time, consistently applied, and were computed on the basis of methodologies consistent in all material respects with those used in prior periods, except as otherwise noted in the Insurance Company SAP Statements. For purposes of this Agreement, "Insurance Reserves" means loss reserves (including incurred but not reported), allocated and unallocated loss adjustment expense reserves, unearned premium reserves and other reserves required to be maintained pursuant to Applicable SAP net of any related reinsurance.

(e) Except for regular periodic assessments in the ordinary course of business consistent with past practice or assessments based on developments which are publicly known

within the insurance industry, no material claim or material assessment is pending or, to the Knowledge of the Company, threatened against any Insurance Company Subsidiary which is unique to such Insurance Company Subsidiary by any state insurance guaranty association in connection with such association's fund relating to insolvent insurers.

(f) Except as set forth in Schedule 4.19(f) of the Disclosure Statement, none of the Company or its subsidiaries is a party to any fronting arrangements under which any obligations remain outstanding.

(g) As of the date of this Agreement, no policyholder, affiliated group of policyholders, Agent, or any other persons writing, selling or producing, either directly or through reinsurance assumed, insurance business that individually or in the aggregate accounted for $2,500,000 or more in aggregate premium income for the year ended December 31, 2008 has terminated or has given written notice of or, to the Knowledge of the Company, oral notice of termination of its relationship with the Company or the Insurance Company Subsidiaries.

Section 4.20 Corporate Insurance Program. The Company and its subsidiaries maintain policies of general liability, fire and casualty, directors and officers, errors and omissions, and other forms of insurance in such amounts, with such deductibles and against such risks and losses as are reasonable, in the judgment of the Company, for the business and assets of the Company and its subsidiaries (the "Insurance Policies"). All such Insurance Policies are in full force and effect, all premiums due and payable thereon have been paid, and no notice of cancellation or termination has been received with respect to any material Insurance Policy which has not been replaced on substantially similar terms prior to the date of such cancellation.

Section 4.21 Certain Contracts.

(a) Schedule 4.21(a) of the Disclosure Statement sets forth each written contract, agreement, arrangement, commitment or understanding and, to the Knowledge of the Company, each oral contract, agreement, commitment or understanding, to which the Company or any of its subsidiaries is a party or otherwise bound:

(i) that is not an Insurance Contract or Company Reinsurance Agreement and meets any of the following criteria:

(A) requires aggregate future expenditures by the Company or its subsidiaries in excess of $250,000;

(B) requires the purchase or sale of any commodity, product, material, supplies, equipment or other personal property for a purchase price in excess of $250,000, other than purchase or

sale orders entered into in the ordinary course of business consistent with past practice;

(C) pursuant to which the Company or any of its subsidiaries license to or from any Person any Intellectual Property that is material to its respective business (other than contracts for commercially available "off the shelf" computer software);

(D) relates to the incurrence by the Company or its subsidiaries of any indebtedness, other than any such contract entailing past or reasonably expected future amounts of less than $250,000 in the aggregate;

(E) relates to the acquisition or disposition outside the ordinary course of business consistent with past practice of any assets having a value in excess of $250,000 or any line of business (whether by merger, sale or purchase of stock, sale or purchase of assets or otherwise);

(F) contains outstanding proxies (other than routine proxies in connection with annual meetings or guarantee associations and proxies for voting of investment securities of the Insurance Company Subsidiaries in the ordinary course of business), powers of attorney or similar delegations of authority of the Company to any Person;

(G) is a "material contract" (as such term is defined in Item 601(b)(10) of Regulation S-K of the Securities and Exchange Commission) of the Company or any of its subsidiaries;

(H) is a legally binding commitment or obligation to enter into any of the foregoing;

(I) is with any affiliate of the Company or any director, officer or employee of the Company or any affiliate of the Company, other than, for purposes of this clause (I), (x) employment agreements, (y) agreements related to employee benefits of the Company or its subsidiaries and (z) agreements with the principal employer (or any affiliate of such employer) of any outside director of the Company entered into in the ordinary course of business. For purposes of this Section 4.21(a)(i)(I), an "affiliate" of any Person means another Person that

directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such first person, where "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract, as trustee or executor or otherwise;

(ii) that (A) is with, (B) governs the relationship of, or (C) sets forth or modifies any rights or obligations of a partnership or joint venture of the Company or any of its subsidiaries that is material to the Company's business and is not consolidated with the Company for financial reporting purposes;

(iii) the purpose of which is to limit the ability of the Company or any of its subsidiaries to compete with respect to any product, service or territory; or

(iv) that is with any Insurance Regulator.

The Company has made available to Parent true and complete copies of all of the contracts, agreements, commitments and arrangements listed on Schedule 4.21(a) of the Disclosure Statement. Each material contract, agreement, arrangement, commitment, or understanding of the type described in Sections 4.21(a) and (b) of this Agreement, whether or not set forth in the Disclosure Statement, is referred to in this Agreement as a "Company Contract."

(b) Schedule 4.21(b) of the Disclosure Statement sets forth a list of all agency agreements, general agent and managing general agent agreements, reinsurance intermediary agreements and other distribution agreements, and agreements relating to the sale or servicing of workers compensation, employers liability or professional liability insurance products offered by the Company or any of its subsidiaries that will not expire and cannot be canceled or terminated within one year, to which the Company or any of its subsidiaries is a party and under which payments were made during any calendar year since December 31, 2008 in excess of $250,000.

(c) With respect to each Company Contract: (i) such Company Contract is in full force and effect; (ii) there are no monetary defaults in excess of $50,000 in the aggregate by the Company or any of its subsidiaries and no material non-monetary defaults by the Company or any of its subsidiaries, or, to the Knowledge of the Company, any other party, under such Company Contract; (iii) neither the Company nor any of its subsidiaries has received written notice of any material default, offset, counterclaim or defense under any Company Contract; (iv) to the Knowledge of the Company, no condition or event has occurred that with the passage of time or the giving of notice or both would reasonably be likely to constitute a material default or breach by the Company or any of its subsidiaries (that would be required to be disclosed under clause (ii)), or any other party under the terms of any Company Contract; and (v) to the Knowledge of the Company, no party has repudiated any provision of such Company Contract.

Section 4.22 Opinion of Financial Advisor. The Company has been advised by, and received a written opinion from the Company Financial Advisor that in its opinion, as of the date of this Agreement, the Merger Consideration is fair from a financial point of view to the holders of Shares and such opinion has not been changed, withdrawn or otherwise modified in any way.

Section 4.23 Questionable Payments. Neither the Company nor any of its subsidiaries, nor any of their respective current directors or officers, and to the Knowledge of the Company, former officers or directors or current or former employees, agents or representatives has (i) used any corporate funds for any illegal contributions, gifts, entertainment or other unlawful expenses relating to political activity, (ii) used any corporate funds for any direct or indirect unlawful payments to any foreign or domestic government officials or employees, (iii) violated any provision of the Foreign Corrupt Practices Act of 1977, (iv) established or maintained any unlawful or unrecorded fund of corporate monies or other assets, (v) made any false or fictitious entries on the books and records of the Company or any of its subsidiaries, or (vi) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment of any nature.

Section 4.24 Michigan Acts. Assuming that none of Parent, the Purchaser or any of their affiliates is an "interested shareholder" under Chapter 7A of the MBCA, Chapter 7A of the MBCA will not apply to this Agreement or any of the transactions contemplated by this Agreement.

Section 4.25 Broker's Fees. Except for fees payable to the Company Financial Advisor, neither the Company nor any of its subsidiaries has incurred any liability for any broker's fees, commissions or financial advisory or finder's fees in connection with any of the transactions contemplated by this Agreement, and neither the Company nor any of its subsidiaries has employed any broker, finder or financial advisor other than the Company Financial Advisor in connection with any of the transactions contemplated by this Agreement. The only consideration due and payable to the Company Financial Advisor in connection with the Merger and the transactions contemplated by this Agreement for events occurring after the Closing is the amount equal to the aggregate deductions to the Per Share Adjustment Amount and the Deferred Payment Per Share described in Section 6.14.

Section 4.26 Supplemental Pension Benefits Plan. Schedule 4.26 of the Disclosure Statement sets forth a true and complete list of all of the individuals entitled to supplemental pension benefits under the Michigan Hospital Association Insurance Company Supplemental Pension Benefits Plan (or any replacement of such plan).

Section 4.27 Directors Deferred Compensation Plan. Schedule 4.27 of the Disclosure Statement sets forth a true and complete list of all of the individuals owed money under the Company's Plan for Deferring the Payment of Directors' Fees and the amounts owed each individual listed.

Section 4.28 Rights Plan. The Rights Plan has been amended so that the entering into of this Agreement, and the consummation of the transactions contemplated by this Agreement, do not and will not, (i) result in any person being deemed to have become an Acquiring Person (as defined in the Rights Plan), (ii) result in the ability of any person to exercise any Rights under the Rights Plan, (iii) enable or require the Rights to separate from the Shares to which they are

attached or to be triggered or become exercisable or (iv) enable the Company to exchange any Rights for shares of the Company's capital stock pursuant to the Rights Plan. The Company has made a true and complete copy of the amended Rights Plan available to Parent. No triggering or similar event has occurred or will occur by reason of (1) the adoption, approval, execution or delivery of this Agreement, (2) the public announcement of such adoption, approval, execution or delivery or (3) the consummation of the transactions contemplated by this Agreement.

Section 4.29 Books and Records. To the Knowledge of the Company, the books and records of the Company and its subsidiaries (a) are true and complete in all material respects and (b) have been maintained in all material respects in accordance with applicable Law. The minute books (containing the records of meetings of the shareholders, Board of Directors, and any committees of the Board of Directors) of the Company and each of its subsidiaries are true and complete in all material respects.

Section 4.30 Internal Controls. The Company maintains a system of internal accounting controls with regard to the Company and its subsidiaries which is sufficient to provide reasonable assurance that (a) transactions are executed in accordance with management's general or specific authorization, (b) transactions are recorded as necessary to permit preparation of financial statements in conformity with Applicable SAP and GAAP and to maintain accountability for its assets, (c) access to assets is permitted in accordance with management's general or specific authorization, (d) the reporting of its assets is compared with existing assets at regular intervals and appropriate actions are taken with respect to any differences and (e) accounts, notes and other receivables and inventory are recorded accurately, and proper and adequate procedures are implemented to effect the collection thereof on a current and timely basis.

Section 4.31 Actuarial Reports. Schedule 4.31 of the Disclosure Statement lists all of the actuarial reports which were prepared internally or externally in connection with Insurance Company SAP Statements since December 31, 2006 (such actuarial reports, together with all attachments, addenda, supplements thereto, the "Actuarial Reports"), and prior to the date of this Agreement the Company has made true and complete copies of such Actuarial Reports available to Parent. Each Actuarial Report was based upon an inventory of Insurance Contracts in force that, at the relevant time of preparation, was complete and accurate in all material respects, was prepared using appropriate modeling procedures and assumptions accurately applied and in conformity with generally accepted actuarial standards consistently applied, and the projections contained therein were properly prepared in accordance with the assumptions contained therein.

Section 4.32 Ratings. As of the date of this Agreement, MHAIC has an A.M. Best Company, Inc. financial strength and claims paying rating of at least A- and WCC has an A.M. Best Company, Inc. financial strength rating of at least B+. As of the date of this Agreement, neither the Company nor any of the Principal Insurers has received notification that (a) the A.M. Best Company, Inc. financial strength and claims paying ability rating of either of the Principal Insurers will be downgraded below its respective current rating or (b) A.M. Best Company, Inc. has announced that it has placed (i) a "negative outlook," "credit watch" or similar adverse designation on either of the Principal Insurers or (ii) under surveillance or review its rating of the financial strength or claims-paying ability of either of the Principal Insurers.

Section 4.33 No Other Representations or Warranties. Except for the express representations and warranties contained in this Article IV, none of the Company, its subsidiaries nor any other person makes, or shall be deemed to have made, any other representation or warranty, express or implied, on behalf of the Company or any of its subsidiaries or other affiliates. Without limiting the generality of the foregoing, and notwithstanding any representation and warranty made by the Company in this Article IV, none of the Company, any of its subsidiaries or any other person makes any representation or warranty with respect to (a) any projections, estimates or budgets delivered or made available to Parent, the Purchaser or any of their respective representatives at any time with respect to future revenues, expenses or expenditures or future results of operations, or (b) except as expressly covered by any representation and warranty contained in this Article IV, any other information or documents (financial or otherwise) made available to Parent, the Purchaser or any of their respective representatives whether on, before or after the date of this Agreement.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PARENT AND THE PURCHASER

Parent and the Purchaser represent and warrant to the Company that the statements contained in this Article V are correct and complete as of the date of this Agreement and at the Effective Time, except as disclosed by Parent or the Purchaser to the Company in Parent's disclosure statement, delivered on or before the date of execution of this Agreement (the "Parent Disclosure Statement"), with specific reference to the Sections hereof to which such exception relates:

Section 5.1 Organization. Each of Parent and the Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of its state of incorporation and each of Parent and the Purchaser has all requisite corporate power and authority necessary to own, lease and operate its properties and to carry on its business as now being conducted. Purchaser is a wholly-owned subsidiary of Parent. None of Parent, the Purchaser or any of their affiliates is an "interested shareholder" under Chapter 7A of the MBCA.

Section 5.2 Authority. Each of Parent and the Purchaser has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and each instrument required hereby to be executed, delivered and performed at Closing and, subject to approvals by applicable Governmental Authorities regulating Parent or the Purchaser, to complete the transactions contemplated by this Agreement. No other corporate proceedings on the part of Parent or the Purchaser are necessary to adopt or approve this Agreement and each instrument required hereby to be executed, delivered and performed at Closing or to complete the Merger. This Agreement has been duly adopted and completion of the Merger has been duly authorized by each of the boards of directors of Parent and the Purchaser. This Agreement has been approved by the requisite vote of the shareholders of Purchaser. This Agreement and each instrument required hereby to be executed, delivered and performed at Closing has been duly and validly executed and delivered by Parent and the Purchaser and, assuming this Agreement constitutes a legal, valid and binding agreement of the Company, it constitutes a legal, valid and

binding agreement of Parent and the Purchaser, enforceable against each in accordance with its terms, except that (a) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, relating to creditors' rights generally and (b) equitable remedies of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

Section 5.3 No Violations; Consents and Approvals.

(a) None of the execution and delivery of this Agreement and each instrument required hereby to be executed and delivered at the Closing, the completion of the transactions contemplated by this Agreement or the compliance by Parent or the Purchaser with any of the provisions of this Agreement and each instrument required hereby to be executed and delivered by Parent or the Purchaser at the Closing subject to receipt of the approvals set forth in Section 5.3(b), will (i) violate any provision of their respective Organizational Documents, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default, or give rise to any right of termination, cancellation or acceleration or any right which becomes effective upon the occurrence of a merger, under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture or other instrument of indebtedness for money borrowed to which Parent or the Purchaser is a party, or by which Parent or the Purchaser or any of their respective properties is bound, (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default, or give rise to any right of termination, cancellation or acceleration or any right which becomes effective upon the occurrence of a merger, under any of the terms, conditions or provisions of any license, franchise, permit or agreement to which Parent or the Purchaser is a party, or by which Parent or the Purchaser or any of their respective properties is bound, or (iv) conflict with or violate any Laws by which Parent or the Purchaser or any of its respective properties is bound, excluding from the foregoing clauses (ii), (iii) and (iv) violations, breaches, defaults or rights which would not reasonably be expected to have a material adverse effect on Parent's or the Purchaser's ability to perform their respective obligations under this Agreement or complete the Merger (a "Parent Material Adverse Effect") or the approval of OFIR, WIC, or any other applicable Insurance Regulator.

(b) No filing or registration with, notification to, or authorization, consent or approval of, any Governmental Authority by Parent or the Purchaser is required in connection with the execution and delivery of this Agreement, or the completion by Parent or the Purchaser of the transactions contemplated by this Agreement, except (i) the filing of the Certificate of Merger with the MDELEG, (ii) those consents, approvals, orders, authorizations, notifications, registrations, declarations and filings with or by Governmental Authorities (including the OFIC and WIC) listed on Schedule 5.3(b) of the Parent Disclosure Statement, (iii) the notification and report forms required to be filed under the HSR Act with the FTC and the Antitrust Division and (iv) such other consents, approvals, orders, authorizations, notifications, registrations, declarations and filings not obtained or made prior to the Effective Time, the failure of which to be obtained or made have not had and would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

Section 5.4 Financing. Parent has existing financial resources sufficient to pay the Merger Consideration and Preferred Share Price in full as required by this Agreement and to pay all other costs to be paid by Parent and the Purchaser, as applicable, under this Agreement.

Section 5.5 Broker's Fees. Except for fees payable to Keefe, Bruyette and Woods, Inc., neither Parent nor any of its subsidiaries has incurred any liability for any broker's fees, commissions or financial advisory or finder's fees in connection with any of the transactions contemplated by this Agreement, and neither Parent nor any of its subsidiaries has employed any broker, finder or financial advisor other than Keefe, Bruyette and Woods, Inc. in connection with any of the transactions contemplated by this Agreement.

Section 5.6 Beneficial Ownership of the Company. Nether Parent nor the Purchaser (i) are the beneficial owners, directly or indirectly, of 10% or more of the voting power of the outstanding voting shares of the Company, or (ii) are an affiliate of any person who is a beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding voting shares of the Company.

ARTICLE VI

COVENANTS

Section 6.1 Conduct of Business of the Company. The Company covenants and agrees that, during the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement or the Effective Time, unless Parent shall otherwise agree in writing, the Company shall conduct its business and shall cause the businesses of its subsidiaries to be conducted only in, and the Company and its subsidiaries will not take any action except in, the ordinary course of business and in a manner consistent with past practice other than actions taken by the Company or its subsidiaries in contemplation by this Agreement; and the Company shall use commercially reasonable efforts to preserve substantially intact the business organization of the Company and its subsidiaries, to keep available the services of its present officers, employees and consultants of the Company and its subsidiaries, to file all required reports and statements with Insurance Regulators, and to preserve the present relationships of the Company and its subsidiaries with customers, agents, brokers, insurers and other persons with which the Company or any of its subsidiaries has significant business relations. Without limiting the generality of the foregoing, and except as otherwise expressly provided in this Agreement, prior to the Effective Time, the Company shall not, and shall cause its subsidiaries not to, without the prior written consent of Parent, which consent will not unreasonably be withheld:

(a) amend (whether by merger, consolidation or otherwise) its Organizational Documents;

(b) authorize for issuance, issue, sell, deliver or agree or commit to authorize, issue, sell or deliver (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise) any stock of any class or any other securities or

equity equivalents, except for the issuance of Shares under the Company Incentive Plans in connection with the exercise of Options outstanding as of the date of this Agreement or amend any of the terms of any such securities or agreements outstanding as of the date of this Agreement;

(c) split, combine, recapitalize or reclassify any shares of its capital stock, declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock or redeem or otherwise acquire any of its securities, other than (i) any dividend or other distribution to the Company by any of its subsidiaries, (ii) payment of (y) the annual dividend on Preferred Shares at the rate provided in the Company's articles of incorporation and (z) the annual dividend not to exceed $0.75 per Share and related required redemption of Preferred Shares as provided in the Stock Purchase Agreement, (iii) redemption of Shares and payments to former employees of the Company or its subsidiaries for the repurchase of Shares from such former employees as required or permitted by the Company's Employee and Directors Stock Purchase Plan or Stock Incentive Plans, and (iv) the dividend and award of shares of Holders Agent to Holders pursuant to Sections 6.13(b), (c) and (d).

(d) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company;

(e) (i) incur, assume or prepay any long-term or short-term indebtedness for borrowed money;

(ii) issue any debt securities;

(iii) assume, guarantee or otherwise agree to become liable or responsible (whether directly, contingently or otherwise) for any obligations of any other person, except for obligations of any subsidiary of the Company;

(iv) make any loan, advance or capital contribution to, or investment in, any other person (other than (w) transactions in the investment securities of the Insurance Company Subsidiaries in the ordinary course of business, (x) any loan or advance to any wholly-owned subsidiary of the Company in the ordinary course of business consistent with past practice; provided, however, no loan or advance to Holders Agent shall be permitted, but the Holders Agent Capital Contribution described in Section 6.13(a) shall be permitted, (y) customary advances to employees related to advancement of expenses not to exceed $5,000 individually, in the ordinary course of business consistent with past practice, or (z) 401(k) loans);

(v) pledge or otherwise encumber shares of capital stock of the Company or any of its subsidiaries;

(vi) abandon, permit to lapse, sell, grant any exclusive license in, or otherwise dispose of any Intellectual Property owned by the Company or its subsidiaries that is material individually or in the aggregate, or

(vii) disclose to any Person, any trade secret of the Company or its subsidiaries in any manner that materially diminishes the commercial value of such trade secret to the Company;

(f) except as may be required by Law, enter into, adopt, amend or terminate any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, restricted stock, performance unit, stock equivalent, stock purchase agreement, pension, retirement, deferred compensation, employment, severance or other employee benefit agreement, trust, plan, fund or other arrangement for the benefit or welfare of any director, officer or employee in any manner, or (except for normal increases in the ordinary course of business and consistent with past practice that, in the aggregate, do not result in a material increase in benefits or compensation expense to the Company, or except as required under any existing agreement, plan or arrangement) increase in any manner the compensation or fringe benefits of any director, officer or employee;

(g) acquire, sell, lease, mortgage, pledge or otherwise encumber or dispose of or suffer to exist any material Lien upon any assets of the Company or any of its subsidiaries (except for (i) dispositions of obsolete or worthless assets, (ii) sales of immaterial assets with a fair market value not in excess of $100,000 in the aggregate, (iii) encumbrances created under existing secured lending arrangements on assets acquired after the date of this Agreement, (iv) Permitted Exceptions, or (v) transactions in the investment securities of the Insurance Company Subsidiaries in the ordinary course of business);

(h) enter into any material contract, agreement or transaction outside the ordinary course of business consistent with past practice, or modify, amend, terminate or waive any material rights under any material contract or agreement;

(i) except as may be required as a result of a change in Law or in Applicable SAP or GAAP (after consultation with Parent as to the effect of any such change), change any of the accounting principles or practices, any actuarial methodologies, or any pricing policy or reserving policy used by it or any of its subsidiaries;

(j) acquire (i) by merger, consolidation, acquisition of stock or assets or otherwise any corporation, partnership or other business organization or division or business thereof or (ii)

any equity interest therein other than any investment by the Insurance Company Subsidiaries made in ordinary course of business and consistent with past practice;

(k) revalue in any material respect any of its assets or properties, including writing off notes or accounts receivable, other than revaluing assets or properties as is required by Applicable SAP or GAAP;

(l) except as required as a result of a change in Law, make, revoke or change any Tax election, change a Tax accounting period, adopt or change any Tax accounting method, change any Tax accounting policy or procedure, file any amendment to a Tax Return, enter into any closing agreement, surrender, settle or compromise any claim or assessment of Taxes or refunds of Taxes or consent to extension or waiver of the statute of limitations applicable to any Tax;

(m) pay, discharge or satisfy any claim, liability or obligation (whether absolute, accrued, asserted or unasserted, contingent or otherwise), other than (i) claims under Insurance Contracts, or (ii) the payment, discharge or satisfaction in the ordinary course of business consistent with past practice of liabilities reflected or reserved against in the Company Financial Statements (including the notes thereto) or incurred since December 31, 2008 in the ordinary course of business consistent with past practice;

(n) fail to pay accounts payable and other obligations in the ordinary course of business consistent with past practice, except for those being contested in good faith;

(o) initiate (other than suits against Parent or the Purchaser), settle or compromise any pending or threatened suit, action or claim relating to the transactions contemplated by this Agreement or material to the Company and its subsidiaries taken as a whole other than ordinary course insurance claims and related litigation;

(p) authorize any new capital expenditure, which when aggregated with all other new capital expenditures, causes all such new capital expenditures to exceed $100,000;

(q) bind coverage for insurance of a type materially different than the types of insurance offered on the date of this Agreement;

(r) make any material change in its policies or practices for investment, underwriting, reinsurance cessions and assumptions, claim processing and payment, selling, customer rating, or make any changes in the statutory accounting methods, principles or practices used by the Company or any of its subsidiaries, including but not limited to any change with respect to principles or practices for the establishment of reserves for losses and loss adjustment expenses, except insofar as may be required by a change in Applicable SAP or as may be required by Law

or any Governmental Authority. For purposes of this Agreement, the term "Applicable SAP" means with respect to the Company and its subsidiaries, statutory accounting practices prescribed or permitted by the Commissioner (or equivalent title) of the Insurance Regulator of the jurisdiction or state of domicile of such insurer, but disregarding any permitted practices applicable specifically to any such Person.

(s) amend in any material respect, assign or terminate any reinsurance or retrocessional agreement or enter into any new reinsurance or retrocession agreement, except in the ordinary course of business consistent with past practices;

(t) (i) make any changes in underwriting standards, reinsurance standards, pricing bases, retention limits, administrative practices or claims practices and standards, other than in the ordinary course of business consistent with past practice, or (ii) make any material change that would relax the standards in pricing and underwriting procedures for the issuance or renewal of Insurance Contracts issued by, or insurance contracts reinsured and administered by, any of the Insurance Company Subsidiaries or the standards by which such contracts are administered or monitored;

(u) with respect to Insurance Contracts issued by, or insurance contracts reinsured and administered by, any of the Insurance Company Subsidiaries, reduce rates, fail to implement actuarially based rate increases, extend policy terms, accelerate renewals, or take any other actions similar to the foregoing, in each case other than in the ordinary course of business consistent with past practice;

(v) voluntarily forfeit, abandon, waive, cancel, amend or terminate or voluntarily cause the forfeiture, abandonment, waiver, cancellation, amendment or termination of any of its licenses issued by Insurance Regulators, except as may be required in order to comply with applicable Law;

(w) apply for any license to carry on an insurance business in any jurisdiction which is not set forth on Schedule 4.9(a) of the Disclosure Statement; provided, however, that the Company and the Insurance Company Subsidiaries may continue to pursue the approval of any such application set forth on Schedule 6.1(w);

(x) voluntarily terminate, cancel or amend, or voluntarily cause the termination, cancellation or amendment of, any material insurance coverage (and any surety bonds, letters of credit, cash collateral or other deposits related thereto required to be maintained with respect to such coverage) maintained by the Company or any of its subsidiaries that is not replaced by comparable insurance coverage;

(y) reduce the amount of any Insurance Reserves of the Insurance Company Subsidiaries, other than as a result of loss or expense payments to other parties in accordance with the terms of Insurance Contracts or reserve adjustments as required by GAAP, consistently applied; or

(z) voluntarily take, or agree in writing or otherwise to take, any of the actions described in Sections 6.1(a) through (y) above, or any action which would be reasonably likely to make any of the representations or warranties of the Company contained in this Agreement untrue or incorrect or prevent the Company, subject to the terms and conditions of this Agreement, from performing or cause the Company not to perform its covenants under this Agreement.

Section 6.2 No Solicitation.

(a) The Company agrees that neither it, nor any subsidiary of the Company, nor any of its or its subsidiaries' officers and directors shall, and that it shall instruct and use its commercially reasonable efforts to cause its and their officers, directors, employees, accountants, consultants, legal counsel, financial advisors and other representatives and agents ("Representatives") not to, directly or indirectly (i) solicit, initiate, encourage or knowingly facilitate or induce any inquiry with respect to or that could reasonably be expected to lead to, or the making, submission or announcement of, any Acquisition Transaction Proposal, (ii) participate in any discussions or negotiations regarding, or furnish to any Person any nonpublic information relating or with respect to, any Acquisition Transaction Proposal, or in response to any inquiries or proposals that could reasonably be expected to lead to any Acquisition Transaction Proposal, (iii) approve, endorse or recommend any Acquisition Transaction Proposal, or (iv) enter into any letter of intent or similar document or any agreement or commitment providing for, any Acquisition Transaction Proposal (except for confidentiality agreements specifically permitted pursuant to Section 6.2(c)). The Company shall immediately terminate, and shall cause its subsidiaries and its and their Representatives to immediately terminate, all discussions or negotiations, if any, that are ongoing as of the date of this Agreement with any third party with respect to any Acquisition Transaction Proposal and shall immediately request the return or destruction of all related information.

(b) The Company shall (i) notify Parent of any inquiries, proposals or of offers related to, or if any request for information with respect to, or any negotiations or discussions are sought in connection with an Acquisition Transaction Proposal (including, without limitation, the material terms and conditions thereof) immediately after receipt, (ii) immediately identify the Person or group of Persons involved in such Acquisition Transaction Proposal, (iii) immediately provide Parent with a copy of any written proposal or other materials related to such Acquisition Transaction Proposal and (iv) keep Parent informed on a current basis with respect to the status, terms, discussions and negotiations with respect to such inquiry, proposal or offer or any amendment thereto permitted pursuant to Section 6.2(c).

