

**PIA PROFESSIONAL LIABILITY INSURANCE COMPANY,  
A RISK RETENTION GROUP**

**OFFERING \$5 MILLION (\$5,000,000) OF FLOATING RATE SURPLUS NOTES  
IN \$10,000 INCREMENTS**

---

This Private Placement Memorandum, together with the Summary Information Circular attached hereto as Attachment No. 3, and other materials incorporated herein by reference, provides information regarding PIA Professional Liability Insurance Company, A Risk Retention Group (the “Company”) and its operations to assist you in making a decision as to whether to purchase floating rate Surplus Notes of the Company. These floating rate Surplus Notes are offered in increments of \$10,000 with a stated maturity date of December 31, 2019. The rate of interest will accrue on the unpaid principal balance of this Surplus Note at a rate per annum equal to two and no/100<sup>th</sup> percent (2.00%), subject to annual adjustment as determined by the Company’s Board of Directors in its sole discretion on the Determination Date (provided, in each case, that the per annum rate of interest for any Interest Payment Period shall be no less than one and no/100<sup>th</sup> percent (1.00%) per annum and no more than the highest rate permitted by Montana law. A sample form of Surplus Note is attached hereto as Attachment No. 1 for reference. However, the actual terms and conditions applicable to the purchase of a Surplus Note shall be controlled by the actual Surplus Note issued.

The Company will be a stock insurance company organized under the laws of the State of Montana and will operate as a risk retention group pursuant to the federal Liability Risk Retention Act of 1986 (“LRRRA”). The Company will offer an insurance program (the “Insurance Program”) on a claims-made basis, to provide primary errors and omissions insurance coverage to members in good standing, and/or affiliates, of the National Association of Professional Insurance Agents (“PIA”) who satisfy the Company’s underwriting standards. At inception, this insurance coverage will be issued by Argonaut-Midwest Insurance Company (the “Primary Insurer”), and partially reinsured by the Company. Eligible persons or entities who participate in the Company’s Insurance Program are referred to as “Participants.” The Company will not commence operations until it is duly licensed by the State of Montana.

A “Surplus Note” is a specialized form of debt instrument issued by an insurance company that allows the proceeds of the Surplus Note to be recognized as surplus on the Company’s balance sheet. In order to receive this accounting treatment, **a Surplus Note is required to be subordinate to the general liabilities of the Company, the claims of the Company’s policyholders, and the claims of general creditors of the Company. In addition, the repayment of principal of and interest on a Surplus Note is subject in all cases to the Company’s financial condition and continued ability to meet statutory minimum regulatory requirements imposed by the Montana Department of Insurance, and prior approval of the Montana Department of Insurance. Thus, there is substantial risk associated with the investment described herein and in the Surplus Note Subscription Agreement attached hereto as Attachment No. 2. (See also the “RISK FACTORS” attached to the accompanying Summary Information Circular.)**

THERE ARE SIGNIFICANT RULES AND RESTRICTIONS REGARDING THE SURPLUS NOTES. THE SURPLUS NOTES ARE NOT TRANSFERABLE.

AS A MONTANA-DOMICILED RISK RETENTION GROUP, THE COMPANY IS SUBJECT PRIMARILY TO THE INSURANCE LAWS AND REGULATIONS OF THE STATE OF MONTANA. ALTHOUGH THE COMPANY MAY BE REGISTERED IN OTHER STATES, THE COMPANY WILL NOT BE SUBJECT TO ALL OF THE LAWS AND REGULATIONS OF SUCH STATES, AND – IF POLICIES ARE EVER ISSUED DIRECTLY BY THE COMPANY – WILL NOT BE ELIGIBLE TO PARTICIPATE IN ANY GUARANTY FUND. THE COMPANY IS NEWLY FORMED, AND HAS NO OPERATING HISTORY.

TO THE EXTENT THAT THIS PRIVATE PLACEMENT MEMORANDUM MAY BE DEEMED TO INVOLVE AN OFFERING OF SECURITIES IN THE UNITED STATES, IT IS BEING MADE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE FEDERAL SECURITIES ACT OF 1933 AND FROM STATE BLUE SKY LAWS AND THE REGULATIONS THEREUNDER, RESPECTIVELY. NEITHER THE SECURITIES AND EXCHANGE COMMISSION, NOR THE SECURITIES REGULATORY AUTHORITY NOR THE INSURANCE REGULATORY AUTHORITY OF ANY STATE HAVE PASSED UPON OR ENDORSED THE MERITS OF THIS PRIVATE PLACEMENT MEMORANDUM. NOR HAVE ANY OF THEM RECOMMENDED THE COMPANY’S INSURANCE PROGRAM OR SURPLUS NOTES. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

ALL REPRESENTATIONS MADE REGARDING THE SURPLUS NOTES AND THE INSURANCE PROGRAM TO BE OFFERED BY THE COMPANY ARE LIMITED TO THE INFORMATION CONTAINED IN OR ATTACHED TO THIS PRIVATE PLACEMENT MEMORANDUM. NO OTHER REPRESENTATIONS HAVE BEEN AUTHORIZED BY THE COMPANY.

The date of this Private Placement Memorandum is May 1, 2011.

This Private Placement Memorandum is confidential and is intended only for the use of the person or entity to which it has been delivered by the Company or the Company’s authorized representative, and only for the purpose of such recipient’s consideration in connection with the possible purchase of Surplus Notes from the Company. Any other use or dissemination of this Private Placement Memorandum or the contents hereof is prohibited. For additional information or to address and any questions you may have regarding this Private Placement Memorandum or any supporting documentation, please contact the following:

ALPS Risk & Insurance Services, Inc.  
ATTN: Daniel J. Seman, Director of Client Services  
P.O. Box 9169  
Missoula, MT 59807-9169  
Telephone: (406) 523-3873  
Facsimile: (406) 728-7416  
Email: [dseman@alpsnet.com](mailto:dseman@alpsnet.com)