

FORM A
STATEMENT REGARDING THE ACQUISITION OF CONTROL
OF OR MERGER WITH A DOMESTIC INSURER

AMERICAN PHYSICIANS ASSURANCE CORPORATION

and

APSPECIALTY INSURANCE CORPORATION

1301 N. Hagadorn Rd.
East Lansing, Michigan 48823

by

THE DOCTORS COMPANY, AN INTERSINSURANCE EXCHANGE

Filed with the Michigan Office of Financial and Insurance Regulation.

Dated: July 16, 2010

Name, title, address, telephone number and e-mail address of the individual to whom notices and correspondence concerning this statement should be addressed:

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ITEM 1. METHOD OF ACQUISITION.

The Doctors Company, An Interinsurance Exchange, a California-domiciled reciprocal inter-insurance exchange ("Applicant") proposes to acquire control of American Physicians Capital, Inc., a Michigan corporation ("ACAP"). ACAP is the ultimate controlling person of both American Physicians Assurance Corporation and APSpecialty Insurance Corporation, each a Michigan-domiciled stock property and casualty insurer (collectively, the "Insurers").

The acquisition will occur through the merger between a newly organized Michigan subsidiary of Applicant and ACAP, as set forth in that certain Agreement and Plan of Merger (the "Merger Agreement"), dated July 7, 2010, that was executed by and among Applicant, ACAP and Red Hawk Acquisition Corp., a Michigan corporation and a wholly-owned subsidiary of Applicant ("Merger Sub"). A copy of the Merger Agreement is attached hereto as **Exhibit A**.

The Merger Agreement sets forth the terms and conditions governing Applicant's acquisition of control of ACAP through the merger of Merger Sub with and into ACAP (the "Merger"). As a result of the Merger, the separate corporate existence of Merger Sub shall cease and ACAP shall continue as the surviving entity of the Merger as a wholly-owned subsidiary of Applicant. See Merger Agreement, § 1.1.

ACAP is a publicly traded company listed on the NASDAQ Stock Market ("NASDAQ") under the symbol "ACAP." The approval of the shareholders of ACAP for the Merger will be solicited through a proxy statement that will be filed with the Securities and Exchange Commission ("SEC"). See Merger Agreement, § 5.3.1. A copy of the form of proxy statement will be submitted to the Michigan Office of Financial and Insurance Regulation ("OFIR") when the form of proxy statement is submitted to the SEC.

The parties to the proposed transaction will take steps necessary to enable the de-listing of ACAP's common stock from the NASDAQ and the deregistration of ACAP's common stock under the Securities and Exchange Act of 1934, effective immediately subsequent to the closing. See Merger Agreement, § 5.2.1. Upon consummation of the proposed transaction, ACAP will cease to be a publicly traded company.

The Board of Governors of Applicant has approved the proposed transaction and the purchase price. The certified resolution by Applicant's Board of Governors approving the proposed Merger is attached hereto as **Exhibit B**. The Board of Governors of Applicant did not direct that the proposed transaction be submitted to a vote by Applicant's members as such vote is not required under Applicant's governing documents.

In connection with the proposed transaction, Applicant will make a filing under the Hart-Scott-Rodino Antitrust Improvement Act of 1976. See Merger Agreement, § 5.7.2. The closing is subject to the receipt of all requisite regulatory approvals and the approval of a majority of ACAP's shareholders. See Merger Agreement, §§ 3.5.2 and 3.20. The parties anticipate a closing during the fourth quarter of 2010. See Merger Agreement, § 7.1.2.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT.

(a) The full name of the party seeking to acquire control of ACAP is The Doctors Company, An Interinsurance Exchange. Applicant's business address is 185 Greenwood Rd., Napa, California 94558.

(b) On April 15, 1976, Applicant was organized as a reciprocal inter-insurance exchange under the laws of the State of California and began transacting insurance. The California Department of Insurance granted Applicant perpetual non-assessability status in 1986. All surplus contribution certificates were retired by 1990. Applicant is managed by The Doctors Management Company, a California corporation that is a wholly-owned subsidiary of Applicant and serves as Applicant's attorney-in-fact.