(c) Notwithstanding anything in this Agreement to the contrary (including, without limitation, Section 6.2(a)), if prior to the receipt of the Company Shareholder Approval (i) the Company receives an Acquisition Transaction Proposal which (x) constitutes a Superior Proposal or (y) the Board determines in good faith, after consultation with and advice from its outside legal counsel and the Company Financial Advisor (or other outside financial advisors), would reasonably be expected to result in a Superior Proposal by the Person (or group of Persons) making such Acquisition Transaction Proposal and (ii) prior to taking the actions in clause (A), (B) and (C) below, the Board determines in good faith, after consultation with its outside legal counsel, that the failure to take such action would be inconsistent with the Board's fiduciary duties under applicable Law, then, prior to receipt of the Company Shareholder Approval, the Company may take the following actions: (A) furnish (or cause to be furnished by its Representatives) nonpublic information to the Person (or group of Persons) making such Acquisition Transaction Proposal and its Representatives and financing sources, if, and only if, prior to so furnishing such information, the Company receives from the Person (or group of Persons) and its Representatives and financing sources an executed confidentiality agreement that contains provisions that are no less favorable in the aggregate to the Company and its subsidiaries than the Confidentiality Agreement; provided that the Company shall promptly provide Parent with a copy of any such information not previously provided to Parent or its Representatives, (B) engage in discussions or negotiations with the Person (or group of Persons) and its Representatives with respect to such Acquisition Transaction Proposal, and (C) to the extent permitted by Sections 6.4(c) and (d), effect a Company Change of Recommendation, or recommend such Acquisition Transaction Proposal to the shareholders of the Company.

(d) For the purpose of this Agreement the following terms shall have the definitions set forth below:

"Acquisition Transaction Proposal" means any proposal or offer made by a Person or group of Persons prior to the receipt of the Company Shareholder Approval relating to (A) any sale, lease, exchange, mortgage, transfer or other disposition of 20% or more of the consolidated assets of the Company and its subsidiaries, (B) any acquisition by the Company following which the shareholders of the Company immediately proceeding the consummation of such transaction cease to hold at least 80% of the outstanding Shares immediately following such transaction, (C) any acquisition or purchase by any Person of equity interests in the Company representing in excess of 20% of the power to vote for the election of the directors of the Company, or any tender offer or exchange offer for more than 20% of the equity securities of the Company, (D) any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company, or any of its subsidiaries whose assets, individually or in the aggregate, constitute more than 10% of the consolidated assets of the Company or (E) the repurchase by the Company or any of its subsidiaries of more than 20% of the outstanding Shares which has the effect, whether individually or in connection with a related transaction, described in clause (A), (B), (C) or (D) above, in each case other than any proposal or offer by Parent or any of its subsidiaries.

"Superior Proposal" means any bona fide, written Acquisition Transaction Proposal made by any Person or group of Persons for assets producing more than 50% of the consolidated

revenue of the Company and its subsidiaries taken as a whole or more than 50% of the outstanding Shares; provided that following such transaction, either (i) the Company owns less than 50% of the consolidated assets of the Company and its subsidiaries taken as a whole immediately before such transaction, or (ii) the shareholders of the Company immediately preceding the consummation of such transaction hold less than 50% of the outstanding equity of the Company immediately following such transaction (and which proposal has not been obtained by or on behalf of the Company in violation of this Section 6.2, and with respect to which the Company has fulfilled its obligations pursuant to this Section 6.2) on terms that the Board determines in good faith, after consultation with the Company's outside legal counsel and Company Financial Advisor (or other outside financial advisors), and after taking into account all legal, financial and regulatory aspects of the proposal (and the timing and likelihood of consummation of such transaction), the Person making the proposal, and any potential revisions to this Agreement offered by Parent in a written agreement which will become binding on Parent upon acceptance by the Company, are more favorable from a financial point of view to the Company and its shareholders than the transactions contemplated by this Agreement.

(e) Except in connection with a termination of this Agreement in accordance with the terms of this Agreement, the Company shall not take any action to exempt any Person from the restrictions on "business combinations" or similar provisions contained in Chapter 7A of the MBCA or the Company's Organizational Documents, or otherwise cause such restrictions not to apply.

(f) The Company agrees that any violations of the restrictions set forth in this Section 6.2 by any Representative of the Company or any of its subsidiaries shall be deemed to be a breach of this Section 6.2 by the Company.

Section 6.3 Regulatory Filings.

(a) The parties to this Agreement understand and agree that Parent will be required to file certain documents and obtain certain approvals in order to complete the transactions contemplated by this Agreement, which filings and approvals include notice on Form A Statement (or equivalent filing) to be filed with the Insurance Regulators of the states or jurisdictions of the Insurance Company Subsidiaries in support of Parent's request for approval of a change in control of the Insurance Company Subsidiaries (the "Insurance Filings").

(b) Subject to the next sentence, Parent shall use its commercially reasonable efforts to file all Insurance Filings and obtain approval by the necessary Insurance Regulators of the transactions contemplated by this Agreement as soon as reasonably practicable, including giving notice of any public hearing regarding the Merger to any Persons required by such Insurance Regulators in the manner prescribed by such authorities, having its Representatives attend the public hearings of such authorities and testify at such hearings, if required, and submitting such information as may be reasonably available pursuant to the requests by such Insurance Regulators in connection with any such hearings. Parent shall use its commercially reasonable

efforts to file Form A statements with OFIR and WIC no later than two Business Days after receipt of the Company Shareholder Approval. The Company shall reasonably cooperate and coordinate with Parent in providing all information necessary to complete the Insurance Filings and in obtaining the approval by the necessary Insurance Regulators of the transactions contemplated by this Agreement.

(c) Parent, the Purchaser and the Company shall, as promptly as practicable following receipt of the Company Shareholder Approval, file, or cause to be filed, notification and report forms under the HSR Act in connection with the transactions contemplated by this Agreement, and will use their respective commercially reasonable efforts to respond as promptly as practicable to all inquiries received from the FTC or the Antitrust Division for additional information or documentation and to cause the waiting periods under the HSR Act to terminate or expire at the earliest possible date. Parent, the Purchaser and the Company shall each furnish to the other such necessary information and reasonable assistance as the other may request in connection with its preparation of necessary filings or submissions to any governmental or regulatory agency, including, without limitation, any filings necessary under the provisions of the HSR Act.

(d) Subject to the terms and conditions provided in this Agreement and applicable Law, each of the Company, Parent and the Purchaser shall use its commercially reasonable efforts to take, or cause to be taken, all other actions and do, or cause to be done, all other things necessary, proper or appropriate under applicable Laws to complete and make effective the transactions contemplated by this Agreement, including all applications, notices and forms to be filed with, and the approvals to be obtained from, any applicable Governmental Authorities regulating the Company and its subsidiaries with respect to the transactions contemplated by this Agreement. If any court or Governmental Authority issues an order, decree or ruling or takes any other action restraining, enjoining or otherwise prohibiting the Merger or any of the other transactions contemplated by this Agreement, each of the parties to this Agreement shall use its commercially reasonable efforts to remove or lift such order, decree or ruling.

(e) Notwithstanding anything herein to the contrary, Parent shall not be obligated to take or refrain from taking or to agree to it, its affiliates or the Company and its subsidiaries (following the Merger) taking or refraining from any action or to suffer to exist any restriction or requirement which would, individually or together with all other such actions, restrictions or requirements, reasonably be expected to result in a material negative effect on the benefits, taken as a whole, which Parent could otherwise reasonably expect to derive from the consummation of the transactions contemplated hereby had Parent not been obligated to take or refrain from or to agree to the taking or refraining from such action or suffer to exist such restriction or requirement, other than those required by law or customarily imposed by the Insurance Regulators in the domiciliary states of the Principal Insurers in approving Form A Statements or similar filings (a "Negative Condition"). For purposes of this Agreement, any keepwell, surplus maintenance, capital maintenance or similar agreement or contributions of capital requirement imposed on Parent or its subsidiaries shall be deemed to be a Negative Condition.

(f) Each of the parties shall notify the other parties and keep them advised as to the status of all applications to, communications with and proceedings before, Governmental Authorities in connection with the transactions contemplated by this Agreement.

Section 6.4 Proxy Statement; Shareholders Meeting.

(a) The Company shall prepare a proxy statement relating to the approval by the shareholders of the Company of this Agreement (the "Proxy Statement"). Parent and the Purchaser shall assist and cooperate with the Company in the preparation of, and furnish all information concerning Parent and the Purchaser reasonably requested by the Company to be included in, the Proxy Statement. The Company shall cause the Proxy Statement to include the Company Recommendation, except as otherwise permitted by this Section 6.4. The Company shall cause the Proxy Statement to be mailed to the shareholders of the Company as promptly as reasonably practicable after the date of this Agreement (but in no event later than June 15, 2009).

(b) The Company shall, in accordance with the MBCA and its Organizational Documents, duly call, give notice of, and following the mailing of the Proxy Statement, convene and hold a meeting of its shareholders for the purpose of obtaining the Company Shareholder Approval (the "Shareholders Meeting") as soon as reasonably practicable after the date of this Agreement, and shall use its commercially reasonable efforts to hold the Shareholders Meeting not later than July 15, 2009. Subject to this Section 6.4, the Board shall recommend to the shareholders of the Company that such shareholders approve this Agreement (the "Company Recommendation"). Parent shall vote or cause to be voted at the Shareholders Meeting (and any adjournment thereof) all Shares beneficially owned by Parent or any of its subsidiaries in favor of the approval of this Agreement. Subject to Section 6.4(c), the Company will use commercially reasonably efforts to solicit from its shareholders proxies to vote to approve this Agreement at the Shareholders Meeting.

(c) Except as expressly set forth in this Section 6.4, the Board shall not withdraw, amend or modify, or propose to resolve to withdraw, amend or modify in a manner adverse to Parent, the Company Recommendation. Notwithstanding the foregoing, the Board may withdraw, amend or modify the Company Recommendation (a "Company Change of Recommendation") if the Board has concluded in good faith, after consultation with its outside legal counsel, that the Company Recommendation is no longer consistent with the Board's fiduciary duties under applicable Law; provided that if such Company Change of Recommendation is as a result of an Acquisition Transaction Proposal, the Board shall have concluded in good faith after consultation with its outside legal counsel and the Company Financial Advisor (or other outside financial advisors) that such Acquisition Transaction Proposal is a Superior Proposal or is reasonably expected to result in a Superior Proposal by the Person (or group of Persons) making such Acquisition Transaction Proposal. In the event that, subsequent to the date of this Agreement and prior to the Shareholders Meeting, there shall have been a Company Change of Recommendation, unless this Agreement is terminated by the Company or Parent, as the case may be, pursuant to Article IX, the Company (i) shall nevertheless submit this Agreement to the shareholders of the Company at the Shareholders

Meeting for the purpose of voting on the approval of this Agreement and (ii) shall not be obligated to solicit from its shareholders proxies to vote to approve this Agreement at the Shareholders Meeting.

(d) No Company Change of Recommendation may be made until (A) at least three Business Days have elapsed following Parent's receipt of written notice from the Company advising Parent that the Board currently intends to take such action and the basis therefor, including all information considered in making such decision and (B) the Company has (during such three Business Day period) given Parent the opportunity to offer to the Company revisions to the terms of the transactions contemplated by this Agreement, and the Company and its Representatives shall have, if requested by Parent, negotiated in good faith with Parent regarding any revisions to the terms of the transactions contemplated by this Agreement offered by Parent. In determining whether to make a Company Change of Recommendation in response to an Acquisition Transaction Proposal or otherwise, the Board shall take into account any changes to the terms of this Agreement offered by Parent in a written agreement which will become binding on Parent upon acceptance by the Company and any other information provided by Parent in response to such notice. Any material amendment to any Acquisition Transaction Proposal will be deemed to be a new Acquisition Transaction Proposal for purposes of this Section 6.4.

(e) Notwithstanding anything in this Agreement to the contrary, the Company may adjourn or postpone the Shareholders Meeting (i) to the extent necessary to ensure that any supplement or amendment to the Proxy Statement, which the Company reasonably determines to be necessary to allow its shareholders to cast fully-informed votes, is provided to its shareholders in advance of a vote on approval of this Agreement, or, if as of the time for which the Shareholders Meeting is originally scheduled (as set forth in the Proxy Statement), there are insufficient Shares represented (either in person or by proxy) to constitute a quorum necessary to conduct the business of such Shareholders Meeting or to obtain the Company Shareholder Approval and (ii) for a period not to exceed five Business Days upon the occurrence of a state of facts, event, circumstance, change or effect, which the Company determines in good faith could reasonably be likely to result in a Company Change of Recommendation; provided that the foregoing shall not affect Parent's right to terminate this Agreement pursuant to Sections 9.2(c) and (d).

(f) Without limiting the generality of the foregoing provisions of this Section 6.4, subject to Section 6.2(d), the Company agrees that its obligations pursuant to this Section 6.4 shall not be affected by (i) the commencement, public proposal, public disclosure or communication to the Company of an Acquisition Transaction Proposal or (ii) the withdrawal or modification by the Board of its adoption, approval or recommendation of this Agreement or the Merger.

Section 6.5 Access to Information; A.M. Best.

(a) From the date of this Agreement until the Effective Time, (i) the Company shall give Parent and its authorized Representatives (including counsel, financial advisors, accountants, actuaries and auditors) reasonable access, during normal business hours, to all facilities and operations and to all books and records of the Company and its subsidiaries, shall permit Parent to make such inspections as it may reasonably request and shall cause its officers and those of its subsidiaries to as promptly as reasonably possible furnish Parent with such financial and operating data and other information with respect to its business and properties as Parent may from time to time reasonably request and (ii) the Company shall, and shall cause each of its subsidiaries to, as promptly as reasonably possible furnish to Parent (A) a copy of each report or other document filed with or otherwise provided to or received from a Governmental Authority or its staff, (B) a copy of each report or other document filed with or otherwise provided to or received from a rating agency or its staff and (C) all other information concerning its business, properties and personnel as Parent may reasonably request. All such information shall be held in confidence in accordance with the terms of the Confidentiality Agreement (the "Confidentiality Agreement") between Parent and the Company dated October 31, 2008, the terms of which are incorporated herein and shall survive the termination of this Agreement.

(b) Notwithstanding anything in this Agreement to the contrary, Parent shall be entitled to discuss the Merger and the other transactions contemplated by this Agreement, including the identities of the Company and the Insurance Company Subsidiaries, with the A.M. Best Company, Inc.

Section 6.6 Public Announcements. Parent, the Purchaser and the Company shall work in good faith to agree as to the form and content of any initial press release or public statement with respect to this Agreement or the Merger before issuance; provided, however, to the extent that the parties do not reach agreement as to the form and content of such press release or public statement, the Company may issue such a press release or public statement substantially in the form of Exhibit E. Before issuing any other press release or otherwise making any public statements with respect to this Agreement or the Merger, Parent, the Purchaser and the Company shall consult with each other as to its form and substance (including providing the opportunity to review and comment on such release or statement) and shall not issue any such press release or make any such public statement before such consultation, except in either case as may be required by Law, if it has used its commercially reasonable efforts to consult with the other party before issuance.

Section 6.7 Notification of Certain Matters.

(a) Each of the Company and Parent shall give prompt notice to the other party of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be reasonably likely to cause either (A) any representation or warranty of any party contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date of this Agreement to the Effective Time, or (B) any condition set forth in Article VII to be unsatisfied at

any time from the date of this Agreement to the Effective Time, and (ii) any material failure of the Company, Parent or the Purchaser, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under this Agreement; provided, however, that the delivery of any notice pursuant to this Section 6.7 shall not limit or otherwise affect the remedies available under this Agreement to the Company, Parent or the Purchaser, including without limitation those set forth in Article VIII.

(b) The Company shall give Parent prompt notice if it or any of the Principal Insurers receives notification that (i) the A.M. Best Company, Inc. financial strength and claims-paying ability rating of either of the Principal Insurers has been or will be downgraded below their respective current ratings or (ii) A.M. Best Company, Inc. has announced that it has placed (A) a "negative outlook," "credit watch" or similar adverse designation on either of the Principal Insurers or (B) under surveillance or review its rating of the financial strength or claims-paying ability of either of the Principal Insurers.

Section 6.8 Indemnification and Insurance.

(a) From and after the Effective Time, the Surviving Corporation shall indemnify, defend and hold harmless, each person who is now, or has been at any time before the date of this Agreement or who becomes before the Effective Time, an officer, director, employee, trustee, or agent of the Company or any of its subsidiaries (the "Indemnified Parties") against all losses, claims, damages, expenses (including reasonable legal fees and expenses), liabilities or judgments or amounts that are paid in settlement with the approval of the indemnifying party (which approval shall not be unreasonably withheld or delayed) incurred based in whole or in part on or arising in whole or in part out of actions or omissions or alleged actions or omissions occurring at or before the Effective Time to the same extent and on the same terms and conditions (including with respect to advancement of expenses) provided for in the Company's Organizational Documents and agreements in effect at the date of this Agreement (to the extent consistent with applicable Law). For a period of six years following the Effective Time, Parent shall not, and shall cause the Surviving Corporation and its subsidiaries not to, amend the Organizational Documents of the Surviving Corporation and its subsidiaries in any manner or take any other action adverse to the indemnification rights of the Indemnified Parties provided under the Organizational Documents of the Surviving Corporation and its subsidiaries as of the Effective Time or which would impair the Surviving Corporation's ability to pay and perform its obligations under such indemnification rights. For the avoidance of doubt, the foregoing shall not constitute a guarantee, keepwell, surplus maintenance, capital maintenance or similar agreement.

(b) At the direction of Parent, subject to the consent of the Company, which consent shall not be unreasonably withheld, either (i) for a period of six years after the Effective Time, Parent shall maintain in effect, or shall cause the Surviving Corporation to maintain in effect, without any lapses of coverage, policies of directors' and officers' liability insurance providing at least the same coverage and amounts and containing terms and conditions which are no less advantageous to the Company's directors and officers as the insurance coverage maintained by

the Company as of the date of this Agreement with respect to claims arising in whole or in part from facts or events which occurred before the Effective Time (the "Continuation Coverage") or (ii) the Company shall obtain and fully pay for a "tail" insurance policy with a claims period of at least six years after the Effective Time with the same coverage and amounts, and containing terms and conditions which are no less advantageous than the Company's current policies with respect to claims arising in whole or in part from facts or events which occurred before the Effective Time (the "Tail Coverage"); provided, that the aggregate premium payment for such Continuation Coverage or Tail Coverage shall not exceed 300% of the annual premiums paid as of the date of this Agreement by the Company for its current policies of directors' and officers' liability insurance.

(c) The provisions of this Section 6.8 shall survive the completion of the Merger and are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party, and their respective heirs, legal representatives, successors and assigns. The rights of each Indemnified Party under this Section 6.8 shall be in addition to any rights such Indemnified Party may have under the Organizational Documents of the Company or any of its subsidiaries or applicable Law.

(d) If the Surviving Corporation or any of its successors or assigns (i) consolidates with or merges into any other Person and is not the surviving entity of such consolidation or merger, or (ii) transfers in excess of 50% of its assets to any Person in a single transaction or a series of related transactions, then in each such case, proper provision shall be made so that the surviving entity or such Person or Persons assumes or guarantees in full the obligations set forth in this Section 6.8.

Section 6.9 Expenses. Except as otherwise provided in this Agreement, Parent, the Purchaser and the Company shall each bear their respective expenses incurred in connection with this Agreement and the Merger, including the preparation, execution and performance of this Agreement, preparation of the Proxy Statement and regulatory filings, proxy solicitation costs and regulatory fees, and the transactions contemplated by this Agreement, and all fees and expenses of investment bankers, finders, brokers, agents, representatives, counsel and accountants. To the extent the Company has not paid any expenses reflected in any Pro Forma Adjustment before Closing, the Surviving Corporation shall pay such expenses at such time they become due and payable or, if there is no specified time, promptly after Closing.

Section 6.10 Retirement Plans. If requested by Parent no later than five Business Days before the Effective Time, the Company shall terminate the Company's 401(k) Plan (the "Company 401(k) Plan") immediately before the Effective Time. Subject to Parent's reasonable satisfaction that the Company 401(k) Plan is tax qualified upon termination, if the Company 401(k) Plan is terminated, as soon as reasonably practicable after the Effective Time, Parent shall ensure that a qualified retirement plan of Parent or any of its affiliates will accept rollover contributions from the Company 401(k) Plan on behalf of employees of the Company and its subsidiaries. As soon as reasonably practicable after receipt of a favorable determination letter from the IRS with respect to the termination of the Company 401(k) Plan, if necessary (as determined by Parent in its reasonable discretion), the assets of the Company 401(k) Plan shall

be distributed to the participants or beneficiaries thereof or transferred pursuant to an eligible rollover distribution as a participant or beneficiary may direct (including a rollover into a qualified retirement plan of Parent or any of its affiliates).

Section 6.11 Employment Matters.

(a) Parent and the Purchaser acknowledge that the Company has adopted the severance policy provided in Schedule 6.11(a). For the twelve month period following the Effective Time, the Surviving Corporation shall fully honor that policy and make all payments to the employees of the Company (or any successor) and its subsidiaries required by the policy.

(b) The Company agrees to take all reasonable and necessary steps to ensure that benefit accruals and crediting of vesting service under the Michigan Hospital Association Insurance Company Supplemental Pension Benefits Plan (or any replacement of such plan) shall be frozen as of the Effective Time with such additional accruals as are required by the agreements referred to in Section 6.11(d). Prior to the Closing, the Company shall establish a "rabbi trust" or such other mutually agreeable arrangement, and deposit funds in such trust sufficient to fund all amounts which may become due and payable to the individuals listed in Schedule 4.26 of the Disclosure Statement under the Michigan Hospital Association Insurance Company Supplemental Pension Benefits Plan (or any replacement of such plan) according to the terms of the plan.

(c) Prior to the Closing, the Company shall establish a "rabbi trust" or such other mutually agreeable arrangement, and deposit funds in such trust sufficient to fund all amounts which may become due and payable to the individuals listed in Schedule 4.27 of the Disclosure Statement under the Company's Plan for Deferring the Payment of Directors Fees according to the terms of that plan and the elections of each of the applicable participants in that plan.

(d) Prior to the Closing, the Company shall establish a "rabbi trust" or such other mutually agreeable arrangement, and deposit funds in such trust sufficient to fund all severance obligations which may become payable to Mr. Dickinson, Mr. Helgren and Ms. Schmitt under (i) Section 6 of their respective executive employment agreements in effect as of the date of this Agreement, or (ii) in the event Mr. Dickinson, Mr. Helgren or Ms. Schmitt enter into amended and restated executive employment agreements prior to the Closing, the terms of such amended and restated executive employment agreements. Parent and the Purchaser acknowledge and agree that to the extent that Mr. Dickinson, Mr. Helgren or Ms. Schmitt do not enter into amended and restated executive employment agreements with the Company prior to the Effective Time, the Merger will result in a material diminishment of such executive officers' respective status, authority and responsibility, and that such diminishment will constitute "good reason" as defined in their respective executive employment agreements in effect as of the date of this Agreement.

(e) Prior to the Closing, the Company shall purchase an annuity to cover the founder's stipend to which Mr. Sammet is entitled pursuant to resolution of the Board.

Section 6.12 Books and Records. Parent will maintain separate books and records and separate actuarial reports for each Insurance Company Subsidiary which are sufficient to accurately calculate the Contingent Consideration pursuant to Section 2.5 and to provide documentation and evidence sufficient to reliably test and prove such calculation until Parent's and the Surviving Corporation's obligations under this Agreement with respect to the Contingent Consideration are satisfied or otherwise expire.

Section 6.13 Organization, Funding and Authority of Holders Agent.

(a) Before the Closing and after incorporation of the Holders Agent, the Company shall make a capital contribution to the Holders Agent of Three Million Dollars ($3,000,000) (the "Holders Agent Capital Contribution").

(b) Contemporaneous with the Closing, the Company shall declare a dividend to each record holder of Shares as of the Effective Time of that number of shares of common stock of the Holders Agent ("Holders Agent Shares") equal to the number of Shares held by the holder at the Effective Time. The dividend shall be payable and distributed to each holder if and when the holder has executed and delivered an Acceptance of Shares.

(c) Immediately before cancellation in accordance with Section 2.3(a), the Company shall make a compensatory award to each holder of Options of a number of Holders Agent Shares equal to the number of Shares which are subject to each Option held by the holder. The Company shall require each such holder to execute and deliver an Acceptance of Shares.

(d) Immediately before cancellation in accordance with Section 2.3(b), the Company shall make a compensatory award to each holder of Restricted Shares of a number of Holders Agent Shares equal to the number of Restricted Shares held by the holder. The Company shall require each such holder to execute and deliver an Acceptance of Shares.

(e) Notwithstanding Treasury Regulation Section 1.1502-76(b)(1)(ii)(B), any actions or payments specified in this Section 6.13 that occur on the Closing Date shall be treated as occurring on the Closing Date for U.S. federal income tax purposes.

(f) Notwithstanding anything in this Agreement to the contrary, the Holders Agent shall be entitled to enforce, on behalf of the Holders, the provisions of Sections 2.4, 2.5, 2.6, 2.7, 3.1, 3.2, 3.3 and Article VIII.

Section 6.14 Company Financial Advisor Fees. Parent and the Purchaser acknowledge and agree that the 0.97% deduction from the calculation of the Per Share Adjustment Amount, if

any (pursuant to Section 2.1), and the Deferred Payment Per Share, if any (pursuant to Section 2.7), contemplates the payment by the Surviving Corporation of the fees owed to the Company Financial Advisor on such amounts, if any, at this rate. The Surviving Corporation shall pay such fees owed to the Company Financial Advisor promptly after deposit with the Paying Agent for payment to holders of the Per Share Adjustment Amount, if any, and the Deferred Payment Per Share, if any.

Section 6.15 Treatment of Reserves.

(a) For purposes of calculating the Estimated Closing Net Book Value, the net Loss (as defined by Applicable SAP) and the net Loss Adjustment Expenses (as defined by Applicable SAP) ("Net Loss and LAE") incurred by the Principal Insurers in the period from January 1, 2009 through the anticipated Closing Date for all accident years (or portions thereof) on or before the anticipated Closing Date shall be equal to 75% of the estimated net premiums earned in the period from January 1, 2009 through the anticipated Closing Date determined in accordance with GAAP applied consistently with its application in the Company's audited consolidated statements of income for the year ended December 31, 2008.

(b) For purposes of calculating the Closing Net Book Value, the Net Loss and LAE incurred by the Principal Insurers in the period from January 1, 2009 through the Closing Date for all accident years (or portions thereof) on or before the Closing Date shall be equal to 75% of the actual net premiums earned in the period from January 1, 2009 through the Closing Date determined in accordance with GAAP applied consistently with its application in the Company's audited consolidated statements of income for the year ended December 31, 2008.

(c) Notwithstanding the foregoing, for purposes of the base numbers designated as "A" and "D" in the Contingent Consideration Formula, nothing in this Section 6.15 will impact the Net Loss and LAE for all accident calendar years ending on or before December 31, 2008.

Section 6.16 Bank Accounts. Not later than ten days prior to the Closing, the Company shall prepare and deliver to Parent a true and correct list of bank accounts and investment accounts of the Company and its subsidiaries, including the name of each bank or other institution, account numbers, a list of the signatories to such accounts and the names of all persons holding a power of attorney with respect to such accounts.

Section 6.17 Title Insurance Policy. On or prior to the Closing Date, the Company shall either (a) arrange to have the title insurance policy delivered to Parent pursuant to Section 1.6(a)(iv) include endorsements reasonably requested by Parent, including, but not limited to, insurance for any encroachments described in Schedule 4.15(a) of the Disclosure Statement or (b) take all actions necessary to resolve the encroachments described in Schedule 4.15(a) of the Disclosure Statement to Parent's reasonable satisfaction. To the extent the Company does not take the actions required by this Section 6.17 prior to the Closing Date, Parent shall be entitled to take any action it deems necessary in its commercially reasonable discretion to resolve the encroachments described in Schedule 4.15(a) of the Disclosure Statement, the cost of which shall

be deemed a Loss for which Parent will be entitled to a setoff against the Contingent Consideration pursuant to Section 8.2(a)(ii). Any breach of this Section 6.17 shall not be deemed to be a failure of the condition set forth in Section 7.2(b).

ARTICLE VII

CONDITIONS TO THE OBLIGATIONS OF PARENT, THE PURCHASER AND THE COMPANY

Section 7.1 Conditions to Obligation of Each Party to Complete the Merger. The respective obligations of each party to complete the Merger are subject to the satisfaction or, to the extent permitted by applicable Law, waiver at or before the Effective Time of the following conditions:

(a) The Company Shareholder Approval approving this Agreement shall have been obtained.

(b) The waiting period applicable to the consummation of the Merger (and any extension thereof) under the HSR Act shall have expired or terminated early.

(c) No temporary restraining order, preliminary or permanent injunction or other order, or other legal restraint or prohibition issued by any court of competent jurisdiction in the United States preventing the completion of the Merger shall be in effect, nor shall any proceeding brought by any administrative agency or commission or other Governmental Authority in the United States seeking any of the foregoing be pending; and there shall not be any action taken, or any statute, rule, regulation or order enacted, entered, enforced or deemed applicable to the Merger, which makes the completion of the Merger illegal.

