

# BEST'S RATING REPORT



## Lion Insurance Company

2739 US Highway 19 North, Suite 601, Holiday, Florida, United States 34691

**AMB #:** 012616

**NAIC #:** 11075

**FEIN#:** 59-3565930

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# A

# Lion Insurance Company

**Report Release Date:**

November 28, 2017

**Group Members Rating Effective Date:**

November 17, 2017

**Disclosure Information:** View A.M. Best's [Rating Disclosure Form](#)

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**Ultimate Parent:** [051391 - Jamestown Holdings Corp.](#)

**A.M. Best Rating Unit:** 012616 - Lion Insurance Company

**Best's Credit Ratings:**

Rating Effective Date: November 17, 2017

|  |   |                 |        |                |          |
|--|---|-----------------|--------|----------------|----------|
| <b>Best's Financial Strength Rating:</b> | A | <b>Outlook:</b> | Stable | <b>Action:</b> | Upgraded |
| <b>Best's Issuer Credit Rating:</b>      | a | <b>Outlook:</b> | Stable | <b>Action:</b> | Upgraded |

**Last Five Rating Events:**

| Date       | Best's Financial Strength Ratings |          |          | Best's Issuer Credit Ratings |          |          |
|------------|-----------------------------------|----------|----------|------------------------------|----------|----------|
|            | Rating                            | Outlook  | Action   | Rating                       | Outlook  | Action   |
| 11/17/2017 | A                                 | Stable   | Upgraded | a                            | Stable   | Upgraded |
| 10/20/2016 | A-                                | Positive | Affirmed | a-                           | Positive | Affirmed |
| 07/23/2015 | A-                                | Positive | Affirmed | a-                           | Positive | Affirmed |
| 05/13/2014 | A-                                | Stable   | Affirmed | a-                           | Stable   | Affirmed |
| 05/09/2013 | A-                                | Stable   | Affirmed | a-                           | Stable   | Affirmed |

**Rating Rationale:**

**Balance Sheet Strength Strongest**

- The BCAR is in the strongest category with a score of 72.1 in the 99.6 confidence range, well above the required 25.
- Net liabilities in each of the last five years have been over 65% or more comprised of collateral funds maintained by affiliate South East Personnel Leasing, Inc. (SPLI) to cover its high deductible policy obligations.
- Lion's net loss reserves have been mainly comprised of IBNR losses arising from estimated low frequency, high severity claims that penetrate the \$1.0 million deductible of SPLI's policy.

- Reserve development on a calendar year basis has been redundant for most years, but those redundancies are diminished and sometimes offset by voluntary reinsurance commutations by Lion of its first layer of reinsurance; \$4.0 million excess \$1.0 million for most years.

## Operating Performance: Strong

- Lion reported favorable results in each of the last 10 years and the average pre-tax return on net premiums earned over that period was in excess of 25% compared with about 8% for the workers compensation composite.
- Underwriting results have been very favorable with a net loss and loss adjustment expense ratio that has not exceeded 65% in any of the last ten years compared with the workers' compensation composite that has never been below that level.
- Lion's low net investment yield is mainly attributable to the inclusion of SPLI collateral funds in Lion's invested assets, but Lion netting out interest income earned on SPLI funds.

## Business Profile: Limited

- Lion Insurance Company (Lion) is dedicated to writing a high deductible workers compensation policy for an affiliate, South East Personnel Leasing, Inc. (SPLI).
- SPLI and Lion are related through common ownership with the ultimate stockholder for Lion being John Porreca and the ultimate owners of SPLI being John and Deborah Porreca.
- SPLI also has a high deductible policy with an unaffiliated carrier in those states where Lion is not licensed, namely California and New York; all premium covering losses above the high deductible is assumed from that carrier by Lion.

## Enterprise Risk Management: Appropriate

- The company employs traditional risk management techniques focusing on areas such as underwriting, investments, liquidity, credit, legislative changes, operational, and cyber risk exposure.
- Action plans are developed to measure, monitor and mitigate risks arising from identified exposures.
- A unique exposure arises from "large deductible credit risk" from affiliate South East Personnel Leasing, Inc. (SPLI).

## Outlook

The outlook reflects the expectation that the company will continue to derive a profitable book of business from its affiliate, South East Personnel Leasing Inc., continue to carefully control its credit risk to that affiliate and remain in the strongest category for balance sheet strength.

