

EXHIBIT 2 to FORM A
Shareholders Agreement

WESTERN PROFESSIONAL INSURANCE COMPANY

SHAREHOLDERS AGREEMENT

This Shareholders Agreement (the “Agreement”) is made and entered into as of _____, 2019, by and among Western Professional Insurance Company, a Washington insurance company (the “Company”), Physicians Insurance A Mutual Company, a Washington mutual insurance company (“PI”), COPIC Insurance Company, a Colorado corporation (“COPIC”), Michigan Professional Insurance Exchange, a reciprocal exchange organized in Michigan (“MPIE”), and any other person identified on Exhibit A hereto that becomes an owner of record of the Company’s shares of common stock and becomes a party to this Agreement from time to time by executing a counterpart signature in the form of Exhibit B hereto (each a “Shareholder” and together the “Shareholders”).

RECITALS

WHEREAS, upon the closing (the “Closing”) of the transaction contemplated under that certain Stock Purchase Agreement, dated July __, 2019, by and among PI, COPIC and MPIE (the “Purchase Agreement”), COPIC and MPIE shall have purchased from PI, and PI shall have sold to COPIC and MPIE, a portion of the Shares (as defined below) owned by PI;

WHEREAS, the Company and the Shareholders desire to enter into this Agreement, consistent with RCW 23B.07.310 and 23B.07.320, for the purposes, among others, of (i) establishing the composition of the Company’s board of directors (the “Board”), (ii) limiting the manner and terms by which the Company’s capital stock may be transferred; (iii) establishing the terms and procedures governing the obligations and option of the Company and the Shareholders to buy and sell their Shares; and (iv) establishing terms and conditions for Company’s call for additional contributions to the capital of the Company.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

AGREEMENT

1. Definitions.

a. “Affiliate” means, with respect to any Shareholder, any Person: (i) that owns more than 50% of the voting interest in the Shareholder; or (ii) in which the Shareholder owns more than 50% of the voting interests; or (iii) in which more than 50% of the voting interests are owned by an entity who has a relationship with the Shareholder described in clauses (i) or (ii) above.

b. “Bankruptcy” means, with respect to any Person, the occurrence of any of the following events:

- (i) the Person makes an assignment for the benefit of creditors;
- (ii) the Person files a voluntary petition of bankruptcy;
- (iii) the Person is adjudged bankrupt or insolvent or there is entered against the Person an order for relief in any bankruptcy or insolvency proceeding;

(iv) the Person files a petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation;

(v) the Person seeks, consents to, or acquiesces in the appointment of a trustee for, receiver for, or liquidation of such Person or of all or any substantial part of such Person's properties;

(vi) the Person files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Person in any proceeding described in Subsections (i) through (v); or

(vii) any proceeding against the Person seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law or regulation, continues for one hundred twenty (120) days after the commencement thereof; or the appointment of a trustee, receiver, or liquidator for the Shareholder or all or any substantial part of the Person's properties without such Person's agreement or acquiescence, which appointment is not vacated or stayed for one hundred twenty (120) days or, if the appointment is stayed, for one hundred twenty (120) days after the expiration of the stay during which period the appointment is not vacated.

c. "Business Day" means any day when the Washington State Office of the Insurance Commissioner is open for business.

d. "Cause" means, with respect to any Person, any of the following: (a) the conviction of any criminal offense involving moral turpitude, (b) the persistent unwillingness, incompetence, or inability to perform the Person's duties and responsibilities to the Company, (c) the persistent malfeasance, misfeasance, or nonfeasance in connection with the performance of the Person's duties and responsibilities to the Company, or (d) the performance of willful and intentional acts having the effect of injuring the reputation, business, or business relationships of the Company.

e. "Control" (including the terms "Change of Control" or "Change in Control") means either owning more than 50% of the voting power of the Shareholder, or the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Shareholder, whether through the ownership of voting securities, by contract or otherwise.

