

**AMENDED AND RESTATED
PLAN OF CONVERSION
OF
NORCAL MUTUAL INSURANCE COMPANY**

**As approved on February 10, 2021
by the Board of Directors**

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AMENDED AND RESTATED
PLAN OF CONVERSION
OF
NORCAL MUTUAL INSURANCE COMPANY

**Under Section 4097 *et seq.* of the
California Insurance Code**

PREAMBLE

This Amended and Restated Plan of Conversion amends and restates in its entirety that certain Plan of Conversion (the “Original Plan”) approved by the Board of Directors (the “Board”) of NORCAL Mutual Insurance Company, a mutual insurance company domiciled in the State of California (such entity, before the Conversion, being referred to “NORCAL Mutual”, after the Conversion, being referred to as “NIC”, and both before and after the Conversion, being referred to as “NORCAL”), at a meeting duly called and held on February 18, 2020 (the “Initial Board Approval”) and provides for the conversion of NORCAL Mutual from a domestic incorporated medical malpractice mutual insurance company into an incorporated stock insurance company (the “Conversion”) and the purchase and sale (the “Purchase”) of at least eighty percent (80%) of the newly-issued shares of common stock of NIC to PRA Professional Liability Group, Inc., a Delaware corporation (“PRA Professional”), a wholly-owned subsidiary of ProAssurance Corporation, a Delaware corporation (“PRA” and together with PRA Professional, collectively, the “Sponsor”), pursuant to that certain Agreement and Plan of Acquisition, by and between NORCAL and the Sponsor, dated February 20, 2020, attached hereto as Exhibit A (the “Acquisition Agreement”), as authorized by Section 4097 of the California Insurance Code (together, the Conversion and Purchase, the “Sponsored Conversion”).

As required by Section 4097.02 of the California Insurance Code, resolutions specifying the reasons for and the purposes of the Conversion and the manner in which the Conversion is expected to benefit and serve the best interests of the policyholders of NORCAL were approved by unanimous resolution of the members of the Board pursuant to the Initial Board Approval and this Plan of Conversion was approved by unanimous written consent of the Board on February 10, 2021 (the “Amended and Restated Plan Board Approval” and together with the Initial Board Approval, the “Board Approval”). Pursuant to the Board Approval, the Board (a) determined the manner by which this Plan of Conversion is expected to benefit and serve the best interests of the policyholders of NORCAL, (b) accepted the Revised and Restated Appraisal Report and the fair value of NORCAL Mutual of \$440,000,000 and (c) adopted and approved the Allocation Formula set forth in ARTICLE 8 that will be used for determining the Equity of each Eligible Member as fair, just and equitable to the Eligible Members. As a result, the Board has directed that this Plan of Conversion be submitted to the Commissioner for approval pursuant to Section 4097.02 of the California Insurance Code. The Board has also directed that this Plan of Conversion be submitted to the Record Date Members for their approval pursuant to Sections 4097.02 and 4097.07 of the California Insurance Code and applicable provisions of NORCAL Mutual’s bylaws.

If the Commissioner and the Record Date Members approve the Plan of Conversion as required by the California Insurance Code and the conditions to the Purchase are satisfied or waived in accordance with the Acquisition Agreement, all Eligible Members, or their designees, will have the choice to receive (a) shares of the proposed capital stock of NIC at the Per Share Price, (b) a contribution certificate from NIC based on the member's Allocable Equity or (c) a cash payment from NIC based on the member's Allocable Equity, each in exchange for the extinguishment of their Membership Interests in NORCAL Mutual, in each case as further described below. In the event an Eligible Member elects to receive the proposed capital stock of NIC at the Per Share Price, such Eligible Member may either (x) immediately sell such stock to PRA Professional in exchange for a cash payment (the "Sponsor Fixed Consideration") and a right to receive future contingent cash payments based on loss and reserve development (the "Sponsor Contingent Consideration") as set forth in Article 3 of the Acquisition Agreement (the Sponsor Fixed Consideration and the Sponsor Contingent Consideration are collectively referred to as the "Sponsor Consideration") or (y) retain such stock for such Eligible Member's own account.

In order to consummate the Conversion, Section 4097.06 of the California Insurance Code requires that the Commissioner hold a public hearing regarding the Plan of Conversion after written notice of the hearing to NORCAL Mutual, its Members and the public. The public hearing shall be held virtually and shall occur prior to the Special Meeting. In addition, Section 4097.02 of the California Insurance Code requires that the Plan of Conversion be submitted to its Members for a vote at the Special Meeting. The Plan of Conversion must be approved by at least two-thirds of the Record Date Members present "in person" at the Special Meeting by attending the Special Meeting virtually or present "by proxy" by completing the provided proxy card (by paper or online). At least ten percent of the Record Date Members must be present "in person" or "by proxy" so as to constitute a quorum at the Special Meeting.

Capitalized terms used herein without definition have the meaning set forth in ARTICLE 2 hereof.

ARTICLE 1 REASONS FOR THE CONVERSION

The principal purpose of the Conversion is to convert NORCAL Mutual from a mutual insurance company into a stock insurance company. The Sponsored Conversion will enhance NORCAL's strategic and financial flexibility and will provide the Eligible Members with the Consideration. The Board believes that the Sponsored Conversion is fair, just and equitable to NORCAL and its policyholders, is consistent with the purpose and intent of Section 4097 *et seq.* of the California Insurance Code and will not prejudice the interests of the Members. The Sponsored Conversion will not reduce insurance coverages provided to the NORCAL policyholders under the Policies issued by NORCAL Mutual that are currently in effect.

Although the Consideration allocated to the Eligible Members will vary according to the premiums properly and timely paid by Eligible Members under their Eligible Policies, the duration of such Eligible Members' membership in NORCAL Mutual and profitability associated with such Eligible Members' relationship with NORCAL Mutual, NORCAL Mutual intends that all Eligible Members will receive fair, just and equitable consideration, as described in ARTICLE 8 and

ARTICLE 9 of this Plan of Conversion in respect of the extinguishment of all Membership Interests.

In its present structure as a mutual insurance company, NORCAL Mutual can increase its statutory capital only through earnings contributed by its operating businesses, through the use of financial reinsurance arrangements, through the issuance of surplus notes or by divestiture of all or a portion of its interest in subsidiaries or other investments. These methods, however, are limited as to the extent to which they can provide a long-term source of permanent capital to allow NORCAL Mutual to develop new businesses, make acquisitions or provide greater stability and protection for its policyholders.