## Rating Drivers

Negative rating actions could be taken should there be a deterioration in the company's operating performance.

Negative rating actions could be taken should there be reporting of material adverse loss reserve development.

Negative rating action could be taken should there be a material decline in capitalization:

Negative rating action could be taken should there be a material adverse change in the results of affiliate South East Personnel Leasing Inc., from which Lion derives virtually all of its premium and has substantial credit exposure.

**Financial Data Notes:**

**Time Period:** Annual - 2016

**Status:** A.M. Best Quality Cross Checked

**Data as of:** 11/22/2017

**Key Financial Indicators:**

**Key Financial Indicators (000)**

|                                  | Year End - December 31 |         |         |         |         |
|----------------------------------|------------------------|---------|---------|---------|---------|
|                                  | 2016                   | 2015    | 2014    | 2013    | 2012    |
| Premiums Written                 |                        |         |         |         |         |
| Direct                           | 18,521                 | 18,363  | 17,465  | 17,462  | 18,795  |
| Net                              | 28,317                 | 28,176  | 23,730  | 21,626  | 21,400  |
| Pre-tax Operating Income (\$000) | 8,722                  | 8,075   | 6,796   | 5,772   | 4,606   |
| Net Income                       | 6,263                  | 6,069   | 4,937   | 4,086   | 3,480   |
| Total Admitted Assets            | 253,513                | 244,580 | 208,622 | 192,413 | 210,824 |
| Policyholders' Surplus           | 89,987                 | 83,386  | 77,551  | 72,405  | 68,032  |

Source: Bestlink - Best's Statement File - P/C, US

**Key Financial Indicators - A.M. Best Ratios (%)**

|  | Year End - December 31 |       |       |       |       |
|--|------------------------|-------|-------|-------|-------|
|  | 2016                   | 2015  | 2014  | 2013  | 2012  |
| Profitability                                  |                        |       |       |       |       |
| Combined Ratio                                 | 76.6                   | 77.8  | 77.9  | 84.6  | 96.8  |
| Investment Yield                               | 0.9                    | 0.8   | 0.9   | 1.2   | 1.1   |
| Pre-Tax Return on Revenue                      | 30.9                   | 28.7  | 28.6  | 25.5  | 18.4  |
| Leverage                                       |                        |       |       |       |       |
| Non-Affiliated Investment Leverage             | 5.2                    | 4.2   | 4.5   | 4.2   | 4.3   |
| Net Premiums Written to Policyholders' Surplus | 0.3                    | 0.3   | 0.3   | 0.3   | 0.3   |
| Net Leverage                                   | 2.1                    | 2.3   | 2.0   | 2.0   | 2.4   |
| Liquidity                                      |                        |       |       |       |       |
| Overall Liquidity                              | 155.0                  | 151.7 | 159.2 | 160.3 | 147.6 |
| Operating Cash-Flow                            | 136.4                  | 158.5 | 137.0 | 138.2 | 142.3 |

Source: Bestlink - Best's Statement File - P/C, US

(\*) Within several financial tables of this report, this company is compared against the Workers' Compensation Composite.

(\*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

**Best's Capital Adequacy Ratio Summary - AMB Rating Unit (%)**

| Confidence Level | 95.0 | 99.0 | 99.5 | 99.6 |
|------------------|------|------|------|------|
| BCAR Score       | 85.2 | 78.2 | 75.5 | 74.7 |

Source: Best's Capital Adequacy Ratio Model - P/C, US

## Credit Analysis:

### Balance Sheet Strength: Strongest

Lion's balance sheet strength well supports the recommended rating. It is important to note, however, that most of the claims being settled are claims that fall under SPLI's \$1.0 million deductible; as such, they are not reflected in Lion's Income Statement; and the large collateral balance held on Lion's Balance Sheet that is maintained to pay those claims is not being charged in the BCAR score. Partly offsetting that concern, the collateral balance at year-end 2016 was reportedly \$25 million (6M 2017: \$19 million) over the actuarially required amount to meet claim obligations.

Liabilities in each of the last five years have been over 65% or more comprised of collateral funds maintained by SPLI to cover its obligations under its high deductible policy. For years prior to 2010, that collateral represented over 90% of total liabilities. The collateral account held at year-end 2016 was over twice the level of Lion's net loss and LAE reserves.