f. "Initial Term" means the fourth anniversary of the Closing.

g. "Key Officer" means any Person whose position title contains the word "chief" (e.g. "chief executive officer," "chief operating officer," "chief financial officer," etc.), "president," "vice president," "secretary," or "treasurer," or the head of any discrete department or division, regardless of title.

h. "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

i. "Shares" shall mean any issued and outstanding shares of common stock of the Company owned by a Shareholder as of the date hereof or any time hereafter.

j. “Valuation Date” means the last day of the month immediately before the date of the event triggering the option or obligation to purchase under Sections 6 and 7.

2. Restrictions on Transfer. Except as otherwise provided in this Agreement, a Shareholder will not sell, assign, transfer, pledge, hypothecate, encumber, gift, bequeath, or dispose of in any way (a “Transfer”) all or any part of or any interest in the Shares now or hereafter owned or held by such Shareholder, without the unanimous written consent of all Shareholders and such Transfer being in compliance with all applicable regulatory consent and notice requirements. A Transfer of the Shares not made in conformance with this Section 2 shall be null and void, and shall not be recorded on the books of the Company, and any Person to whom Shares are attempted to be Transferred in violation of this Section 2 shall not be entitled to vote with respect to such Shares on matters coming before the Shareholders, receive distributions from the Company with respect to such Shares, or have any other rights in or with respect to the Shares subject to the attempted Transfer. The provisions of the preceding sentence are in addition to, and are not intended to supersede the provisions of Section 7 of this Agreement.

3. Board of Directors. From and after the Closing, each Shareholder shall vote its Shares and shall take all other necessary or desirable actions within its control, and the Company shall take all necessary or desirable actions within its control (including calling special Board and Shareholder meetings), so that:

a. The authorized number of directors on the Board (“Directors”) shall be established and maintained at three (3) directors;

b. the following persons shall be elected to the Board:

(i) one (1) representative designated by PI for so long as PI continues to own beneficially at least [REDACTED] of all then issued and outstanding Shares, who shall initially be Mary-Lou Misrahy;

(ii) one (1) representative designated by COPIC for so long as COPIC continues to own beneficially at least [REDACTED] of all then issued and outstanding Shares, who shall initially be Gerry Lewis-Jenkins;

(iii) one (1) representative designated by MPIE for so long as MPIE continues to own beneficially at least [REDACTED] of all then issued and outstanding Shares, who shall initially be Michelle Hoppes.

c. The designating Shareholder shall have the exclusive right to remove its designee from the Board, without Cause, as well as the exclusive right to fill vacancies created due to death, removal or resignation, unless such designating Shareholder is no longer so entitled to designate a Director due to ownership of less than the required percentage of Shares. If a Director is a designee of more than one Shareholder, as set forth in Section 3(d) below, then such right to remove or fill vacancies shall be exercised by the affirmative vote of all such designating Shareholders.

d. If a Shareholder is no longer so entitled to designate a Director due to ownership of less than the required percentage of Shares (“Ineligible Shareholder”), such Ineligible Shareholder’s designee shall be removed from the Board and the resulting vacancy on the Board shall be filled with a Director approved by the vote of the Shareholders (excluding the vote of the Ineligible Shareholder). If

such Shareholders are unable to agree on a Director to fill such Board vacancy within 15 Business Days of the removal of the designee of the Ineligible Shareholder, the Ineligible Shareholder shall cast the tie-breaking vote in favor of a candidate nominated by the other Shareholders, and such candidate shall thereby be appointed to the Board. Such replacement Director shall be deemed the designee of all Shareholders other than the Ineligible Shareholder. Nothing in this Section 3(d) prohibits the Shareholder(s) from re-appointing the removed designee of the Ineligible Shareholder.

