

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material U.S. federal income tax consequences of the Conversion and other transactions described in the Transaction Documents to Eligible Members who are U.S. Members (as defined below) and who hold their Membership Interests as capital assets within the meaning of Section 1221 of the Code. This summary is for general information only. It is not intended to be a complete discussion of all tax consequences that may be relevant to a particular Eligible Member. This summary does not address federal estate, gift, or alternative minimum tax consequences, or any state, local, or non-U.S. tax consequences of the Proposed Transaction or any other transaction. This summary is not tax advice. Eligible Members should consult a tax adviser to determine how the Conversion and other transactions described in the Transaction Documents will affect them in their particular circumstances, including how the application of federal estate, gift, or alternative minimum tax, and any state, local, and non-U.S. tax consequences of the transactions may affect them.

For purposes of this summary, the term “**U.S. Member**” means an Eligible Member who is, for U.S. federal income tax purposes:

- (i) an individual who is a citizen or resident of the United States; or
- (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof, or the District of Columbia.

This summary is based on the provisions of the Code, U.S. Treasury regulations promulgated thereunder, judicial authorities, and administrative rulings, all of which are subject to change, possibly with retroactive effect. No ruling has been sought from the IRS with respect to any U.S. federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position. This summary does not apply to Eligible Members who may be subject to special treatment under U.S. federal income tax law (including, without limitation, insurance companies, retirement plans, certain former citizens or residents of the United States, partnerships or other pass-through entities, trusts, and tax-exempt organizations). This summary does not address the U.S. tax consequences of any Eligible Member who is not a U.S. Member, such as a non-resident alien individual, foreign corporation, foreign partnership, or foreign estate or trust. This summary assumes that a U.S. Member’s tax basis in their Membership Interest is zero. See “*Tax Basis in Membership Interests*” below for additional information.

Eligible Members Receiving Conversion Stock

The receipt of Conversion Stock by a U.S. Member that is a Stock Subscriber should not be a taxable transaction for U.S. federal income tax purposes. Such U.S. Member’s adjusted tax basis in such Conversion Stock should be zero, and the U.S. Member’s holding period for such Conversion Stock should include the U.S. Member’s holding period for the extinguished Membership Interest. This period includes the period during which a U.S. Member held their Membership Interest prior to the Conversion.

A U.S. Member that sells or otherwise disposes of such Conversion Stock (including in exchange for the PRA Consideration pursuant to the Offer) should generally be taxed on the full amount of the proceeds of that sale or other disposition. The proceeds should generally be taxed as capital gain, which will be long-term capital gain if the U.S. Member's holding period in its extinguished Membership Interest exceeds one year. Long-term capital gains of non-corporate U.S. Members are eligible for reduced rates of taxation. Short-term capital gains are subject to U.S. federal income tax at the same rates as ordinary income. Each U.S. Member should consult with such U.S. Member's tax adviser as to the proper treatment of the gain based on such U.S. Member's particular situation.

A U.S. Member that tenders their shares of Conversion Stock to PRA Professional pursuant to the Offer may report gain under the installment sale rules. Under those rules, the U.S. Member should recognize capital gain in the year of receipt of a payment (which is not treated as interest) of the Fixed PRA Consideration and Contingent PRA Consideration equal to the amount of such payment. Additional annual interest charges might also be imposed on the portion of a U.S. Member's tax liability that is deferred by the installment method.

A U.S. Member that tenders their shares of Conversion Stock to PRA Professional pursuant to the Offer may affirmatively elect to not use the installment sale rules. In such event, or if the holder of such Conversion Stock is not otherwise permitted to utilize the installment sale rules, the U.S. Member should generally recognize capital gain or loss in the taxable year of the Acquisition in an amount equal to the amount realized (including the value of the right to receive the Contingent PRA Consideration) in the disposition. In that event, the U.S. Member will recognize gain or loss in a subsequent taxable year to the extent the amount the U.S. Member actually receives with respect to the Contingent PRA Consideration (and not treated as interest) differs from the amount used to determine the amount of gain recognized by the U.S. Member in the taxable year in which the Acquisition occurs.

Each U.S. Member should consult with such U.S. Member's tax adviser as to the proper treatment of the receipt and disposition of Conversion Stock, including the application of the installment sale rules and the potential for having to pay interest to the IRS on any gain deferred under the installment sale rules. Each U.S. Member should also consult with its tax adviser regarding the advisability of electing out of the installment sale rules and the tax consequences if such election is made or if the installment sale rules do not apply.

Eligible Members Receiving Contribution Certificates or Cash

The receipt of a Contribution Certificate or cash in the Conversion should be taxable for U.S. federal income tax purposes. In general, a U.S. Member should recognize capital gain in an amount equal to the issue price of the Contribution Certificate (subject to the installment sale rules discussed above) or cash. This capital gain will be long-term capital gain if the U.S. Member's holding period in its extinguished Membership Interest exceeds one year. This period includes the period during which a U.S. Member held their Membership Interest prior to the Conversion. Long-term capital gains of non-corporate U.S. Members are eligible for reduced rates of taxation. Short-term capital gains are subject to U.S. federal income tax at the same rates as ordinary income. Each

U.S. Member should consult with such U.S. Member's tax adviser as to the proper treatment of such gain based on such U.S. Member's particular situation.

Tax Basis in Membership Interests

The IRS has traditionally asserted that the basis of a taxpayer, such as a U.S. Member, in its Membership Interest in a company such as NORCAL Mutual equals zero. As a result, the U.S. Member may recognize gain upon receipt of a Contribution Certificate or cash or the PRA Consideration equal to the full amount realized in the Conversion or Acquisition, as applicable, as described above. U.S. Members should be aware, however, that in a 2008 decision affirmed on appeal, the U.S. Court of Federal Claims rejected the IRS's position, applying instead the "open transaction" doctrine to a taxpayer's receipt of consideration in a conversion transaction. The IRS, however, prevailed in a separate U.S. Court of Appeals case.

The legal precedents regarding whether a policyholder has a tax basis in membership rights are complex and conflicting, and may depend upon the facts applicable to the particular situation. Nevertheless, if principles contrary to the IRS's position were applicable to a U.S. Member's Membership Interest, such U.S. Member could have a tax basis in its Membership Interest from premium payments made by the U.S. Member, and that tax basis would (a) equal the tax basis in Conversion Stock received in the Conversion, if applicable, and (b) reduce any gain recognized upon a sale or other disposition of Conversion Stock (including in exchange for the PRA Consideration pursuant to the Offer) or upon receipt of a Contribution Certificate or cash in the Conversion, as applicable. U.S. Members should consult with their tax advisers regarding their ability to reflect a basis in their Membership Interests in calculating the amount of their gain or loss upon receipt of a Contribution Certificate or cash in the Conversion or the PRA Consideration, or upon a later disposition of the Conversion Stock.

Backup Withholding

If you have not previously provided NORCAL Mutual with your taxpayer identification number, which is your Social Security number if you are an individual, you later may be asked to provide it to us for information reporting and withholding purposes.