


Press Release - APRIL 20, 2010

A.M. Best Affirms Ratings of Baldwin & Lyons, Inc.; Assigns Ratings to Protective Specialty Insurance Company

 [Print this article](#)

CONTACTS:

Analyst(s)	Public Relations
W. Dolson Smith, CFA	Rachelle Morrow
(908) 439-2200, ext. 5379	(908) 439-2200, ext. 5378
w.dolson.smith@ambest.com	rachelle.morrow@ambest.com

Michael J. Lagomarsino, CFA	Jim Peavy
(908) 439-2200, ext. 5810	(908) 439-2200, ext. 5644
michael.lagomarsino@ambest.com	james.peavy@ambest.com

FOR IMMEDIATE RELEASE

OLDWICK, N.J., APRIL 20, 2010

A.M. Best Co. has affirmed the financial strength rating (FSR) of A+ (Superior) and issuer credit ratings (ICR) of "aa" of the **Baldwin & Lyons Group** (the Group), which includes **Protective Insurance Company** and its wholly owned subsidiary, **Sagamore Insurance Company**. A.M. Best also has affirmed the ICR of "a" of the Group's publicly traded parent, **Baldwin & Lyons, Inc.** [NASDAQ/NM: BWINA and BWINB].

Concurrently, A.M. Best has assigned an FSR of A (Excellent) and an ICR of "a" to the wholly owned subsidiary of Protective Insurance Company, **Protective Specialty Insurance Company (PSIC)**. The outlook for all ratings is stable. All companies are domiciled in Indianapolis, IN.

The Group's ratings reflect its superior risk-adjusted capitalization, excellent operating performance and solid market position in its core commercial trucking market. These positive rating attributes are derived from the Group's modest underwriting leverage, disciplined underwriting practices, long-standing client relationships and conservative balance sheet as evidenced by favorable loss reserve development. In addition, the Group increasingly operates as a well-diversified carrier through its expansion of products and markets, including non-standard personal automobile coverage, small fleet trucking programs, assumed reinsurance and, more recently, Florida commercial business owners policies (BOP) operations and miscellaneous professional lines errors and omissions business.

These positive rating factors are partially offset by the long-term competitive nature of the Group's core commercial trucking and non-standard personal automobile markets; elevated exposure to investment variability due to above average common stock and limited partnership investments (as demonstrated by realized and unrealized capital losses and gains experienced by the Group in 2008 and 2009, respectively); shareholder dividend requirements of the parent; and a degree of concentration with its largest customer. While growth in the Group's assumed reinsurance program and recent entrance in the Florida BOP business adds diversification to the Group, it adds a source of potential variability in results through exposure to natural catastrophes as evidenced in first quarter 2010.

PSIC's ratings recognize its excellent risk-adjusted capitalization, operational and financial support of affiliates, experienced management team and its targeted earnings and capital accumulation projections set forth by management. In addition, the ratings consider the mitigation of underwriting risks through substantial reinsurance programs.

These positive factors are partially offset by the significant challenges and uncertainties associated with PSIC's newly formed business operations, including the successful execution of its operating plans in

highly competitive property/casualty markets, the property catastrophe exposure of its dominant Florida BOP operations and the potential variability in profitability of its more limited miscellaneous professional lines errors and omissions business. Furthermore, the production of PSIC's Florida BOP business is concentrated with one managing general agent.

Explicit support from PSIC's affiliates includes a financial guarantee of all its liabilities and/or obligations and stop loss coverage being provided by its financially strong parent, Protective Insurance Company, the lead company of the Group. PSIC's ultimate parent, Baldwin & Lyons Inc., also is financially strong with very low financial leverage and solid coverage ratios, as well as access to the capital markets. As with any company rapidly expanding its business, A.M. Best will closely monitor PSIC's progress to ensure targeted results are attained, and capital and surplus are in compliance with A.M. Best standards relative to its ratings.

For Best's Credit Ratings, an overview of the rating process and rating methodologies, please visit [Best's Ratings & Analysis](#).

The principal methodologies used in determining these ratings, including any additional methodologies and factors that may have been considered, can be found at [Best's Credit Rating Methodology](#).

Founded in 1899, A.M. Best Company is a global full-service credit rating organization dedicated to serving the financial and health care service industries, including insurance companies, banks, hospitals and health care system providers.

[View a list of companies](#) related to this press release. The list will include Best's Ratings along with links to additional company specific information including related news and reports.

Copyright © 2010 by A.M. Best Company, Inc. ALL RIGHTS RESERVED

No part of this report may be distributed in any electronic form or by any means, or stored in a database or retrieval system, without the prior written permission of the A.M. Best Company. Refer to our [terms of use](#) for additional details.