4. Actions Requiring a Supermajority Approval of the Shareholders. Notwithstanding a voting requirement of a lesser proportion in the Company's organizational or governing documents, including, without limitation, the Company's Bylaws and the Articles of Incorporation, the following decisions and actions shall require the affirmative vote of the Shareholders holding at least eighty percent (80%) of the Shares (a "Supermajority"):

- a. the amendment or modification of the Company's Articles of Incorporation and the Bylaws;
- b. the reorganization of the Company, establishment of any subsidiary or affiliate of the Company or any consolidation, merger or similar transaction of the Company with or into any other Person;
- c. any offer or issuance of, or split, combination, or reclassification of, the Shares of the Company, except as expressly authorized otherwise under this Agreement;
- d. the appointment, and the termination without Cause, of the Company's President;
- e. the appointment, and the termination without Cause, of the Company's CEO;
- f. the Bankruptcy filing on behalf of the Company; and
- g. the dissolution of the Company.

5. Additional Capital Contributions. Upon the occurrence of any of the events set forth in Section 5(a) below, as determined by the Board, the Company may require that the Shareholders advance or contribute additional amounts to the Company ("Capital Call"), and the Shareholders shall, in proportion to their respective percentage of ownership of Shares, advance or contribute such amounts in cash to the Company within fourteen (14) days of receipt of a Capital Call notice from the Company. At the election of the Board, a Capital Call may be structured as a loan to the Company pursuant to a surplus note or as a purchase of additional Shares issued by the Company, in each case on such terms and conditions as may be established by the Board. The terms and conditions of a Capital Call established by the Board shall apply to all Shareholders in an identical manner and shall be in compliance with all applicable statutes, laws or regulations. Except as otherwise approved by the unanimous affirmative vote of each Director, the amount of the Capital Call shall not exceed the amount that is reasonably required to cure the event(s) triggering a Capital Call.

- a. The events that may trigger a Capital Call are as follows:
 - (i) Company's failure or anticipated failure to meet the statutory minimum capital and surplus requirements of any applicable jurisdiction;

(ii) Company's failure or anticipated failure to maintain the minimum amount of capital as determined by the statutory risk-based capital (RBC) requirements to avoid any regulatory action under any applicable jurisdiction;

(iii) Company's failure or anticipated failure to maintain at least an AM Best A- rating due to capital insufficiency; and

(iv) Company's failure or anticipated failure to stay in compliance with any other applicable statute, law, regulation or regulatory directive or order due to insufficient surplus funds.

The determination whether an event described in Section 5(a) above has occurred shall be made by the Board.

b. In the event any Shareholder fails to participate in a Capital Call as set forth in this Section 5 ("Nonparticipating Shareholder"), then the Board may treat such failure as a Purchase Option event under Section 7, and the remaining Shareholders may, at least in proportion to their respective percentage of ownership of all Shares held by all participating Shareholders:

(i) in the event of a Capital Call through an issuance of additional Shares, purchase the additional Shares allotted to the Nonparticipating Shareholder; and

(ii) in the event of a Capital Call through a surplus note loan, advance the amount allocated to the Nonparticipating Shareholder.

6. Cure Option.

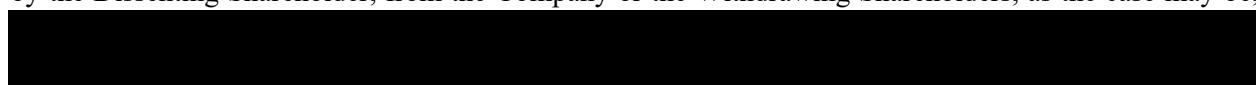
a. In the event the Board determines that any event set forth in Section 5(a) has occurred but declines to approve a Capital Call, the Shareholder whose designated Director cast a minority dissenting vote (in favor of a Capital Call) (the "Dissenting Shareholder") shall have the option ("Cure Option") to:

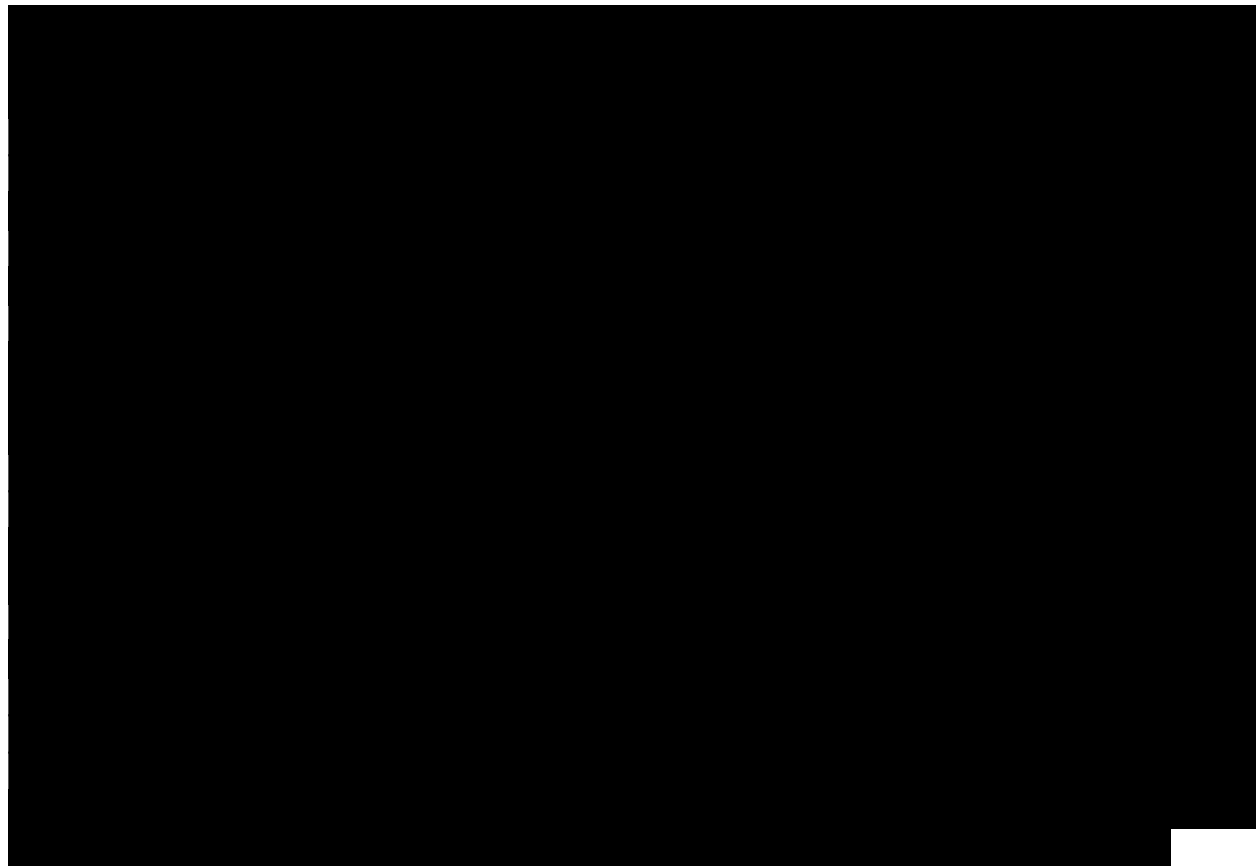
(i) contribute to the Company the entire amount that is reasonably required to cure the event(s) triggering a Capital Call vote, which contribution shall be structured as a purchase of additional Shares by the Dissenting Shareholder; or

(ii) purchase from the Shareholders whose designated Directors cast the majority vote (against a Capital Call) (the "Withdrawing Shareholders"), and the Withdrawing Shareholders shall be required to sell, 100%, but not less than 100%, of the Withdrawing Shareholders' Shares to the Dissenting Shareholder.