Leverage ratios have been very conservative with NPW at 0.3 time surplus and loss and LAE at 0.6 times surplus at year-end 2016 and 0.5 times at six months. The largest item in net liabilities, as mentioned above, has been the collateral funds from affiliate SPLI. That collateral is included in other liabilities, which were 1.3 times surplus or the majority of the total year-end 2016 net leverage ratio of 2.1 times. The year-end net leverage ratio benefits from very little unearned premium outstanding as the policy to SEPLI renews on January 1.

Reinsurance arrangements changed effective July 1, 2017 with the company's net retention increasing to \$1.5 million from \$1.0 million where it has been since 2005. The first layer was correspondingly changed to \$3.5 million excess \$1.5 million with a 25% co-participation (previously 50% coparticipation). Excess layers remained the same with \$5 million excess \$5 million with a 50% co-participation; \$10 million excess \$10 million; and \$5.0 million excess \$20 million. Lion can and normally does commute the first layer after 18 months from the expiration date.

### Capitalization:

Surplus increased in each of the last 10 years with three of those years, 2006, 2007 and 2010, benefiting from capital contributions totaling almost \$25 million, but those years would have recorded growth even without those contributions. The compound annual growth rate of surplus over the latest five year period was 6.8% which was commensurate with net premiums written.

### Capital Generation Analysis

|  | Year End - December 31 |       |       |       |       |
|--|------------------------|-------|-------|-------|-------|
|  | 2016                   | 2015  | 2014  | 2013  | 2012  |
| Pre-tax Operating Income (\$000)         | 8,722                  | 8,075 | 6,796 | 5,772 | 4,606 |
| Realized Capital Gains (\$000)           | 223                    | 634   | 1,145 | 257   | 98    |
| Income Taxes (\$000)                     | 2,681                  | 2,639 | 3,003 | 1,944 | 1,224 |
| Unrealized Capital Gains (\$000)         | 329                    | -303  | -7    | 491   | 29    |
| Net Contributed Capital (\$000)          | ...                    | ...   | ...   | ...   | ...   |
| Other Changes (\$000)                    | 10                     | 68    | 216   | -204  | -99   |
| Change in Policyholders' Surplus (\$000) | 6,601                  | 5,835 | 5,146 | 4,373 | 3,410 |
| Change in Policyholders' Surplus (%)     | 7.9                    | 7.5   | 7.1   | 6.4   | 5.3   |

Source: Bestlink - Best's Statement File - P/C, US

## Capitalization: (Continued...)

### Liquidity Analysis (%)

|                   | Company                |       |       |       |       | Industry Composite     |       |       |       |       |
|-------------------|------------------------|-------|-------|-------|-------|------------------------|-------|-------|-------|-------|
|                   | Year End - December 31 |       |       |       |       | Year End - December 31 |       |       |       |       |
|                   | 2016                   | 2015  | 2014  | 2013  | 2012  | 2016                   | 2015  | 2014  | 2013  | 2012  |
| Quick Liquidity   | 59.7                   | 60.2  | 69.8  | 95.7  | 94.6  | 36.9                   | 37.2  | 36.3  | 36.6  | 38.2  |
| Current Liquidity | 147.6                  | 146.1 | 157.5 | 154.9 | 142.2 | 130.1                  | 128.5 | 127.2 | 125.9 | 123.1 |
| Overall Liquidity | 155.0                  | 151.7 | 159.2 | 160.3 | 147.6 | 149.4                  | 147.2 | 145.7 | 144.8 | 142.4 |

Source: Bestlink - Best's Statement File - P/C, US

Industry Composite: Workers' Compensation Composite - Bestlink - Best's Statement File - P/C, US

### Asset Liability Management – Investments:

Lion's investment portfolio is relatively conservative with a very small allocation to common equities and no alternative assets at year-end 2016. Management reports that the fixed income portfolio, almost entirely investment grade, had an average duration of about 4.0 years. The company's quick liquidity ratio reflects this conservative allocation of assets and has been well above the workers compensation composite in each of the last five years as have been the current and overall liquidity ratios although not to the same degree. Invested assets include the collateral funds provided by SPLI to fund losses under its high deductible policy.