Section 7.2 Additional Conditions to Obligations of Parent and the Purchaser. The obligations of Parent and the Purchaser to complete the Merger are also subject satisfaction or, to the extent permitted by applicable Law, waiver at or before the Effective Time of the following conditions:

(a) The representations and warranties of the Company contained in Section 4.1 (Organization), Section 4.2 (Capitalization), Section 4.3 (Authority), Section 4.24 (Michigan Acts) and Section 4.28 (Rights Plan) shall be true and correct in all respects, in each case, as of the date of this Agreement and at and as of the Effective Time with the same force and effect as if made at and as of the Effective Time (except for those representations and warranties which address matters only as of a particular date, which shall have been true and correct as of such date). The representations and warranties of the Company contained in this Agreement (other than those listed in the preceding sentence) shall be true and correct (without giving effect to any "materiality" or "Company Material Adverse Effect" qualifiers set forth therein) as of the date of this Agreement and at and as of the Effective Time with the same force and effect as if made at

and as of the Effective Time (except for those representations and warranties which address matters only as of a particular date, which shall have been true and correct as of such date), except where the failure of such representations and warranties to be true and correct (without giving effect to any "materiality" or "Company Material Adverse Effect" qualifiers set forth therein) has not had and would not reasonably be expected to have a Company Material Adverse Effect. Parent and the Purchaser shall have received a certificate to such effect signed on behalf of the Company by the President, Chief Financial Officer and Chief Operating Officer of the Company as to the satisfaction of this Section 7.2(a).

(b) The Company shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it at or before the Effective Time, and Parent and the Purchaser shall have received a certificate signed on behalf of the Company by the President, Chief Financial Officer and Chief Operating Officer as to the satisfaction of this Section 7.2(b).

(c) All consents, approvals, Orders, authorizations, notifications, registrations, declarations and filings listed or described on Schedule 4.4(b)(ii) of the Disclosure Statement and Schedule 5.3(b) of the Parent Disclosure Statement shall have been made or obtained and shall remain in full force and effect without any Negative Condition imposed.

(d) The Company shall have obtained and provided to Parent and the Purchaser copies of evidence with respect to the consents and approvals set forth on Schedule 4.4(a) of the Disclosure Statement, the terms of which consents shall be reasonably satisfactory to Parent and the Purchaser.

(e) There must not have occurred after the date of this Agreement any development or developments with relation to the Company or its subsidiaries that has had, or would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(f) Parent and the Purchaser shall have received from the Company an executed certificate in a form reasonably satisfactory to Parent and the Purchaser, certifying, pursuant to Treasury Regulations § 1.897-2(h) and 1.1445-2(c)(3), that the stock of the Company is not a U.S. real property interest.

(g) To the extent that a consent is deemed required under any Company Lease, the Company shall, at its sole cost and expense, have delivered to Purchaser a written consent with respect to such Company Lease in connection with the transactions contemplated in this Agreement.

Section 7.3 Additional Conditions to Obligations of the Company. The obligation of the Company to complete the Merger is also subject satisfaction or, to the extent permitted by applicable Law, waiver at or before the Effective Time of the following conditions:

(a) The representations and warranties of Parent and the Purchaser contained in Section 5.1 (Organization) and Section 5.2 (Authority) shall be true and correct in all respects, in each case, as of the date of this Agreement and at and as of the Effective Time with the same force and effect as if made at and as of the Effective Time (except for those representations and warranties which address matters only as of a particular date, which shall have been true and correct as of such date). The representations and warranties of Parent and the Purchaser contained in this Agreement (other than those listed in the preceding sentence) shall be true and correct (without giving effect to any "materiality" or "Parent Material Adverse Effect" qualifiers set forth therein) at and as of the date of this Agreement and as of the Effective Time with the same force and effect as if made at and as of the Effective Time (except for those representations and warranties which address matters only as of a particular date, which shall have been true and correct as of such date), except where the failure of such representations and warranties to be true and correct (without giving effect to any "materiality" or "Parent Material Adverse Effect" qualifiers set forth therein) has not had and would not reasonably be expected to have a Parent Material Adverse Effect. The Company shall have received a certificate signed on behalf of Parent by the President and Chief Financial Officer of Parent as to the satisfaction of this Section 7.3(a).

(b) Parent and the Purchaser shall have performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by them on or prior to the Effective Time, and the Company shall have received a certificate signed on behalf of Parent by the Chief Financial Officer and the Secretary of Parent as to the satisfaction of this Section 7.3(b).

(c) All consents, approvals, Orders, authorizations, notifications, registrations, declarations and filings listed or described on Schedule 4.4(b)(ii) of the Disclosure Statement and Schedule 5.3(b) of the Parent Disclosure Statement shall have been made or obtained and shall remain in full force and effect.

ARTICLE VIII

SURVIVAL AND RECOVERY

Section 8.1 Survival.

(a) None of the representations, warranties, covenants or other agreements in this Agreement of Parent or Purchaser, including any rights arising out of any breach of such representations, warranties, covenants and other agreements, shall survive the Effective Time except: (i) all covenants and agreements contained in Article X or that by their terms apply or are

to be performed in whole or in part after the Closing Date; (ii) the representations and warranties of Parent and the Purchaser contained in Sections 5.1 (Organization) and 5.2 (Authority) shall survive until the Recovery Cut-Off Date; and (iii) the representations and warranties of Parent and the Purchaser contained in Section 5.4 (Financing) shall survive until the later of (x) the date the Deferred Payment Fund is deposited with the Paying Agent and (y) the date the Deferred Payment Per Share is paid to holders of Holders Agent Shares received in connection with Options and Restricted Shares, in each case pursuant to Section 3.3.

(b) The representations and warranties of the Company contained in this Agreement shall survive the Effective Time for the periods set forth in this Section 8.1(b). All of the representations and warranties of the Company contained in this Agreement and all claims and causes of action with respect thereto shall terminate on the date that is 14 months after the Closing Date, except that the representations and warranties contained in (i) Sections 4.1 (Organization), 4.2 (Capitalization) and 4.3 (Authority) shall survive until the Recovery Cut-Off Date and (ii) Sections 4.11 (Taxes), 4.13 (Employee Benefit Plans), 4.16 (Environmental Matters), 4.24 (Michigan Acts), 4.25 (Broker's Fees), 4.26 (Supplemental Pension Benefits Plan), 4.27 (Directors Deferred Compensation Plan) and 4.28 (Rights Plan) shall survive until the earlier of 90 days from the expiration of the applicable statute of limitations taking into account any extensions or waivers thereto and the Recovery Cut-Off Date. If notice of any claims against the Contingent Consideration under Sections 8.2 or 8.3 shall have been given pursuant to Section 8.4 within the applicable survival period, the representations and warranties that are the subject of such recovery claim shall survive with respect to such claim until such claim is finally resolved.

(c) Sections 8.2 and 8.3 shall survive until the Deferred Payment Calculation Date.

(d) The Holders Agent shall serve as agent for the Holders for purposes of this Article VIII.

Section 8.2 Recovery by Parent and the Purchaser.

(a) Except with respect to Taxes (which shall be governed exclusively by Sections 8.2(c) and 8.3), subject to Section 8.2(b), Parent shall, from and after the Effective Time, be entitled to deduct from the Contingent Consideration the amounts of any Losses imposed on, sustained, incurred or suffered by or asserted against each of Parent and the Purchaser, their respective affiliates (including following the Effective Time, the Surviving Corporation) and, if applicable, their respective directors, officers, shareholders, partners, agents, employees, successors and assigns (collectively, the "Parent Covered Parties"), to the extent arising from or based on (i) any breach of any representation or warranty made by the Company contained in this Agreement or in any certificate delivered pursuant to Section 7.2, (ii) any breach or non-performance of any covenant or agreement of the Company contained in this Agreement that was to be performed prior to the Closing Date or (iii) any amounts required to be paid by the Surviving Corporation or its subsidiaries after the Effective Time to the Company Financial

Advisor pursuant to any agreement entered into or obligation incurred by the Company before the Effective Time other than as described in Section 6.14.

(b) Except with respect to Taxes (which shall be governed exclusively by Sections 8.2(c) and 8.3), Parent shall only be entitled to deduct from the Contingent Consideration amounts for any Losses arising under Section 8.2(a)(i) when and to the extent the aggregate amount of such Losses exceeds an aggregate amount equal to $2,000,000 (the "Threshold Amount"), and then only in the amount in excess of the Threshold Amount up to an aggregate maximum amount equal to the Contingent Consideration, if any, calculated pursuant to Section 2.5; provided, however, that no deduction for Losses may be made against the Contingent Consideration, if any, by Parent with respect to any matter to the extent such matter and amount were reflected in the Closing Balance Sheet or the calculation of the Closing Net Book Value pursuant to Section 2.4, or the matter was within the subject matter of any reserve, provision, or allowance on the Closing Balance Sheet, up to the amount of such reserve, provision, or allowance; provided, further, however, that in respect of Losses from any similar or related facts, events or circumstances arising under Section 8.2(a)(i) in an amount equal to or less than $100,000, the defense of which the Holders Agent does not elect to assume, Parent shall only be entitled to deduct from the Contingent Consideration amounts described in clauses (i) and (ii) of the definition of Losses and shall not be entitled to deduct from the Contingent Consideration amounts described in clause (iii) of the definition of Losses.

(c) For purposes of this Article VIII and for purposes of determining whether Parent is entitled to deduct any amount from the Contingent Consideration pursuant to Sections 8.2(a) and 8.3(a), any breach of any representation or warranty made by the Company contained in this Agreement or in any certificate delivered pursuant to Section 7.2 shall be determined without regard to any materiality qualifications set forth in such representation or warranty or in any certificate delivered pursuant to Section 7.2, and all references to the terms "material", "materially", "materiality" or any similar terms shall be ignored for purposes of determining whether such representation or warranty was true and correct when made; provided, however, notwithstanding the foregoing, that the materiality qualifications in the following sections shall not be disregarded or ignored: Sections 4.6(a), 4.6(b), 4.14, 4.17(a) and 4.21(a). For purposes of this Article VIII, "Losses" shall mean (i) any actual damages, losses, liabilities, judgments, settlements, fines or penalties actually paid or incurred, (ii) any loss of profits of the Surviving Corporation after the Effective Time if and to the extent such loss of profits (x) was directly and proximately caused by the breach or nonperformance and (y) was reasonably foreseeable by the Company as of the Effective Time, and (iii) any reasonable costs and expenses (including, reasonable attorneys' fees and disbursements) relating to the breach or nonperformance.

Section 8.3 Tax Recovery.

(a) From and after the Closing, Parent and the Purchaser shall be entitled to deduct from the Contingent Consideration amounts for: (i) any Taxes of, owed or payable by the Company or any of its subsidiaries of or relating to any taxable period ending on or before the Closing Date, (ii) any liability of or payment by the Company or any of its subsidiaries for Taxes (as a result of Treasury Regulation Section 1.1502-6 or any comparable Law) of any person that

at any time prior to the Closing is or has ever been affiliated with the Company or any of its subsidiaries or has been a transferee or successor under any Tax allocation, sharing or assumption agreement with respect to such period, (iii) with respect to any Tax period beginning on or before the Closing Date and ending after the Closing Date, Taxes of, owed or payable by the Company and any of its subsidiaries with respect to the portion of such period that ends on the Closing Date, and (iv) any Losses or Taxes arising out of or resulting from any breach of any representation or warranty under Section 4.11; provided, however, that Purchaser shall not be entitled to a deduction from the Contingent Consideration for any Taxes pursuant to this Section 8.3 to the extent such Taxes were reflected in the Closing Balance Sheet or the calculation of the Closing Net Book Value pursuant to Section 2.4, or such Taxes were within the subject matter of any reserve, provision, or allowance on the Closing Balance Sheet, up to the amount of such reserve, provision, or allowance.

(b) Parent, the Surviving Corporation and any of their subsidiaries shall be entitled to amend any Tax Return of the Company and any of its subsidiaries for any period ended on or before the Closing Date. To the extent reasonably practicable, Parent or the Surviving Corporation shall deliver such amended Tax Return to the Holders Agent at least fifteen (15) days prior to filing such amended Tax Return, and shall reasonably consider comments from the Holders Agent regarding such amended Tax Return. If such amended Tax Return results in a deduction from the Contingent Consideration under Section 8.3(a), Parent shall deliver to Holders Agent a Claim Notice (a "Tax Claim") in the manner provided in Section 8.4(a) accompanied by a copy of the amended Tax Return and such supporting detail and documentation as shall permit Holders Agent to evaluate the Tax Claim. If Holders Agent gives written notice of its disagreement with the Tax Claim within 60 days after delivery of a Tax Claim, the Tax Claim will be deemed to be included as part of the Offset Adjustment Statement delivered by Parent pursuant to Section 2.6 and the notice of Holders Agent shall be a "Tax Offset Adjustment Notice of Disagreement" deemed subject to Section 2.6 and the disagreement over the Tax Claim shall be resolved as provided in Section 2.6. Except for filing Tax Returns when and as due, Purchaser and the Surviving Corporation shall not take any action if the primary intent of such action is to cause the initiation of an audit or examination by any Taxing Authority of Tax Returns for periods ending on or before the Closing Date.

Section 8.4 Claims.

(a) Parent shall not be entitled to deduct amounts for any Losses or Taxes from the Contingent Consideration unless it has delivered to the Holders Agent, on behalf of the Holders, a written claim notice relating to such Losses or Taxes (a "Claim Notice"). The Claim Notice shall be given promptly after the Parent Covered Party becomes aware of the facts indicating that a claim for recovery may be warranted and shall state in reasonable detail (to the extent known) the nature of the claim. The failure of any Parent Covered Party to give a Claim Notice promptly shall not preclude Parent from exercising its rights under this Article VIII, except to the extent that the Holders Agent, on behalf of the Holders, is actually prejudiced by the failure to give such Claim Notice.

(b) If a Claim Notice relates to a claim, action, suit, proceeding or demand asserted by a Person who is not a party (or a successor to a party) to this Agreement (a "Third Party Claim") and solely relates to monetary damages, the Holders Agent, upon acknowledging in writing Parent's right to a setoff against the Contingent Consideration for such Third Party Claim if such Third Party Claim results in a Loss, may, through counsel of its own choosing and reasonably satisfactory to the Parent Covered Party, assume the defense and investigation of such Third Party Claim, if the Holders Agent's assumption of such claim will not have a material adverse effect on the Parent Covered Party; provided, however, that any Parent Covered Party shall be (i) entitled to participate in any such defense with counsel of its own choice at its own expense and (ii) entitled to participate in any such defense with counsel of its own choice at the expense of the Holders (such costs and expenses to be covered by the recovery provided for in this Article VIII) if representation of both parties by the same counsel creates a conflict of interest under applicable standards of professional conduct for attorneys. If the Holders Agent elects to assume the defense and investigation of such Third Party Claim, it shall notify the Parent Covered Party in writing of its assumption of the defense and investigation of such Third Party Claim. If the Holders Agent fails to take reasonable steps necessary to defend diligently the action or proceeding after notifying the Parent Covered Party of its assumption of the defense and investigation of such Third Party Claim, the Parent Covered Party may assume such defense, and the reasonable and documented fees and expenses of its attorneys will be Losses covered by this Article VIII. If the Holders Agent notifies the Parent Covered Party that it desires to assume the defense and investigation of such Third Party Claim, it shall use its commercially reasonable efforts to defend and protect the interests of the Parent Covered Party with respect to such Third Party Claim.

(c) The Holders Agent shall not (i) be entitled to control, but may participate in, and the Parent Covered Party shall be entitled to have control over, the defense or settlement of any Third Party Claim (A) that seeks a temporary restraining order, a preliminary or permanent injunction or specific performance against the Parent Covered Party, (B) to the extent such Third Party Claim involves criminal allegations against the Parent Covered Party or any of its directors or officers, (C) that if unsuccessful, would set a precedent that would have a material adverse effect on the business or financial condition of the Parent Covered Party, (D) if such Third Party Claim would impose liability on the part of the Parent Covered Party for which Parent is not entitled to make a claim against the Contingent Consideration for the predominant amount of Losses associated with such Third Party Claim pursuant to this Article VIII or (E) if such Third Party Claim involves any (1) policyholder of the Parent Covered Party or any of its subsidiaries or affiliates, (2) such Third Party Claim is brought in connection with an Insurance Contract, and (3) the Parent Covered Party determines, in its reasonable discretion, that the manner in which the defense of such Third Party Claim is conducted could have a material adverse effect on the relationship between such policyholder and the Parent Covered Party or any of its subsidiaries or affiliates or (ii) without the prior written consent of the Parent Covered Party, settle or compromise any pending or threatened Third Party Claim in respect of which recovery may be sought hereunder (whether or not the Parent Covered Party is an actual or potential party to such action or claim) or consent to the entry of any judgment (A) which does not, to the extent that a Parent Covered Party may have any liability with respect to such action or claim for which Parent is entitled to a deduction from the Contingent Consideration hereunder, include as an

unconditional term thereof the delivery by the claimant or plaintiff to the Parent Covered Party of a written release from all liability in respect of such Third Party Claim, (B) which imposes any liabilities or obligations on the Parent Covered Party, (C) with respect to any non-monetary provisions of such settlement, could, in the Parent Covered Party's reasonable judgment, have a material adverse effect on the business or condition (financial or otherwise), results of operations, operations, assets, properties or liabilities of the Parent Covered Party, (D) which includes any statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any Parent Covered Party or any of its directors or officers or (E) which in any manner involves any injunctive relief against the Parent Covered Party with respect to such action or claim. The Parent Covered Party and the Holders Agent shall make reasonably available to each other and their respective agents and representatives all relevant business records and other documents available to them that are necessary or appropriate for the defense of any Third Party Claim, subject to any bona fide claims of attorney-client privilege, and the Parent Covered Party shall use its reasonable efforts to assist, and to cause its employees and counsel to assist, in the defense of such Third Party Claim. Parent shall be entitled to make a claim against the Contingent Consideration for any reasonable and documented out-of-pocket costs and expenses incurred in connection with providing assistance in the defense of a Third Party Claim pursuant to the foregoing sentence. In the event that the Holders Agent is prohibited from controlling the defense of a Third Party Claim pursuant to clause (i) of the first sentence of this Section 8.4(c), Parent shall still be entitled to exercise its rights under this Article VIII.

Section 8.5 Contingent Consideration and Claims Against Contingent Consideration. Any payments of the Contingent Consideration made pursuant to Article II and any deductions from the Contingent Consideration pursuant to Article II and this Article VIII shall be treated as an adjustment to the aggregate purchase price for all Tax purposes.

Section 8.6 Determination of Recoverable Losses.

(a) Any amounts deducted from the Contingent Consideration by Parent pursuant to this Article VIII shall be determined without duplication of recovery by reason of the state of facts giving rise to such liability constituting a breach of more than one representation or agreement. To the extent that recovery from another Person (including any insurer) is available to any Parent Covered Party to compensate for any item for which an offset against Contingent Consideration may be sought hereunder, such Parent Covered Party shall take, at the Holders Agent's request, actions as the Holders Agent may reasonably request to recover the amount of its claim as may be available from such other Person; provided that Parent's ability to seek an offset against the Contingent Consideration shall in no way be conditioned on the foregoing. To the extent there is an offset against the Contingent Consideration based on any claim referred to in the previous sentence, the applicable Parent Covered Party will assign to the Holders Agent, to the fullest extent allowable, its rights and causes of action with respect to such claim against other Persons or in the event assignment is not permissible, the Holders Agent will be allowed to pursue such claim in the name of the applicable Parent Covered Party; provided, however, the foregoing shall not require a Parent Covered Party to assign its right under any claim against a policyholder of the Insurance Company Subsidiaries. Any recoveries for the Holders' accounts as a result of any such action prior to the Recovery Cut-Off Date shall be added back to the Contingent Consideration to offset any deductions previously made. Parent Covered Parties will

provide reasonable assistance to the Holders Agent in prosecuting any such claim (excluding claims against any policyholder of the Insurance Company Subsidiaries), including making their books and records relating to such claim available to the Holders Agent and its Representatives and making their respective employees available for interviews, testimony and similar assistance. If any Parent Covered Party recovers from a third party any part of a claim that has previously been offset against the Contingent Consideration and the Deferred Payment has not been paid, such Parent Covered Party will promptly add back such amount to the Contingent Consideration. In the event of any breach giving rise to a potential offset against the Contingent Consideration, any Parent Covered Party shall take, at the Holders Agent's request, actions as the Holders Agent may reasonably request to mitigate the Losses arising from the breach (including taking all reasonable steps to prevent any contingent liability from becoming an actual liability); provided that Parent's ability to seek an offset against the Contingent Consideration shall in no way be conditioned on the foregoing.

(b) Except with respect to offsets based on Third Party Claims and without limiting clause (ii) of the definition of Losses, subject to Section 8.2(c), Parent shall not be entitled to offset against the Contingent Consideration on account of any consequential, incidental or indirect damages or losses, including business interruption, loss of use of facilities, or loss of goodwill, and no "multiple of profits" or other similar damage calculation methodology will be applied in calculating any Loss that may be claimed under this Article VIII. Parent will not have the right to offset against the Contingent Consideration with respect to any Loss or part of a Loss that would not have arisen but for the disclosure by any Parent Covered Party to any Person of facts giving rise to such Loss after the Closing Date, other than disclosures required by applicable Laws or communications with Governmental Authorities, including without limitation, Insurance Regulators, in good faith for the purpose of compliance with applicable Laws or to address any failure by the Company or its subsidiaries to comply with applicable Laws.

(c) Any Losses or Taxes offset against the Contingent Consideration will be (i) reduced by any Tax Benefit to the Parent Covered Parties, and (ii) increased to take account of any and all Tax Costs incurred by the Parent Covered Parties, arising out of or resulting from the recovery from the Contingent Consideration hereunder. For purposes of this paragraph, (i) "Tax Benefit" shall mean the amount by which the Tax liability of the Parent Covered Parties is reduced on an actually realized basis (through a reduction in current cash tax liability), and (ii) "Tax Cost" shall mean the amount by which the Tax liability of the Parent Covered Parties is increased on an actually realized basis (through an increase in current cash tax liability).

Section 8.7 Recovery of Losses and Taxes. Notwithstanding anything else in this Agreement to the contrary, the sole and exclusive remedy for any claim for Losses or Taxes by a Parent Covered Party shall be limited to recourse against the amount of the Contingent Consideration, if any, as provided in this Agreement.

Section 8.8 Exclusive Remedy. The recovery provisions in this Article VIII shall be, in the absence of willful misconduct, intentional breach or fraud, the sole and exclusive remedy for any inaccuracy in or breach of any representation or warranty of the Company contained in this Agreement and for any failure of the Company to perform and comply with any covenant or

agreement contained in this Agreement. Notwithstanding the foregoing, the provisions of this Article VIII shall not be applicable to Section 2.4.

Section 8.9 Right to Recovery. The rights of Parent under this Article VIII shall not be affected by any investigation conducted, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, including with respect to any information provided under Section 6.7, with respect to the accuracy or inaccuracy of or compliance with, any of the representations, warranties, covenants, obligations or agreements set forth in this Agreement or in the certificates delivered at the Closing pursuant to Article VII. The waiver of any condition in Section 7.2 based on the accuracy of any representation or warranty set forth in this Agreement, or on the performance of or compliance with any covenant, obligation or agreement set forth in this Agreement, shall not affect the right to a deduction from the Contingent Consideration pursuant to this Article VIII or other remedy based on such representations, warranties, covenants, obligations and other agreements.

Section 8.10 Effectiveness. This Article VIII shall become effective immediately following the Closing.

ARTICLE IX

TERMINATION AND ABANDONMENT

Section 9.1 Termination. This Agreement may be terminated, and the Merger and other transactions contemplated by this Agreement may be abandoned, notwithstanding approval thereof by the shareholders of the Company, at any time before the Effective Time:

(a) by mutual written consent of Parent and the Company;

(b) by either Parent or the Company if the Effective Time has not occurred on or before November 30, 2009 (the "Outside Date"); provided, however, that (i) the Outside Date may be extended by mutual written consent of Parent and the Company or (ii) if on the Outside Date, any of the conditions to Closing set forth in Sections 7.1(b), 7.2(c) or 7.3(c) shall not have been satisfied but all other conditions to Closing set forth in Article VII shall be satisfied or capable of being satisfied, then the Outside Date shall be extended to December 31, 2009 if Parent or the Company notifies the other in writing on or prior to the Outside Date of its election to extend the Outside Date; provided, further, that the right to extend the Outside Date pursuant to clause (ii) or terminate this Agreement pursuant to this Section 9.1(b) shall not, in each case, be available to any party whose failure to perform any of its obligations under this Agreement required to be performed by it at or prior to such date has been the principal cause of, or resulted in, the failure of the Merger to have become effective on the Outside Date;

(c) by either Parent or the Company if the shareholders of the Company fail to approve this Agreement and the Merger at a duly held Shareholders Meeting (including any

adjournment or postponement permitted by this Agreement); except that the right to terminate this Agreement pursuant to this Section 9.1(c) shall not be available to the Company where the failure to obtain the Company Shareholder Approval shall have been caused by the action or failure to act of the Company and such action or failure to act constitutes a material breach by the Company of this Agreement;

(d) by either Parent or the Company if (i) any of OFIR, WIC, or any other applicable Insurance Regulator or Governmental Authority has not provided the approval that is legally required to complete the Merger and the denial of such approval is final and nonappealable; (ii) a statute, rule, regulation or executive order shall have been enacted, entered or promulgated prohibiting the consummation of the Merger or (iii) any court of competent jurisdiction in the United States or other applicable Governmental Authority in the United States has issued an order (other than a temporary restraining order), decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the Merger, and such order, decree, ruling or other action is final and nonappealable; provided that the party seeking to terminate this Agreement has used its commercially reasonable efforts in accordance with Section 6.3 to obtain such approval or reverse, remove or lift such denial, order, decree, ruling or other action.

Section 9.2 Termination by Parent. This Agreement may be terminated by Parent at any time before the Effective Time, if (a) the Company has breached in any material respect any of its representations and warranties contained in this Agreement so that the closing conditions set forth in Section 7.2(a) cannot be satisfied, except for any breach that is capable of being and is cured (other than by mere disclosure of the breach) within 30 days after written notice from Parent to the Company of such breach; (b) the Company has breached or failed to perform in any material respect any of its covenants or other agreements made in this Agreement, except for any breach or failure to perform that is capable of being and is cured within 30 days after written notice from Parent to the Company of such breach or failure to perform; (c) (i) the Company fails to include the Company Recommendation in the Proxy Statement, (ii) the Board fails to provide the Company Recommendation to the shareholders of the Company or (iii) the Board (or any committee thereof) shall have effected a Company Change of Recommendation or resolved to the foregoing; (d) the Board shall have recommended to the shareholders of the Company any Acquisition Transaction Proposal or resolved to do the foregoing; (e) any court of competent jurisdiction in the United States or other Governmental Authority in the United States shall have issued a judgment, decree or order that is final and nonappealable and in the reasonable judgment of Parent (i) has the effect of prohibiting the Merger, or (ii) individually or in the aggregate has had or is reasonably expected to result in a Negative Condition; (f) the Estimated Closing Net Book Value, as calculated by the Company pursuant to Section 2.4, is an amount less than the Floor Amount; or (g) after the date of this Agreement (1) the A.M. Best Company, Inc. financial strength and claims paying ability rating of either of the Principal Insurers has been, or it has been announced by A.M. Best Company, Inc. that it will be, downgraded below their respective current rating or (2) A.M. Best Company, Inc. has announced that it has placed a "negative outlook," "credit watch" or similar adverse designation on either of the Principal Insurers.

Section 9.3 Termination by the Company. This Agreement may be terminated by the Company at any time before the Effective Time, if (a) either Parent or the Purchaser has breached in any material respect any of its representations and warranties contained in this

Agreement so that the closing conditions set forth in Section 7.3(a) cannot be satisfied, except for any breach that is capable of being and is cured (other than by mere disclosure of the breach) within 30 days after written notice from the Company to Parent of such breach; (b) either Parent or the Purchaser has breached or failed to perform in any material respect any of its covenants or other agreements made in this Agreement, except for any breach or failure to perform that is capable of being and is cured within 30 days after written notice from the Company to Parent of such breach; or (c) the Estimated Closing Net Book Value, as calculated by the Company pursuant to Section 2.4, is an amount greater than the Ceiling Amount; provided, however, that the Company shall not be permitted to terminate this Agreement pursuant to clause (c) if Parent and the Purchaser agree to increase the maximum aggregate Merger Consideration payable pursuant to Article II by an amount equal to the Top-Up Amount.

Section 9.4 Procedure for Termination. Termination of this Agreement by Parent or the Company pursuant to this Article IX will be effective upon written notice of termination to the other as provided in this Agreement.