Applicant, directly and through its subsidiary insurers, has as its primary business the underwriting of professional liability insurance for physicians and surgeons. Applicant has approximately 46,000 member physicians, approximately \$3 billion in assets and has an "A-(Excellent)" rating with a positive outlook from A.M. Best, Inc.

(c) The identities of and interrelationships among all affiliates of Applicant are set forth on the organization chart that is attached hereto as **Exhibit C**. The chart lists the percentage of voting securities of each entity that is owned or controlled by Applicant and its subsidiaries. The chart identifies the type of each entity listed, its primary business (e.g., holding company, insurance agency, manufacturer) and the jurisdiction where each is domiciled. No court proceedings looking toward a reorganization or liquidation are pending with respect to any entity listed. In addition, attached hereto as **Exhibit D** is a post-Merger organization chart showing ACAP and the Insurers as members of Applicant's holding company system.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT.

(a), (b) and (c) Applicant, being a reciprocal inter-insurance exchange, has no voting securities. Consequently, there is no owner of 10% or more of Applicant. Moreover, no individual will be a source of direct or indirect funding for the proposed Merger. The names and titles of each of Applicant's governors and executive officers and Merger Sub's executive officers and directors, are as follows:

Applicant's Governors and Executive Officers:

<u>Name</u>	<u>Title</u>
Richard E. Anderson, MD	Chairman of Board of Governors, Chief Executive Officer and Vice President

<u>Name</u>	<u>Title</u>
James P. Bagian, MD	Governor
David M. Charles, MD	Governor
Kenneth R. Chrisman	Governor
William J. Gallagher, MD	Governor
Charles R. Kossman, MD	Governor
Donald J. Palmisano, MD	Governor
Robert W. Pike	Governor
Kathleen D. Ricord	Governor
Robert B. Sheppard	Governor
Mary A. Thode, JD MPH	Governor
David B. Troxel, MD	Governor and Secretary
Ronald H. Wender, MD	Governor
David G. Preimesberger	Treasurer

Merger Sub's Directors and Executive Officers:

<u>Name</u>	<u>Title</u>
Richard E. Anderson, MD	Chairman of the Board of Directors, Chief Executive Officer and President
Dennis Bryan Lawton, Ph. D.	Director and Secretary
Robert D. Francis	Director and Chief Operating Officer
David G. Preimesberger	Director, Treasurer & Chief Financial Officer

(d) None of the persons listed above has a criminal conviction (excluding minor traffic violations) within the past 10 years. Moreover, none of the persons listed above has any civil judgments against that person resulting in \$25,000 or more in civil fines or penalties or injunctive or other equitable relief. Individual Affidavits on the NAIC Biographical Affidavit Form for all of Applicant's Governors and Executive Officers and Merger Sub's Directors and Executive Officers are attached hereto as **Exhibit E**.

(e) Fingerprint cards for all of Applicant's Governors and Executive Officers and Merger Sub's Directors and Executive Officers are attached hereto as **Exhibit F**.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION.

(a) The purchase price is \$41.50 per share for the 9,323,087 currently issued and outstanding voting securities of ACAP. See Merger Agreement, § 2.1.1 and 3.3.1.

Pursuant to ACAP's Stock Compensation Plan, as amended and restated, (1) stock options for 329,993 shares have been issued to ACAP's senior management with an average strike price for the options (i.e., the amount that the option holder must pay upon the exercise of the option) of \$13.93 and (2) stock options for 18,694 shares have been issued to other ACAP employees with an average strike price of \$18.35. Therefore, the Merger Agreement contemplates that Applicant will pay a total purchase price of approximately \$387 million. All of the consideration will be in the form of cash. The purchase price of approximately \$387 million represents approximately 16.2% of Applicant's admitted assets of \$2,447,071,549 and 12.5% of the \$3,178,942,247 in total assets of the Applicant group of companies, as of March 31, 2010.

The source of the consideration will be the invested assets of Applicant. No part of the purchase price for the proposed Merger consists in whole or in part of the insurance business or assets of ACAP or the Insurers or any dividends to be issued by any of the Insurers or any of Applicant's subsidiaries. Applicant anticipates requesting approval for an extraordinary dividend to be paid at or after closing from American Physicians Assurance Corporation to American Physicians Capital, Inc. The closing of the transaction and this Form A are not conditioned on the approval of such a dividend.