### Bond Portfolio - 2016 Bonds Distribution by Maturity (%)

|   | Years |      |      |       |     | Years Average Maturity |
|---|-------|------|------|-------|-----|------------------------|
|   | 0-1   | 1-5  | 5-10 | 10-20 | 20+ |                        |
| Government                              | 4.3   | 3.6  | 0.2  | 0.1   | ... | 2.0                    |
| Government Agencies and Municipal Bonds | 8.0   | 21.1 | 22.1 | 3.3   | 0.4 | 5.3                    |
| Industrial and Misc.                    | 5.5   | 17.0 | 13.8 | 0.5   | ... | 4.5                    |
| Total                                   | 17.8  | 41.7 | 36.1 | 3.9   | 0.5 | 4.7                    |

Source: Bestlink - Best's Statement File - P/C, US

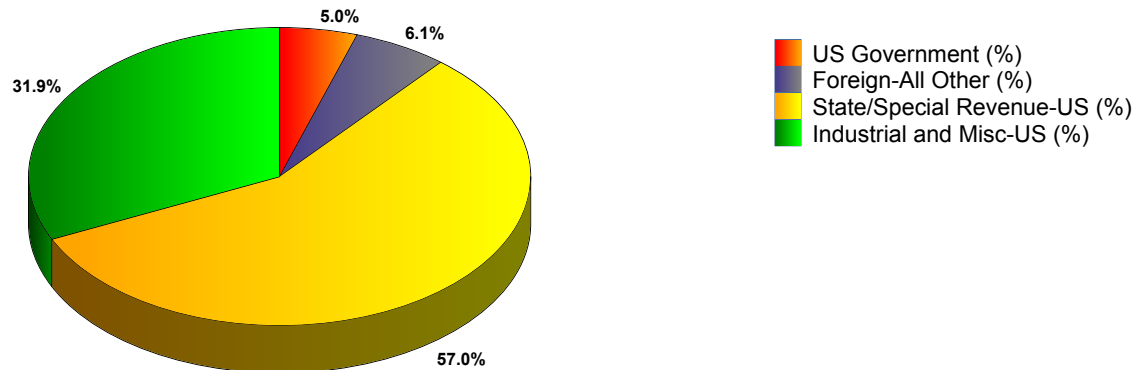
### Bond Distribution by Issuer Type

|                              | Year End - December 31 |         |         |        |         |
|------------------------------|------------------------|---------|---------|--------|---------|
|                              | 2016                   | 2015    | 2014    | 2013   | 2012    |
| Bonds (\$000)                | 173,753                | 153,007 | 128,221 | 88,820 | 131,030 |
| US Government (%)            | 5.0                    | 5.6     | 4.8     | 14.5   | 16.2    |
| Foreign Government (%)       | ...                    | ...     | ...     | 0.6    | 0.4     |
| Foreign-All Other (%)        | 6.1                    | 5.6     | 5.2     | 5.5    | 4.0     |
| State/Special Revenue-US (%) | 57.0                   | 57.6    | 60.8    | 56.7   | 30.7    |
| Industrial and Misc-US (%)   | 31.9                   | 31.2    | 29.1    | 22.7   | 48.7    |

Source: Bestlink - Best's Statement File - P/C, US

## Asset Liability Management – Investments: (Continued...)

### 2016 Bond Distribution By Issuer Type



Source: Bestlink - Best's Statement File - P/C, US

### Reserve Adequacy:

Net loss and LAE reserves over the last five years have been comprised 85% or more of IBNR compared with the workers compensation composite that has been approximately 60%. As a result of the high deductible policy with SPLI, the losses are more low frequency, high severity type claims. Calendar year loss reserve development has been redundant in each of the last five calendar years. The reserves covered by the SPLI collateral have a high turnover as \$55.7 million of the fund balance at the beginning of the year of \$111.3 million was paid in 2016 and SPLI paid cash into the collateral balance of almost the same amount, \$55 million. Those disbursements and receipts are not reported through Lion's statutory underwriting account or cash flow.