b. To exercise the Cure Option, the Dissenting Shareholder must give written notice to the Company and each Withdrawing Shareholder of the Dissenting Shareholder's exercise of the Cure Option, no later than seven (7) Business Days after the final vote of the Board pertaining to the Capital Call.

c. Upon the exercise of a Cure Option, the purchase price for the Shares purchased by the Dissenting Shareholder, from the Company or the Withdrawing Shareholders, as the case may be,

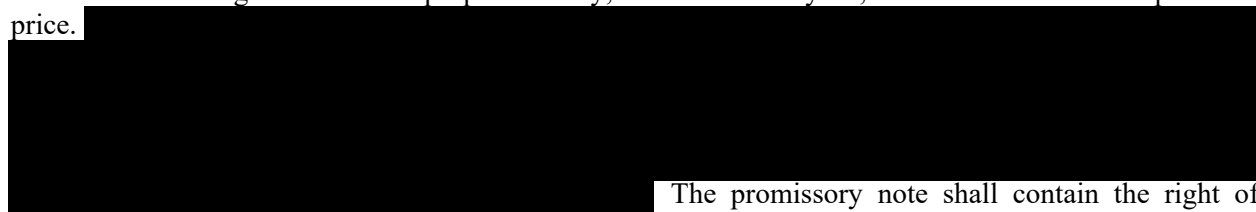




d. Upon the exercise of a Cure Option, the purchase price for the Shares shall be payable, at the election and in the sole discretion of the Dissenting Shareholder, in immediately available funds or as follows:

(i) A down payment in the form of a certified or cashier's check, payable to the Company or to the Withdrawing Shareholders proportionately, as the case may be, in an amount equal to at least 20% of the total purchase price; and

(ii) A promissory note made by the Dissenting Shareholder to the Company or the Withdrawing Shareholders proportionately, as the case may be, for the balance of the purchase price.



The promissory note shall contain the right of prepayment at any time without penalty, premium, or prior notice. The promissory note shall be secured by a pledge of the Shares purchased pursuant to the Cure Option, subject to all applicable regulatory approvals. In the event that such pledge is prohibited by law or applicable regulations, the promissory note shall be unsecured.

e. The closing of the purchase pursuant to the Cure Option shall take place no later than 120 days after the determination of the purchase price or 30 days after the applicable regulatory approval, whichever occurs later, unless the parties otherwise agree.

f. Any amount paid pursuant to the Cure Option shall be treated as a payment for the Shares.

g. The Cure Option in this Section 6 shall not be available to any Shareholder in the event the Director that cast the dissenting minority vote (in favor of a Capital Call) is a designee of more than one Shareholder.

7. Company Purchase Option. The Company shall have the option to purchase (“Purchase Option”) and the selling Shareholder (the “Selling Shareholder”) shall be required to sell, upon the Company’s exercise of the Purchase Option, one hundred percent (100%) of such Selling Shareholder’s Shares upon the occurrence of any one of the events listed below. Only the Director(s) not designated by the Selling Shareholder, consistent with the procedures set forth in Section 3, shall be entitled to vote with respect to the Company’s exercise of the Purchase Option.

a. The events that may trigger the Purchase Option are as follows:

(i) Shareholder’s failure to participate in a Capital Call in the full amount established by the Board for each Shareholder pursuant to Section 5;

(ii) Engaging in conduct, or the occurrence of an event, that constitutes Cause by the Selling Shareholder;

(iii) The Bankruptcy of the Selling Shareholder;

(iv) The Selling Shareholder’s material breach or attempted breach (including by operation of law) of any provision of this Agreement; and

(v) The Selling Shareholder’s Change in Control.

b. Each Shareholder shall provide notice to the Company of the occurrence of Change in Control, no later than seven (7) days after such occurrence. The Company shall give notice of the Company's intention to exercise the Purchase Option within sixty (60) days of receiving notice of an event giving rise to the Purchase Option.

c. Purchase Price.