Through the transactions contemplated by this Plan of Conversion and the Acquisition Agreement, NIC will become a controlled subsidiary of the Sponsor. The Board believes that the resulting affiliation with the Sponsor will be in the best interests of NORCAL and its policyholders because, among other things:

- the Sponsored Conversion will help enhance the competitiveness of NORCAL and will generate greater efficiencies and significant opportunities for improved financial performance;
- the Sponsored Conversion will enhance NORCAL's ability to pursue its strategic objectives;
- the Sponsored Conversion will create meaningful economies of scale and will provide NORCAL with greater resources to back its obligations to policyholders, support the growth of NORCAL's business and product lines and take advantage of investment and acquisition opportunities;
- the Board has considered NORCAL Mutual's position as an independent company in the present competitive environment for medical professional liability insurers and believes that NORCAL's ability to pursue its strategic objectives would be enhanced by this affiliation;
- the Sponsored Conversion and affiliation with the Sponsor will create meaningful economies of scale and will provide NORCAL with greater resources to back its obligations to policyholders, support the growth of NORCAL's business and product lines and take advantage of investment and acquisition opportunities;
- the Sponsored Conversion will benefit both the short-term and long-term interests of NORCAL and its policyholders;
- the Sponsor has a history of successfully integrating the mutual insurance and stock insurance companies it has acquired and investing substantial resources in such companies, resulting in the steady growth and expansion of such insurers over time; and

- the Board has received the opinion of the Piper Sandler & Co. dated as of the Adoption Date, to the effect that, as of the Adoption Date, the aggregate consideration to be received by the Eligible Members, as a group, pursuant to the Acquisition Agreement is fair from a financial point of view to such Eligible Members, as a group.

Furthermore, as a result of the Sponsored Conversion, the Eligible Members will be compensated for their respective Membership Interests, which will be extinguished as part of the Conversion, by (a) NIC paying them the NORCAL Cash Payment, (b) NIC issuing them the Contribution Certificates or (c) NIC issuing them the Allocable Number of Shares of NIC (collectively, the “Conversion Consideration”). If the Plan of Conversion is approved by the Commissioner and the Eligible Members, the Acquisition Agreement obligates PRA Professional to offer to purchase the NIC Shares from the Eligible Members for the Sponsor Consideration and allows the Sponsor to make an Election Solicitation with respect to Eligible Members who have elected or are deemed to have elected to receive Contribution Certificates in the Conversion to instead elect to receive NIC Shares in order to satisfy the conditions to the Purchase under the Acquisition Agreement. In addition, for the Eligible Members electing to receive the Allocable Number of Shares of NORCAL, such Eligible Members will have the right, if Eligible Members holding at least 80% of the NIC Shares issued in connection with the Conversion elect, to sell such Allocable Number of Shares to PRA Professional in exchange for the Sponsor Consideration (together with the Conversion Consideration, the “Consideration”). Such Consideration would not be available to the Eligible Members as long as NORCAL Mutual continues its operations as a mutual insurance company and may, in fact, never be available to the Eligible Members absent Conversion.

ARTICLE 2 DEFINITIONS

2.1 Certain Terms. As used in this Plan of Conversion, the following terms have the meanings set forth below:

“Acquisition Agreement” has the meaning specified in the Preamble.

“Adoption Date” has the meaning specified in Section 3.1.

“Allocable Equity” has the meaning specified in Section 8.2.

“Allocable Number of Shares” means, with respect to an Eligible Member, a number of NIC Shares equal to such Eligible Member’s Allocable Equity divided by the Per Share Price.

“Allocable Number of Whole Shares” has the meaning specified in Section 9.1(d).

“Allocation Formula” has the meaning specified in Section 8.2.

“Amended and Restated Bylaws” has the meaning specified in Section 5.1(a).

“Amended and Restated Articles” has the meaning specified in Section 5.1(a).

“Application” has the meaning specified in Section 4.1.

“Appraisal Firm” has the meaning specified in Section 8.1.

“Assumed Expense Ratio” means thirty-two one hundredths (0.32).

“Board” has the meaning specified in the Preamble.

“Board Approval” has the meaning specified in the Preamble.

“Closing” has the meaning specified in Section 6.3(b).

“Code” means the federal Internal Revenue Code of 1986, as amended.

“Commissioner” means the Insurance Commissioner of the Department.

“Consideration” has the meaning specified in the ARTICLE 1.

“Contribution Certificate” has the meaning specified in Section 9.1(e).

“Conversion” has the meaning specified in the Preamble.

“Conversion Agent” means Computershare Trust Company, N.A. or such other bank, trust company or investor services company as designated by the Sponsor and acceptable to NORCAL Mutual and the Commissioner to act as agent in connection with this Plan of Conversion and the Acquisition Agreement for distributing the NORCAL Cash Payment payable to certain Eligible Members pursuant to this Plan of Conversion.

“Conversion Consideration” has the meaning specified in ARTICLE 1.

“Department” means the Department of Insurance of the State of California.

“Effective Date Filing” has the meaning specified in Section 5.3.

“Effective Time” means 12:01 a.m., California time, on the Plan Effective Date or such other time on the Plan Effective Date as specified by NORCAL Mutual and the Sponsor, subject to any required consent of the Commissioner. This is the time that this Plan of Conversion is deemed to be effective.

“Election Date” has the meaning specified in Section 9.2

“Election Notice” has the meaning specified in Section 9.4(b).

“Election Solicitation” has the meaning specified in Section 9.4(a).

“Eligible Member” means a Member who is the Owner of an Eligible Policy; provided that for purposes of this Plan of Conversion, Eligible Member means at any time prior to the Effective Time, the Owner of a Policy that was In Effect on the Adoption Date or the Owner of a

Replacement Policy for which the predecessor Policy was In Effect on the Adoption Date. For the avoidance of doubt, a Member who is the Owner of a Policy and terminates or non-renews the Policy prior to the Effective Time shall not be entitled to Conversion Consideration.

“Eligible Policy” means (i) any Policy that is In Effect on the Adoption Date and the Plan Effective Date or (ii) any Replacement Policy that is In Effect on the Plan Effective Date.

“Eligible Premium” means, with respect to each Eligible Member, the sum of all of the premium of all Eligible Policies owned by such Eligible Member as of the Adoption Date (excluding all unearned premiums) and all earned premiums since January 1, 2002 under all of such Eligible Member’s Policies, as reflected in the NORCAL Records. For purposes of determining the total Eligible Premium under each Eligible Member’s Policies, (x) the earned premiums for all Policies for which such Eligible Member is a successor and/or which have been consolidated to a Policy issued to such Eligible Member shall be included, and (y) all premiums paid for an extended reporting period (“tail” coverage) endorsement with respect to a Policy that expired, was cancelled, nonrenewed or was otherwise terminated prior to the Adoption Date shall be excluded.

“Equity” has the meaning specified in Section 8.1.

“Incurred Claims” means, with respect to each Eligible Member, the sum of all incurred claims of all Eligible Policies owned by such Eligible Member as of the Adoption Date and all incurred claims since January 1, 2002 under all of such Eligible Member’s Policies, as reflected in the NORCAL Records. For purposes of determining the total Incurred Claims under each Eligible Member’s Policies, the incurred claims for all Policies for which such Eligible Member is a successor and/or which have been consolidated to a Policy issued to such Eligible Member shall be included.