### Loss and Allocated Loss Adjustment Expense Reserve Development

| Calendar Year:                                  | Year End - December 31 |        |        |        |        |
|---|------------------------|--------|--------|--------|--------|
|   | 2016                   | 2015   | 2014   | 2013   | 2012   |
| Original Loss Reserves (\$000)                  | 49,161                 | 45,264 | 39,395 | 37,228 | 35,577 |
| Developed Reserves Thru Latest Year End (\$000) | 49,161                 | 43,845 | 34,961 | 24,607 | 18,556 |
| Development to Original (%)                     | ...                    | -3.1   | -11.3  | -33.9  | -47.8  |
| Development to Policyholder Surplus (%)         | ...                    | -1.7   | -5.7   | -17.4  | -25.0  |
| Developed Reserves to Net Premiums Earned (%)   | 174.1                  | 155.6  | 147.0  | 108.7  | 74.1   |
| Unpaid Reserves @ Latest Year End (\$000)       | 49,161                 | 40,324 | 28,954 | 17,354 | 8,997  |
| Unpaid Reserves to Developed Reserves (%)       | 100.0                  | 92.0   | 82.8   | 70.5   | 48.5   |

**Reserve Adequacy: (Continued...)**

| <b>Accident Year:</b>                           | <b>Year End - December 31</b> |             |             |             |             |
|---|-------------------------------|-------------|-------------|-------------|-------------|
|   | <b>2016</b>                   | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| Original Loss Reserves (\$000)                  | 8,837                         | 8,155       | 7,870       | 9,021       | 9,636       |
| Developed Reserves Thru Latest Year End (\$000) | 8,837                         | 11,442      | 13,695      | 10,416      | 8,891       |
| Development to Original (%)                     | ...                           | 40.3        | 74.0        | 15.5        | -7.7        |
| Unpaid Reserves @ Latest Year End (\$000)       | 8,837                         | 11,370      | 11,600      | 8,357       | 5,381       |
| Accident Year Loss Ratio (%)                    | 43.4                          | 54.2        | 75.4        | 63.8        | 49.8        |
| Accident Year Combined Ratio (%)                | 79.1                          | 89.0        | 113.0       | 102.4       | 90.2        |

Source: Bestlink - Schedule P (Loss Reserves) - P/C, US

**Operating Performance: Strong**

Lion has reported very favorable results on its high deductible policy issued to SPLI in each of the last 10 years with pre-tax returns on net premiums earned averaging in excess of 25% over that period compared with about 8% for the workers compensation composite. The return on surplus over the same period is also above that of the composite, but somewhat more in line due to the lower operating leverage being generated by its high deductible policy compared with the composite's business which is predominantly low or no deductible policies.

Underwriting results have been very favorable with a loss ratio and loss adjustment expense ratio that has not exceeded 65% in any of the last ten years compared with the workers' compensation composite that has never been below that level. Lion's results reflect its more high severity / low frequency book of business resulting from the high deductible policy.

The low net investment yield posted by Lion over the last five years is mainly attributable to the inclusion in invested assets of collateral funds maintained by SPLI to cover its obligations falling under the policy deductible and Lion paying the interest income attributable to those collateral funds to SPLI. Investment income allocated to SPLI in 2016 was approximately \$2.0 million or 45% of gross investment income. Lion's 2016 net yield on investments adjusted to exclude that allocation increases to 1.7% from 0.9%. Another driving factor influencing the net yield is the high balance maintained in cash and short term investments; 26% of total invested assets compared with 6.5% for the workers' compensation composite.

**Financial Performance Summary (000)**

|                                  | <b>Year End - December 31</b> |             |             |             |             |
|----------------------------------|-------------------------------|-------------|-------------|-------------|-------------|
|                                  | <b>2016</b>                   | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| Pre-tax Operating Income (\$000) | 8,722                         | 8,075       | 6,796       | 5,772       | 4,606       |
| Net Income                       | 6,263                         | 6,069       | 4,937       | 4,086       | 3,480       |