(i) If the Company exercises a Purchase Option that arises out of the occurrence of any event described in Sections 7(a)(ii), 7(a)(iv) or 7(a)(v), the purchase price for the Shares shall be [REDACTED] pursuant to the Purchase Option.

(ii) If the Company exercises a Purchase Option that arises out of the occurrence, before the Initial Term, of any event described in Sections 7(a)(iii), the purchase price for the Shares shall be [REDACTED] pursuant to the Purchase Option.

(iii) If the Company exercises a Purchase Option that arises out of the occurrence, before the Initial Term, of an event described in Section 7(a)(i), the purchase price for the Shares shall be [REDACTED] pursuant to the Purchase Option.

(iv) If the Company exercises a Purchase Option that arises out of the occurrence, after the Initial Term, of an event described in Sections 7(a)(i) or 7(a)(iii), the purchase price for the Shares shall be [REDACTED] of the Shares purchased pursuant to the Purchase Option.

References to “Fair Market Value” in this Section 7(c) shall be as defined in Section 6(c) above, except: “Cure Option” replaced with “Purchase Option”; “Withdrawing Shareholders” replaced with “Selling Shareholder”; and “Dissenting Shareholder” replaced with “Company.”

d. The closing of the purchase pursuant to a Purchase Option shall take place at the principal place of business of the Company at a date and time designated by the Company, but the date shall not be later than thirty (30) days after the determination of the purchase price or the applicable regulatory approval, whichever occurs later, unless the Company and the Selling Shareholder otherwise agree. Notice of the date and time of the closing shall be given by the Company to the Selling Shareholder.

8. Deadlock.

(a) If the Directors are unable to reach a decision by the required vote regarding an issue submitted for consideration by the Board at such meetings (a “Deadlock”), the Board shall refer the matter subject to the Deadlock to the Shareholders, who shall attempt to resolve such matter within ten (10) Business Days after referral to them of the Deadlocked issue (or, if mutually agreed by the Shareholders, a longer period of time). Any resolution agreed to by the Shareholders shall be final and binding on the Company and the Shareholders as if it were approved by the Board.

(b) During the continuation of any Deadlock, the Company shall continue to operate in a manner consistent with its prior practices until such time as such Deadlock is resolved. If the Deadlock is with respect to the approval of the Company’s annual business plan or budget, the Company shall operate its business in accordance with the business plan or budget then in effect.

(c) If the Shareholders are unable to reach an agreement as to the issue within the time period set forth in Section 8(a) (including any agreed extensions), the Deadlock shall be mediated (the “Mediation”) within 15 Business Days from the date a written request for mediation is made by any Shareholder. The Mediation shall take place in Seattle, Washington. The Mediation shall be conducted before a single mediator to be agreed upon by the Shareholders. If the Shareholders cannot agree on the mediator, each Shareholder shall select a mediator and such mediators shall together unanimously select a neutral mediator who will conduct the mediation. All the Shareholders shall equally bear the fees and expenses of the Mediation. The decision of the mediator for any Deadlock shall be final and binding on the Shareholders and the Company.

9. Transferees Bound by this Agreement. All Shares transferred consistent with this Agreement shall at all times remain subject to this Agreement, and such transferee shall execute and deliver a counterpart signature page in the form attached hereto as Exhibit B as confirmation that such transferee shall be bound by the terms and conditions of this Agreement as a Shareholder. The Company shall update Exhibit A to reflect such transfers and additional Shareholders.

10. Assignments and Transfers; No Third Party Beneficiaries. This Agreement and the rights and obligations of the parties hereunder shall inure to the benefit of, and be binding upon, their respective successors, assigns and legal representatives, but shall not otherwise be for the benefit of any third party.