“Incurred Profitability” means, with respect to each Eligible Member, an amount equal to the greater of (i) (x) one (1) minus the Assumed Expense Ratio multiplied by (y) such Eligible Member’s Eligible Premium minus (z) such Eligible Member’s Incurred Claims and (ii) zero (0).

“In Effect” has the meaning specified in Section 7.3(a).

“Member” means a person who, according to the NORCAL Records and pursuant to its Articles of Incorporation or bylaws, is deemed to be a holder of a Membership Interest in NORCAL Mutual, but shall not include persons named in a Policy as an additional insured or persons covered solely under an extended reporting period (“tail” coverage) endorsement.

“Membership Interests” means the interests of Members with respect to NORCAL Mutual arising under California law and the Amended and Restated Articles and Amended and Restated Bylaws of NORCAL Mutual prior to the Conversion, including the right to vote and the right to participate in any distribution of surplus in the event that NORCAL Mutual is liquidated. “Membership Interests” do not include the rights expressly conferred upon Members by their Policies (other than the right to vote and rights related thereto).

“NORCAL” has the meaning specified in the Preamble.

“NORCAL Cash Payment” has the meaning specified in Section 9.1(f)9.1(e).

“NORCAL Records” means the books, records and accounts of NORCAL.

“NIC Shares” means 8,800,000 shares of common stock of NIC, par value of an amount determined by dividing the actual number of NIC Shares issued in connection with the Conversion into \$2,600,000, which represent all of the duly authorized shares of common stock of NIC authorized to be issued on the Plan Effective Date upon the Conversion.

“Notice of Special Meeting” has the meaning specified in Section 5.2.

“Owner” means, with respect to any Policy, the Person or Persons specified or determined pursuant to the provisions of Section 7.2.

“Per Share Price” has the meaning specified in Section 9.1(b).

“Person” means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, trust, government or governmental agency, state or political subdivision of a state, public or private corporation, board, association, estate, trustee, or fiduciary, or any similar entity.

“Plan Effective Date” has the meaning specified in Section 6.3(b).

“Plan of Conversion” means this Amended and Restated Plan of Conversion (including all Schedules and Exhibits hereto), as it may be amended from time to time in accordance with Section 11.3. Any reference to the term “Plan of Conversion” shall be deemed to incorporate by reference all of the Schedules and Exhibits thereto.

“Policy” or “Policies” has the meaning specified in Section 7.1.

“Premium Percentage” has the meaning specified in Section 8.2(b).

“Profitability Percentage” has the meaning specified in Section 8.2(c).

“Proposal” has the meaning specified in Section 5.1(a).

“Purchase” has the meaning specified in the Preamble.

“Purchase and Sale of Shares” has the meaning specified in Section 9.1(c).

“Record Date Member” means each Member of record as of the record date for the Special Meeting as determined by the Board in accordance with NORCAL Mutual’s bylaws in effect as of the Adoption Date.

“Replacement Policy” means any successor policy to a Policy that is In Effect on the Adoption Date that is rewritten under a new Policy, resulting in uninterrupted, continuous coverage.

“Revised and Restated Appraisal Report” has the meaning specified in Section 8.1.

“Special Meeting” has the meaning specified in Section 5.1(a).

“Sponsor” has the meaning specified in the Preamble.

“Sponsor Consideration” has the meaning specified in the Preamble.

“Sponsor Contingent Consideration” has the meaning specified in the Preamble.

“Sponsor Fixed Consideration” has the meaning specified in the Preamble.

“Sponsored Conversion” has the meaning specified in the Preamble.

“Tenure Percentage” has the meaning specified in Section 8.2(a).

“Total Eligible Premium” means the sum of all Eligible Premiums of all Eligible Members.

“Total Incurred Profitability” means the sum of all Incurred Profitability of all Eligible Members.

2.2 Terms Generally. As used in this Plan of Conversion, except to the extent that the context otherwise requires:

(a) when a reference is made in this Plan of Conversion to an Article, Section, Schedule or Exhibit, such reference is to an Article or Section of, or a Schedule or Exhibit to, this Plan of Conversion unless otherwise indicated;

(b) the words “hereby”, “herein”, “hereof”, “hereunder” and words of similar import refer to this Plan of Conversion as a whole (including the Schedules and Exhibits hereto) and not merely to the specific section, paragraph or clause in which such word appears;

(c) whenever the words “include,” “includes,” or “including” (or similar terms) are used in this Plan of Conversion, they are deemed to be followed by the words “without limitation”;

(d) the definitions contained in this Plan of Conversion are applicable to the singular as well as the plural forms of such terms; and

(e) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

ARTICLE 3 ADOPTION BY THE BOARD OF DIRECTORS

3.1 Adoption by the Board. This Plan of Conversion has been approved and adopted by the Board pursuant to the Initial Board Approval on February 18, 2020 (the “Adoption Date”) and the Amended and Restated Plan Board Approval on February 10, 2021.

ARTICLE 4
APPROVAL BY THE COMMISSIONER

4.1 Application for Approval. Following the adoption of this Plan of Conversion by the Board, NORCAL Mutual shall file an application executed by the Chief Executive Officer of NORCAL Mutual (the “Application”) with the Commissioner for approval of this Plan of Conversion in accordance with Section 4097.02 of the California Insurance Code. The Application shall include true and correct copies of the following documents:

- (a) this Plan of Conversion;
- (b) the proposed Amended and Restated Articles attached hereto as Exhibit B;
- (c) the proposed Amended and Restated Bylaws attached hereto as Exhibit C;
- (d) the list of officers and directors of NIC, attached hereto as Exhibit D;
- (e) the Initial Board Approval and the Amended and Restated Board Approval, each certified by the Secretary of the Board, authorizing the Conversion and a report of the percentage of directors approving the resolutions attached hereto as Exhibit E;
- (f) the Revised and Restated Appraisal Report of NORCAL Mutual provided by the Appraisal Firm as part of their opinion provided in accordance with Section 8.1, attached hereto as Exhibit F;
- (g) the three-year *pro forma* financial statements in the form required by the Commissioner attached hereto as Exhibit G;
- (h) a plan of operations for NIC following the Conversion attached hereto as Exhibit H;
- (i) the Information Statement (as defined in the Acquisition Agreement) and proxy to be mailed to the Eligible Members seeking their approval of this Plan of Conversion and the Acquisition Agreement attached hereto as Exhibit I;
- (j) the form of notice of the Special Meeting required by Section 4097.07 of the California Insurance Code attached hereto as Exhibit J;
- (k) the form of the Contribution Certificate attached hereto as Exhibit K; and
- (l) any other relevant information as the Commissioner may require.

If the Commissioner requires modifications to this Plan of Conversion or documents submitted in connection with the application for approval, NORCAL Mutual shall submit any amended Plan of Conversion to the Commissioner for his review and approval.