(b) The amount of the purchase price to effect the Merger was reached as a result of arm's-length negotiations between the parties.

(c) No financing or loans will be utilized by Applicant in connection with the proposed Merger.

ITEM 5. FUTURE PLANS FOR INSURER.

(a) Applicant has no plans or proposals to declare any dividend (whether or not extraordinary), effect or cause the liquidation or merger of ACAP or the Insurers, sell their assets, or make or cause any other material change in their business operations or corporate structure or management. Except as disclosed in the five year business plan described below in Item 5(b), Applicant has no future plans to change the business or structure of ACAP or the Insurers. Please be advised that any such plans will comply with all applicable insurance laws and regulations, including, without limitation, any laws or regulations requiring prior notice to or approval from any insurance regulatory authorities. The Insurers will remain wholly-owned subsidiaries of ACAP following the Merger.

It is contemplated that The Doctors Management Company, which is attorney-in-fact to Applicant, will enter into a management services agreement with the Insurers. The form of management services agreement will be submitted to Michigan OFIR when it has been drafted. In

addition, ACAP and its subsidiaries will enter into a joinder agreement that will result in the newly acquired ACAP companies becoming parties to Applicant's existing Amended and Restated Federal Income Tax Allocation Agreement, dated as of July 1, 2007 ("Tax Allocation Agreement"). The form of joinder agreement and the Tax Allocation Agreement will likewise be submitted to Michigan OFIR prior to execution of the joinder agreement.

Officers and Directors.

The post-Merger executive officers and directors of ACAP, American Physicians Assurance Corporation and APSpecialty Insurance Corporation are as follows:

<u>Name</u>	<u>Title</u>
Richard E. Anderson, MD	Chairman of the Board of Directors, Chief Executive Officer and President
Dennis Bryan Lawton, Ph. D.	Director and Secretary
Robert D. Francis	Director and Chief Operating Officer
David G. Preimesberger	Director, Treasurer & Chief Financial Officer
Kathleen D. Ricord	Director

(b) A five year business plan is attached hereto as **Exhibit G** and includes: (i) the types of business to be written by the insurer, (ii) a marketing plan, (iii) projected direct, assumed, ceded, and net written premiums by line of business, (iv) pro-forma statutory balance sheets and income statements, (v) a description of proposed changes to the insurer's reinsurance program (if any), (vi) a description of the amount, timing, and type of capital contributions (if any) and (vii) a description of proposed changes to the insurer's executive officers and directors.

Please note that the pro forma financial statements that are included in the business plan are based upon assumptions and estimates that, while considered reasonable when taken as a whole, are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of Applicant. Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions on which the projections are based will not materialize or will vary significantly from actual results. Consequently, the inclusion of such pro forma financial statements herein should not be regarded as a representation by Applicant or any other person or entity of the results that will actually be achieved.

As concerns compliance with Michigan Compiled Laws Annotated Section 500.5256, concerning the maintenance of books and records, each of the Insurers shall maintain all original records relating to its respective insurance business and affairs under its control at its Michigan principal place of business at 1301 N. Hagadorn Street, East Lansing Michigan 48823.

Each of the Insurers will produce all records and personnel knowledgeable about those records for examination by the Michigan OFIR at a principal place of business inside or outside of the State of Michigan within a reasonable time period specified by the Michigan OFIR.

It is currently contemplated that each of the Insurers will maintain its securities with the qualified custodians with which such securities are presently maintained. In addition, each of the Insurers shall continue to comply with all of the other requirements established by Michigan Compiled Laws Annotated Section 500.5256.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED.

ACAP is the owner of 25,000 shares of American Physicians Assurance Corporation's common stock, par value of \$100 per share, which constitutes all of the issued and outstanding shares of American Physicians Assurance Corporation's capital stock; moreover, ACAP is the owner of 250,000 shares of APSpecialty Insurance Corporation's common stock, par value of \$10 per share, which constitutes all of the issued and outstanding shares of APSpecialty Insurance Corporation's capital stock. Applicant intends indirectly to acquire all of the issued and outstanding shares of the Insurers through the merger of Merger Sub with and into ACAP. As a result of the Merger, the separate corporate existence of Merger Sub shall cease and ACAP shall continue as the surviving entity of the Merger as a wholly-owned subsidiary of Applicant.