Source: Bestlink - Best's Statement File - P/C, US



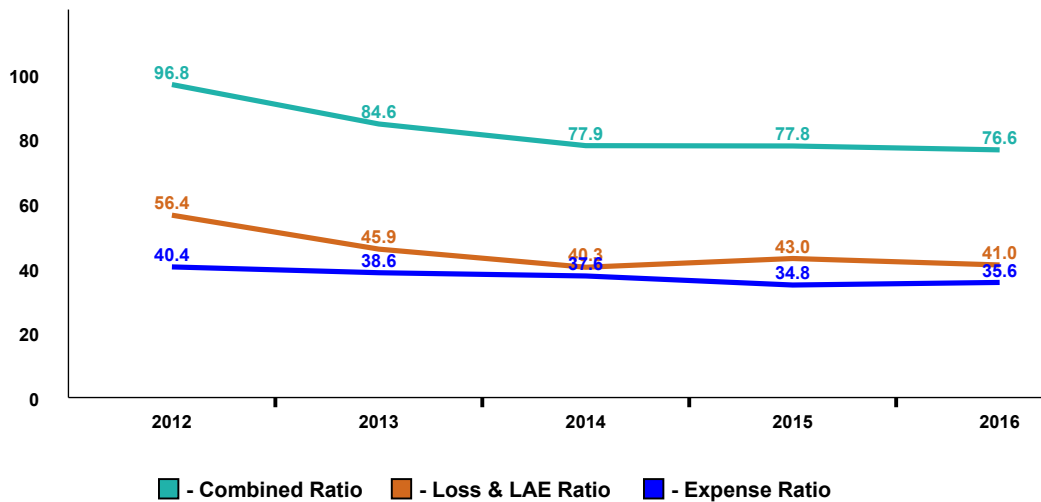
**A.M. Best Ratios (%)**

|                                    | Company                |      |      |      |      | Industry Composite     |      |       |      |       |
|------------------------------------|------------------------|------|------|------|------|------------------------|------|-------|------|-------|
|                                    | Year End - December 31 |      |      |      |      | Year End - December 31 |      |       |      |       |
|                                    | 2016                   | 2015 | 2014 | 2013 | 2012 | 2016                   | 2015 | 2014  | 2013 | 2012  |
| Operating Ratio                    | 69.0                   | 71.3 | 70.9 | 74.2 | 87.5 | 81.9                   | 82.7 | 89.7  | 77.8 | 93.7  |
| Realized Return on Invested Assets | 1.0                    | 1.1  | 1.4  | 1.3  | 1.2  | 3.3                    | 3.4  | 4.1   | 4.1  | 5.8   |
| Pre-Tax Return on Revenue          | 30.9                   | 28.7 | 28.6 | 25.5 | 18.4 | 17.1                   | 16.5 | 9.2   | 9.5  | 5.2   |
| Return on Surplus                  | 7.6                    | 7.2  | 6.6  | 6.5  | 5.3  | 10.7                   | 6.9  | 7.4   | 11.2 | 7.7   |
| Loss & LAE Ratio                   | 41.0                   | 43.0 | 40.3 | 45.9 | 56.4 | 67.2                   | 69.2 | 76.0  | 67.8 | 79.5  |
| Expense Ratio                      | 35.6                   | 34.8 | 37.6 | 38.6 | 40.4 | 24.0                   | 23.3 | 22.8  | 22.0 | 28.3  |
| Combined Ratio                     | 76.6                   | 77.8 | 77.9 | 84.6 | 96.8 | 95.7                   | 96.8 | 103.8 | 93.9 | 112.3 |
| Net Investment Yield               | 0.9                    | 0.8  | 0.9  | 1.2  | 1.1  | 2.9                    | 2.9  | 2.9   | 3.0  | 3.4   |

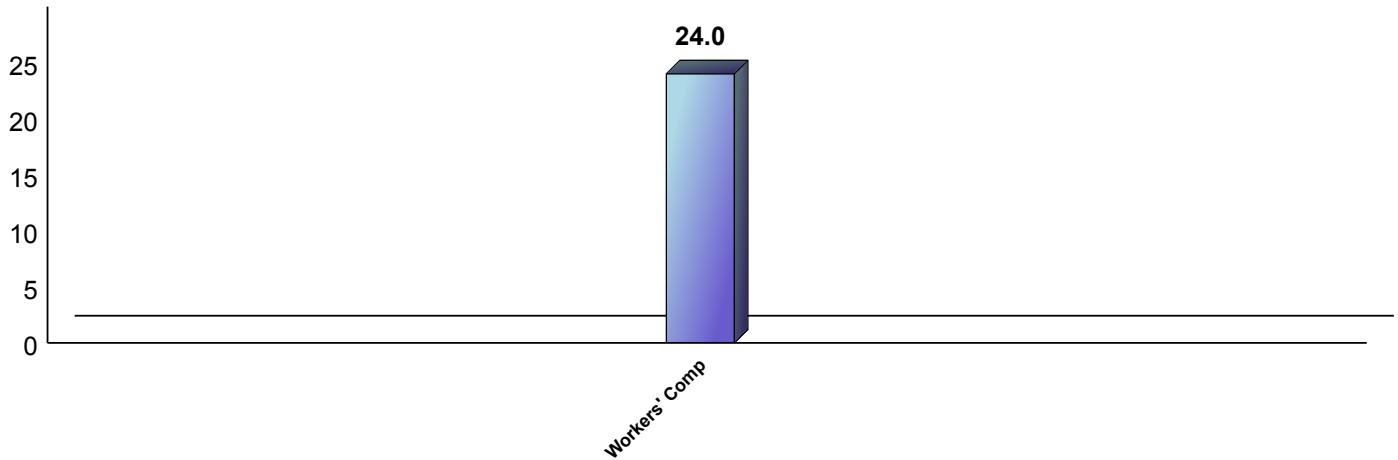
Source: Bestlink - Best's Statement File - P/C, US