4.2 Notice of Hearing. As part of the examination of this Plan of Conversion, the Commissioner shall order a public hearing pursuant to Section 4097.06 of the California Insurance

Code. NORCAL Mutual shall mail notice of the Commissioner’s public hearing to all Record Date Members. In addition, NORCAL Mutual shall give written notice of the hearing to the public by publication in media sources as determined appropriate by NORCAL Mutual and approved by the Commissioner. The public hearing shall be held virtually and shall occur prior to the Special Meeting.

4.3 Approval of Plan of Conversion. This Plan of Conversion is subject to the consent of the Commissioner. The Commissioner shall consent to this Plan of Conversion following the public hearing upon finding that (i) this Plan of Conversion is fair, just and equitable to NORCAL Mutual and its policyholders, (ii) this Plan of Conversion does not violate the law and (iii) NIC will, after the Conversion, satisfy the requirements for the issuance of a license to write the line or lines of insurance for which NORCAL Mutual is presently licensed.

ARTICLE 5 APPROVAL BY THE MEMBERS

5.1 Special Meeting.

(a) Following the hearing on the Plan of Conversion, NORCAL Mutual shall hold a virtual special meeting of the Members to vote on this Plan of Conversion (the “Special Meeting”). At the Special Meeting, each Record Date Member shall be entitled to one vote in accordance with NORCAL Mutual’s bylaws in effect as of the Adoption Date on a single proposal (the “Proposal”) to (i) adopt and approve this Plan of Conversion and the other transactions contemplated by this Plan of Conversion, including without limitation, the transactions contemplated by the Acquisition Agreement; (ii) amend and restate the Articles of Incorporation of NORCAL Mutual to read in the form attached as Exhibit B (the “Amended and Restated Articles”); (iii) amend and restate the Bylaws of NORCAL Mutual to read in the form attached as Exhibit C (the “Amended and Restated Bylaws”); and (iv) elect a new slate of directors of NIC to fill the vacancies created by the resignations set forth in Section 10.2 hereof.

(b) In accordance with Section 4097.07 of the California Insurance Code, at least ten percent (10%) of the Record Date Members must be present (in person or by proxy) to constitute a quorum at the Special Meeting. Absent a quorum, any vote by such Record Date Members shall be ineffective. Record Date Members may be present “in person” at the Special Meeting by attending the Special Meeting virtually and may be present “by proxy” by completing the provided proxy card (by paper or online).

(c) In accordance with Section 4097.02(c) of the California Insurance Code, the Proposal is subject to approval by vote of not less than two-thirds of the Record Date Members actually present in person or by proxy and voting thereon at the Special Meeting.

5.2 Notice of the Special Meeting. NORCAL Mutual shall mail notice of the time, place and purpose of the Special Meeting (the “Notice of Special Meeting”) to the Record Date Members at least forty-five (45) days prior to the date of the Special Meeting. The form of notice is attached hereto as Exhibit J, which will be subject to the approval of the Commissioner. The Notice of Special Meeting shall be accompanied by a true and correct copy of this Plan of Conversion, the Information Statement regarding this Plan of Conversion and the Purchase, the

tender offer statement of Sponsor for the Purchase and Sale of Shares, a proxy card to be provided to the Record Date Members in connection with the solicitation of the approval of the Proposal at the Special Meeting, such other explanatory information that the Commissioner approves or requires and a form for the Eligible Members to elect to receive their respective amount of Allocable Equity in the form of one of the four choices described in ARTICLE 9 below (provided the requisite approval of the Record Date Members is obtained at the Special Meeting and the conditions to the Purchase are satisfied or waived in accordance with Section 6.3(b) hereof), all of which shall be in a form satisfactory to the Commissioner. Such documents shall be delivered personally, or deposited in the post office, postage prepaid, and addressed to each Record Date Member at his or her last post office address in the NORCAL Records. With the prior approval of the Commissioner, NORCAL Mutual may also send or post on a secure website established by the Conversion Agent supplemental information relating to this Plan of Conversion and the Purchase to the Record Date Members either before or after the date of the Special Meeting. NORCAL Mutual shall have the right, upon written agreement of Sponsor, to postpone the date of the Special Meeting.

5.3 Filing of Plan of Conversion and Amended and Restated Articles. Immediately prior to the Closing of the Purchase, NORCAL Mutual shall file with the Commissioner: (a) a certified copy of this Plan of Conversion as voted on by the Record Date Members at the Special Meeting; and (b) a certificate of NORCAL Mutual setting forth the results of the vote on the Proposal and certifying as to whether it was approved by not less than two-thirds of the Record Date Members voting in person or by proxy at the Special Meeting, both of which shall be subscribed by the Chief Executive Officer of NORCAL Mutual and attested to by the Secretary of NORCAL Mutual, under the corporate seal of NORCAL Mutual (the filing described in clauses (a) and (b) above, the “Effective Date Filing”). NORCAL shall also file with the Commissioner such other documents as the Commissioner shall require.

ARTICLE 6 THE CONVERSION AND PURCHASE

6.1 Effect on NORCAL. On the Plan Effective Date, NORCAL Mutual shall be converted from a mutual insurance company into a stock insurance company in accordance with Section 4097 of the California Insurance Code, and the Purchase shall occur in accordance with this Plan of Conversion and the Acquisition Agreement. Under the terms of the Acquisition Agreement, PRA Professional will acquire at least eighty percent (80%) of the NIC Shares.

6.2 Effect on Existing Policies. Any Policy In Effect on the Plan Effective Date will remain In Effect under the terms of such Policy, except that the following rights, to the extent they existed in NORCAL Mutual, shall be extinguished on the Plan Effective Date:

- (i) any voting rights of the policyholder or Member provided under or as a result of the policy or the Articles of Incorporation or bylaws of NORCAL Mutual;
- (ii) any right of the policyholder or Member to share in the surplus of NORCAL Mutual, including dividends; and

- (iii) the right of the policyholder or Member to attend annual meetings of policyholders or members of NORCAL Mutual (which will no longer occur).

6.3 Effectiveness of Plan of Conversion and Acquisition Agreement.

(a) The Plan of Conversion, including the Amended and Restated Articles, will only be effective upon the closing of the Purchase. The closing of the Purchase is subject to the satisfaction of the conditions described in Section 9.3 hereof unless the satisfaction of any or all of such conditions is waived by the Sponsor.

(b) The “Plan Effective Date” of the Plan of Conversion shall be the date of the closing of the Purchase under the Acquisition Agreement (the “Closing”), subject to any required consent of the Commissioner, after all of the following steps have been completed: (i) the Plan of Conversion has been approved by the Commissioner; (ii) the Record Date Members have approved the Plan of Conversion by the requisite vote; (iii) the Amended and Restated Articles have been duly adopted as part of the Plan of Conversion; (iv) the Effective Date Filing shall have been made by NORCAL Mutual; (v) a new certificate of authority shall have been issued by the Commissioner as of the Effective Time; and (vi) the satisfaction of all of the conditions to the performance of NORCAL Mutual’s and the Sponsor’s obligations as set forth in Article 9 of the Acquisition Agreement. Subsequent to the Plan Effective Date, the bylaws of NIC shall be substantially in the form of the Amended and Restated Bylaws. Subject to Section 9.3, this Plan of Conversion shall be deemed to have become effective at the Effective Time.