Section 9.5 Effect of Termination. In the event of termination of this Agreement under and in accordance with this Article IX, the Merger will be deemed abandoned and this Agreement shall forthwith become void, except as provided in the last sentence of Section 6.5(a), and Section 6.9 (which sentence and Section shall survive any termination of this Agreement) without liability on the part of any party to this Agreement or its affiliates, directors, officers, employees, agents or shareholders, except as provided in Section 9.6 and except with respect to any willful or bad faith breach of any provision of this Agreement, and each of the parties to this Agreement irrevocably waives and releases any other claim which may otherwise exist upon such termination.

Section 9.6 Termination Fee.

(a) (i) If this Agreement is terminated by (x) either Parent or the Company pursuant to Section 9.1(c), or (y) Parent pursuant to Sections 9.2(a), 9.2(b), 9.2(c), 9.2(d) or 9.2(f), then the Company shall reimburse Parent and the Purchaser their reasonable and actual, incurred expenses directly relating to the transactions contemplated by this Agreement up to the sum of Two Million Dollars ($2,000,000) in the aggregate (the "Parent Expense Payment") promptly after Parent and the Purchaser provide the Company reasonable evidence of such expenses, and (ii) if this Agreement is terminated by the Company pursuant to Section 9.3(a), (b) or (c) then Parent shall reimburse the Company its reasonable and actual, incurred expenses directly relating to the transactions contemplated by this Agreement up to the sum of Two Million Dollars ($2,000,000) in the aggregate (the "Company Expense Payment") promptly after the Company provides Parent reasonable evidence of such expenses. Neither the Company nor Parent shall be required to pay the Parent Expense Payment or the Company Expense Payment, as applicable, pursuant to more than one clause of this Section 9.6(a).

(b) If this Agreement is terminated by: (i) either Parent or the Company pursuant to Section 9.1(b) and prior to such termination an Acquisition Transaction Proposal has been publicly announced or otherwise become publicly known or a third party has publicly announced

an intention to make an Acquisition Transaction Proposal and within 18 months after such termination of this Agreement any Termination Transaction shall have been consummated or any definitive agreement with respect to a Termination Transaction shall have been entered into (and such Termination Transaction shall subsequently be consummated), then the Company shall pay to Parent (x) the Parent Expense Payment and (y) a termination fee equal to Six Million Dollars ($6,000,000) (the "Termination Fee") promptly after completion of the Termination Transaction; (ii) either Parent or the Company pursuant to Section 9.1(c) and prior to the Shareholders Meeting held pursuant to Section 6.4(b) an Acquisition Transaction Proposal has been publicly announced or otherwise become publicly known or a third party has publicly announced an intention to make an Acquisition Transaction Proposal and within 18 months after such termination of this Agreement any Termination Transaction shall have been consummated or any definitive agreement with respect to a Termination Transaction shall have been entered into (and such Termination Transaction shall subsequently be consummated), then the Company shall pay, in addition to the Parent Expense Payment payable pursuant to Section 9.6(a), to Parent the Termination Fee promptly after completion of the Termination Transaction; (iii) Parent pursuant to Sections 9.2(c) or 9.2(d), then the Company shall pay to Parent, in addition to the Parent Expense Payment payable pursuant to Section 9.6(a), the Termination Fee promptly after receipt of written notice of such termination by Parent.

(c) Acceptance by Parent and the Purchaser or the Company of any payments referred to in this Section 9.6 shall constitute conclusive evidence that this Agreement has been validly terminated, and upon such acceptance Parent and the Purchaser or the Company, as applicable, shall be fully released and discharged from any other liability or obligation resulting from or under this Agreement (except that acceptance of the Parent Expense Payment shall not relieve the Company from its obligation to pay the Termination Fee in accordance with this Section 9.6). The Parent Expense Payment and the Termination Fee shall be paid by wire transfer to Parent. The Company Expense Payment shall be paid by wire transfer to the Company.

(d) The parties hereto further acknowledge that the agreements contained in this Section 9.6 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, Parent would not enter into this Agreement; accordingly, if the Company fails to timely pay any amount due pursuant to this Section 9.6, and, in order to obtain the payment, Parent commences an Action which results in a judgment against the Company for the payment set forth in this Section 9.6, the Company shall pay to Parent its reasonable costs and expenses (including reasonable attorneys' fees) in connection with this suit, together with interest thereon at a rate per annum equal to the prime rate (as reported from time to time in the Wall Street Journal) calculated on the basis of the actual number of days elapsed divided by 365, from the date such costs and expenses were incurred until the date of the payment.

(e) For purposes of this Agreement, a "Termination Transaction" means, in each case other than the Merger or as otherwise specifically contemplated by this Agreement, (i) any merger, consolidation, share exchange, business combination, recapitalization or other similar transaction or series of related transactions involving the Company in which the holders of the

voting stock of the Company immediately before such transaction do not own 50% or more of the voting stock of the continuing or surviving entity or the parent company of such entity, immediately after such transaction; (ii) any direct or indirect purchase or sale, lease, exchange, transfer or other disposition of the assets of the Company or its subsidiaries constituting a majority of the total assets of the Company and its subsidiaries, taken as a whole, or accounting for a majority of the total revenues of the Company and its subsidiaries, taken as a whole, in any one transaction or in a series of transactions; or (iii) any direct or indirect purchase or sale (pursuant to any tender offer, exchange offer or any similar transaction or otherwise) or series of related transactions engaged in by any Person in which such person acquires beneficial ownership of more than 50% of the outstanding Shares. Notwithstanding anything to the contrary in this Section 9.6(e), a Termination Transaction shall not include any sale of the common stock of the Company in a public offering resulting in a widespread distribution of the common stock of the Company.

ARTICLE X

MISCELLANEOUS

Section 10.1 Amendment and Modification. Subject to applicable Law, this Agreement may be amended, modified or supplemented only by written agreement (referring specifically to this Agreement) of Parent, the Purchaser and the Company, by action taken or authorized by their respective boards of directors, with respect to any of the terms contained in this Agreement; provided, however, that after any approval of this Agreement by the shareholders of the Company, no such amendment, modification or supplement may be made which reduces the Merger Consideration or the form of consideration therefor or which in any way materially adversely affects the rights of such shareholders, without the further approval of such shareholders.

Section 10.2 Waiver. At any time before the Effective Time, Parent and the Purchaser, on the one hand, and the Company, on the other hand, by action taken or authorized by their respective boards of directors, may (i) extend the time for the performance of any of the obligations or other acts of the other, (ii) waive any inaccuracies in the representations and warranties of the other contained in this Agreement or in any documents delivered pursuant to this Agreement or (iii) waive compliance by the other with any of the agreements or conditions contained in this Agreement which may legally be waived. Any such extension or waiver will be valid only if set forth in an instrument in writing specifically referring to this Agreement and signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of such rights, nor shall any single or partial exercise by any party to this Agreement of any of its rights under this Agreement preclude any other further exercise of such rights or any other rights under this Agreement.

Section 10.3 Notices. All notices, requests, demands, and other communications under this Agreement must be in writing and will be deemed to have been duly given and effective (i) immediately if delivered or sent and received by a fax transmission or electronic mail (if receipt by the intended recipient is confirmed by like means (which confirmation each party agrees to

transmit promptly) and if hard copy is delivered by overnight delivery service the next day), (ii) on the date of delivery if by hand delivery, (iii) before the Effective Time, on the first Business Day following the date of dispatch if by a nationally recognized overnight delivery service (all fees prepaid), or (iv) after the Effective Time, on the fifth Business Day following the date of dispatch if by a nationally recognized overnight delivery service (all fees prepaid). All notices shall be delivered to the following addresses:

If to Company:	With a copy to:
FinCor Holdings, Inc. 6215 West St. Joseph Highway Lansing, Michigan 48917-4852 Attention: Thomas F. Dickinson Facsimile No.: (517) 327-4609	Warner Norcross & Judd LLP 900 Fifth Third Center 111 Lyon Street, N.W. Grand Rapids, Michigan 49503-2487 Attention: Gordon R. Lewis, Esq. Facsimile No.: (616) 222-2752
If to the Holders Agent:	With a copy to:
Holders Agent, Inc. C/O The Corporation Company 30600 Telegraph Road Suite 2345 Bingham Farms, Michigan 48025	Warner Norcross & Judd LLP 900 Fifth Third Center 111 Lyon Street, N.W. Grand Rapids, Michigan 49503-2487 Attention: Gordon R. Lewis, Esq. Facsimile No.: (616) 222-2752
If to Parent or Purchaser:	With a copy to:
Medical Professional Mutual Insurance Company 101 Arch Street, P.O. Box 55178 Boston, Massachusetts 02205 Attention: Richard W. Brewer Facsimile No.: (617) 428-9851	Skadden, Arps, Slate, Meagher & Flom LLP Four Times Square New York, New York 10036 Attention: Robert J. Sullivan, Esq. Facsimile No.: (917) 777-2930
and	and
Horizon Merger Corporation C/O ProMutual Group 101 Arch Street, P.O. Box 55178 Boston, Massachusetts 02205 Attention: Janice W. Allegretto Facsimile No.: (617) 428-9851	Skadden, Arps, Slate, Meagher & Flom LLP 1440 New York Avenue, N.W. Washington, District of Columbia 20005 Attention: Christopher J. Ulery, Esq. Facsimile No.: (202) 661-9127

Section 10.4 Assignment; No Third Party Beneficiaries. This Agreement and all of its provisions are binding upon, inure to the benefit of and are enforceable by the parties to this

Agreement and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by any of the parties to this Agreement without the prior written consent of the other parties, and any attempt to make any such assignment without such consent shall be null and void; provided, however, that Parent may assign the rights and obligations of the Purchaser under this Agreement to any direct or indirect wholly-owned subsidiary of Parent. No assignment will relieve any party of its obligations under this Agreement. This Agreement, except for the provisions of Section 6.8 (which is intended to be for the benefit of the persons identified therein, and may be enforced by such persons), is not intended to confer any rights or remedies hereunder upon any other person except the parties to this Agreement, it being for the exclusive benefit of the parties to this Agreement and their successors and permitted assigns. Persons other than the parties may not rely upon the representations and warranties in this Agreement as characterizations of actual facts or circumstances as of the date of this Agreement or as of any other date.

Section 10.5 Governing Law.

(a) This Agreement shall be governed by and construed in accordance with the applicable Laws of the State of Michigan as applicable to contracts made and to be performed in the State of Michigan, without regard to conflicts of laws principles. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement or the Merger may only be brought in a court sitting in the State of Michigan, County of Eaton, or the United States District Court for the Western District of Michigan, and each party irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the preceding sentence may be served on a party in accordance with the notice provisions contained in Section 10.3.

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE IN CONNECTION WITH THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (III) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (IV) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.5(b).

Section 10.6 Specific Performance. The parties agree that irreparable harm would occur and the parties would not have any adequate remedy at Law in the event that any of the

provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that prior to the valid and effective termination of this Agreement in accordance with Article IX, the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which they are entitled at Law or in equity.

Section 10.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original and together will constitute one and the same agreement. A facsimile or pdf (portable document format) signature will have the same effect as an original signature. This Agreement shall become effective when each party has received counterparts thereof signed and delivered (by electronic communication, facsimile or otherwise) by all of the other parties.

Section 10.8 Interpretation.

(a) When a reference is made in this Agreement to an Article, Section, clause or Schedule, such reference shall be to an Article, Section or clause of, or Schedule to, this Agreement unless otherwise indicated. The table of contents and the article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and do not in any way affect the meaning or interpretation of this Agreement. The phrases "the date of this Agreement," "the date hereof" and terms of similar import, will be deemed to refer to June 3, 2009. Whenever the content of this Agreement permits, the masculine gender will include the feminine and neuter genders, and a reference to singular or plural will be interchangeable with the other. As used in this Agreement, (i) the term "person" or "Person" means and includes any individual, partnership, joint venture, corporation, trust, unincorporated organization or association, government (or any department or agency thereof) or any other entity; (ii) the term "subsidiary" of any person means any corporation, partnership, joint venture or other legal entity of which such person (either alone or through any other subsidiary) owns, directly or indirectly, more than 50% of the stock or other equity interests the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity; (iii) the term "including" and words of similar import mean "including, without limitation" unless otherwise specified; and (iv) the term "business day" or "Business Day" means any day other than a day on which banks in the State of Michigan are required or authorized to be closed.

(b) References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. References to any person include the successors and permitted assigns of that person. References to any statute are to that statute, as amended from time to time, and to the rules and regulations promulgated thereunder. References to "$" and "dollars" are to the currency of the United States of America. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively. The words "hereby," herein," "hereof," "hereunder" and words of similar import refer to this Agreement as a whole (including

any Schedules delivered herewith) and not merely to the specific section, paragraph or clause in which such word appears.

(c) The parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

(d) No summary of this Agreement or summary of any Schedule delivered herewith prepared by or on behalf of any party will affect the meaning or interpretation of this Agreement or any such Schedule.

Section 10.9 Entire Agreement. This Agreement, the Disclosure Statement, the Parent Disclosure Statement and the Confidentiality Agreement set forth the entire agreement and understanding of the parties to this Agreement in respect of the subject matter contained herein and therein and supersede all prior agreements and understandings between the parties with respect to such subject matter. No representation, promise, inducement or statement of intention has been made by any party to this Agreement in connection with the Merger or the transactions contemplated by this Agreement, which is not embodied in this Agreement, and no party to this Agreement is bound by or liable for any alleged representation, promise, inducement or statement of intention not so embodied.

Section 10.10 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any Law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Notwithstanding the foregoing, upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

[The remainder of this page intentionally left blank.]

EXECUTION COPY

The Company, the Purchaser, Parent, and the Holders Agent have caused this Agreement and Plan of Merger to be signed by their respective duly authorized officers as of the date first above written.

FINCOR HOLDINGS, INC.

By: Thomas F. Dickinson
Its: Chief Executive Officer and President

"Company"

MEDICAL PROFESSIONAL MUTUAL INSURANCE COMPANY

By: Richard W. Brewer
Its: President and Chief Executive Officer

"Parent"

HOLDERS AGENT, INC.

By: Thomas F. Dickinson
Its: President

"Holders Agent"

HORIZON MERGER CORPORATION

By: Richard W. Brewer
Its: President

"Purchaser"

Exhibit C
Holders' Agency Agreement

HOLDERS AGENT, INC.

HOLDERS' AGENCY AGREEMENT

THIS HOLDERS' AGENCY AGREEMENT, dated as of _____, 2009 ("**Agreement**"), is made by and among Holders Agent, Inc., a Michigan corporation (the "**Company**"), FinCor Holdings, Inc., a Michigan corporation ("**FinCor**"), in its capacity as the sole shareholder of the Company, and will be joined in by former shareholders of FinCor who sign an Acceptance of Shares in substantially the form appended to this Agreement as **Appendix A** (individually referred to as "**Shareholder**," and collectively as the "**Shareholders**").

The Company was formed by FinCor, as a wholly owned subsidiary of FinCor. Pursuant to an Agreement and Plan of Merger dated _____, 2009 (the "**Plan of Merger**") by and among FinCor, Horizon Merger Corporation, Medical Professional Mutual Insurance Company, and the Company, Horizon Merger Corporation will be merged with and into FinCor. As a result of such merger, the former common shareholders of FinCor and former holders of stock options and restricted stock of FinCor (collectively "**Holders**") are entitled to receive the Deferred Payment Per Share, if any, and the Per Share Adjustment Amount, if any (both as defined in the Plan of Merger). Pursuant to the Plan of Merger, FinCor has contributed certain initial capital to the Company to fund its operations and then distributed all of the shares of the Company to the Holders so that the Holders become Shareholders of the Company upon signing an Acceptance of Shares, effective as of the Effective Time of the Plan of Merger. To the extent any capitalized terms are used but not otherwise defined in this Agreement, such terms will have the meaning given to them in the Plan of Merger.

The Holders who after the date of this Agreement have signed the Acceptance of Shares have agreed to become bound by the terms of this Agreement and appoint the Company as agent for the Holders with respect to certain matters as set forth in the Plan of Merger, including without limitation, the determination, compromise or settlement of claims and matters under Sections 2.4 (Post Closing Net Worth Adjustment), 2.5 (Contingent Consideration), 2.6 (Offset Adjustment), 2.7 (Deferred Payment) and Article VIII (Survival and Recovery) of the Plan of Merger. After the Effective Time of the Merger, FinCor will no longer be a party to this Agreement and will have no responsibility, obligation or liability under this Agreement. FinCor has executed this Agreement in its capacity as the holder of all of the Company's shares and this Agreement will be binding on all transferees of such shares. The Company and the Shareholders, by signing the Acceptance of Shares, have agreed as follows:

1. **Purpose**. The purpose of the Company is to facilitate the transactions as set forth in the Plan of Merger.

(a) By signing the Acceptance of Shares and becoming bound by this Agreement, each Shareholder appoints the Company to serve as the Holders

Agent under the Plan of Merger and the Company is authorized to act as the exclusive agent and attorney-in-fact on behalf of each Shareholder with respect to certain matters as set forth in Plan of Merger, including without limitation the resolution, compromise or settlement of claims and matters under Sections 2.4 (Post Closing Net Worth Adjustment), 2.5 (Contingent Consideration), 2.6 (Offset Adjustment), 2.7 (Deferred Payment) and Article VIII (Survival and Recovery) of the Plan of Merger and to engage in such other activities as the Company's Board of Directors (the "**Board**") deems necessary, advisable, convenient or incidental thereto, and to engage in any business which may lawfully be conducted by a corporation formed pursuant to the Michigan Business Corporation Act and to carry on any business relating thereto or arising therefrom, including anything incidental or necessary to the foregoing.

(b) Without limiting the foregoing paragraph, the Company, in its capacity as Holders Agent, shall have the full power and authority to act on behalf of the Shareholders:

(i) To enter into such agreements and execute and deliver such waivers and consents in connection with the Plan of Merger and the consummation of the transactions contemplated by the Plan of Merger as the Board, in its sole discretion, authorizes;

(ii) To determine the amount of the Closing Net Book Value, the Post Closing Net Worth Adjustment, and the Closing Aggregate Pro Forma Adjustment Amount and to submit or not submit a Notice of Disagreement;

(iii) To determine the amount of and administer the process of resolving any dispute over the Contingent Consideration;

(iv) To determine the amount of the Offset Adjustment Amount;

(v) To determine the amount of and administer the process of resolving any dispute over the Deferred Payment Per Share;

(vi) To enforce, protect, and exercise the rights and interests of the Holders arising out of, or under, or in any manner relating to Plan of Merger and the transactions provided for therein (including, without limitation, in connection with the resolution of any and all claims for offset brought under Article VIII of the Plan of Merger);

(vii) To take any and all actions which the Board authorizes for and on behalf of the Holders, including, without limitation, consenting to, compromising or settling any such claims, conducting negotiations with Horizon Merger Corporation, Medical Professional Mutual Insurance Company and their representatives or successors in interest (collectively "**Purchaser**") regarding such claims, and, in connection therewith, to

(A) assert any claim or institute any action, proceeding or investigation,

(B) investigate, defend, contest or litigate any claim, action, proceeding or investigation initiated by Purchaser against the Company or the Holders, or by any party against FinCor or its successor for which a claim of offset may be asserted, and receive process on behalf of any or all Holders in any such claim, action, proceeding or investigation and compromise or settle such claims on such terms as the Board authorizes, and give receipts, releases and discharges with respect to, any such claim, action, proceeding or investigation,

(C) file any proofs of debt, claims and petitions as the Board may deem advisable or necessary,

(D) resolve, settle or compromise any claims asserted under the Plan of Merger and

(E) file and prosecute appeals from any decision, judgment or award rendered in any such action, proceeding or investigation, it being understood that the Company shall not have any obligation to take any such actions, and shall not have any liability for any failure to take any such actions;

(viii) To refrain from enforcing any right of the Company as agent for the Holders arising out of or under or in any manner relating to Plan of Merger (provided no such failure to act on the part of the Company, except as otherwise provided in this Agreement, shall be deemed a waiver of any such right or interest by the Company as agent for the Holders unless such waiver is in writing signed by the Company);

(ix) To make, execute, acknowledge and deliver all such other agreements, guarantees, orders, receipts, endorsements, notices, requests, instructions, certificates, stock powers, letters and other writings, and, in general, to do any and all things and to take any and all action that the Board, in its sole and absolute discretion, may consider necessary, appropriate or convenient in connection with or to carry out the transactions contemplated by this Agreement or the Plan of Merger;

(x) To engage and compensate legal counsel, accountants, actuaries and other advisors and incur such other expenses on behalf of the Holders in connection with any matter arising under the Plan of Merger or this Agreement; and

(xi) To employ, compensate and delegate power and authority to officers, employees and agents of the Company.

2. **Qualification for Ownership of the Shares.** Ownership of the Shares is restricted to (i) Holders; or (ii) any assignee, successor, or personal representative of a Holder who also holds the right to receive the Per Share Adjustment Amount and the Deferred Payment Per Share (together the "**Payment Rights**"). A Holder will become a shareholder of the Company upon the occurrence of all of the following events:

(a) The common shareholders of FinCor have approved the Plan of Merger and the Board of Directors of FinCor has declared a dividend to the former shareholders of FinCor of Shares in an amount equal to one Share of the Company for every one common share of FinCor issued and outstanding immediately before the Effective Time ("**FinCor Shares**");

(b) In the case of individuals who held FinCor stock options and restricted stock, FinCor has issued a compensatory award of one Share of the Company for every one share which would have been issued under FinCor's stock options if exercised in full and every one share of unvested restricted stock held immediately before the Effective Time of the Merger (together "**Award Shares**");

(c) The Effective Time of the Merger has occurred;

(d) The Holder has signed and delivered to the Company an Acceptance of Shares; and

(e) The Company has recorded the issuance of the Shares to the Holder on the Company's stock ledger without the issuance of certificates to the Holder in accordance with the bylaws of the Company.

At such time as a Holder becomes a Shareholder of the Company, the Holder will receive that number of Shares equal to the number of FinCor Shares held of record held by the Holder immediately before the Effective Time and/or the number of Award Shares awarded to the Holder. At the Effective Time, FinCor will no longer be a Shareholder of the Company.

3. **Shareholder Representations**. Each Shareholder represents and warrants to the Company and the other Shareholders that:

(a) The Shareholder has the right, power, and authority to execute and deliver this Agreement. No consent, approval, order or authorization of, or registration, declaration or filing with, any foreign, Federal, state or local or regulatory authority is required to be made or obtained by the Shareholder in connection with the execution delivery or performance of this Agreement by the Shareholder.

(b) The execution and delivery of this Agreement by the Shareholder and the ownership of the Shares pursuant to this Agreement will not conflict with, or result in a breach of or a default under, or give rise to a right of acceleration under, the Shareholder's articles of incorporation, bylaws or similar governing documents if the Shareholder is an entity, any agreement or instrument to which either the Shareholder is a party or by which the Shareholder is bound, or violate

any law, rule, or regulation of any governmental body or agency or any order, writ, injunction, or decree of any court or governmental body or agency to which the Shareholder is subject or by which the Shareholder is bound.

4. **Restrictions on Transfer.**

(a) ***General Restriction.*** A Shareholder shall not sell or transfer all or any of the Shareholder's Shares except in accordance with this Agreement. Any attempt by a Shareholder to sell or transfer any of the Shareholder's Shares without compliance with this Agreement shall be null and void and of no force or effect.

(b) ***Permissible Transfers.*** A Shareholder may transfer or assign all and only all of the Shareholder's Shares in the Company if and only if the Shareholder also transfers or assigns all rights of the Shareholder as a Holder to the Payment Rights to the same transferee. No transfer or assignment of any interest in the Payment Rights is permitted without the transfer or assignment of the Holder's corresponding Shares and the transferee becoming a Shareholder of the Company. Any Shareholder desiring to transfer or assign his, her or its Shares and right to the Payment Rights will complete an assignment in the form appended to this Agreement as **Appendix B** and deliver such assignment to the Company.

5. **Approval of Board Decisions Regarding the Plan of Merger.** Any action approved by the Board relating to the subject matter of this Agreement will be final and binding on the Shareholders. Notwithstanding the foregoing sentence, the Board may call a meeting of the Shareholders, or request the written consent of the Shareholders, to approve and ratify any action, inaction, or decision of the Board on any matter. If at a meeting where a quorum was present a majority of the Shareholders present and voting at the meeting vote to approve any action of the Board or Shareholders holding a majority of the Shares consent in writing to any action of the Board, then all Shareholders will be bound by such approval and no Shareholder may bring, commence, institute, maintain, or prosecute any action or proceeding or otherwise prosecute or sue the Company, any a member of the Board ("**Director**"), or officer or employee of the Company either affirmatively or by way of cross-complaint, defense or counterclaim, administrative charge or complaint, or in any other manner with respect to that matter.

6. **Limitation on Claims Against a Director.** The Shareholders agree that it would be manifestly unfair to subject a Director or any officer or employee of the Company to the expense of a defense and liability for any claim against the Director, officer or employee after the dissolution of the Company and the resultant incapacity of the Company to indemnify the Director, officer or employee. Therefore, an action against a Director, officer or employee by a Shareholder must be commenced within 3 years after the cause of action accrued or within 2 years after the cause of action is discovered or reasonably should have been discovered by the Shareholder, whichever occurs first, and in no event may any action against a Director, officer or employee be commenced after a certificate of dissolution has been filed by the Company. No Shareholder will have a cause of action against a Director, officer or employee if that matter is submitted to and ratified by the Shareholders.

7. **Securities Laws**. Each Shareholder agrees that such Shareholder will not transfer the Shares in the absence of an available and applicable exemption from the registration requirements of federal and applicable state securities laws. The Company is under no obligation to register Shares under federal and applicable state securities laws, qualify the Shares under any applicable federal or state securities laws, or to in any way assist the Shareholder to comply with any exemption under federal and applicable state securities laws.

8. **Additional Shares Covered by Agreement**. This Agreement shall apply to all Shares of the Company now owned or acquired in the future by the Shareholders.

9. **Notice**. Any notice to the Company will be effective 5 days after it is delivered to the Registered Agent of the Company. Any notice to a Shareholder will be effective 5 days following deposit of the notice in the U.S. mail, first-class postage attached to the address appearing in the stock records of the Company for that Shareholder.

10. **Amendment**. This Agreement may be amended or modified only by a vote or written consent of Shareholders holding a majority of the Shares; provided, however, no amendment to this Agreement shall subject any Shareholder to any duty or financial obligation not stated in this Agreement without that Shareholder's consent.

11. **Binding Effect, and Additional Parties**. This Agreement shall be binding on all the parties to this Agreement and their respective heirs, successors, and assigns. Any Holder not initially a party to this Agreement may become a party if the Holder meets the qualifications of Paragraph 2.

12. **Severability**. Any provision of this Agreement prohibited or unenforceable by any applicable law shall be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Agreement.

13. **Venue and Jurisdiction**. The parties agree that a proper forum in which to litigate any dispute that arises under this Agreement shall be the Michigan state courts in Ingham County, Michigan. Each party to this Agreement also agrees that the courts shall have personal jurisdiction over the party with respect to any action under this Agreement.

14. **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan applicable to contracts made and to be performed in that State.

15. **Acceptance of Shares**. FinCor has entered into this Agreement as the holder of all of the shares of the Company, solely for purposes of binding those shares, and all future shareholders will be bound by this agreement as direct or indirect assignees or transferees of the Company. Effective as of the Effective Time, without further action on the part of the Company or FinCor, FinCor shall no longer be a party to this Agreement, and, from and after the Effective Time, FinCor shall have no responsibility, obligation or liability whatsoever under this Agreement. By signing an the Acceptance of Shares each Shareholder has agreed to bound by the terms of this Agreement and appoints FinCor as the true and lawful attorney of the Shareholder solely for the purpose of executing this Agreement. Powers of attorney relating to the signing of this Agreement by an attorney in fact need not be sworn to, verified,

acknowledged, or filed with the Company. The power of attorney granted by the Acceptance of Shares and this Agreement is coupled with an interest, shall be irrevocable, shall survive the bankruptcy, dissolution, or liquidation of such Shareholder, and shall be deemed given by each and every assignee and successor of such Shareholder.

FinCor and the Company have caused this Agreement to be executed as of the date set forth above.

FINCOR HOLDINGS, INC.

By **[TO BE PROVIDED]**

HOLDERS AGENT, INC.

By **[TO BE PROVIDED]**

1649879

APPENDIX A

ACCEPTANCE OF SHARES

By signing below, the undersigned ("**Shareholder**") agrees as set forth below. To the extent any capitalized terms are used but not otherwise defined in this Acceptance of Shares, such terms will have the meaning given to them in the Holder's Agency Agreement dated _____, 2009 ("**Agreement**").

1. **Acceptance of Shares.** The Shareholder accepts the transfer of shares in Holders Agent, Inc. (the "**Company**") from FinCor Holdings, Inc. (the "**Company**") to be registered as "book entry" shares on the stock records of the Company.

2. **Holders Agency Agreement**. The Shareholder agrees to be bound by the terms of the Agreement in the form provided to the Shareholder in the Proxy Statement of the Company dated _____, 2009.

3. **Appointment as Agent**. The Shareholder appoints the Company to act as agent for Shareholder for all purposes stated in the Agreement.