Industry Composite: Workers' Compensation Composite - Bestlink - Best's Statement File - P/C, US

**Combined Ratio (%)**



**2016 Pure Loss Ratio by Product Line (%)**



Source: Bestlink - Best's Statement File - P/C, US

**Business Profile: Limited**

Lion Insurance Company (Lion) is dedicated to writing a high deductible workers compensation policy for an affiliate, South East Personnel Leasing, Inc. (SPLI). The latter is a Professional Employer Organization (PEO), which is an entity that enters into an arrangement with a client whereby employer responsibilities are shared or allocated between the client and the PEO. Under the SPLI contract, clients lease their employees from SPLI, which provides payroll services and other work related costs and benefits in including the providing of workers' compensation insurance. While SPLI clients are spread over a wide variety of businesses and geographies, there is a relatively heavy emphasis in the construction industry and about 41% of 2016 gross premiums written are from Florida.

For a brief period, 2009 through 2011, Lion offered coverage to entities outside of the employee leasing model through independent agents with coverage offered ranging from ground-up to large deductible programs. While Lion discontinued that book, it continues to write a small book of minimum premium policies that provide supplemental workers' compensation coverage to SPLI clients.

SPLI and Lion are related through common ownership with the ultimate stockholder for Lion being John Porreca and the ultimate owners of SPLI being John and Deborah Porreca. The immediate holding company for Lion is Jamestown Holding Corp. In addition to the common ownership and business relationship between Lion and SPLI, Lion itself is a client of SPLI from which it leases employees under a client leasing agreement. The amount Lion paid to SPLI under that agreement in 2016 was \$2.7 million

Other affiliated companies include Packard Claims Administration, which handles the majority of Lion's claims, and Plymouth Insurance Agency, Inc.; both companies directly owned by John and Deborah Porreca. Pride Risk Solutions, also an affiliate, is a marketing/program manager that helps train and service MGAs and wholesalers in promoting SPLI programs. Pride Risk is ultimately owned by John Porreca and has no direct transactional relation to Lion.

SPLI also has a high deductible policy with an unaffiliated carrier in those states where Lion is not licensed, primarily for business in California and New York. Coverage above the high deductible is ceded to Lion, which pays a fronting fee as well as all premium taxes and fees on the ground up policy. A collateral trust is maintained by both SPLI and Lion with that unaffiliated carrier, with Lion posting \$33 million at year-end 2016.

Lion benefits from its leading position in the construction industry and its ability to write small business risks and start-ups. Construction classes are a major part of the book, but the book of business from SPLI is well diversified by NCCI class code and includes agriculture, trucking, chemicals, food & tobacco, metallurgy & metal forming, quarrying & related operations, stevedoring & freight handling and textiles.