(c) At the Effective Time:

- (i) NORCAL Mutual shall by operation of Section 4097 of the California Insurance Code and any other applicable provisions of California law become a stock insurance company;
- (ii) the Amended and Restated Articles and the Amended and Restated Bylaws shall (without further action) become effective; and
- (iii) all of the Membership Interests shall be extinguished as provided in this Plan of Conversion.

(d) On the Plan Effective Date:

- (i) NIC will issue NIC Shares to those Eligible Members who elect the Purchase and Sale of Shares and to those Eligible Members who elect to sell their NIC Shares to PRA Professional in accordance with Section 9.4 hereof, the Acquisition Agreement and the Offer (as defined in the Acquisition Agreement) and will hold such NIC Shares for delivery to PRA Professional upon the sale of such NIC Shares to PRA Professional pursuant to the Acquisition Agreement;

- (ii) NIC will issue NIC Shares to those Eligible Members electing to receive their Allocable Number of Whole Shares;
- (iii) NIC will issue Contribution Certificates to those Eligible Members (A) electing to receive their Contribution Certificates or (B) not making an affirmative election and deemed to have elected to receive their Contribution Certificates; and
- (iv) NIC will deposit, or cause to be deposited, via wire transfer of immediately available funds, with the Conversion Agent an amount equal to the aggregate NORCAL Cash Payments payable to the Eligible Members electing to receive their NORCAL Cash Payment.

(e) The NIC Shares shall be uncertificated and the exchange of the NIC Shares for the Sponsor Consideration shall be governed by the Acquisition Agreement.

(f) As promptly as practicable following the Plan Effective Date, but in any event no later than ten (10) business days following the Plan Effective Date, (i) the Conversion Agent shall (A) distribute the NORCAL Cash Payment to the Eligible Members electing to receive their Allocable Equity in the form of the NORCAL Cash Payment in accordance with this Plan of Conversion and (B) deliver the Contribution Certificates to the Eligible Members electing to receive their Allocable Equity in the form of the Contribution Certificates in accordance with this Plan of Conversion and (ii) NORCAL shall provide evidence in a form reasonably satisfactory to Sponsor of the transfer of Shares to PRA Professional for those Eligible Members who elect to sell their NIC Shares to PRA Professional.

(g) NORCAL and the Conversion Agent will be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Plan of Conversion to any Eligible Member such amounts as NORCAL or the Conversion Agent is required to deduct and withhold with respect to the making of such payment under the Code, or any other applicable provision of U.S. federal, state, local or non-U.S. tax law. To the extent that such amounts are properly withheld by NORCAL or the Conversion Agent, such withheld amounts will be treated for all purposes of this Plan of Conversion as having been paid in full to the Eligible Member in respect of whom such deduction and withholding were made by NORCAL or the Conversion Agent.

ARTICLE 7 POLICIES

7.1 Policies. For the purposes of this Plan of Conversion, the term “Policy” means any contract for insurance issued or for which coverage had been bound by NORCAL Mutual.

7.2 Determination of Ownership. The Owner of any Policy (including Eligible Policies) as of any date shall be determined on the basis of the NORCAL Records as of such date in accordance with the following provisions: (a) the Owner shall be the named insured and/or the holder of the Policy as shown on the NORCAL Records; (b) except as otherwise set forth in this ARTICLE 7, the identity of the Owner of a Policy shall be determined without giving effect to any interest of any other Person in such Policy; (c) in any situation not expressly covered by the

foregoing provisions of this Section 7.2, the owner of the Policy, as reflected on the NORCAL Records, and as determined in good faith by NORCAL Mutual, shall conclusively be presumed to be the Owner of such Policy for purposes of this Section 7.2, and except for administrative errors, NORCAL Mutual shall not be required to examine or consider any other facts or circumstances; (d) the mailing address of an Owner as of any date for purposes of this Plan of Conversion shall be the Owner's last known address as shown on the NORCAL Records as of such date; (e) in no event may there be more than one Owner of a Policy, although more than one Person may constitute a single Owner; and (f) any dispute as to the identity of the Owner of a Policy or the right to vote or receive compensation shall be resolved in accordance with the foregoing and Schedule I attached hereto and such other procedures as NORCAL Mutual may determine. Any determinations made by NORCAL Mutual shall be conclusive as between NORCAL and any Owner of a Policy or any other Person with an interest therein but shall not preclude any actions among such Persons.

7.3 In Effect.

(a) A Policy shall be deemed to be In Effect ("In Effect") as of any date if, as shown in the NORCAL Records:

- (i) such Policy has been issued or coverage had been bound as of such date; and
- (ii) such Policy has not expired or been cancelled, non-renewed or otherwise terminated as of 12:01 a.m. in the time zone in which the Policy was issued; provided, however, that a Policy that has expired or was cancelled, non-renewed or otherwise terminated shall be deemed to be In Effect after lapse for nonpayment of premiums until expiration of any applicable grace period (or similar period however designated in such Policy) or any extension of such grace period in connection with NORCAL's normal administrative procedures during which the Policy is in full force for its basic benefits.

(b) The date of expiration, cancellation, non-renewal or termination of a Policy shall be as shown on the NORCAL Records.

ARTICLE 8 DETERMINATION OF EQUITY AND ALLOCATION OF EQUITY

8.1 Equity. For purposes of this Plan of Conversion, NORCAL Mutual has determined that the Eligible Members' collective equity in NORCAL Mutual ("Equity") totals \$440,000,000. The determination of this Equity amount was based upon a revised and restated appraisal, dated August 25, 2020, of the fair value of NORCAL Mutual ("Revised and Restated Appraisal Report") by Boening & Scattergood, Inc., a qualified disinterested firm that was appointed by NORCAL Mutual with the approval of the Commissioner ("Appraisal Firm"). In conducting its appraisal of the fair value of NORCAL Mutual, the Appraisal Firm considered the assets and liabilities of NORCAL Mutual and any factors bearing on the value of NORCAL Mutual, as specified in Section 4097.04 of the California Insurance Code. A copy of the Revised and Restated Appraisal Report is attached as Exhibit F hereto and is incorporated herein by reference.