4. **Transfers**. The Shareholder agrees to the restrictions on transfer of the shares of the Company and Payment Rights provided in Section 4 of the Agreement.

Dated: _____

INDIVIDUALS:

_____
Signature

_____
Print Name

ENTITIES:

_____
Name of Entity

By: _____
(Authorized Signature)

Its: _____
(Print Name and Title of Signatory)

APPENDIX B

ASSIGNMENT OF SHARES OF HOLDERS AGENT, INC.

Subject to the terms of the Holder's Agency Agreement dated _____, 2009 (the "**Agreement**") and the bylaws of Holders Agent, Inc., a Michigan corporation (the "**Company**")

_____ ("**Shareholder**") hereby irrevocably assigns, transfers, and conveys to the person or entity named below ("**Assignee**") the number of shares of the Company set forth next to the Assignee's name, which shares are all of the shares in the Shareholder's name on the books of the Company. Shareholder also irrevocably assigns to the Assignee all right of the Shareholder to receive payment of the Per Share Adjustment Amount, if any, and the Deferred Payment Per Share, if any, (together, the "**Payment Rights**") if and when the Payment Rights are paid under the Agreement and Plan of Merger dated _____, 2009 by and among FinCor, Horizon Merger Corporation, Medical Professional Mutual Insurance Company, and the Company. Capitalized terms that are not defined in this assignment are defined in the Agreement.

Assignee	Shares

The Assignee agrees as follows:

1. **Acceptance of Shares**: Assignee accepts the transfer of shares in the Company from the Shareholder, to be registered as "book entry" shares on the stock records of the Company and the corresponding Payment Rights.

2. **Holders Agency Agreement**. Assignee agrees to be bound by the terms of the Agreement in the form provided to the Assignee by the Company.

3. **Appointment as Agent**. The Assignee appoints the Company to act as agent for the Assignee for all purposes stated in the Agreement.

4. **Transfers**. The Assignee agrees to the restrictions on transfer of the shares of the Company and Payment Rights provided in Section 4 of the Agreement.

Dated: _____

"Shareholder"
INDIVIDUALS:

_____
Signature

_____
Print Name

ENTITIES:

_____
Name of Entity

By: _____
(Authorized Signature)

_____
(Print Name and Title of Signatory)

"Assignee"
INDIVIDUALS:

_____
Signature

_____
Print Name

ENTITIES:

_____
Name of Entity

By: _____
(Authorized Signature)

_____
(Print Name and Title of Signatory)

Signature page to the Assignment of Shares

Exhibit D

Calculation Examples

(A) Post-closing net worth adjustment calculation examples:

1. CNBV + PFA Increase < Ceiling Amount and > Floor Amount
   [e.g., $115,000 + $1,000 < $126,400 and > $103,400]
2. CNBV – PFA Setoff < Ceiling Amount and > Floor Amount
   [e.g., $115,000 - $1,000 < $126,400 and > $103,400]
3. CNBV > Ceiling Amount + PFA Increase
   [e.g., $130,000 > $126,400 + $1,000]
4. CNBV – PFA Setoff > Ceiling Amount
   [$130,000 - $1,000 > $126,400]
5. CNBV + PFA Increase < Floor Amount
   [e.g., $100,000 + $1,000 < $103,400]
6. CNBV – PFA Setoff < Floor Amount
   [e.g., $100,000 - $1,000 < $103,400]
7. CNBV > Ceiling Amount but CNBV – PFA Setoff < Ceiling Amount
   [e.g., $127,400 > $126,400 but $127,400 - $2,000 < $126,400]
8. CNBV < Ceiling Amount but CNBV + PFA Increase > Ceiling Amount
   [e.g., $125,400 < $126,400 but $125,400 + $2,000 > $126,400]
9. CNBV > Floor Amount but CNBV – PFA Setoff < Floor Amount
   [e.g., $104,400 > $103,400 but $104,400 - $2,000 < $103,400]
10. CNBV < Floor Amount but CNBV + PFA Increase > Floor Amount
    [e.g., $102,400 < $103,400 but $102,400 + $2,000 > $103,400]

(B) Contingent Consideration calculation example.

Post-Closing Net Worth Adjustment

Scenario 1

Inputs and Assumptions

Purchase Price	$182,000	Proforma Adjustments Allowance	$	8,000
Target NBV ("TNBV")	113,400	Closing Aggregate Proforma Adjustment Amount		7,000
Estimated Closing NBV ("ECNBV")	125,000	Proforma Adjustment Amount Increase	$	1,000
Closing NBV ("CNBV")	115,000	*or* Proforma Adjustment Amount Setoff		-
		Proforma Adj. Amnt Setoff reduced by amount that CNBV > Ceiling		
Downside Collar	10,000	Preferred Share Value		8,853
Upside Collar	13,000	Shares Outstanding		622
Floor	103,400	Shares Underlying Options		99
Ceiling	126,400	Aggregate Option Exercise Price	$	8,582
Top Up	-	RJ fee		0.97%

Consideration Calculations

Calculation of Cash Paid per Share at Close

Purch Price	182,000
less Downside Collar	(10,000)
less PF Adjustment Allowance	(8,000)
plus Options proceeds	8,582
Option Adjusted Aggregate Consideration	172,582
Option Adjusted Shares	722
Per Share Closing Amount	$ 239.11

Reconcillation of Cash Paid at Close

Cash to Common Holders @ $239.11 / share	$ 148,828
Net Cash to Option Hldrs @ $239.11 / share	15,172
Total Cash to Common and Options	164,000

Paid at True Up

CNBV minus TNBV (limited by Upside Collar + Top Up)	1,600
plus Downside Collar	10,000
+ / - PF Adjustment Amount Increase (Setoff)	1,000
True Up (minimum of $0)	12,600
less RJ Fee	(122)
Net True Up	12,478
True Up per Diluted Share	$ 17.29

True Up Cash to Common	$ 10,760
True Up Cash to Options	1,717
Total True Up	12,478
Total Cash to Common and Options	176,478
Total Cash per Diluted Share	$ 256.39

Deferred Payment

Contingent Consideration [1]	$ 58,943
Less Offset Adj. Amount for breaches of Reps/Warranties	-
Less NBV Shortfall	-
Deferred Payment	$ 58,943
less RJ Fee	(572)
Net Deferred Payment	$ 58,371
Net Deferred Payment per Diluted Share	$ 80.87

Net Deferred Payment to Common	$ 50,337
Net Deferred Payment to Options	8,034
Total Net Deferred Payment	58,371
Total Closing, True Up, Net Deferred Payment	$ 234,849
Total per Diluted Share	$ 337.26

(1) Assumes 100% redundancy of IBNR reserves.

Post-Closing Net Worth Adjustment

Scenario 2

Inputs and Assumptions

Purchase Price	$182,000	Proforma Adjustments Allowance	$	8,000
Target NBV ("TNBV")	113,400	Closing Aggregate Proforma Adjustment Amount		8,000
Estimated Closing NBV ("ECNBV")	125,000	Proforma Adjustment Amount Increase	$	-
Closing NBV ("CNBV")	115,000	*or* Proforma Adjustment Amount Setoff		(1,000)
		Proforma Adj. Amnt Setoff reduced by amount that CNBV > Ceiling		
Downside Collar	10,000	Preferred Share Value		8,853
Upside Collar	13,000	Shares Outstanding		622
Floor	103,400	Shares Underlying Options		99
Ceiling	126,400	Aggregate Option Exercise Price	$	8,582
Top Up	-	RJ fee		0.97%

Consideration Calculations

Calculation of Cash Paid per Share at Close

Purch Price	182,000
less Downside Collar	(10,000)
less PF Adjustment Allowance	(8,000)
plus Options proceeds	8,582
Option Adjusted Aggregate Consideration	172,582
Option Adjusted Shares	722
Per Share Closing Amount	$ 239.11

Reconciliation of Cash Paid at Close

Cash to Common Holders @ $239.11 / share	$ 148,828
Net Cash to Option Hldrs @ $239.11 / share	15,172
Total Cash to Common and Options	164,000

Paid at True Up

CNBV minus TNBV (limited by Upside Collar + Top Up)	1,600
plus Downside Collar	10,000
+ / - PF Adjustment Amount Increase (Setoff)	(1,000)
True Up (minimum of $0)	10,600
less RJ Fee	(103)
Net True Up	10,497
True Up per Diluted Share	$ 14.54

True Up Cash to Common	$ 9,052
True Up Cash to Options	1,445
Total True Up	10,497
Total Cash to Common and Options	174,497
Total Cash per Diluted Share	$ 253.65

Deferred Payment

Contingent Consideration [1]	$ 58,943
Less Offset Adj. Amount for breaches of Reps/Warranties	-
Less NBV Shortfall	-
Deferred Payment	$ 58,943
less RJ Fee	(572)
Net Deferred Payment	$ 58,371
Net Deferred Payment per Diluted Share	$ 80.87

Net Deferred Payment to Common	$ 50,337
Net Deferred Payment to Options	8,034
Total Net Deferred Payment	58,371
Total Closing, True Up, Net Deferred Payment	$ 232,868
Total per Diluted Share	$ 334.52

(1) Assumes 100% redundancy of IBNR reserves.

Post-Closing Net Worth Adjustment

Scenario 3

Inputs and Assumptions

Purchase Price	$182,000	Proforma Adjustments Allowance	$	8,000
Target NBV ("TNBV")	113,400	Closing Aggregate Proforma Adjustment Amount		7,000
Estimated Closing NBV ("ECNBV")	125,000	Proforma Adjustment Amount Increase	$	1,000
Closing NBV ("CNBV")	130,000	*or* Proforma Adjustment Amount Setoff		-
		Proforma Adj. Amnt Setoff reduced by amount that CNBV > Ceiling		
Downside Collar	10,000	Preferred Share Value		8,853
Upside Collar	13,000	Shares Outstanding		622
Floor	103,400	Shares Underlying Options		99
Ceiling	126,400	Aggregate Option Exercise Price	$	8,582
Top Up	-	RJ fee		0.97%

Consideration Calculations

Calculation of Cash Paid per Share at Close

Purch Price	182,000
less Downside Collar	(10,000)
less PF Adjustment Allowance	(8,000)
plus Options proceeds	8,582
Option Adjusted Aggregate Consideration	172,582
Option Adjusted Shares	722
Per Share Closing Amount	$ 239.11

Reconciliation of Cash Paid at Close

Cash to Common Holders @ $239.11 / share	$ 148,828
Net Cash to Option Hldrs @ $239.11 / share	15,172
Total Cash to Common and Options	164,000

Paid at True Up

CNBV minus TNBV (limited by Upside Collar + Top Up)	13,000
plus Downside Collar	10,000
+ / - PF Adjustment Amount Increase (Setoff)	1,000
True Up (minimum of $0)	24,000
less RJ Fee	(233)
Net True Up	23,767
True Up per Diluted Share	$ 32.93

True Up Cash to Common	$	20,496
True Up Cash to Options		3,271
Total True Up		23,767
Total Cash to Common and Options		187,767
Total Cash per Diluted Share	$	272.04

Deferred Payment

Contingent Consideration (1)	$ 58,943
Less Offset Adj. Amount for breaches of Reps/Warranties	-
Less NBV Shortfall	-
Deferred Payment	$ 58,943
less RJ Fee	(572)
Net Deferred Payment	$ 58,371
Net Deferred Payment per Diluted Share	$ 80.87

Net Deferred Payment to Common	$	50,337
Net Deferred Payment to Options		8,034
Total Net Deferred Payment		58,371
Total Closing, True Up, Net Deferred Payment	$	246,138
Total per Diluted Share	$	352.91

(1) Assumes 100% redundancy of IBNR reserves.

Post-Closing Net Worth Adjustment

Scenario 4

Inputs and Assumptions

Purchase Price	$182,000	Proforma Adjustments Allowance	$ 8,000
Target NBV ("TNBV")	113,400	Closing Aggregate Proforma Adjustment Amount	9,000
Estimated Closing NBV ("ECNBV")	125,000	Proforma Adjustment Amount Increase	$ -
Closing NBV ("CNBV")	130,000	*or* Proforma Adjustment Amount Setoff	-
		Proforma Adj. Amnt Setoff reduced by amount that CNBV > Ceiling	
Downside Collar	10,000	Preferred Share Value	8,853
Upside Collar	13,000	Shares Outstanding	622
Floor	103,400	Shares Underlying Options	99
Ceiling	126,400	Aggregate Option Exercise Price	$ 8,582
Top Up	-	RJ fee	0.97%

Consideration Calculations

Calculation of Cash Paid per Share at Close

Purch Price	182,000
less Downside Collar	(10,000)
less PF Adjustment Allowance	(8,000)
plus Options proceeds	8,582
Option Adjusted Aggregate Consideration	172,582
Option Adjusted Shares	722
Per Share Closing Amount	$ 239.11

Reconciliation of Cash Paid at Close

Cash to Common Holders @ $239.11 / share	$ 148,828
Net Cash to Option Hldrs @ $239.11 / share	15,172
Total Cash to Common and Options	164,000

Paid at True Up

CNBV minus TNBV (limited by Upside Collar + Top Up)	13,000
plus Downside Collar	10,000
+ / - PF Adjustment Amount Increase (Setoff)	-
True Up (minimum of $0)	23,000
less RJ Fee	(223)
Net True Up	22,777
True Up per Diluted Share	$ 31.56

True Up Cash to Common	$ 19,642
True Up Cash to Options	3,135
Total True Up	22,777
Total Cash to Common and Options	186,777
Total Cash per Diluted Share	$ 270.66

Deferred Payment

Contingent Consideration (1)	$ 58,943
Less Offset Adj. Amount for breaches of Reps/Warranties	-
Less NBV Shortfall	-
Deferred Payment	$ 58,943
less RJ Fee	(572)
Net Deferred Payment	$ 58,371
Net Deferred Payment per Diluted Share	$ 80.87

Net Deferred Payment to Common	$ 50,337
Net Deferred Payment to Options	8,034
Total Net Deferred Payment	58,371
Total Closing, True Up, Net Deferred Payment	$ 245,148
Total per Diluted Share	$ 351.53

(1) Assumes 100% redundancy of IBNR reserves.

Post-Closing Net Worth Adjustment

Scenario 5

Inputs and Assumptions

Purchase Price	$182,000	Proforma Adjustments Allowance	$	8,000
Target NBV ("TNBV")	113,400	Closing Aggregate Proforma Adjustment Amount		7,000
Estimated Closing NBV ("ECNBV")	125,000	Proforma Adjustment Amount Increase	$	1,000
Closing NBV ("CNBV")	100,000	*or* Proforma Adjustment Amount Setoff		-
		Proforma Adj. Amnt Setoff reduced by amount that CNBV > Ceiling		
Downside Collar	10,000	Preferred Share Value		8,853
Upside Collar	13,000	Shares Outstanding		622
Floor	103,400	Shares Underlying Options		99
Ceiling	126,400	Aggregate Option Exercise Price	$	8,582
Top Up	-	RJ fee		0.97%

Consideration Calculations

Calculation of Cash Paid per Share at Close

Purch Price	182,000
less Downside Collar	(10,000)
less PF Adjustment Allowance	(8,000)
plus Options proceeds	8,582
Option Adjusted Aggregate Consideration	172,582
Option Adjusted Shares	722
Per Share Closing Amount	$ 239.11

Reconciliation of Cash Paid at Close

Cash to Common Holders @ $239.11 / share	$ 148,828
Net Cash to Option Hldrs @ $239.11 / share	15,172
Total Cash to Common and Options	164,000

Paid at True Up

CNBV minus TNBV (limited by Upside Collar + Top Up)	(13,400)
plus Downside Collar	10,000
+ / - PF Adjustment Amount Increase (Setoff)	1,000
True Up (minimum of $0)	-
less RJ Fee	-
Net True Up	-
True Up per Diluted Share	$ -

True Up Cash to Common	$ -
True Up Cash to Options	-
Total True Up	-
Total Cash to Common and Options	164,000
Total Cash per Diluted Share	$ 239.11

Deferred Payment

Contingent Consideration [1]	$ 58,943
Less Offset Adj. Amount for breaches of Reps/Warranties	-
Less NBV Shortfall	(2,400)
Deferred Payment	$ 56,543
less RJ Fee	(548)
Net Deferred Payment	$ 55,994
Net Deferred Payment per Diluted Share	$ 77.58

Net Deferred Payment to Common	$ 48,287
Net Deferred Payment to Options	7,707
Total Net Deferred Payment	55,994
Total Closing, True Up, Net Deferred Payment	$ 219,994
Total per Diluted Share	$ 316.68

(1) Assumes 100% redundancy of IBNR reserves.

Post-Closing Net Worth Adjustment

Scenario 6

Inputs and Assumptions

Purchase Price	$182,000	Proforma Adjustments Allowance	$ 8,000
Target NBV ("TNBV")	113,400	Closing Aggregate Proforma Adjustment Amount	9,000
Estimated Closing NBV ("ECNBV")	125,000	Proforma Adjustment Amount Increase	$ -
Closing NBV ("CNBV")	100,000	*or* Proforma Adjustment Amount Setoff	(1,000)
		Proforma Adj. Amnt Setoff reduced by amount that CNBV > Ceiling	
Downside Collar	10,000	Preferred Share Value	8,853
Upside Collar	13,000	Shares Outstanding	622
Floor	103,400	Shares Underlying Options	99
Ceiling	126,400	Aggregate Option Exercise Price	$ 8,582
Top Up	-	RJ fee	0.97%

Consideration Calculations

Calculation of Cash Paid per Share at Close

Purch Price	182,000
less Downside Collar	(10,000)
less PF Adjustment Allowance	(8,000)
plus Options proceeds	8,582
Option Adjusted Aggregate Consideration	172,582
Option Adjusted Shares	722
Per Share Closing Amount	$ 239.11

Reconciliation of Cash Paid at Close

Cash to Common Holders @ $239.11 / share	$ 148,828
Net Cash to Option Hldrs @ $239.11 / share	15,172
Total Cash to Common and Options	164,000

Paid at True Up

CNBV minus TNBV (limited by Upside Collar + Top Up)	(13,400)
plus Downside Collar	10,000
+ / - PF Adjustment Amount Increase (Setoff)	(1,000)
True Up (minimum of $0)	-
less RJ Fee	-
Net True Up	-
True Up per Diluted Share	$ -

True Up Cash to Common	$ -
True Up Cash to Options	-
Total True Up	-
Total Cash to Common and Options	164,000
Total Cash per Diluted Share	$ 239.11

Deferred Payment

Contingent Consideration (1)	$ 58,943
Less Offset Adj. Amount for breaches of Reps/Warranties	-
Less NBV Shortfall	(4,400)
Deferred Payment	$ 54,543
less RJ Fee	(529)
Net Deferred Payment	$ 54,014
Net Deferred Payment per Diluted Share	$ 74.83

Net Deferred Payment to Common	$ 46,579
Net Deferred Payment to Options	7,434
Total Net Deferred Payment	54,014
Total Closing, True Up, Net Deferred Payment	$ 218,014
Total per Diluted Share	$ 313.94

(1) Assumes 100% redundancy of IBNR reserves.

Post-Closing Net Worth Adjustment

Scenario 7

Inputs and Assumptions

Purchase Price	$182,000	Proforma Adjustments Allowance	$	8,000
Target NBV ("TNBV")	113,400	Closing Aggregate Proforma Adjustment Amount		10,000
Estimated Closing NBV ("ECNBV")	125,000	Proforma Adjustment Amount Increase	$	-
Closing NBV ("CNBV") >	127,400	*or* Proforma Adjustment Amount Setoff		(1,000)
		Proforma Adj. Amnt Setoff reduced by amount that CNBV > Ceiling		
Downside Collar	10,000	Preferred Share Value		8,853
Upside Collar	13,000	Shares Outstanding		622
Floor	103,400	Shares Underlying Options		99
Ceiling	126,400	Aggregate Option Exercise Price	$	8,582
Top Up	-	RJ fee		0.97%

Consideration Calculations

Calculation of Cash Paid per Share at Close

Purch Price	182,000
less Downside Collar	(10,000)
less PF Adjustment Allowance	(8,000)
plus Options proceeds	8,582
Option Adjusted Aggregate Consideration	172,582
Option Adjusted Shares	722
Per Share Closing Amount	$ 239.11

Reconciliation of Cash Paid at Close

Cash to Common Holders @ $239.11 / share	$	148,828
Net Cash to Option Hldrs @ $239.11 / share		15,172
Total Cash to Common and Options		164,000

Paid at True Up

CNBV minus TNBV (limited by Upside Collar + Top Up)	13,000
plus Downside Collar	10,000
+ / - PF Adjustment Amount Increase (Setoff)	(1,000)
True Up (minimum of $0)	22,000
less RJ Fee	(213)
Net True Up	21,787
True Up per Diluted Share	$ 30.18

True Up Cash to Common	$	18,788
True Up Cash to Options		2,999
Total True Up		21,787
Total Cash to Common and Options		185,787
Total Cash per Diluted Share	$	269.29

Deferred Payment

Contingent Consideration (1)	$ 58,943
Less Offset Adj. Amount for breaches of Reps/Warranties	-
Less NBV Shortfall	-
Deferred Payment	$ 58,943
less RJ Fee	(572)
Net Deferred Payment	$ 58,371
Net Deferred Payment per Diluted Share	$ 80.87

Net Deferred Payment to Common	$	50,337
Net Deferred Payment to Options		8,034
Total Net Deferred Payment		58,371
Total Closing, True Up, Net Deferred Payment	$	244,157
Total per Diluted Share	$	350.16

(1) Assumes 100% redundancy of IBNR reserves.

Post-Closing Net Worth Adjustment

Scenario 8

Inputs and Assumptions

Purchase Price	$182,000	Proforma Adjustments Allowance	$	8,000
Target NBV ("TNBV")	113,400	Closing Aggregate Proforma Adjustment Amount		6,000
Estimated Closing NBV ("ECNBV")	125,000	Proforma Adjustment Amount Increase	$	2,000
Closing NBV ("CNBV")	125,400	*or* Proforma Adjustment Amount Setoff		-
		Proforma Adj. Amnt Setoff reduced by amount that CNBV > Ceiling		
Downside Collar	10,000	Preferred Share Value		8,853
Upside Collar	13,000	Shares Outstanding		622
Floor	103,400	Shares Underlying Options		99
Ceiling	126,400	Aggregate Option Exercise Price	$	8,582
Top Up	-	RJ fee		0.97%

Consideration Calculations

Calculation of Cash Paid per Share at Close

Purch Price	182,000
less Downside Collar	(10,000)
less PF Adjustment Allowance	(8,000)
plus Options proceeds	8,582
Option Adjusted Aggregate Consideration	172,582
Option Adjusted Shares	722
Per Share Closing Amount	$ 239.11

Reconciliation of Cash Paid at Close

Cash to Common Holders @ $239.11 / share	$	148,828
Net Cash to Option Hldrs @ $239.11 / share		15,172
Total Cash to Common and Options		164,000

Paid at True Up

CNBV minus TNBV (limited by Upside Collar + Top Up)	12,000
plus Downside Collar	10,000
+ / - PF Adjustment Amount Increase (Setoff)	2,000
True Up (minimum of $0)	24,000
less RJ Fee	(233)
Net True Up	23,767
True Up per Diluted Share	$ 32.93

True Up Cash to Common	$	20,496
True Up Cash to Options		3,271
Total True Up		23,767
Total Cash to Common and Options		187,767
Total Cash per Diluted Share	$	272.04

Deferred Payment

Contingent Consideration (1)	$ 58,943
Less Offset Adj. Amount for breaches of Reps/Warranties	-
Less NBV Shortfall	-
Deferred Payment	$ 58,943
less RJ Fee	(572)
Net Deferred Payment	$ 58,371
Net Deferred Payment per Diluted Share	$ 80.87

Net Deferred Payment to Common	$	50,337
Net Deferred Payment to Options		8,034
Total Net Deferred Payment		58,371
Total Closing, True Up, Net Deferred Payment	$	246,138
Total per Diluted Share	$	352.91

(1) Assumes 100% redundancy of IBNR reserves.

Post-Closing Net Worth Adjustment

Scenario 9

Inputs and Assumptions

Purchase Price	$182,000	Proforma Adjustments Allowance	$ 8,000
Target NBV ("TNBV")	113,400	Closing Aggregate Proforma Adjustment Amount	10,000
Estimated Closing NBV ("ECNBV")	125,000	Proforma Adjustment Amount Increase	$ -
Closing NBV ("CNBV")	104,400	*or* Proforma Adjustment Amount Setoff	(2,000)
		Proforma Adj. Amnt Setoff reduced by amount that CNBV > Ceiling	
Downside Collar	10,000	Preferred Share Value	8,853
Upside Collar	13,000	Shares Outstanding	622
Floor	103,400	Shares Underlying Options	99
Ceiling	126,400	Aggregate Option Exercise Price	$ 8,582
Top Up	-	RJ fee	0.97%

Consideration Calculations

Calculation of Cash Paid per Share at Close

Purch Price	182,000
less Downside Collar	(10,000)
less PF Adjustment Allowance	(8,000)
plus Options proceeds	8,582
Option Adjusted Aggregate Consideration	172,582
Option Adjusted Shares	722
Per Share Closing Amount	$ 239.11

Reconciliation of Cash Paid at Close

Cash to Common Holders @ $239.11 / share	$ 148,828
Net Cash to Option Hldrs @ $239.11 / share	15,172
Total Cash to Common and Options	164,000

Paid at True Up

CNBV minus TNBV (limited by Upside Collar + Top Up)	(9,000)
plus Downside Collar	10,000
+ / - PF Adjustment Amount Increase (Setoff)	(2,000)
True Up (minimum of $0)	-
less RJ Fee	-
Net True Up	-
True Up per Diluted Share	$ -

True Up Cash to Common	$ -
True Up Cash to Options	-
Total True Up	-
Total Cash to Common and Options	164,000
Total Cash per Diluted Share	$ 239.11

Deferred Payment

Contingent Consideration [1]	$ 58,943
Less Offset Adj. Amount for breaches of Reps/Warranties	-
Less NBV Shortfall	(1,000)
Deferred Payment	$ 57,943
less RJ Fee	(562)
Net Deferred Payment	$ 57,381
Net Deferred Payment per Diluted Share	$ 79.50

Net Deferred Payment to Common	$ 49,483
Net Deferred Payment to Options	7,898
Total Net Deferred Payment	57,381
Total Closing, True Up, Net Deferred Payment	$ 221,381
Total per Diluted Share	$ 318.61

(1) Assumes 100% redundancy of IBNR reserves.

Post-Closing Net Worth Adjustment

Scenario 10

Inputs and Assumptions

Purchase Price	$182,000	Proforma Adjustments Allowance	$ 8,000
Target NBV ("TNBV")	113,400	Closing Aggregate Proforma Adjustment Amount	6,000
Estimated Closing NBV ("ECNBV")	125,000	Proforma Adjustment Amount Increase	$ 2,000
Closing NBV ("CNBV")	102,400	*or* Proforma Adjustment Amount Setoff	-
		Proforma Adj. Amnt Setoff reduced by amount that CNBV > Ceiling	
Downside Collar	10,000	Preferred Share Value	8,853
Upside Collar	13,000	Shares Outstanding	622
Floor	103,400	Shares Underlying Options	99
Ceiling	126,400	Aggregate Option Exercise Price	$ 8,582
Top Up	-	RJ fee	0.97%

Consideration Calculations

Calculation of Cash Paid per Share at Close

Purch Price	182,000
less Downside Collar	(10,000)
less PF Adjustment Allowance	(8,000)
plus Options proceeds	8,582
Option Adjusted Aggregate Consideration	172,582
Option Adjusted Shares	722
Per Share Closing Amount	$ 239.11

Reconciliation of Cash Paid at Close

Cash to Common Holders @ $239.11 / share	$ 148,828
Net Cash to Option Hldrs @ $239.11 / share	15,172
Total Cash to Common and Options	164,000

Paid at True Up

CNBV minus TNBV (limited by Upside Collar + Top Up)	(11,000)
plus Downside Collar	10,000
+ / - PF Adjustment Amount Increase (Setoff)	2,000
True Up (minimum of $0)	1,000
less RJ Fee	(10)
Net True Up	990
True Up per Diluted Share	$ 1.37

True Up Cash to Common	$ 854
True Up Cash to Options	136
Total True Up	990
Total Cash to Common and Options	164,990
Total Cash per Diluted Share	$ 240.48

Deferred Payment

Contingent Consideration [1]	$ 58,943
Less Offset Adj. Amount for breaches of Reps/Warranties	-
Less NBV Shortfall	-
Deferred Payment	$ 58,943
less RJ Fee	(572)
Net Deferred Payment	$ 58,371
Net Deferred Payment per Diluted Share	$ 80.87

Net Deferred Payment to Common	$ 50,337
Net Deferred Payment to Options	8,034
Total Net Deferred Payment	58,371
Total Closing, True Up, Net Deferred Payment	$ 223,361
Total per Diluted Share	$ 321.35

(1) Assumes 100% redundancy of IBNR reserves.