As was discussed in Item 4, the Merger Agreement provides that Applicant will pay \$41.50 per share for the 9,323,087 currently issued and outstanding voting securities of ACAP, 329,993 stock options (with an average strike price of \$13.93) that have been issued to ACAP management and 18,694 stock options (with an average strike price \$18.35) that have been issued to other ACAP employees.

Pursuant to the terms of the Merger Agreement, upon consummation of the Merger, all of the issued and outstanding voting securities of ACAP will be directly owned by Applicant. The terms of the Merger are set forth in the Merger Agreement and the method by which Applicant arrived at the value assigned to the voting securities of ACAP sought to be acquired was by means of arm's-length negotiations.

ITEM 7. OWNERSHIP OF VOTING SECURITIES.

Except as provided for in the Merger Agreement, as of the date of this application, neither Applicant, its affiliates nor any person referred to in Item 3 hereof beneficially owns or has any right to acquire beneficial ownership of any voting securities or securities which may be converted into voting securities of ACAP or the Insurers.

ITEM 8. CONTRACTS, ARRANGEMENTS OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER.

Except as provided for in the Merger Agreement, neither Applicant, its affiliates nor any person referred to in Item 3 hereof is involved in any contract, arrangement or understanding with respect to any voting security of ACAP or the Insurers, including, but not limited to, transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES.

Neither Applicant, its affiliates nor any person listed in Item 3 hereof has purchased any voting securities of ACAP or the Insurers during the twelve (12) calendar months preceding the filing of this application.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE.

Neither Applicant nor any person acting on its behalf has made any recommendation to purchase any voting security of ACAP or the Insurers during the twelve (12) calendar months preceding the filing of this application.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS.

There is no agreement, contract or understanding made by Applicant with any broker-dealer as to the solicitation of any voting securities of ACAP or the Insurers for tender, and Applicant will not pay any fees, commissions or other compensation to any broker-dealers with regard thereto, except that Applicant has engaged Macquarie Capital Advisers ("Macquarie") to represent it in connection with the Merger and Applicant will pay all of Macquarie's fees and expenses in connection with such engagement.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS.

(a) and (b) The following information has been attached hereto in the form of Exhibits:

- Exhibit A:** Merger Agreement
- Exhibit B:** Certified Board Resolutions
- Exhibit C:** Applicant's Organization Chart
- Exhibit D:** Applicant's Post-Merger Organization Chart
- Exhibit E:** Individual Affidavits

- Exhibit F:** Fingerprint Cards
- Exhibit G:** Five Year Business Plan (including Five Year Pro Forma Financial Statements)
- Exhibit H:** Applicant's audited, consolidated financial statements on a statutory accounting principles basis for the years ended December 31, 2009, 2008, 2007, 2006 and 2005, as filed with the California Department of Insurance
- Exhibit I:** Applicant's Annual Report to Members for the years ended December 31, 2008 and 2007
- Exhibit J:** Applicant's statutory quarterly statement, as of March 31, 2010, as filed with the California Department of Insurance

ITEM 13. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Section 1311 of the Ins. Code of 1956, as amended, The Doctors' Company, An Interinsurance Exchange, a California-domiciled reciprocal inter-insurance exchange, has caused this application to be duly signed on its behalf in the City of Napa and State of California on the 16th day of July, 2010.

(seal)

THE DOCTORS' COMPANY,
AN INTERINSURANCE EXCHANGE

By: 

Name: Robert Francis

Title: Chief Operating Officer

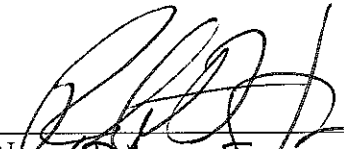
Attest: 

Name: David McVittie

Title: General Counsel

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated July 16th, 2010 for and on behalf of The Doctors' Company, An Interinsurance Exchange; that he is the Chief Operating Officer and _____ of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with the instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information and belief.


Name: Robert Francis

Title: Chief Operating Officer