8.2 Allocation of Consideration. The Equity shall be allocated and distributed to each Eligible Member (“Allocable Equity”) based upon an allocation formula (“Allocation Formula”) that is comprised of the following factors:

(a) Tenure Percentage: One-third of the Equity will be allocated to Eligible Members based upon the length of their policyholder relationship with NORCAL Mutual. The tenure is determined as the number of days the Eligible Member has maintained insurance with NORCAL Mutual commencing on NORCAL Mutual’s date of inception and terminating on the Adoption Date. The tenure percentage is calculated by dividing the total number of days that the Eligible Member has maintained insurance with NORCAL Mutual by the total number of days that all Eligible Members have maintained insurance with NORCAL Mutual commencing with NORCAL Mutual’s date of inception and terminating on the Adoption Date (the “Tenure Percentage”).

(b) Premium Percentage: One-third of the Equity will be allocated to Eligible Members based upon the earned premium associated with their policyholder relationship with NORCAL Mutual. The amount of premium associated with the policyholder relationship with NORCAL Mutual will be determined by the Eligible Premium on the Adoption Date. The premium percentage is calculated by dividing the Eligible Premium with respect to such Eligible Member by the Total Eligible Premium (the “Premium Percentage”).

(c) Profitability Percentage: One-third of the Equity will be allocated to Eligible Members based upon the profitability associated with their policyholder relationship with NORCAL Mutual. The profitability associated with the policyholder relationship with NORCAL Mutual will be determined by the Incurred Profitability on the Adoption Date. The profitability percentage is calculated by dividing the Incurred Profitability with respect to such Eligible Member by the Total Incurred Profitability (the “Profitability Percentage”).

The Allocation Formula is calculated as the sum of a fraction the numerator of which is one and the denominator of which is three multiplied by the Tenure Percentage, plus the sum of a fraction the numerator of which is one and the denominator of which is three multiplied by the Premium Percentage, plus a fraction the numerator of which is one and the denominator of which is three multiplied by the Profitability Percentage. The Allocation Formula may be expressed in the mathematical form as follows:

Allocation Formula

$$\left(\text{Equity} \times \frac{1}{3} \right) \times \frac{\text{Policy Years}}{\text{Total Policy Years}} + \left(\text{Equity} \times \frac{1}{3} \right) \times \frac{\text{Eligible Premium}}{\text{Total Eligible Premium}} + \left(\text{Equity} \times \frac{1}{3} \right) \times \frac{\text{Incurred Profitability}}{\text{Total Incurred Profitability}}$$

Tenure Factor – 1/3

Portion of Equity = \$146,666,666.67

Premium Paid Factor – 1/3

Portion of Equity = \$146,666,666.67

Profitability Factor – 1/3

Portion of Equity = \$146,666,666.67

The Allocation Formula was selected by the Board in reasonable reliance upon a revised and restated report, dated September 18, 2020, that was issued by the Appraisal Firm in respect of the Allocation Formula.

8.3 Commissioner Approval of Allocation Formula. The Allocation Formula is subject to the consent of the Commissioner.

8.4 Determination of the Allocation. NORCAL Mutual shall use utmost good faith in making the allocations set forth in this ARTICLE 8. The materials accompanying the Information Statement shall include the estimated Allocable Equity of each Eligible Member. Disputes as to the determination by NORCAL Mutual may be resolved in accordance with the procedures set forth in Schedule I. The Eligible Members will not have the right to dispute their Allocable Equity in accordance with such procedures unless they do so within forty-five (45) days of the mailing of the Information Statement; provided, however, that an Eligible Member's legal rights and other claims against NORCAL under California law with respect to the determination of Allocable Equity shall not be prejudiced.

ARTICLE 9

DISTRIBUTION OF ELIGIBLE MEMBER EQUITY

9.1 Choices for Receipt of Allocable Equity.

(a) Each Eligible Member will have four choices regarding the form of Consideration such Eligible Member is eligible to receive under this Plan of Conversion as payment of such Eligible Member's Allocable Equity. The Consideration received by each Eligible Member shall constitute full payment and discharge of such Eligible Member's Membership Interest, and each such Eligible Member shall have no other rights with respect thereto.

(b) Pursuant to this Plan of Conversion, up to 8,800,000 NIC Shares are being offered at the subscription price of \$50.00 per share (the "Per Share Price"), which Per Share Price is determined by dividing the total number of authorized NIC Shares into the Equity. NIC shall not issue any share certificate that includes a fractional share amount, except in connection with the Purchase and Sale of Shares. NORCAL Mutual shall include within the policyholder Information Statement, proxy and such other explanatory information that the Commissioner approves or requires instructions and forms allowing each Eligible Member to elect to receive their respective amount of Allocable Equity in the form of one of the four choices described in below.

(c) **Choice 1: Purchase NIC Shares for Sale to PRA Professional for the Sponsor Consideration Pursuant to the Offer.** Each Eligible Member has a preemptive right (subject to NORCAL Mutual's determination of the legality of such offer and sale under applicable state securities laws in the event the Eligible Member is a resident of a jurisdiction other than California) to apply the value of such Eligible Member's Allocable Equity towards the purchase of such Eligible Member's Allocable Number of Shares (including any fractional shares) at the Per Share Price, then sell the Allocable Number of Shares (including any fractional shares) to PRA Professional in consideration for receiving the Sponsor Consideration pursuant to the terms of the Acquisition Agreement and the Offer ("Purchase and Sale of Shares"). NIC shall transfer the Eligible Member's Allocable Number of Shares on behalf of such Eligible Member to PRA Professional upon payment of the Sponsor Consideration by the Sponsor to the Conversion Agent pursuant to the Acquisition Agreement and the Offer.

(d) **Choice 2: Purchase Stock and Retain for Own Account.** Each Eligible Member has a preemptive right (subject to NORCAL Mutual's determination of the legality of such offer and sale under applicable state securities laws in the event the Eligible Member is a resident of a jurisdiction other than California) to apply the value of such Eligible Member's Allocable Equity towards the purchase of such Eligible Member's Allocable Number of Shares for such Eligible Member's own account ("Allocable Number of Whole Shares"). Each Eligible Member's Allocable Number of Whole Shares shall be determined by calculating such Eligible Member's Allocable Number of Shares and, if there is a fractional share interest, cash shall be paid to the Eligible Member for the fractional share based on the Per Share Price.

(e) **Choice 3: Contribution Certificate.** Each Eligible Member has the right to receive a contribution certificate in the form attached hereto as Exhibit K (the "Contribution Certificate") in a principal amount equal to one hundred percent (100%) of such Eligible Member's Allocable Equity that shall bear interest at the rate provided in the form of Contribution Certificate payable annually on each anniversary date of the Plan Effective Date, the principal amount of which shall be repayable within ten (10) years following the Plan Effective Date, but only with the written consent of the Commissioner and only if immediately following such payment NIC will have a surplus in an amount exceeding the greater of (1) "Total Adjusted Capital" (as defined in Section 739(m) of the California Insurance Code) equal to 150% of its "Company Action Level RBC" (as defined in Section 739(j)(1) of the California Insurance Code) as reflected in NIC's most recent "RBC Report" (as defined in Section 739(l) of the California Insurance Code) filed with the California Department of Insurance or (2) the amount of surplus required by the laws of any jurisdiction in which NIC is licensed to do business to retain unimpaired its Certificate of Authority therein.