Contingent Consideration Calculation Example

Contingent Consideration Calculation

(A+D)-((B+C)+[D*((B+C)/A))] = X

	Case	IBNR	Total
A (Losses and Defense and Cost Cont. Exp Rsvs)	$77,511	$152,790	$230,301
D (Adjusting and Other Expenses Rsvs)			22,239
A + D			252,540
Redundancy percentage	0.0%	100.0%	
B + C (Loss/LAE Paid + Central Estimate)			77,511
(D * (B + C) / A)			7,485
X Reserve Redundancy			167,544
minus Contingent Consideration Deductible			(38,000)
"X" net Of Deductible			129,544
Horizon Allocation			70%
Horizon Allocation Before Tax Offset			90,681
Taxes			35%
Contingent Consideration			**58,943**

Sensitivity

IBNR Redundancy	100%	90%	80%	70%	60%	50%
Cont. Consideration	$58,943	$51,319	$43,696	$36,073	$28,450	$20,826

Appendix B

Opinion of Raymond James

RAYMOND JAMES

June 3, 2009

Board of Directors
FinCor Holdings Inc.
6215 West St. Joseph Highway
Lansing, MI, 48917

Members of the Board:

You have requested our opinion as to the fairness, from a financial point of view, to the holders (the "Shareholders") of the outstanding common stock (the "Common Stock") of FinCor Holdings, Inc. (the "Company") of the consideration to be received by the Shareholders in connection with the proposed acquisition and merger (the "Transaction") of the Company with Horizon Merger Corporation ("HMC") a subsidiary of Medical Professional Mutual Insurance Company ("ProMutual") pursuant to the terms of the draft Agreement and Plan of Merger by and among the Company, HMC, ProMutual and Holders Agent, Inc. dated as of June 2, 2009 (the "Agreement"). Under and subject to the terms of the Agreement, the consideration to be offered by ProMutual to the Shareholders in exchange for all the outstanding Common Stock of the Company will consist of $182 million in cash subject to i) reduction for transaction costs incurred by the Company related to the Transaction and ii) increase (or decrease) by the amount that the Company's Closing Net Book Value (as defined in the Agreement) at the closing date of the Merger is above (or below) $113.4 million, subject to a maximum increase of $13 million (subject to adjustment as defined in the Agreement) and a maximum decrease of $10 million.

In connection with our review of the proposed Merger and the preparation of our opinion herein, we have, among other things:

1. reviewed the financial terms and conditions as stated in the Agreement;

2. reviewed the audited financial statements of the Company prepared in accordance with generally accepted accounting principals ("GAAP") as of and for the years ended December 31, 2008, 2007, and 2006 and the unaudited financial statements prepared in accordance with GAAP for the period ended March 31, 2009;

3. reviewed the Annual Statements of the Company's two wholly owned U.S. domiciled insurance company subsidiaries (the "Insurance Subsidiaries") filed with the Michigan Office of Financial and Insurance Regulation and the Washington State Office of the Insurance Commissioner for the years ended December 31, 2008, 2007, and 2006;

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4. reviewed Quarterly Statements of the Insurance Subsidiaries filed with the Michigan Office of Financial and Insurance Regulation and the Washington State Office of the Insurance Commissioner for the three month period ended March 31, 2009;

5. reviewed other Company financial and operating information requested from and/or provided by the Company;

6. reviewed the report of the Company's independent actuarial firm dated March 5, 2009 for reserves as of December 31, 2008;

7. reviewed and discussed with senior management of the Company the historical and anticipated future financial performance of the Company's operations, including the review of forecasts prepared by senior management of the Company; and

8. discussed with members of the senior management of the Company certain information relating to the aforementioned and any other matters which we have deemed relevant to our inquiry.

With your consent, we have assumed and relied upon the accuracy and completeness of all information supplied or otherwise made available to us by the Company, its actuary or any other party, and we have undertaken no duty or responsibility to verify independently any of such information. We have not made or obtained an independent appraisal of the assets or liabilities (contingent or otherwise) of the Company. With respect to financial forecasts and other information and data provided to or otherwise reviewed by or discussed with us, we have, with your consent, assumed that such forecasts and other information and data have been reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of management, and we have relied upon each party to advise us promptly if any information previously provided became inaccurate or was required to be updated during the period of our review. We have assumed that the final form of the Agreement will be substantially similar to the draft reviewed by us, and that the Transaction will be consummated in accordance with the terms of the Agreement without waiver of any conditions thereof.

Our opinion is based upon market, economic, financial and other circumstances and conditions existing and disclosed to us as of June 2, 2009 and any material change in such circumstances and conditions would require a reevaluation of this opinion, which we are under no obligation to undertake.

We express no opinion as to the underlying business decision to effect the Transaction, the structure or tax consequences of the Agreement or the availability or advisability of any alternatives to the Transaction. Our opinion is limited to the fairness, from a financial point of view, of the consideration to be received by Shareholders in the Transaction. We express no opinion with respect to any other reasons, legal, business, or otherwise, that may support the

decision of the Board of Directors to approve or consummate the Transaction. In formulating our opinion, we have considered only what we understand to be the consideration to be received by the Shareholders as is described above, and we have not considered, and this opinion does not address, any other payments that may be made to Company employees or other shareholders in connection with the Transaction.

In conducting our investigation and analyses and in arriving at our opinion expressed herein, we have taken into account such accepted financial and investment banking procedures and considerations as we have deemed relevant, including the review of (i) historical and projected revenues, operating earnings, net income and capitalization of the Company and certain publicly held companies in businesses we believe to be comparable to the Company; (ii) the current and projected financial position and results of operations of the Company; (iii) financial and operating information concerning selected business combinations which we deemed comparable in whole or in part; and (v) the general condition of the securities markets. The delivery of this opinion was approved by our fairness opinion committee.

In arriving at this opinion, Raymond James did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Raymond James believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering all analyses, would create an incomplete view of the process underlying this opinion.

Raymond James & Associates, Inc. ("Raymond James") is actively engaged in the investment banking business and regularly undertakes the valuation of investment securities in connection with public offerings, private placements, business combinations and similar transactions. Raymond James has been engaged to render financial advisory services to the Company in connection with the proposed Transaction and will receive a fee for such services, which fee is contingent upon consummation of the Transaction. Raymond James will also receive a fee upon the delivery of this opinion. In addition, the Company has agreed to indemnify us against certain liabilities arising out of our engagement.

It is understood that this letter is for the information of the Board of Directors of the Company in evaluating the proposed Transaction and does not constitute a recommendation to any shareholder of the Company regarding how said shareholder should vote on the proposed Transaction, nor is this letter intended to confer rights or remedies upon ProMutual, its board of directors or policyholders or the shareholders of the Company. Furthermore, this letter should not be construed as creating any fiduciary duty on the part of Raymond James to any such party. This opinion is not to be quoted or referred to, in whole or in part, without our prior written consent, which will not be unreasonably withheld.

Based upon and subject to the foregoing, it is our opinion that, as of June 3, 2009, the consideration to be received by the Shareholders of the Company pursuant to the Agreement is fair, from a financial point of view, to the holders of the Company's outstanding Common Stock.

Very truly yours,

RAYMOND JAMES & ASSOCIATES, INC.

Appendix C

Itemized Estimates of Pro Forma Adjustments

Itemized Estimates of Pro Forma Adjustments

		Amount (net of taxes except item (a) and (c)) [1]
(a)	Horizon Holders Agent, Inc. Capital Contribution	$ 3,000,000
(b)	Payments to fund the trust for the severance obligations as provided in Section 6.11(c) (Excluding items (g) and (h))	1,591,634[2]
(c)	Unpaid dividends accrued as provided in the articles of incorporation of the Company on the Preferred Shares for the period from January 1, 2009 through the Closing Date	295,100
(d)	Actual or estimated expense of purchasing Tail Coverage or Continuation Coverage, as mutually agreed to by Parent and the Company prior to the Closing	200,250[3]
(e)	Actual or estimated fees and expenses to be paid to Raymond James & Associates	1,414,940
(f)	Legal fees and expenses paid or owed to the Company's legal counsel for services related to the Merger	769,640
(g)	Cost of life insurance continuation coverage for Mr. Dickinson, Mr. Helgren and Ms. Schmitt pursuant to the terms of the severance obligations of the Company	6,985[2]
(h)	Liability for the two-year service credit under the Company's supplemental executive retirement plan for Mr. Dickinson, Mr. Helgren and Ms. Schmitt pursuant to the terms of the severance obligations of the Company	185,626[2]
(i)	Amount of any dividends paid or declared on or after January 1, 2009 on any Shares	0
(j)	Cost of obtaining an annuity to fund the founder's stipend pursuant to Section 6.11(d)	22,800
(k)	All out-of-pocket costs of the Company and its subsidiaries in connection with Section 7.2(d)	0
(l)	Any actual or estimated fees and expenses to be paid to any other advisors of the Company for services related to the Merger	92,700[4]
(m)	Cost of the title policy required to be delivered by the Company to Parent pursuant to Section 1.6(a)(iv)	2,000
		$ 7,581,675

(1) Assumes Federal tax rate of 35% and State tax rate of 5%.
(2) Assumes 200% average salary benefit using 2009 income.
(3) Assumes 300% maximum of current annual premium.
(4) Assumes a review at both June 30 and closing. This may or may not be necessary. Company typically plans a 9/30 review in the normal course of business.

Appendix D

Financial Statements of FinCor Holdings, Inc.

FinCor Holdings, Inc.

Consolidated Balance Sheets
(In thousands, except share data)

	March 31, 2009 (Unaudited)	December 31, 2008
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost $400,352 and $396,665 in 2009 and 2008, respectively)	$ 393,856	$ 388,528
Short-term investments	6,133	4,449
Total investments	399,989	392,977
Cash and cash equivalents	22,502	16,151
Accrued investment income	4,371	4,715
Premiums receivable	31,152	32,513
Prepaid reinsurance premiums	18,155	12,829
Reinsurance recoverables	77,169	72,258
Deferred federal income taxes, net	21,221	21,349
Other assets	17,025	15,253
Total assets	$ 591,584	$ 568,045
Liabilities and shareholders' equity		
Liabilities:		
Reserve for losses and loss adjustment expenses	$ 329,902	$ 323,382
Unearned premiums	53,950	52,100
Subordinated long-term debt	49,650	49,800
Other liabilities	29,248	20,495
	462,750	445,777
Redeemable preferred stock ($1,000 redemption value; $100 par value; authorized 12,000 shares; issued 8,853)	8,853	8,853
Common shareholders' equity:		
Common stock (no par value; authorized 20,000,000 shares; issued 622,435)	5,743	5,743
Additional paid-in capital	8,339	8,161
Accumulated other comprehensive loss, net of deferred tax benefit of ($3,854) and ($4,428) in 2009 and 2008, respectively	(7,157)	(8,223)
Retained earnings	114,314	109,000
Stock notes receivable	(1,243)	(1,246)
Unearned stock compensation	(15)	(20)
Total common shareholders' equity	119,981	113,415
Total liabilities and shareholders' equity	$ 591,584	$ 568,045

FinCor Holdings, Inc.

Consolidated Statements of Income (Unaudited)

(In thousands, except share and per share data)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Revenues		
Net premiums written	$ 13,757	$ 13,695
Change in unearned premiums	3,475	4,432
Net premiums earned	17,232	18,127
Net investment income	4,709	4,448
Net realized investment gains (losses)	229	(209)
Other income, net	1,616	1,821
Total revenues	23,786	24,187
Expenses		
Loss and loss adjustment expenses, net	11,081	15,268
Policy acquisistion and other underwriting expenses, net of ceding commissions	2,065	1,420
Interest expense	705	1,016
Other expenses	2,546	3,200
Total expenses	16,397	20,904
Income before federal income taxes	7,389	3,283
Provision for federal income taxes:		
Current expense	2,522	595
Deferred benefit	(447)	36
Total provision for federal income taxes	2,075	631
Net income	$ 5,314	$ 2,652
Redeemable preferred stock dividends	-	-
Net income available for common shareholders	$ 5,314	$ 2,652
Earnings per common share:		
Basic	$ 8.61	$ 4.40
Diluted	$ 8.25	$ 4.20
Weighted average common shares outstanding:		
Basic	616,989	602,813
Diluted	643,972	631,447

FinCor Holdings, Inc.

Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Operating activities		
Net income	$ 5,314	$ 2,652
Adjustments to reconcile net income to net cash provided:		
Depreciation	158	211
Amortization	598	629
Net realized investment (gain) loss and other-than-temporary impairments	(229)	209
Deferred federal income tax (expense) benefit	(447)	36
Compensation expense recognized from stock issuance	181	279
Excess tax benefit from share-based payment arrangements	(239)	-
Changes in assets and liabilities:		
Accrued investment income	344	328
Premiums receivable	1,361	2,619
Prepaid reinsurance premiums	(5,326)	(4,760)
Reinsurance recoverables	(4,911)	(7,246)
Other assets	(1,373)	(740)
Unpaid losses and loss adjustment expenses	6,521	16,259
Unearned premiums	1,852	328
Other liabilities	9,195	9,174
Net cash provided by operating activities	12,999	19,978
Investing activities		
Purchase of fixed maturities available-for-sale	(18,448)	(18,798)
Proceeds from sales and maturities of fixed maturities available-for-sale	14,484	12,951
Net increase in short-term investments	(1,684)	(3,019)
Purchase of property and equipment	(648)	(421)
Net cash used in investing activities	(6,296)	(9,287)
Financing activities		
Payment of dividends	(443)	(460)
Proceeds from stock notes receivable payments	2	39
Excess tax benefit from share-based payment arrangements	239	-
Payment on subordinated long term debt	(150)	(173)
Net cash used in financing activities	(352)	(594)
Net increase in cash and cash equivalents	6,351	10,097
Cash and cash equivalents at beginning of period	16,151	8,630
Cash and cash equivalents at end of period	$ 22,502	$ 18,727
Supplemental disclosure of cash flow information		
Net cash paid for income taxes	$ 673	$ 400
Net cash paid for interest	$ 745	$ 1,110

FinCor Holdings, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(In thousands)

	Three Months Ended March 31	
	2009	**2008**
Net Income	**$ 5,314**	$ 2,652
Other comprehensive income, net of tax:		
Unrealized holding gains (losses) on available-for-sale securities, net of deferred federal income tax expense of $439 and $358 in 2009 and 2008, respectively	**815**	664
Reclassification adjustments for gains (losses) included in the calculation of net income, net of federal income tax expense (benefit) of $135 and $(13) in 2009 and 2008, respectively	**252**	(24)
Comprehensive income	**$ 6,381**	$ 3,292

CONSOLIDATED FINANCIAL STATEMENTS

FinCor Holdings, Inc. and Subsidiaries
Years Ended December 31, 2008, 2007, and 2006
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

0903-1037150

FinCor Holdings, Inc. and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2008, 2007, and 2006

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Ernst & Young LLP
One Kennedy Square
Suite 1000
777 Woodward Avenue
Detroit, Michigan 48226-5495
Main Tel: +1 313 628 7100

Report of Independent Auditors

The Board of Directors
FinCor Holdings, Inc.

We have audited the accompanying consolidated balance sheets of FinCor Holdings, Inc. and Subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, comprehensive income, changes in common shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of FinCor Holdings, Inc. and Subsidiaries at December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

March 20, 2009

A member firm of Ernst & Young Global Limited

FinCor Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets

(Dollars in Thousands, Except Share Data)

	December 31 2008	December 31 2007
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (amortized cost $396,665 and $381,504 in 2008 and 2007, respectively)	**$ 388,528**	$ 385,093
Short-term investments	**4,449**	517
Total investments	**392,977**	385,610
Cash and cash equivalents	**16,151**	8,630
Accrued investment income	**4,715**	4,573
Premiums receivable	**32,513**	35,078
Prepaid reinsurance premiums	**12,829**	15,496
Reinsurance recoverables	**72,258**	61,371
Deferred federal income taxes, net	**21,349**	14,867
Other assets	**15,253**	15,730
Total assets	**$ 568,045**	$ 541,355
Liabilities and shareholders' equity		
Liabilities:		
Reserve for losses and loss adjustment expenses	**$ 323,382**	$ 303,357
Unearned premiums	**52,100**	57,990
Subordinated long-term debt	**49,800**	50,225
Other liabilities	**20,495**	14,778
	445,777	426,350
Redeemable preferred stock ($1,000 redemption value; $100 par value; authorized 12,000 shares; issued 8,853 and 8,887 shares in 2008 and 2007, respectively)	**8,853**	8,887
Shareholders' equity:		
Common stock (no par value; authorized 20,000,000 shares; issued 622,435 and 614,002 shares in 2008 and 2007, respectively)	**5,743**	5,743
Additional paid-in capital	**8,161**	5,902
Accumulated other comprehensive (loss) income net of deferred tax expense of ($4,428) and $1,256 in 2008 and 2007, respectively	**(8,223)**	2,333
Retained earnings	**109,000**	92,938
Stock notes receivable	**(1,246)**	(643)
Unearned stock compensation	**(20)**	(155)
Total shareholders' equity	**113,415**	106,118
Total liabilities and shareholders' equity	**$ 568,045**	$ 541,355

See accompanying notes.

FinCor Holdings, Inc. and Subsidiaries

Consolidated Statements of Income

(Dollars in Thousands, Except Share and Per Share Data)

	Year Ended December 31		
	2008	**2007**	**2006**
Revenues			
Net premiums written	**$ 70,867**	$ 72,349	$ 67,107
Change in unearned premiums	**3,223**	1,476	9,040
Net premiums earned	**74,090**	73,825	76,147
Net investment income	**18,379**	17,117	13,587
Net realized capital (losses) gains	**(3,265)**	6	(112)
Other income, net	**7,945**	6,227	2,282
Total revenues	**97,149**	97,175	91,904
Expenses			
Losses and loss adjustment expenses, net	**47,638**	54,167	63,346
Policy acquisition and other underwriting expenses, net of ceding commissions	**9,920**	5,383	6,216
Interest expense	**3,324**	4,239	2,603
Pension withdrawal	**–**	3,000	–
Other expenses	**13,164**	9,839	889
Total expenses	**74,046**	76,628	73,054
Income before federal income taxes	**23,103**	20,547	18,850
Provision for federal income taxes:			
Current expense	**7,036**	6,343	5,776
Deferred benefit	**(899)**	(929)	(1,018)
Total provision for federal income taxes	**6,137**	5,414	4,758
Net income	**$ 16,966**	$ 15,133	$ 14,092
Redeemable preferred stock dividends	**443**	445	448
Net income available for common shareholders	**$ 16,523**	$ 14,688	$ 13,644
Earnings per common share:			
Basic	**$ 27.18**	$ 24.35	$ 23.26
Diluted	**$ 25.89**	$ 23.57	$ 22.89
Weighted-average common shares outstanding:			
Basic	**607,832**	603,187	586,653
Diluted	**638,072**	623,050	596,139

See accompanying notes.

FinCor Holdings, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(Dollars in Thousands)

	Year Ended December 31		
	2008	**2007**	**2006**
Net income	**$ 16,966**	$ 15,133	$ 14,092
Other comprehensive income, net of tax:			
Unrealized holding (losses) gains on available-for-sale securities, net of deferred federal income tax (benefit) expense of $(4,208), $1,161, and $209 in 2008, 2007, and 2006, respectively	**(7,816)**	2,156	395
Reclassification adjustments for (losses) gains included in the calculation of net income, net of federal income tax expense (benefit) of $104, $2, and $(39) in 2008, 2007, and 2006, respectively	**194**	4	(73)
Pension liability adjustment net of deferred federal income tax benefit of $1,580 in 2008	**(2,934)**	–	–
Comprehensive income	**$ 6,410**	$ 17,293	$ 14,414

See accompanying notes.

FinCor Holdings, Inc. and Subsidiaries

Consolidated Statements of Changes in Common Shareholders' Equity

(Dollars in Thousands, Except Share Data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Stock Notes Receivable	Unearned Stock Compensation	Total Shareholders' Equity
Balances at January 1, 2006	585,951	$ 5,743	$ 3,510	$ (149)	$ 65,506	$ (1,136)	$ (359)	$ 73,115
Net income	–	–	–	–	14,092	–	–	14,092
Restricted stock awards issued	3,000	–	–	–	–	–	–	–
Dividends declared on common stock	–	–	–	–	(444)	–	–	(444)
Dividends declared on redeemable preferred stock	–	–	–	–	(448)	–	–	(448)
Stock compensation expense	–	–	38	–	–	–	102	140
ESOP shares issued	3,719	–	281	–	–	–	–	281
Common stock issued	16,999	–	1,168	–	–	(512)	–	656
Redemption of common stock	(2,386)	–	(132)	–	–	68	–	(64)
Payments received on stock notes receivable	–	–	–	–	–	251	–	251
Unrealized appreciation on available-for-sale securities	–	–	–	322	–	–	–	322
Balances at December 31, 2006	607,283	5,743	4,865	173	78,706	(1,329)	(257)	87,901
Net income	–	–	–	–	15,133	–	–	15,133
Restricted stock awards issued	1,750	–	–	–	–	–	–	–
Dividends declared on common stock	–	–	–	–	(456)	–	–	(456)
Dividends declared on redeemable preferred stock	–	–	–	–	(445)	–	–	(445)
Stock compensation expense	–	–	540	–	–	–	102	642
ESOP shares issued	3,851	–	388	–	–	–	–	388
Common stock issued	1,250	–	119	–	–	–	–	119
Redemption of common stock	(132)	–	(10)	–	–	–	–	(10)
Payments received on stock notes receivable	–	–	–	–	–	686	–	686
Unrealized appreciation on available-for-sale securities	–	–	–	2,160	–	–	–	2,160
Balances at December 31, 2007	614,002	5,743	5,902	2,333	92,938	(643)	(155)	106,118
Net income	–	–	–	–	**16,966**	–	–	**16,966**
Restricted stock awards issued	**1,500**	–	–	–	–	–	–	–
Restricted stock awards repurchased	**(1,000)**	–	**(89)**	–	–	–	**12**	**(77)**
Dividends declared on common stock	–	–	–	–	**(461)**	–	–	**(461)**
Dividends declared on redeemable preferred stock	–	–	–	–	**(443)**	–	–	**(443)**
Stock compensation expense	–	–	**859**	–	–	–	**123**	**982**
ESOP shares issued	**2,406**	–	**293**	–	–	–	–	**293**
Common stock issued	**17,887**	–	**2,814**	–	–	**(756)**	–	**2,058**
Redemption of common stock	**(12,332)**	–	**(1,616)**	–	–	–	–	**(1,616)**
Payments received on stock notes receivable	**(28)**	–	**(2)**	–	–	**153**	–	**151**
Unrealized depreciation on available-for-sale securities	–	–	–	**(7,622)**	–	–	–	**(7,622)**
Pension liability adjustment	–	–	–	**(2,934)**	–	–	–	**(2,934)**
Balances at December 31, 2008	**622,435**	**$ 5,743**	**$ 8,161**	**$ (8,223)**	**$ 109,000**	**$ (1,246)**	**$ (20)**	**$ 113,415**

See accompanying notes.

FinCor Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year Ended December 31		
	2008	2007	2006
Operating activities			
Net income	$ 16,966	$ 15,133	$ 14,092
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	610	494	267
Amortization	2,520	2,276	2,005
Net realized investment losses (gains)	3,265	(6)	112
Deferred federal income taxes	(899)	(929)	(1,018)
Compensation expense recognized from stock issuance	3,333	1,149	421
Excess tax benefit from share-based payment arrangements	(239)	–	–
Changes in assets and liabilities:			
Accrued investment income	(142)	(940)	(457)
Premiums receivable	2,565	2,709	2,634
Prepaid reinsurance premiums	2,667	133	(3,570)
Reinsurance recoverables	(10,887)	7,476	(7,319)
Other assets	1,134	(211)	(1,321)
Unpaid losses and loss adjustment expenses	20,025	18,602	39,604
Unearned premiums	(5,890)	(1,616)	(5,469)
Other liabilities	1,221	(308)	3,676
Net cash provided by operating activities	36,249	43,962	43,657
Investing activities			
Purchases of fixed maturities available-for-sale	(55,107)	(95,248)	(72,024)
Proceeds from sales and maturities of fixed maturities available-for-sale	34,527	28,404	33,275
Net (increase) decrease in short-term investments	(3,932)	22,866	(10,405)
Purchase of property and equipment	(1,532)	(1,268)	(1,042)
Net cash used in investing activities	(26,044)	(45,246)	(50,196)
Financing activities			
Payment of dividends	(922)	(926)	(892)
Redemption of preferred stock	(34)	(43)	(51)
Repurchase of restricted stock	(77)	–	–
Proceeds from stock notes receivable payments	151	686	251
Proceeds from stock issuance	–	–	656
Redemption of common stock	(1,616)	(10)	(64)
Excess tax benefit from share-based payment arrangements	239	–	–
Acquisition of business, net of cash acquired	–	–	(6,405)
Gross proceeds from subordinated long-term debt	–	–	20,620
Payment on subordinated long-term debt	(425)	(300)	–
Debt issue costs	–	–	(410)
Net cash (used in) provided by financing activities	(2,684)	(593)	13,705
Net increase (decrease) in cash and cash equivalents	7,521	(1,877)	7,166
Cash and cash equivalents at beginning of year	8,630	10,507	3,341
Cash and cash equivalents at end of year	$ 16,151	$ 8,630	$ 10,507
Supplemental disclosure of cash flow information			
Net cash paid for income taxes	$ 6,713	$ 5,700	$ 4,500
Net cash paid for interest	$ 3,444	$ 4,124	$ 2,493

See accompanying notes.

FinCor Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2008
(Dollars in Thousands, Except Share and Per Share Data)

1. Accounting Policies

Nature of Business

FinCor Holdings, Inc. (FinCor or the Company) is a Michigan business corporation that through its five wholly owned subsidiaries predominantly provides medical professional liability insurance and related risk management products and services to health care providers. The Company's operating results are substantially derived from its insurance company subsidiaries MHA Insurance Company (MHAIC) and Washington Casualty Company (WCC).

MHAIC is a Michigan domiciled stock property casualty insurance company which principally markets and writes medical professional liability insurance to hospitals, physicians, surgeons, and other health care providers. MHAIC also provides workers' compensation insurance, primarily to hospitals, in conjunction with MHA Reinsurance & Casualty, Ltd., an unaffiliated captive insurance company domiciled in the Cayman Islands. MHAIC is licensed to provide such coverages in 12 states throughout the United States, with a concentration of writings in the Midwest. MHAIC currently operates in Indiana, Iowa, Kentucky, Michigan, Minnesota, North Dakota, Ohio, South Dakota, and Wisconsin.

WCC is a Washington domiciled stock property casualty insurance company which principally markets and writes medical professional liability insurance to hospitals and facilities in Washington, Idaho, and Oregon.

FinCor's other operating subsidiaries are non-risk-bearing entities. These operations include Capital Risk Solutions (CRS), a captive insurer domiciled in the Cayman Islands that offers alternative risk transfer and risk financing solutions; FinCor Solutions, Inc. (FinCor Solutions), a full-service, multiline insurance agency; and The Risk Management and Patient Safety Institute (RMPSI), a clinical risk management company which provides risk management services to health care entities throughout the United States on a fee-for-service basis.

1. Accounting Policies (continued)

Effective April 30, 2007, FinCor completed the acquisition of the Insurance Services and the Employee Safety and Disability Management (ESDM) Divisions of the MHA Service Corporation, a subsidiary of the Michigan Health & Hospital Association. FinCor Solutions merged these divisions into its existing operations. The Insurance Services Division enhances the offerings available from FinCor Solutions for property and casualty insurance and adds employee benefit programs that serve health care clients. The ESDM Division brings FinCor Solutions a seasoned book of workers' compensation insurance programs, including the management of a workers' compensation captive and related services such as loss prevention, claims administration, and medical management services. This division also offers claims administration services for clients with self-insured, short-term disability programs. See further discussion in Note 3.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP), which requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

The consolidated financial statements include the accounts, after elimination of intercompany accounts and transactions, of FinCor and its wholly owned subsidiaries: MHAIC, WCC, RMPSI, CRS, and FinCor Solutions.

Cash and Cash Equivalents

For purposes of the consolidated balance sheets and statements of cash flows, the Company considers all demand deposits and overnight investments to be cash equivalents.

Investments

Short-Term Investments

Short-term investments, which have an original maturity of one year or less, are primarily comprised of money market instruments. All balances are reported at cost, which approximates fair value.

1. Accounting Policies (continued)

Fixed Maturities

The Company considers all of its fixed maturity securities, consisting primarily of high quality bonds and mortgage-backed securities, as available-for-sale. Available-for-sale securities are carried at fair value, and unrealized gains and losses on such available-for-sale securities are excluded from earnings and included, net of related tax effects, in shareholders' equity as "accumulated other comprehensive income."

Investment income includes amortization of premium and accretion of discount related to fixed maturities acquired at an amount other than par value. Premiums and discounts related to mortgage-backed securities are amortized over the estimated redemption period.

Fair values for fixed maturity securities are based on quoted market prices, where available. For fixed maturity securities not actively traded, fair values are based on values obtained from independent pricing services.

Realized Gains and Losses

Realized gains and losses on the sale of investments are determined using the specific identification method.