11. Notices. Any notice required or permitted to be given to a party by any provision of this Agreement shall be given in writing and shall be delivered personally, by courier or overnight delivery services, e-mail, or by registered or certified mail, postage prepaid, addressed to such party's address as set forth in the signature pages hereto or such other address as such party may designate in writing from time to time. Notices that are mailed shall be deemed received three (3) days after deposit in the United States mail. Notices sent by courier or overnight delivery shall be deemed received two (2) days after they have been so sent. Notices sent by e-mail or delivered personally shall be deemed received when delivered, or in the case of notices delivered on a Saturday, Sunday or holiday, on the first Business Day thereafter.

12. Further Instruments and Actions. The parties agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement. The Shareholders agree to cooperate affirmatively with the Company, to the extent reasonably requested by the Company, to enforce rights and obligations pursuant hereto.

13. Term. This Agreement shall terminate upon the earlier of (i) the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of the Company's capital stock, (ii) the dissolution, merger, or consolidation of the Company with another entity, unless otherwise specified by the Board, or (iii) upon the written agreement of all of the Shareholders.

14. Voting Requirements. Unless otherwise expressly set forth in this Agreement, the Director and Shareholder voting requirements in the Company's then current Bylaws and the Articles of Incorporation shall govern.

15. Entire Agreement; Applicable Law. This Agreement contains the entire understanding of the parties hereto with respect to the subject matter hereof, supersedes all other agreements between or among any of the parties with respect to the subject matter hereof. This Agreement shall be interpreted under the laws of the State of Washington without reference to Washington conflicts of law provisions.

16. Amendments and Waivers. Except for updating Exhibit A, this Agreement may only be amended with the prior written consent of the Company and all Shareholders.

17.



18. Specific Performance. The Shareholders recognize that irreparable injury will result from a breach of any provision of this Agreement and that money damages will be inadequate to fully remedy the injury. Accordingly, in the event of a breach or threatened breach of one or more of the provisions of

this Agreement, any party who may be injured (in addition to any other remedies which may be available to that party) shall be entitled to one or more preliminary or permanent orders (i) restraining and enjoining any act which would constitute a breach or (ii) compelling the performance of any obligation which, if not performed, would constitute a breach.

19. Severability. In case any provision of the Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

20. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties hereto have executed this Shareholders Agreement as of the date first written above.

COMPANY:

WESTERN PROFESSIONAL INSURANCE COMPANY

_____, Chief Executive Officer
Address:
E-mail:

SHAREHOLDERS:

PHYSICIANS INSURANCE A MUTUAL COMPANY

_____, [Title]
Address:
E-mail:

COPIC INSURANCE COMPANY

_____, [Title]
Address:
E-mail:

MICHIGAN PROFESSIONAL INSURANCE
EXCHANGE

_____, [Title]
Address:
E-mail:

EXHIBIT A

SHAREHOLDERS

(As of [DATE])

SHAREHOLDER	SHARES OF COMMON STOCK
PHYSICIANS INSURANCE A MUTUAL COMPANY	100,000
COPIC INSURANCE COMPANY	100,000
MICHIGAN PROFESSIONAL INSURANCE EXCHANGE	100,000

EXHIBIT B

COUNTERPART SIGNATURE PAGE

The undersigned hereby agrees to become a party to that certain Shareholders Agreement (the "Agreement") of Western Professional Insurance Company, a Washington insurance company, effective as of July 31, 2019. From and after the undersigned's execution and delivery and the Company's acceptance of this Counterpart Signature Page, the undersigned shall be a "Shareholder" under the Agreement and all shares of capital stock of the Company, whether currently held or subsequently acquired by the undersigned, shall be deemed to be "Shares" for all purposes of the Agreement.

SHAREHOLDER:

By: _____
(signature)

Name: _____
(print name)

Date: _____

Address: _____

Agreed and accepted:

**WESTERN PROFESSIONAL INSURANCE
COMPANY**

By: _____
(signature)

Name: _____
(print name)

Title: _____

Date: _____