(f) **Choice 4: NORCAL Cash Payment.** Each Eligible Member has the right to receive a cash payment equal to fifty percent (50%) of such Eligible Member's Allocable Equity (the "NORCAL Cash Payment").

9.2 Procedure to Designate Election of Form of Consideration. The Eligible Members will designate an election, in writing or electronically through a designated web platform, to effect the Purchase and Sale of Shares, to receive a Contribution Certificate or the NORCAL Cash Payment or to purchase NIC Shares to retain for their own account on or prior to 5:00 p.m. Pacific Time on the date that is sixty (60) days after the initial mailing of the Information Statement or such later date and time to the extent the Stock Offer Initial Expiration Time (as defined in the Acquisition Agreement) is extended pursuant to Section 3.1(d) of the Acquisition Agreement (such date, the "Election Date"). As required by Section 4097.04(c) of the California Insurance Code, any Eligible Member not making an affirmative election on or prior to the Election Date respecting such Eligible Member's desired form of Consideration shall be deemed to have elected to receive a Contribution Certificate. Instructions and the order form for such election or subscription will be provided with the Notice of Special Meeting. Sponsor shall have the right to extend the Election Date, and the offer for and solicitation of the Purchase and Sale of Shares, pursuant to, and in accordance with, Section 3.1(d) of the Acquisition Agreement. Each Eligible Member shall have the right to revoke a prior election and make a new election prior to the Election Date.

9.3 Required NIC Shares. Unless waived in accordance with the Acquisition Agreement, the Sponsor has the right to terminate the Acquisition Agreement and the Purchase without any further obligation on its part to NORCAL Mutual or its policyholders or Members if:

(a) the sum of the face amount of the Contribution Certificates issued to Eligible Members pursuant to Choice 3 in Section 9.1(e) hereof exceeds Two Hundred Million Dollars (\$200,000,000); or

(b) less than eighty percent (80%) of the number of NIC Shares issued pursuant to Choice 1 in Section 9.1(c) hereof and pursuant to Choice 2 in Section 9.1(d) hereof are validly tendered and not withdrawn prior to the expiration of the Stock Offer (as may be extended through the end of the Solicitation Period or otherwise pursuant to the Acquisition Agreement).

9.4 Election Solicitation.

(a) If immediately following the Election Date either condition set forth in Sections 9.3(a) or (b) above is not satisfied or waived, the Sponsor shall commence a solicitation of the Eligible Members who have elected or deemed to have elected to receive Contribution Certificates pursuant to Choice 3 in Section 9.1(e) and Eligible Members who have elected to purchase NIC Shares and hold for their own account pursuant to Choice 2 in Section 9.1(d) to change their election or make an election pursuant to Choice 1 in Section 9.1(c) (the “Election Solicitation”) on or before the end of the Solicitation Period (as defined in the Acquisition Agreement). The Stock Offer (as defined in the Acquisition Agreement) shall be extended through the end of the Solicitation Period.

(b) In connection with the Election Solicitation, the Sponsor will require the Conversion Agent to deliver to each Eligible Member described in Section 9.4(a), a notice prepared by Sponsor with the written approval of NORCAL Mutual stating the terms of Sponsor’s offer, including without limitation the following (the “Election Notice”), subject to approval of the Commissioner:

- (i) the number of NIC Shares to which an Eligible Member electing or deemed to have elected a Contribution Certificate would have been entitled to receive under the Plan of Conversion based on such Eligible Member’s Allocable Equity, and a statement that PRA Professional will purchase such NIC Shares pursuant to the Acquisition Agreement and the Offer (including the amount of the Sponsor Fixed Consideration that would have been paid for such NIC Shares and the potential amount of the Sponsor Contingent Consideration that may be paid for such NIC Shares in accordance with the Acquisition Agreement); and
- (ii) such other statements as may be required by the Commissioner to supplement the Sponsor’s Tender Offer Statement or that may be required to comply with Section 14(e) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated pursuant thereunder.

(c) The Election Notice shall be accompanied by a letter of transmittal, in a form reasonably acceptable to the Sponsor and subject to the approval of the Commissioner.

(d) The Election Notice shall include a statement that the Sponsor reserves the right to terminate the Acquisition Agreement and the Purchase if at the expiration of the Offer the conditions set forth in Section 9.3 of the Plan of Conversion have not been satisfied or waived in accordance with the Acquisition Agreement.

ARTICLE 10 OFFICERS AND BOARD OF DIRECTORS

10.1 Officers. The officers of NORCAL Mutual immediately prior to the Effective Time shall serve as officers of NIC after the Effective Time until new officers are duly elected pursuant to the Amended and Restated Articles and the Amended and Restated Bylaws.

10.2 Directors. Each of the members of NORCAL Mutual's Board immediately prior to the Effective Time shall resign as of the Effective Time and the new directors set forth on Exhibit D shall be the Board of NIC.

ARTICLE 11 ADDITIONAL PROVISIONS

11.1 Continuation of Corporate Existence. Upon the conversion of NORCAL Mutual to a stock insurance company in accordance with the terms of this Plan of Conversion and the provisions of Section 4097 *et seq.* of the California Insurance Code:

(a) the corporate existence of NORCAL Mutual shall be continued in NIC's corporate existence as a stock insurance company;

(b) all the rights, titles, franchises and interests of NORCAL Mutual as a mutual insurance company in and to every species of property, real, personal and mixed, and things in action thereunto belonging, shall be deemed transferred to and vested in NIC as a stock insurance company without any deed or transfer; and

(c) NIC (as converted to a stock insurance company) shall be deemed to have assumed all the obligations and liabilities of NORCAL Mutual (as the former mutual insurance company).

11.2 Conflict of Interest. Except as otherwise set forth in this Plan of Conversion, no director, officer, agent or employee of NORCAL Mutual, or any of its subsidiaries or affiliates or any other Person shall receive any fee, commission or other valuable consideration whatsoever, other than his or her regular salary and compensation and opportunities for severance in connection with a change of control transaction, for in any manner aiding, promoting or assisting in the transactions contemplated by this Plan of Conversion; *provided*, that NORCAL may pay fees and compensation to attorneys, exchange and solicitation agents, accountants and actuaries for services performed in the independent practice of their professions, even if such attorney, accountant or actuary is also a director or agent of NORCAL.