Other-Than-Temporary Impairments

As required by Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, the Company evaluates its investment securities on at least a quarterly basis for declines in market value below cost for the purpose of determining whether these declines represent other-than-temporary declines. A decline in the fair value of a security below cost judged to be other-than-temporary is recognized as a loss in the then current period and reduces the cost basis of the security. In subsequent periods, the Company measures any gain or loss or decline in value against the adjusted cost basis of the security.

1. Accounting Policies (continued)

The following factors are considered in determining whether an investment's decline is other than temporary:

- The length of time and extent to which the market value of the security is less than its cost basis,
- The financial condition and near-term prospects of the security's issuer, taking into consideration the economic prospects of the issuer's industry and geographical region, to the extent that information is publicly available,
- The Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value, and
- A rating downgrade or other credit event (e.g., failure to pay interest when due).

Property and Equipment

Property and equipment are recorded at cost and are included in other assets in the consolidated balance sheets; depreciation is computed using the straight-line method over the asset's estimated useful life. Useful lives for depreciation purposes are:

Building	31.5 years
Computer equipment and software	3 years
Furniture and equipment	10 years
Leasehold improvements	7 years

Improvements that extend the life of a specific asset are capitalized, while normal repair and maintenance costs are expensed as incurred. When property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation accounts are removed from the balance sheets, with the resulting gain or loss being included in the statements of operations.

Depreciation expense was $610, $494, and $267 for the years ended December 31, 2008, 2007, and 2006, respectively.

1. Accounting Policies (continued)

Reinsurance

FinCor enters into reinsurance agreements whereby other insurance entities agree to assume a portion of the risk associated with the policies issued by the Company. In return, the Company agrees to pay a premium to the reinsurer. The Company purchases (cedes) reinsurance to provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

Reinsurance premiums and losses related to reinsured business are accounted for on a basis consistent with that used in accounting for the original policies issued and the terms of the reinsurance contracts. Reinsurance recoverables and prepaid reinsurance premiums are accounted for in accordance with SFAS No. 113, *Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts*.

Premiums ceded to other companies have been reported as a reduction of premium income. Reinsured losses are reported as a reduction of gross losses incurred. The reserve for unpaid losses and loss adjustment expenses is presented gross of amounts recoverable from reinsurers, which are included in reinsurance recoverables in the consolidated balance sheets.

Reinsurance recoverables are based upon the Company's estimates of ultimate losses and the portion of those losses that are allocable to reinsurers under the terms of the related reinsurance agreements. Given the uncertainty of the ultimate amounts of losses, these estimates may vary significantly from the eventual outcome. Management regularly reviews these estimates and any adjustments necessary are reflected in the period in which the estimate is changed. Due to the size of the amounts recoverable from reinsurers, even a small adjustment to the estimates could have a material effect on the Company's results of operations for the period in which the adjustment is made.

Reinsurance does not discharge the Company from its obligations to its insureds. The Company continually monitors its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. Any amount found to be uncollectible is written off in the period in which the uncollectible amount is identified.

1. Accounting Policies (continued)

Goodwill

Goodwill is the excess of the acquisition cost of a business over the fair value of the identifiable net assets acquired. Goodwill is not amortized; it is subject to at least an annual impairment assessment using a fair-value approach. Management does not believe that goodwill of $2,322, included in other assets in the consolidated balance sheets, has suffered impairment at December 31, 2008.

Deferred Policy Acquisition Costs

Underwriting and insurance costs directly related to the production of new and renewal premiums are considered as acquisition costs and are capitalized and amortized to expense over the period in which the related premiums are earned. Reinsurance ceding commissions due the Company are considered as a reduction of acquisition costs, and, therefore, reduce the total amount capitalized.

Unamortized deferred acquisition costs are included in other assets in the consolidated balance sheets and amounted to approximately $2,863 and $2,817 at December 31, 2008 and 2007, respectively. Amortization of deferred acquisition costs amounted to $5,332, $4,526, and $2,379 during 2008, 2007, and 2006, respectively.

Reserve for Losses and Loss Adjustment Expenses

Loss and loss adjustment expense reserves represent the Company's best estimate of the future amounts necessary to pay claims and expenses associated with the investigation and settlement of claims. This estimate takes into consideration the Company's past loss experience, available industry data, and projections as to future claims frequency, severity, inflationary trends, and settlement patterns. An independent actuary reviews the Company's reserves at least semiannually each year and prepares a report that includes recommendations as to the level of the reserves. The Company considers these recommendations as well as other factors, such as known, anticipated, or estimated changes in frequency and severity of claims and loss retention levels and premium rates, in establishing the amount of the Company's reserves. Estimating casualty insurance reserves, especially professional liability reserves and particularly in states where the Company does not have significant past loss experience, is a complex process. These claims are typically resolved over an extended period of time, often five years or more, and estimating loss costs for these claims requires multiple judgments involving many uncertainties made over an extended period of time. As a result, reserve estimates may vary significantly from the eventual outcome.

1. Accounting Policies (continued)

The assumptions used in establishing the Company's reserves are regularly reviewed and updated by management as new data becomes available. Any adjustments necessary are reflected in the period in which the estimate is changed. Due to the size of the Company's reserves, even a small adjustment to these estimates could have a material effect on the Company's results of operations for the period in which the adjustment is made. The Company does not discount loss and loss adjustment expense reserves.

Revenue Recognition

Premiums written, which include direct, assumed, and ceded amounts, are recognized as earned on a pro rata basis over the life of the policy term. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums. In the event it is determined that the unearned premium reserve for a book of business will not be sufficient to recover the future expected losses and loss adjustment expenses and policy acquisition costs, including consideration of related investment income, recognition of a premium deficiency would be required through a write-down of deferred policy acquisition costs and a corresponding charge to income. In the event deferred policy acquisition costs are written off entirely, any remaining premium deficiency would be accounted for as a liability with a corresponding charge to income.

Fee income, included in other income, includes risk management consulting, captive management, claims administration, loss prevention, and medical management services. Such income is recognized during the period the services are provided.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred federal income taxes have been provided for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Such differences are related principally to unrealized gains or losses on available-for-sale securities, discounting of losses for income tax reporting, and the limitation of the unearned premiums deduction for income tax reporting.

1. Accounting Policies (continued)

Pension and Other Postretirement Costs

On January 1, 2008, the Company adopted the provisions of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132 (R)* (SFAS No. 158), and recognized in its consolidated balance sheet the funded status of its defined benefit pension and postretirement plans, measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement plan, the benefit obligation is the accumulated benefit obligation.

Share-Based Compensation

Effective January 1, 2006, the Company adopted the requirements of SFAS No. 123(R), *Share-Based Payments* (SFAS No. 123(R)), utilizing the prospective method. Under the prospective method, share-based compensation expense is recognized for awards granted after the beginning of the fiscal year in which the change is made. The Company recognizes share-based compensation expense for awards granted on or after January 1, 2006. Excess tax benefits (tax deductions realized in excess of the compensation costs recognized for the exercise of the awards, multiplied by the incremental tax rate) are reported as financing cash inflows.

The effect of the adoption of SFAS No. 123(R) is more fully described in Note 14.

Prior to the 2006 adoption of SFAS No. 123(R), the Company applied the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25 (APB No. 25), *Accounting for Stock Issued to Employees*, and its related interpretations for its accounting of stock compensation plans for employees. The intrinsic value method prescribed by APB No. 25, measures compensation cost as the excess, if any, of the quoted market price of the equity instrument awarded at the measurement date over the amount an employee must pay to acquire the equity instrument. Stock-based compensation costs are recognized over the period in which the employees render services associated with the awards.

Under APB No. 25, the Company's policy was to issue stock options with an exercise price equal to the market price on the date of grant. Accordingly, no compensation expense was required to be recognized for stock options granted prior to 2006.

1. Accounting Policies (continued)

Reclassifications

Certain amounts in the accompanying financial statements have been reclassified to conform with the current presentation.

Recently Issued Accounting Standards

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement 109, Accounting for Income Taxes* (FIN No. 48). FIN No. 48 establishes a single model to address accounting for uncertainty in tax positions. FIN No. 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN No. 48 also provides guidance on derecognition, measurement, clarification, interest and penalties, accounting for interim periods, disclosure, and transition. On December 30, 2008, the FASB issued FASB Staff Position No. FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, which defers the effective date of FIN No. 48 for nonpublic enterprises included within this FSP's scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Company continues to evaluate the impact of adopting FIN No. 48 on its financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised December 2007), *Business Combinations* (SFAS No. 141(R)). SFAS No. 141(R) provides revised guidance on how an acquirer recognizes and measures in its financial statements, the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. In addition, it provides revised guidance on the recognition and measurement of goodwill acquired in the business combination. SFAS No. 141(R) also provides guidance specific to the recognition, classification, and measurement of assets and liabilities related to insurance and reinsurance contracts acquired in a business combination. SFAS No. 141(R) applies to business combinations for acquisitions occurring on or after January 1, 2009. The Company does not expect the provisions of SFAS No. 141(R) to have a material effect on its consolidated results of operations, financial position or liquidity unless a business combination transaction is consummated after January 1, 2009.

1. Accounting Policies (continued)

Effective January 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Statement does not require any new fair value measurements. In February 2008, the FASB approved the issuance of FASB Staff Position (FSP) FAS No. 157-2, which defers the effective date of SFAS No. 157 until January 1, 2009 for nonfinancial assets and nonfinancial liabilities, except those items recognized or disclosed at fair value on an annual or more frequently recurring basis. The adoption of SFAS No. 157 did not have a material effect on the Company's consolidated results of operations, financial position or liquidity, based on nonfinancial assets and liabilities. However, the adoption of SFAS No. 157, as it pertains to financial assets, has required the Company to make additional disclosures concerning fair values that can be found in Note 2.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115* (SFAS No. 159). SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 also establishes new disclosure requirements with respect to fair values. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Upon adoption in 2008, the Company did not select the fair value alternative for any financial assets or liabilities that are not currently measured at fair value.

In October 2008, the FASB issued FSP FAS No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. This FSP clarifies the application of Statement 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The Company's adoption of this FSP had no material effect on its consolidated results of operation, financial position, or liquidity for the 12 months ended December 31, 2008.

1. Accounting Policies (continued)

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of Accounting Research Bulletin No. 51*. SFAS No. 160 amends Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. In addition, it clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. SFAS No. 160 is effective on a prospective basis beginning January 1, 2009, except for the presentation and disclosure requirements which are applied on a retrospective basis for all periods presented. The Company does not expect the provision of SFAS No. 160 to have a material effect on its consolidated results of operations or financial position as the Company does not have noncontrolling interest in a subsidiary.

SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133*, was issued by the FASB in March 2008. SFAS No. 161 does not change the accounting for derivative instruments and hedging activities, but rather requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued after November 15, 2008. The adoption of SFAS No. 161 is not expected to have a material effect on the Company's disclosures, as the Company does not currently own any derivative financial instruments or participate in hedging activities.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 162 improves financial reporting by providing a consistent framework for selecting accounting principles to be used when preparing GAAP financial statements. This statement assigns a hierarchical rank to the various sources of accounting literature from Level A through Level D. SFAS No. 162 is effective 60 days after the Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board's amendments to AU Section 411. The Company does not expect the provision of SFAS No. 162 to have a material effect on its consolidated results of operations, financial position, or liquidity.

1. Accounting Policies (continued)

In May 2008, the FASB issued SFAS No. 163, *Accounting for Financial Guarantee Insurance Contracts, an interpretation of FASB Statement No. 60,* which clarifies how SFAS No. 60 applies to financial guarantee insurance contracts issued by insurance companies. SFAS No. 163 addresses the differing views in SFAS No. 60 regarding the recognition and measurement of premium revenues and claim liabilities and enhances the disclosure requirements for financial guarantee insurance contracts. SFAS No. 163 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company does not expect the provisions of SFAS No. 163 to have a material effect on its Company's consolidated results of operations, financial position, or liquidity as it does offer financial guarantee insurance.

2. Fair Value Measurements

SFAS No. 107, *Disclosures About Fair Value of Financial Instruments*, requires disclosures of fair-value information about financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practicable to estimate that value. In situations where quoted market prices are not available, fair values are to be based on estimates using present value or other valuation techniques. SFAS No. 107 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements.

Under SFAS No. 107, the Company's investment securities, cash and cash equivalents, premiums receivable, reinsurance recoverable on paid losses, and subordinated long-term debt constitute financial instruments. The carrying amounts of all financial instruments approximated their fair values at December 31, 2008 and 2007.

Effective January 1, 2008, FinCor adopted SFAS No. 157 which establishes a framework for measuring fair value and requires specific disclosures regarding assets and liabilities that are measured at fair value.

As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a three-level hierarchy for valuing assets and liabilities based on how transparent (observable) the inputs are that are used to determine fair value, with the inputs considered most observable categorized as Level 1 and those that are the least observable categorized as Level 3.

2. Fair Value Measurements (continued)

Hierarchy levels are defined by SFAS No. 157 as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets and liabilities. For FinCor, Level 1 inputs are generally quotes for debt or equity securities actively traded in exchange or over-the-counter markets.

- Level 2: Market data obtained from sources independent of the reporting entity (observable inputs). For FinCor, Level 2 inputs generally include quoted prices in markets that are not active, quoted prices for similar assets/liabilities, and other observable inputs such as interest rates and yield curves that are generally available at commonly quoted intervals.

- Level 3: The reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). For FinCor, Level 3 inputs are used in situations where little or no Level 1 or 2 inputs are available or are inappropriate given the particular circumstances. Level 3 inputs include results from pricing models and discounted cash flow methodologies as well as adjustments to externally quoted prices that are based on management judgment or estimation.

The following table presents information about FinCor's assets measured at fair value on a recurring basis as of December 31, 2008, and indicates the fair value hierarchy of the valuation techniques utilized to determine such value. No liabilities are measured at fair value at December 31, 2008. For some assets, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. When this is the case, the asset is categorized in the table based on the lowest level input that is significant to the fair value measurement in its entirety. FinCor's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets being valued.

2. Fair Value Measurements (continued)

Assets measured at fair value on a recurring basis as of December 31, 2008 are as follows:

	Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
		(In Thousands)		
Assets:				
U.S. government and agencies	$ –	$ 8,603	$ –	$ 8,603
States and political subdivisions	–	192,389	–	192,389
Corporate bonds	–	94,989	–	94,989
Mortgage-backed securities:				
U.S. government agencies	–	46,127	–	46,127
Corporate	–	45,383	1,037	46,420
Short-term investments	–	4,449	–	4,449
Total assets	$ –	$ 391,940	$ 1,037	$ 392,977

Level 3 assets consist of a mortgage-backed security (as shown in the table). The note is currently rated Aaa, is collateralized by prime mortgage loans, and is broker priced.

The following table presents additional information about assets measured at fair value using Level 3 inputs for the year ended December 31, 2008:

	Mortgage-Backed Securities – Corporate Bonds	Total
	(In Thousands)	
Balance at January 1, 2008	$ 1,808	$ 1,808
Unrealized losses included in other comprehensive income	(771)	(771)
Balance at December 31, 2008	$ 1,037	$ 1,037

3. Acquisitions

Insurance Services and Employee Safety and Disability Management

Effective April 30, 2007, FinCor completed the acquisition of the Insurance Services and the ESDM divisions of the MHA Service Corporation, a subsidiary of the Michigan Health & Hospital Association.

This acquisition has been accounted for as a purchase transaction in accordance with SFAS No. 141, *Business Combinations*, and the purchase price has been allocated to the assets acquired and liabilities assumed based on estimates of their respective fair values at the date of acquisition. Goodwill of $1,708 was recognized equal to the excess of the purchase price over the fair values of the identifiable net assets acquired. The goodwill is deductible for federal income tax purposes.

Of the total undiscounted purchase price of $7,640, $7,290 was financed with a seller's note which will be paid in monthly installments over a ten-year period, resulting in a present value of $5,153 after imputing interest at 8.25% on the note. The remaining $350 of purchase price was paid in cash at the purchase date.

Following is a summary of the components of the aggregate purchase price and a summary of the fair value of net assets acquired:

Aggregate purchase price:	
Present value of seller's note obtained	$ 5,153
Cash paid	350
Acquisition costs (primarily professional fees)	144
Aggregate purchase price	$ 5,647
Fair value of assets (liabilities) acquired:	
Intangible assets	$ 3,613
Other assets	350
Other liabilities	(24)
Net assets acquired, at fair value	$ 3,939

3. Acquisitions (continued)

Washington Casualty Company

On October 6, 2006, FinCor acquired 100% ownership of WCC by contributing cash of $9,800 to the capital account of WCC in exchange for all 300,000 issued and outstanding shares of WCC common stock.

The acquisition of WCC has been accounted for as a purchase transaction in accordance with SFAS No. 141, *Business Combinations*, and the purchase price has been allocated to the assets acquired and liabilities assumed based on estimates of their respective fair values at the date of acquisition. Goodwill of $614 was recognized equal to the excess of the purchase price over the fair values of the identifiable net assets acquired. The goodwill is not deductible for federal income tax purposes.

Following is a summary of the components of the aggregate purchase price and a summary of the fair value of the net assets acquired:

Aggregate purchase price:	
Cash paid	$ 9,800
Acquisition costs (primarily professional fees)	182
Aggregate purchase price	$ 9,982
Fair value of assets (liabilities) acquired:	
Investments	$ 22,570
Reinsurance recoverables	6,071
Other assets	11,324
Deferred tax assets	4,451
Reserve for losses and loss adjustment expenses	(25,073)
Other liabilities	(9,975)
Net assets acquired, at fair value	$ 9,368

The fair values of the reserves for losses and related reinsurance recoverables (the net loss reserves) acquired in the WCC transaction was estimated as of the date of acquisition based on the present value of the expected underlying net cash flows, and include a profit margin and a

3. Acquisitions (continued)

risk premium. In determining the fair value estimate, management discounted WCC's historical undiscounted loss reserves, based on a recent actuarial review, to present value assuming discounting patterns actuarially developed from the historical loss data of WCC. The discount rate used, 4.66%, approximates the risk-free treasury rate on the acquisition date for maturities similar to the estimated duration of the reserves being valued. Next, an expected profit margin of 5% was applied to the discounted loss reserves which is consistent with management's understanding of the returns anticipated by the reinsurance market (the reinsurance market representing a willing partner in the purchase of loss reserves). Additionally, in consideration of the long-tail nature and the related high degree of uncertainty of such loss reserves, an estimated risk premium of 6.24% was also applied to the discounted loss reserves. These calculations resulted in a fair value estimate which was not materially different than the historical loss reserves and therefore did not result in an adjustment to the historical reserve amount.

The results of operations of WCC, Insurance Services, and ESDM are included in the consolidated statements of income for the years ended December 31, 2007 and 2006, from the date of acquisition. The unaudited pro forma information below presents the combined results of operations as the acquisition had occurred at the beginning of the period presented, and includes the effect of adjusting acquisition assets and liabilities to fair value on the date of acquisition.

The following unaudited pro forma information is not necessarily indicative of the results of operations of the combined company had the acquisition occurred at the beginning of the period presented, nor is it necessarily indicative of future results.

	Pro Forma Results	
	Year Ended December 31	
	2007	2006
	(Unaudited)	
Revenues	$ 98,822	$ 101,903
Net income available for common shareholders	$ 14,799	$ 13,512
Earnings per common share:		
Basic	$ 24.54	$ 23.03
Diluted	$ 23.75	$ 22.67

4. Intangible Assets

As part of the purchase of Insurance Services and ESDM during 2007, the Company acquired intangible assets of $3,613 which have been assigned to customer relationships, noncompete agreements, and other intangibles and are being amortized over their weighted-average estimated useful lives of 10.0, 9.8, and 3.5 years, respectively. It is not anticipated that such assets will have significant residual values.

Following is a summary of nongoodwill intangibles:

	December 31, 2008	
	Gross Amount	Accumulated Amortization
Intangibles subject to amortization:		
Customer relationships	$ 2,922	$ 487
Noncompete agreements	674	114
Other intangibles	17	8
	$ 3,613	$ 609

Amortization expense associated with these intangibles was $365 and $244 for the years ended December 31, 2008 and 2007, respectively. Estimated amortization expense for each of the ensuing years through December 31, 2013 is expected to approximate $365 per year.

Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually. During 2008, the Company determined that no impairment loss has occurred.

5. Investments

The amortized cost and fair value of available-for-sale fixed maturity securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2008				
U.S. government and agencies	**$ 7,649**	**$ 954**	**$ –**	**$ 8,603**
Corporate bonds	**98,811**	**958**	**4,780**	**94,989**
Mortgage-backed securities	**101,827**	**1,224**	**10,504**	**92,547**
States and political subdivisions	**188,378**	**5,470**	**1,459**	**192,389**
Total fixed maturity securities	**$ 396,665**	**$ 8,606**	**$ 16,743**	**$ 388,528**
December 31, 2007				
U.S. government and agencies	$ 3,817	$ 183	$ –	$ 4,000
Corporate bonds	114,890	1,404	971	115,323
Mortgage-backed securities	81,514	427	348	81,593
States and political subdivisions	181,283	3,121	227	184,177
Total fixed maturity securities	$ 381,504	$ 5,135	$ 1,546	$ 385,093

The following tables provide summarized information with respect to available-for-sale securities held in an unrealized loss position at December 31, 2008 and 2007, including the length of time the securities have been held in a continuous unrealized loss position. At December 31, 2008, 34.8% of the Company's total investment portfolio was in an unrealized loss position. Of the securities which were impaired, 27.8% had been impaired for more than 12 months, and the unrealized losses on these investments was 16.9% of their total market value. After an evaluation of each security, the Company's management concluded that these securities are not other-than-temporarily impaired. Each fixed maturity security has paid all scheduled contractual payments. Management believes that each issuer has the capacity to meet the remaining contractual obligations of the security, including payment at maturity, and that the Company has the capacity and intent to hold the security until the security recovers in value or until the scheduled maturity date.

5. Investments (continued)

	Total		Less Than 12 Months		More Than 12 Months	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2008						
Corporate bonds	**$ 59,348**	**$ 4,780**	**$ 42,961**	**$ 2,498**	**$ 16,387**	**$ 2,282**
Mortgage-backed securities	**47,387**	**10,504**	**35,412**	**7,574**	**11,975**	**2,930**
States and political subdivisions	**28,367**	**1,459**	**19,173**	**332**	**9,194**	**1,127**
Total fixed maturity securities	**$ 135,102**	**$ 16,743**	**$ 97,546**	**$ 10,404**	**$ 37,556**	**$ 6,339**
December 31, 2007						
Corporate bonds	$ 46,369	$ 971	$ 17,214	$ 549	$ 29,155	$ 422
Mortgage-backed securities	36,154	348	12,800	39	23,354	309
States and political subdivisions	28,756	227	11,991	157	16,765	70
Total fixed maturity securities	$ 111,279	$ 1,546	$ 42,005	$ 745	$ 69,274	$ 801

5. Investments (continued)

A summary of the amortized cost and fair value of the Company's investments in fixed maturity securities at December 31, 2008, by contractual maturity, is as follows:

	Amortized Cost	Fair Value
Years to maturity:		
One or less	$ 12,309	$ 12,309
After one through five	121,727	121,025
After five through ten	124,467	127,154
After ten	36,335	35,493
Mortgage-backed securities	101,827	92,547
Total	$396,665	$ 388,528

The expected maturities in the foregoing table may differ from the contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Fair values for all investments shown above are based on quoted market prices, where available. For fixed maturity securities not actively traded, fair values are based on values obtained from independent pricing services.

Proceeds, gains, and losses from the sales of investments in bonds (excluding maturities and paydowns) are summarized as follows:

	Year Ended December 31		
	2008	2007	2006
Proceeds from sale of bonds	**$ 2,658**	$ 5,596	$ 9,136
Gross gains from sale of bonds	**–**	7	12
Gross losses from sale of bonds	**351**	1	124

For the year ended December 31, 2008, realized capital losses include $2,914 related to bonds that have experienced an other-than-temporary decline in value.

5. Investments (continued)

Bonds with a carrying value of $3,181 and $3,337 were on deposit with state insurance departments to satisfy regulatory requirements at December 31, 2008 and 2007, respectively.

Major sources of the Company's net investment income are summarized as follows:

	Year Ended December 31		
	2008	**2007**	**2006**
Income:			
Bonds	**$ 18,395**	$ 16,601	$ 13,185
Real estate*	**192**	188	195
Short-term investments, cash, and cash equivalents	**618**	1,064	951
Total gross investment income	**19,205**	17,853	14,331
Less: investment expenses	**826**	736	744
Net investment income	**$ 18,379**	$ 17,117	$ 13,587

* Includes amounts for the occupancy of Company-owned property of $120, $120, and $103 in 2008, 2007, and 2006, respectively.

6. Reinsurance

As part of its ongoing business, the Company seeks to reduce losses that may arise from catastrophes or other unforeseen events by reinsuring certain levels of risk with other insurance enterprises under various reinsurance agreements.

Reinsurance treaties are generally the same from year to year with the exception of the retention and limits of coverage. All states in which the Company is licensed have a $1,000 net retention limit for hospital professional liability, with the exception of Ohio physician and surgeons liability and WCC professional liability, which have a $500 net retention limit.

6. Reinsurance (continued)

The effects of reinsurance on premiums written and earned were as follows:

	2008		2007		2006	
	Written	**Earned**	**Written**	**Earned**	**Written**	**Earned**
Direct premiums	**$105,525**	**$ 111,228**	$112,254	$ 113,848	$100,008	$ 105,345
Assumed premiums	**16**	**203**	97	119	956	1,087
Ceded premiums	**(34,674)**	**(37,341)**	(40,002)	(40,142)	(33,857)	(30,285)
Net premiums	**$ 70,867**	**$ 74,090**	$ 72,349	$ 73,825	$ 67,107	$ 76,147

Reinsurance contracts do not relieve the Company from its obligations to policyholders. A contingent liability exists with respect to reinsurance ceded to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements. The Company continually monitors the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Reinsurance recoveries were $49,460, $5,082, and $6,634 for the years ended 2008, 2007, and 2006, respectively. The Company does not believe that any of its reinsurance recoverables are uncollectible. Should future events indicate that any reinsurer is unable to meet its obligations to the Company, adjustments to the amounts recoverable would be reflected in the results of current operations.

As of December 31, 2008, as required by various state insurance laws, reinsurance recoverables in the amount of $23,785 are collateralized by letters of credit or trust assets from unauthorized reinsurers located in the Cayman Islands, Bermuda, Europe, and the United States.

In 2008, 2007, and 2006, the Company did not commute (terminate) any ceded reinsurance treaties nor did it enter into or engage in any loss portfolio transfer arrangements for any lines of business. The carrying value of amounts recoverable from reinsurers on paid losses approximated the fair value at December 31, 2008, 2007, and 2006, respectively.

7. Income Taxes

Deferred federal income taxes, as required by SFAS No. 109, *Accounting for Income Taxes*, reflect the net tax effects of temporary differences between the amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31	
	2008	**2007**
Deferred tax assets:		
Loss reserve discounting	**$ 8,849**	$ 8,867
Unearned premium adjustment	**2,803**	3,018
Deferred compensation	**1,720**	1,599
Net operating loss carryforwards	**2,636**	2,898
Pension	**2,737**	1,050
Unrealized losses on investments	**3,868**	–
Other	**543**	134
Total deferred tax assets	**23,156**	17,566
Deferred tax liabilities:		
Deferred policy acquisition costs	**995**	986
Unrealized gains on investments	**–**	1,256
Fixed assets	**449**	298
Other	**363**	159
Total deferred tax liabilities	**1,807**	2,699
Net deferred tax assets	**$ 21,349**	$ 14,867

At December 31, 2008, the Company has $7,530 of net operating loss carryforwards (NOLs) available that may be applied against future taxable income. The ability to utilize these NOLs are subject to limitation pursuant to IRS Code Section 382, which results in a maximum utilization of $443 annually. These NOLs expire in the year 2025.

7. Income Taxes (continued)

A reconciliation of "expected" income tax expense (35% of income before income taxes during 2008, 2007, and 2006) to actual income tax expense in the consolidated statements of income follows:

	Year Ended December 31		
	2008	**2007**	**2006**
Computed "expected" tax expense at statutory rate	**$ 8,086**	$ 7,192	$ 6,598
Tax-exempt interest income	**(2,164)**	(1,922)	(1,534)
Other, net	**215**	144	(306)
Actual income tax expense	**$ 6,137**	$ 5,414	$ 4,758

8. Reserve for Losses and Loss Adjustment Expenses

The Company establishes its reserve for losses based on estimates of the future amounts necessary to pay claims and expenses associated with the investigation and settlement of claims. These estimates consist of case reserves and bulk reserves. Case reserves are estimates of future losses for reported claims and are established by the Company's claims department. Bulk reserves, which include a provision for claims that have been incurred but have not yet been reported to the Company (IBNR) and reserves for the potential aggregate development of known claims, are the difference between (1) the sum of case reserves and paid losses, and (2) an actuarially determined estimate of the total losses necessary for the ultimate settlement of all reported and incurred but not reported claims, including amounts already paid.

The reserve for losses is established based on estimates of individual claims and actuarially determined estimates of future losses based on the Company's past loss experience, available industry data and projections as to future claims frequency, severity, inflationary trends, and settlement patterns. Estimating reserves, and particularly medical professional liability reserves, is a complex process. Claims may be resolved over an extended period of time, often five years or more, and may be subject to litigation. Estimating losses for medical professional liability claims requires the Company to make and revise judgments and assessments regarding multiple uncertainties over an extended period of time. As a result, reserve estimates may vary significantly from the eventual outcome. The assumptions used in establishing the Company's reserves are regularly reviewed and updated by management as new data become available. Changes to estimates of previously established reserves are included in earnings in the period in which the estimate is changed.

8. Reserve for Losses and Loss Adjustment Expenses (continued)

The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and loss adjustment expenses. While anticipated price increases due to inflation are considered in estimating the ultimate claim costs, the increase in average severities of claims is caused by a number of factors that vary with the individual type of policy written. Future average severities are projected based on historical trends adjusted for implemented changes in underwriting standards, policy provisions, and general economic trends. Those anticipated trends are monitored based on actual development and are modified if necessary.

The Company believes that the methods it uses to establish reserves are reasonable and appropriate. Each year, the Company uses an external actuary to review the reserve for losses of each insurance subsidiary. The Company considers the views of the external actuary as well as other factors, such as known, anticipated, or estimated changes in frequency and severity of claims and loss retention levels and premium rates, in establishing the amount of its reserve for losses. In addition, the statutory filings of each insurance company with insurance regulators must be accompanied by an actuary's certification as to their respective reserves in accordance with the requirements of the National Association of Insurance Commissioners (NAIC).

8. Reserve for Losses and Loss Adjustment Expenses (continued)

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

	Year Ended December 31		
	2008	**2007**	**2006**
Balance, beginning of year	**$ 303,357**	$ 284,754	$ 220,073
Less reinsurance recoverables on unpaid losses	**60,413**	64,950	55,852
Net balance, beginning of year	**242,944**	219,804	164,221
Adjustment for net reserves acquired in WCC transaction	–	–	19,136
Incurred losses and loss adjustment expenses:			
Current year	**84,300**	85,621	81,733
Prior years	**(36,662)**	(31,454)	(18,387)
Total incurred losses and loss adjustment expenses	**47,638**	54,167	63,346
Paid losses and loss adjustment expenses:			
Current year	**3,926**	4,109	5,207
Prior years	**34,115**	26,918	21,692
Total paid losses and loss adjustment expenses	**38,041**	31,027	26,899
Net balance, end of year	**252,541**	242,944	219,804
Plus reinsurance recoverables on unpaid losses	**70,841**	60,413	64,950
Balance, end of year	**$ 323,382**	$ 303,357	$ 284,754

8. Reserve for Losses and Loss Adjustment Expenses (continued)

As previously described, estimating reserves is complex and requires the use of many assumptions. As time passes and ultimate losses for prior years are either known or become subject to a more definite estimation, the Company increases or decreases the reserve estimates established in prior periods. Favorable development of $36,662, $31,454, and $18,387 was recognized in the years ended December 31, 2008, 2007, and 2006, respectively. The 2008 favorable development resulted primarily from the 2004 through 2007 accident years. These years were reflective of a significant decrease in claims frequency related to both hospital and physician business compared to prior years and original expectations. However, this decrease in claims frequency has not led to a material increase in the average severity of claims settled. As a result, the combination of fewer claims being reported and at amounts lower than originally expected has led to a decrease in the loss estimates previously projected. Similarly, the 2007 and 2006 favorable development recognized was due to the reasons mentioned above; however, the 2007 favorable development resulted from the 2003 through 2006 accident years, and the 2006 favorable development resulted from the 2002 through 2005 accident years.

9. Other Income

Other income, in the accompanying consolidated statements of income, primarily consists of revenue generated from FinCor's wholly owned subsidiaries RMPSI and FinCor Solutions which generated revenue in the amount of $7,648, $5,994, and $2,128 in 2008, 2007, and 2006, respectively.

10. Commitments and Contingencies

The Company is named as a defendant in various legal actions arising principally from claims made under insurance policies and contracts. These actions are considered by the Company in estimating the loss and loss adjustment expense reserves. The Company's management believes the resolution of these actions will not have a material adverse effect on the Company's financial position or results of operations.

10. Commitments and Contingencies (continued)

In December of 2007, Oregon Health and Sciences University (OHSU) filed a lawsuit against WCC and its reinsurer, Employers Reinsurance Corporation (ERC). The litigation stems from the Oregon Supreme Court's December 2007 ruling which found, in the context of medical malpractice claims, that the tort liability caps on damages asserted against employees of public entities such as OHSU are unconstitutional. Through court-ordered mediation, the matter involving OHSU's claims against WCC was settled in September 2008 for $21.4 million with WCC responsible for $2.1 million of the total settlement. Loss adjustment expense related to these claims is expected to be approximately $0.6 million.

11. Subordinated Long-Term Debt

During 2004, the Company formed FinCor Capital Trust I and FinCor Capital Trust II. The Trusts were formed for the sole purpose of issuing, in private placement transactions, $24,000 of trust preferred securities (TPS). The proceeds, together with the equity proceeds received from the Company in the initial formation of the Trusts, were used to purchase $24,752 of subordinated debentures issued by the Company (Subordinated Debentures). The Trusts will meet the obligations of the TPS with the interest and principal the Company pays to the Trusts on the Subordinated Debentures. The Company received net proceeds from the TPS transactions, after commissions and other costs of issuance, of $24,141. Issuance costs of $611 were capitalized and are being amortized over 30 years and are reflected in other expenses in the consolidated statements of income. The proceeds were primarily used to provide statutory capital to MHAIC.

In September 2006, the Company formed FinCor Capital Trust III. The Trust was formed for the sole purpose of issuing, in private placement transactions, $20,000 of TPS. The proceeds, together with the equity proceeds received from the Company in the initial formation of the Trust, were used to purchase $20,620 of Subordinated Debentures. The Trust will meet the obligations of the TPS with the interest and principal the Company pays to the Trust on the Subordinated Debentures. The Company received net proceeds from this TPS transaction, after commissions and other costs of issuance, of $20,211. Issuance costs of $409 were capitalized and are being amortized over 30 years and are reflected in other expenses in the consolidated statements of income. The proceeds were primarily used to acquire and further capitalize WCC in 2006.

11. Subordinated Long-Term Debt (continued)

The Company holds all the voting securities issued by the Trusts, which are considered to be Variable Interest Entities under FASB Interpretation (FIN) No. 46(R), *Consolidation of Variable Interest Entities*. The Trusts are not consolidated as required under FIN No. 46(R) because the Company is not the primary beneficiary of the Trusts. Accordingly, in the December 31, 2008 and 2007 consolidated balance sheets, the Subordinated Debentures issued by the Company to the Trusts are reflected as subordinated long-term debt; and the Company's equity investment of $1,372 in the Trusts is included in other assets. The Company is not exposed to a loss as a result of its involvement with the Trusts.

The Subordinated Debentures and the TPS (collectively, the Securities) have the same maturities and other applicable terms and features. The Securities are uncollateralized and bear a floating interest rate equal to the three-month London InterBank Offered Rate (LIBOR) plus 3.8% (Trusts I and II) and 3.15% (Trust III), adjustable and payable quarterly. The interest rate is limited to a maximum of 12.5% within the first five years (2009) on Trust I and Trust II, while no cap is in place on Trust III. The Securities are callable at par by the Company any time after five years from closing, and do not contain any early redemption rights for holders of the Securities. The Securities mature on April 29, 2034 (Trust I), May 26, 2034 (Trust II), and September 28, 2036 (Trust III). The weighted-average interest rate of 6.98% (Trust I), 6.84% (Trust II), and 6.40% (Trust III) resulted in interest expense of $3,324, $3,999, and $2,603 for the years ended December 31, 2008, 2007, and 2006, respectively.

The Company has a note payable to MHA Service Corporation and Michigan Health & Hospital Association which matures on April 1, 2017. The note is payable in monthly installments over a ten-year period, resulting in a present value of $4,427 after imputing interest at 8.25% as of December 31, 2008. The Company incurred interest expense of $385 for the year ended December 31, 2008.

Following is the present value of principal amounts due in each of the next five years:

2009	$ 462
2010	502
2011	545
2012	591
2013	642

11. Subordinated Long-Term Debt (continued)

On March 10, 2008, the Company established a revolving line of credit with Comerica Bank in the amount of $20,000 for general corporate purposes and to fund potential additional acquisitions. The line has a three-year term and an interest rate of LIBOR plus 110 basis-points. The Company has not utilized the line of credit as of December 31, 2008.

12. Redeemable Preferred Stock

Preferred stock has a par value of $100 and a redemption value of $1,000 per share, and may be redeemed at any time by the Board of Directors for cash at the redemption value per share plus any unpaid dividends as of the date of redemption. The Company has elected to recognize any changes in the redemption value immediately as they occur. At any point after December 31, 2013, the shares can be put back to the Company by its preferred shareholders at the $1,000 per share redemption value. Furthermore, while any preferred shares remain outstanding, if the Board of Directors declares a dividend on the common shares, the Company is required to redeem a number of preferred shares in accordance with a set formula.

Preferred shareholders are entitled to receive cumulative dividends equal to 5% of redemption value if and when the Board of Directors declares such dividends. Dividends to preferred shareholders in the amount of $443, $445, and $448 were declared in 2008, 2007, and 2006, respectively. There are no cumulative undeclared dividends in arrears. Except to the extent a class vote is required by law, preferred shares have no voting rights. Each share of preferred stock is entitled to one vote on each matter as to which a vote is required.

13. Shareholders' Equity

At December 31, 2008, the Company had 20,000,000 shares of authorized common stock, of which 145,000 have been reserved by the Board of Directors of the Company for the award or issuance of shares and for the exercise of outstanding options under incentive compensation plans as described in Note 14.

The Company declared and paid common stock dividends of $461, $456, and $444 in 2008, 2007, and 2006, respectively.

14. Share-Based Payment Awards

Currently, the Company has two share-based payment arrangements, (1) the 2004 Stock Incentive Plan and (2) the 2005 Stock Incentive Plan. As of December 31, 2008, 20,000 and 125,000 shares have been authorized for issuance under the 2004 and 2005 Stock Incentive Plans, respectively.

Stock Options

Under the 2005 Stock Incentive Plan, the Company issued stock option awards in 2007, 2006, and 2005. The stock options awarded in 2005 were fully vested at the award's grant date. Employees have ten years from the date of grant to exercise the 2005 award. The stock options awarded in 2007 and 2006 vest at the end of five years. Employees have two years from the date of vesting to exercise the 2007 and 2006 awards.

Holders of options under the Plan may exercise their outstanding options and pay the exercise price pursuant to a net share settlement feature. This feature allows the option holder to elect to have shares of stock withheld upon exercise to pay the option exercise price and the payment of taxes attributable to the option exercise.

The fair value of the options granted in 2007 and 2006 was estimated on the grant date using the Black-Scholes option pricing model and used the assumptions noted below. The risk-free interest rate is based on the yield on seven-year U.S. government treasuries as of the valuation date. The stock options were granted at fair market value as determined by the Company's Board of Directors, taking into account an independent valuation. The fair market value is fixed as of the date of grant.

	2007 Award	2006 Award
Grant date fair value	$74.04	$43.16
Assumptions:		
Expected dividends	$0.75 per common share in each of the next seven years	5% of after-tax net income to common shareholders
Expected term	7 years	7 years
Risk-free interest rate	4.30%	4.60%
Expected volatility	25.80%	44.5%

14. Share-Based Payment Awards (continued)

As the Company's stock is not publicly traded, there is no data with which to determine the historical volatility of the Company's stock price. Therefore, data on a group of comparable public companies in the same industry were used as the basis to determine the expected volatility of the Company's stock. The historical volatility of each comparable company's stock price returns over the last seven years was calculated based on annualized daily, weekly, and monthly returns. The data was then analyzed for consistency. Monthly returns were considered the most appropriate, since FinCor's stock is not traded and option holders would not be making exercise decisions based on short-term changes in stock price. Each company's volatility calculations were then adjusted for differences in capital structure among the comparable companies. This adjustment resulted in an "unlevered" volatility measure for each company. The median unlevered volatility was then adjusted based on the Company's capital structure. This resulted in a "levered" volatility that reflected the impact of FinCor's leverage on its expected stock price volatility. The expected term of options granted represents the period of time that options granted are expected to be outstanding.

The following table provides information regarding the Company's options for the year ended December 31, 2008:

	Number of Options
Outstanding at beginning of year	127,323
Granted under incentive plans	–
Exercised	17,227
Forfeited	10,750
Outstanding at end of year	99,346
Options exercisable at end of year	40,514

14. Share-Based Payment Awards (continued)

Outstanding stock options as of December 31, 2008, consisted of the following:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Options	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
$ 64.70	40,514	6.5 years	$ 64.70	40,514	$ 64.70
$ 80.22	44,416	5 years	$ 80.22	–	$ 80.22
$ 166.35	14,416	6 years	$ 166.35	–	$ 166.35

Compensation cost charged to operations related to these options was $2,018 and $486 in 2008 and 2007, respectively. As of December 31, 2008, there was $1,973 total unrecognized compensation cost related to the 2007 and 2006 stock option awards, which is expected to be recognized over years 2009 through 2012. For 2008, the Company recorded an excess tax benefit of $239 as a financing cash inflow.

There was no income tax benefit realized from any share-based payment arrangements with employees in 2007 as no options were exercised during 2007.

Prior to the adoption of SFAS No. 123(R), the Company applied the intrinsic-value provisions set forth in APB No. 25 and related Interpretations as permitted by SFAS No. 123. Accordingly, no compensation expense was recognized for the 2005 option grant since the exercise price of the 2005 options granted equaled the fair market value of the Company's common stock on the date of grant.

14. Share-Based Payment Awards (continued)

Restricted Stock

Under the 2004 and 2005 Stock Incentive Plans, the Company also issued restricted stock awards to certain officers of the Company and its subsidiaries, as approved by the Board of Directors. The awards all vest after the fifth anniversary from the date of grant. The restricted stock is granted at fair market value as determined by the Company's Board of Directors, taking into account an independent valuation, usually at or near the date of grant.

On December 31, 2008, the Compensation Committee of the Board of Directors and the Board of Directors approved the acceleration of the vesting of unvested restricted stock held by certain executive officers. This action resulted in 3,250 shares becoming immediately vested as of December 31, 2008 and additional compensation expense of $111.

The following is a summary of nonvested restricted stock for the year ended December 31, 2008:

	Number	Weighted-Average Fair Value
Balance, beginning of year	11,850	$ 83.45
Granted during the year	1,500	
Vested during the year	(7,600)	
Forfeited during the year	(300)	
Balance, end of year	5,450	$ 111.19

Compensation related to these stock awards is charged to income on a straight-line basis over the period of vesting based on the awards' value at the date of grant. The Company recognized compensation cost related to these awards in the amount of $331, $276, and $102 in 2008, 2007, and 2006, respectively.

15. Earnings Per Share

The following data show the amounts used in computing earnings per share and the effect on income and the weighted-average number of shares of dilutive potential common stock.

	Year Ended December 31		
	2008	**2007**	**2006**
Net income	**$ 16,966**	$ 15,133	$ 14,092
Less preferred dividends	**443**	445	448
Income available to common stockholders used in basic EPS	**$ 16,523**	$ 14,688	$ 13,644
Weighted-average number of common shares used in basic EPS	**607,832**	603,187	586,653
Effect of dilutive securities:			
Restricted stock awards	**6,096**	5,529	3,373
Stock options	**24,144**	14,334	6,113
Weighted-average number of common shares and dilutive potential common stock used in diluted EPS	**638,072**	623,050	596,139

Options on 14,666 shares of common stock awarded in 2007 were not included in computing diluted EPS because they were not dilutive.

16. Statutory Accounting and Dividend Restrictions

The Company's insurance subsidiaries, MHAIC and WCC, domiciled in Michigan and Washington, respectively, prepare statutory financial statements in accordance with accounting principles and practices prescribed or permitted by the Michigan and Washington Insurance Departments, which are recognized for determining solvency under Michigan and Washington Insurance Law. The Michigan and Washington Commissioners of Insurance have the right to permit other practices that may deviate from prescribed practices. Prescribed statutory accounting practices are those practices that are incorporated directly or by reference in state laws, regulations, and general administrative rules applicable to all insurance enterprises domiciled in Michigan and Washington. Permitted statutory accounting practices encompass all accounting practices that are not prescribed; such practices differ from state to state, may differ from company to company within a state, and may change in the future. The statutory-basis financial statements of MHAIC and WCC have been prepared in conformity with prescribed practices for Michigan and Washington, respectively.

GAAP differs in certain respects from the accounting practices prescribed or permitted by insurance regulatory authorities (statutory basis or SAP). The primary differences are: (a) policy acquisition costs expensed for SAP are deferred in accordance with GAAP; (b) assets designated as "nonadmitted assets" are charged directly to surplus for SAP; (c) bonds and U.S. government securities are carried at amortized cost for SAP and at fair market value for GAAP; and (d) deferred federal income taxes recorded in surplus for SAP are recorded in income for GAAP.

The following table summarizes MHAIC and WCC statutory net income and statutory surplus, including the effects of prescribed and permitted practices:

	At December 31 and for the Year Ended		
	2008	**2007**	**2006**
MHAIC			
Statutory net income	**$ 22,134**	$ 15,178	$ 15,467
Statutory surplus	**134,128**	117,655	106,311
WCC			
Statutory net (loss) income	**(2,748)**	1,552	(1,887)
Statutory surplus	**14,977**	14,243	11,953

16. Statutory Accounting and Dividend Restrictions (continued)

The payment of dividends by MHAIC and WCC to the Company is limited and can only be made from earned profits unless prior approval is received from the Michigan and Washington Insurance Commissioners. The maximum amount of dividends that may be paid by property-casualty insurance companies without prior approval of the Michigan and Washington Insurance Commissioners is also subject to restrictions relating to statutory surplus and net income. In 2009, MHAIC can pay dividends of $24,081 without prior approval of the Michigan Insurance Commissioner. WCC can pay dividends of $1,498 without prior approval of the Washington Insurance Commissioner. The Company received $5,800, $4,000, and $2,500 of dividends from MHAIC during 2008, 2007, and 2006, respectively. The Company did not receive dividends from WCC during 2008 or 2007.

17. Employee Benefits

Defined Benefit Pension Plan

Prior to 2008, the Company's employees are participants in a noncontributory, multiemployer defined benefit pension plan sponsored by the Michigan Health & Hospital Association (MHA). The Company contributed $516 and $317 to this plan during 2007 and 2006, respectively.

On January 1, 2008, FinCor withdrew its participation in the pension plan. At that time, MHA transferred an obligation of $12,416 and assets of $9,420 to FinCor.

Effective January 1, 2008, substantially all employees of the Company are covered under a defined benefit pension plan sponsored by the Company. Benefits are based on years of service and compensation during the last five years of service, subject to certain limitations. The Company's funding policy was to contribute annually the amount required under the minimum funding standards of the Employee Retirement Income Security Act of 1974. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. For 2008, contributions to the plan were $877. On December 31, 2008, the Company closed the plan to employees hired after December 31, 2008.

17. Employee Benefits (continued)

The following are reconciliations of the pension benefit obligation and the value of plan assets for 2008:

	Year Ended December 31, 2008
Change in benefit obligation:	
Benefit obligation, beginning of year	$ 12,416
Service cost	1,030
Interest cost	768
Actuarial loss	1,227
Benefits paid	(223)
Benefit obligation, end of year	15,218
Change in plan assets:	
Fair value, beginning of year	9,420
Actual investment loss	(2,675)
Company contributions	877
Benefits paid to participants	(223)
Fair value, end of year	7,399
Funded status and accrued benefit obligation	$ 7,819

The measurement date used to determine the benefit for the defined pension benefit plan was December 31, 2008.

At December 31, 2008, the accumulated benefit obligation for the defined benefit pension plan was $11,155.

17. Employee Benefits (continued)

The following table presents the components of the net periodic benefit cost for the year ended December 31, 2008:

Service cost	$ 1,030
Interest cost	768
Expected return on plan assets	(762)
Total net periodic benefit cost	$ 1,036

The weighted-average assumptions used to determine the pension benefit obligation and net periodic pension cost was as follows:

	Pension Benefits	
	2008	
	Pension Benefit Obligation	Net Periodic Pension Cost
Weighted-average assumptions:		
Discount rate	5.69%	6.00%
Expected rate of compensation increases	6.50%	6.50%
Expected return on plan assets	N/A	8.00%

The investment of assets in the defined benefit plan is based on the expected long-term capital market outlook. Asset return assumptions utilizing historical returns, correlations, and investment manager forecasts are set forth for each major assets category. Investment allocations are determined by the plan's Investment Committee. Long-term allocation guidelines are set and expressed in terms of a target allocation or target allocation range for each asset class. Factors including the future growth in the number of plan participants and forecasted benefit obligations, inflation, and the rate of salary increase are also considered in developing asset allocations and target return assumptions.

Plan assets include no shares of the Company's common stock.

17. Employee Benefits (continued)

The asset allocation percentage by major asset class and the target allocation percentage for 2008 are as follows:

	Target 2008	Allocation December 31 2008
Asset category:		
Equity securities	60–70%	62%
Debt securities	30–40	38
Total	100%	100%

Expected future benefit payments over the next ten years are as follows:

2009	$ 304
2010	350
2011	420
2012	555
2013	585
2014 – 2018	3,935

The Company expects to contribute approximately $900 during 2009 to its defined benefit plan depending upon actuarially calculated funding requirements and regulatory and taxing authority requirements.

As of December 31, 2008, $4,514 of actuarial loss are included in accumulated other comprehensive loss and have not yet been recognized as components of pension expense.

As of December 31, 2008, $283 of actuarial loss will, through amortization, be recognized as a component of pension expense in 2009.

17. Employee Benefits (continued)

Supplemental Retirement Plan

The Company maintains a nonqualified supplemental retirement plan for certain current and prior senior executives. The plan is not funded, and participation is determined at the sole discretion of the Board of Directors. Benefits under this plan vest fully at normal retirement or disability. The Company accrues the liability, which is based on an actuarial determination, over the period from inception to retirement. As of December 31, 2008 and 2007, the Company accrued a liability of $2,816 and $2,324, respectively, in accordance with actuarially determined amounts. These amounts are included in other liabilities in the consolidated balance sheets. The Company recorded $592, $436, and $702 of expense in 2008, 2007, and 2006, respectively, in connection with this plan.

The measurement date used to determine the postretirement benefits for the supplemental retirement plan was December 31, 2008.

Employee Stock Ownership Plan

Prior to 2008, the Company sponsored a nonleveraged employee stock ownership plan (ESOP) for all employees. The Company was required to make annual contributions to the ESOP equal to 5% of an employees' compensation, as defined in the plan. ESOP activity follows:

	Year Ended December 31		
	2008	**2007**	**2006**
ESOP compensation expense	**$ –**	$ 587	$ 368
Shares issued to ESOP	**2,406**	3,851	3,719

Under the terms of the ESOP, the Company has an obligation to repurchase shares of a participant at the share's fair market value upon a participant's termination of employment. The Company repurchases the shares which are then reallocated among the remaining ESOP participants at the end of each plan year. The amount of each repurchase is based on the valuation of the Company's common stock as of December 31 of the year immediately preceding the distribution and therefore, the amount of a repurchase is not known. The number of shares to be repurchased is also unknown. As a result, no liability has been recorded by the Company as of December 31, 2008.

17. Employee Benefits (continued)

The Company accounts for its ESOP in accordance with Statement of Position 93-6, *Employers' Accounting for Employee Stock Ownership Plans*. Accordingly, the Company reports compensation expense equal to the current fair value of the shares. Dividends on ESOP shares are recorded as a reduction of retained earnings.

The shares purchased by the ESOP are at fair market value. The valuation as of December 31, 2008 has not yet been completed. The Company's common stock was valued at $131.08 per share as of December 31, 2007.

The ESOP was terminated effective January 1, 2008, and no further contributions will be made to the plan.

Effective January 1, 2008, the Company employees participate in a defined contribution plan sponsored by FinCor. The plan is a 401(k) plan that includes a safe harbor contribution of 3% of participants' compensation. Company contribution to the plan was $324 for the year ended December 31, 2008.

Employee and Director Stock Purchase Plan

During 2004, the Company implemented an Employee and Director Stock Purchase Plan (the Plan) which permits eligible employees and directors to purchase shares of FinCor common stock. Shares of common stock having an aggregate purchase price not exceeding $3,500 may be issued under the Plan. In 2006, 16,999 shares of stock were purchased by eligible employees and directors at a purchase price of $69 per share. No shares were purchased in 2008 and 2007. In addition to payment for common stock through payroll deductions or cash payment, purchase may also be made through a promissory note payable to the Company. These notes are payable over a period not to exceed ten years, at an interest rate adjusted annually at the enrollment date to the then current prime rate, which is currently 3.25% at December 31, 2008. Stock notes receivable in the amount of $489 and $643 are recorded as a reduction to shareholders' equity in the accompanying consolidated financial statements at December 31, 2008 and 2007, respectively.

18. Related-Party Transactions

Several directors of the Company are also officers of hospitals that purchase insurance from MHAIC. Such insurance comprises approximately 7% of direct written premiums in 2008, 2007, and 2006. Premiums are charged at fair market value. These hospitals control 4.1% of the voting rights of the Company's common stock.

During 2008, exercise of certain stock options and the accelerated vesting of certain restricted stock awards totaling $756 were made through a promissory note payable to the Company. These notes are payable over a five-year period, at the mid-term Applicable Federal Rate at December 31, 2008 of 2.85%. Stock notes receivable are recorded as a reduction to shareholders' equity in the accompanying consolidated financial statements at December 31, 2008.

19. Segment Information

The Company operates in the United States in one reportable industry segment – medical professional liability insurance. This segment principally provides professional medical liability insurance, primarily on a direct basis, to health care facilities and independent physicians in the Midwest and Northwest. The medical professional liability segment includes the operating results of two insurance companies: MHAIC and WCC.

The separate financial information for medical professional liability insurance is consistent with the way results are regularly evaluated by management in deciding how to allocate resources and in assessing performance. Revenue is primarily from unaffiliated customers and the Company does not have a significant reliance on any single major customer.

The accounting policies of the segments are consistent with those described in the summary of significant accounting policies in Note 1. Other than cash and securities owned directly by the parent company, the assets of the Company are attributable to the reportable operating segments. Other than investment income earned directly by the parent company and interest expense attributable to long-term debt held by the parent company, all revenues and expenses of the Company are attributable to the operating segments for purposes of SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information.*

19. Segment Information (continued)

The financial information that management reviews in making decisions about resources to be allocated to the segments and assess their performance, is summarized as follows:

	Year Ended December 31		
	2008	**2007**	**2006**
Revenues			
Medical professional liability segment:			
Net premiums earned	**$ 74,090**	$ 73,825	$ 76,147
Net investment income	**14,909**	16,833	13,226
Other revenues	**297**	233	153
Total segment revenues	**89,296**	90,891	89,526
Corporate and other:			
Net investment income	**205**	290	249
Other revenues	**7,648**	5,994	2,129
Total segment revenues	**7,853**	6,284	2,378
Total revenues	**$ 97,149**	$ 97,175	$ 91,904
Income (loss) before taxes			
Medical professional liability	**$ 31,704**	$ 28,254	$ 22,049
Corporate and other	**(8,601)**	(7,707)	(3,199)
Total income before taxes	**$ 23,103**	$ 20,547	$ 18,850
Assets			
Medical professional liability	**$ 553,774**	$ 529,497	
Corporate and other	**14,271**	11,858	
Total assets	**$ 568,045**	$ 541,355	

20. Quarterly Results of Operations (unaudited)

The Company's quarterly consolidated results of operations are summarized in the tables below. Quarterly and year-to-date computations of per share amounts are made independently; therefore, the sum of per share amounts for the quarters may not equal per share amounts for the year:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2008:				
Net premiums earned	**$ 18,127**	**$ 18,322**	**$ 17,861**	**$ 19,780**
Net losses and loss adjustment expense incurred	**15,268**	**14,289**	**9,035**	**9,046**
Net income available for common shareholders	**2,652**	**4,069**	**5,959**	**4,286**
Basic earnings per common share	**$ 4.37**	**$ 6.70**	**$ 9.81**	**$ 6.30**
Diluted earnings per common share	**$ 4.17**	**$ 6.38**	**$ 9.36**	**$ 6.00**
2007:				
Net premiums earned	$ 17,209	$ 19,599	$ 19,060	$ 17,957
Net losses and loss adjustment expense incurred	16,378	13,357	13,278	11,154
Net income available for common shareholders	1,805	4,768	4,923	3,192
Basic earnings per common share	$ 3.00	$ 7.92	$ 8.18	$ 5.27
Diluted earnings per common share	$ 2.92	$ 7.70	$ 7.94	$ 5.05