11.3 Amendment or Withdrawal of Plan of Conversion.

(a) At any time prior to the Plan Effective Date, NORCAL Mutual may, by resolution of not less than two-thirds of the Board, amend or withdraw this Plan of Conversion (including the Schedule and Exhibits hereto). Any amendment shall require the written consent of the Commissioner and Sponsor. No amendment may change the Plan of Conversion in a manner that the Commissioner determines is materially disadvantageous to policyholders unless (i) a further public hearing is held on the Plan of Conversion, as amended, if the amendment is made after the initial public hearing ordered by the Commissioner in accordance with Section 4097.06 of the California Insurance Code, or (ii) such Plan of Conversion, as amended, is submitted for reconsideration by the Eligible Members pursuant to the provisions of Sections 5.1 and 5.2 if the amendment is made after the Plan of Conversion has been approved by the Eligible Members. The Plan of Conversion as so amended shall be filed with the Commissioner.

(b) After the Plan Effective Date, the Amended and Restated Articles adopted pursuant to this Plan of Conversion may be amended pursuant to the provisions of such Amended and Restated Articles, the California Insurance Code and the statutory provisions generally applicable to the amendment of the articles of incorporation of insurance companies, or such other statutory provisions as may be applicable at the time of the amendment.

11.4 Corrections. Prior to the Plan Effective Date, NORCAL Mutual, with the prior consent of the Commissioner and Sponsor, may make such modifications as are appropriate to correct errors, cure ambiguities, clarify existing items or make additions to correct manifest omissions in this Plan of Conversion or any Schedules or Exhibits hereto.

11.5 Notices. If NORCAL Mutual complies substantially and in good faith with the notice requirements of Section 4097.07 of the California Insurance Code with respect to the giving of any required notice to Members, the failure of NORCAL Mutual to give any Member any required notice does not impair the validity of any action taken under Section 4097 of the California Insurance Code unless the Commissioner determines otherwise.

11.6 Limitation of Actions. No Person shall have any rights or claims against NORCAL Mutual or its Board based upon the withdrawal or termination of this Plan of Conversion.

11.7 Costs and Expenses. Except as set forth in the Acquisition Agreement, all the costs and expenses related to the Plan of Conversion, including the costs of outside advisors and consultants of the regulatory agencies, shall be borne by NORCAL.

11.8 Headings. Article and Section headings contained in this Plan of Conversion are for convenience only and shall not be considered in construing or interpreting any of the provisions hereof.

11.9 Governing Law. The Plan of Conversion shall be governed by and construed in accordance with the laws of the State of California, without regard to such State's principles of conflicts of law.

IN WITNESS WHEREOF, NORCAL Mutual by authority of its Board, has caused this Plan of Conversion to be duly executed as of the day and year first above written.

NORCAL Mutual Insurance Company

By: 

Name: Theodore Scott Diener

Title: President & Chief Executive Officer

SCHEDULE I

DISPUTE MECHANISM

Objection to NORCAL Mutual's Calculation of Allocable Equity

If an Eligible Member (or its designee) believes that NORCAL Mutual has incorrectly calculated its Allocable Equity as estimated by NORCAL Mutual, the Eligible Member (or its designee) may, within forty-five (45) days from the date of the mailing of the Information Statement, proxy and such other explanatory information that the Commissioner approves or requires, send NORCAL Mutual an objection via e-mail (preferred) to clo@norcal-group.com or letter to 1700 Bent Creek Boulevard, Mechanicsburg, PA 17050, Attn: Chief Legal Officer (return receipt requested). If sent by mail, the objection will be considered to be received by NORCAL Mutual only when actually received. The Eligible Member must set forth the amount that such Eligible Member (or its designee) believes is the correct amount, along with any documentation that such Eligible Member (or its designee) has to support its calculation. Eligible Members (and their designees) will not have the right to dispute their Allocable Equity in accordance with these procedures unless they do so within such forty-five (45) day period; provided, however, that an Eligible Member's legal rights and other claims against NORCAL Mutual under California law with respect to the determination of Allocable Equity shall not be prejudiced.

The Chief Financial Officer of NORCAL Mutual will then review the objection and NORCAL Mutual will inform such Eligible Member (or its designee) in writing of the Chief Financial Officer's determination as to whether the Eligible Member's (or its designee's) calculation is correct.

If the Eligible Member (or its designee) still disagrees with NORCAL Mutual's calculation, it may appeal that determination to an impartial ombudsman by sending a request to NORCAL Mutual, who will forward the appeal to the ombudsman. The ombudsman will review both the Eligible Member's (or its designee's) calculation and that of NORCAL Mutual and issue a decision within five (5) business days of receipt thereof, or within such reasonable time as determined by the ombudsman. The ombudsman's decision will be communicated in writing to the Eligible Member (or its designee) and to NORCAL Mutual. The ombudsman's decision shall be final unless reversed by the Commissioner upon request for review by the Eligible Member or NORCAL Mutual. The impartial ombudsman will be appointed by NORCAL Mutual, subject to approval by the Commissioner.

Objection to Recipient of Consideration

If a policy administrator has not been specifically designated to receive the Consideration allocated to an Eligible Member, but nevertheless believes that it has a legal right to elect the form of and/or receive such Consideration, such policy administrator may send NORCAL Mutual an objection via e-mail (preferred) to clo@norcal-group.com or letter to 1700 Bent Creek Boulevard, Mechanicsburg, PA 17050, Attn: Chief Legal Officer (return receipt requested), at any time prior to the date of the Commissioner's public hearing. If sent by mail, the objection will be considered to be received by NORCAL Mutual only when actually

received. The objection must set forth the policy administrator's position along with a statement to the effect that the policy administrator has provided a copy of such e-mail or letter to the applicable Eligible Member(s). NORCAL Mutual will forward the objection to the ombudsman. The ombudsman will review the objection and issue a decision within five (5) business days of receipt thereof, or within such reasonable time as determined by the ombudsman. The ombudsman's decision will be communicated in writing to the policy administrator, the Eligible Member and to NORCAL Mutual. The ombudsman's decision shall be final unless reversed by the Commissioner upon request for review by the policy administrator, the Eligible Member or NORCAL Mutual.

EXHIBIT A

ACQUISITION AGREEMENT

See Annex B to the Information Statement.

EXHIBIT B

AMENDED AND RESTATED ARTICLES

See Annex C to the Information Statement.

EXHIBIT C

AMENDED AND RESTATED BYLAWS

See Annex D to the Information Statement.

EXHIBIT D

LIST OF OFFICERS AND DIRECTORS

See Annex E to the Information Statement.

EXHIBIT E

CERTIFIED BOARD RESOLUTIONS

See Annex F to the Information Statement

EXHIBIT F

REVISED AND RESTATED APPRAISAL REPORT

See Annex M to the Information Statement.

EXHIBIT G

THREE-YEAR *PRO FORMA* FINANCIAL STATEMENTS

See Annex G to the Information Statement

EXHIBIT H
PLAN OF OPERATIONS

See Annex H to the Information Statement.

EXHIBIT I
INFORMATION STATEMENT

See Information Statement.

EXHIBIT J

NOTICE OF SPECIAL MEETING

See Annex I to the Information Statement.

EXHIBIT K

FORM OF CONTRIBUTION CERTIFICATE

See Annex J to the Information Statement.