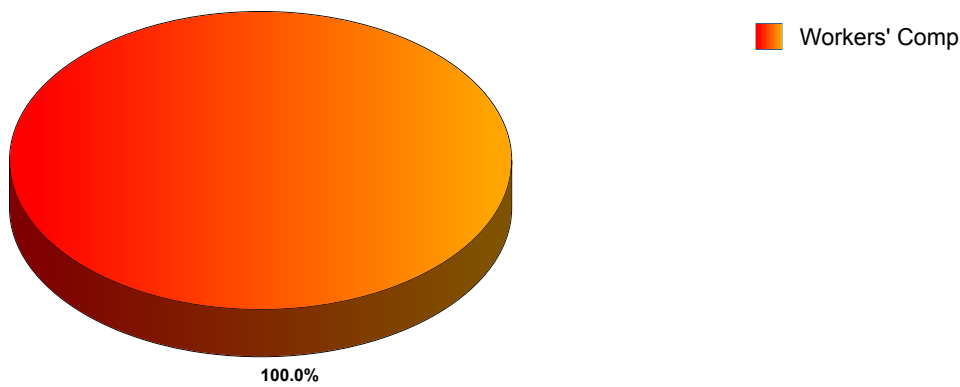
**Leverage Analysis**

| A.M. Best Ratios (%)                           | Company                |      |      |      |      | Industry Composite     |      |      |      |      |
|--|------------------------|------|------|------|------|------------------------|------|------|------|------|
|  | Year End - December 31 |      |      |      |      | Year End - December 31 |      |      |      |      |
|  | 2016                   | 2015 | 2014 | 2013 | 2012 | 2016                   | 2015 | 2014 | 2013 | 2012 |
| Business Retention                             | 92.8                   | 93.3 | 84.5 | 85.6 | 89.5 | 71.3                   | 69.3 | 68.3 | 74.6 | 64.7 |
| Net Premiums Written to Policyholders' Surplus | 0.3                    | 0.3  | 0.3  | 0.3  | 0.3  | 0.5                    | 0.6  | 0.6  | 0.5  | 0.5  |

Source: Bestlink - Best's Statement File - P/C, US

Industry Composite: Workers' Compensation Composite - Bestlink - Best's Statement File - P/C, US

**2016 Top Product Lines of Business (Net Premiums Written)**



Source: Bestlink - Best's Statement File - P/C, US

**2016 By-Line Business**

| Product Line  | Direct Premiums Written |       | Reinsurance Premiums Assumed |       | Reinsurance Premiums Ceded |       | Net Premiums Written |       | Business Retention (%) |
|---------------|-------------------------|-------|------------------------------|-------|----------------------------|-------|----------------------|-------|------------------------|
|               | (\$000)                 | (%)   | (\$000)                      | (%)   | (\$000)                    | (%)   | (\$000)              | (%)   |                        |
| Workers' Comp | 18,521                  | 100.0 | 12,000                       | 100.0 | 2,204                      | 100.0 | 28,317               | 100.0 | 92.8                   |
| Total         | 18,521                  | 100.0 | 12,000                       | 100.0 | 2,204                      | 100.0 | 28,317               | 100.0 | 92.8                   |

Source: Bestlink - Best's Statement File - P/C, US

**Geographical Breakdown By Direct Premium Writings**

|                | <b>2016</b>   | <b>2015</b>   | <b>2014</b>   | <b>2013</b>   | <b>2012</b>   |
|----------------|---------------|---------------|---------------|---------------|---------------|
| Florida        | 12,422        | 11,895        | 11,303        | 12,929        | 10,195        |
| Georgia        | 1,622         | 1,615         | 1,760         | 1,095         | 5,216         |
| Illinois       | 710           | 496           | 717           | ...           | ...           |
| North Carolina | 613           | 949           | 816           | 513           | 1,048         |
| Nevada         | 545           | 174           | 75            | 27            | 7             |
| New Jersey     | 517           | 553           | 417           | 640           | 71            |
| Pennsylvania   | 511           | 600           | 343           | 445           | 108           |
| Louisiana      | 370           | 440           | 394           | 150           | 320           |
| Arizona        | 363           | 529           | 453           | 228           | 76            |
| Texas          | 226           | 295           | 440           | 488           | 755           |
| All Other      | 621           | 817           | 748           | 947           | 1,000         |
| <b>Total</b>   | <b>18,521</b> | <b>18,363</b> | <b>17,465</b> | <b>17,462</b> | <b>18,795</b> |

Source: Bestlink - Best's Statement File - P/C, US

**Enterprise Risk Management: Appropriate**

The company employs traditional risk management techniques focusing on areas such as underwriting, investments, liquidity, credit, legislative changes, credit, operational and cyber risk exposure. Action plans are developed to measure, monitor and mitigate risks arising from identified exposures. Lion has formalized an annual risk assessment review for its top ten risks. One of the top ten risks is the credit risk exposure to SPLI, an affiliated PEO, from which the company derives all of its business.

## Financial Statements:

### Balance Sheet:

### Balance Sheet:

| Admitted Assets                      | Year End - December 31        |                     |                 |                 |
|--------------------------------------|-------------------------------|---------------------|-----------------|-----------------|
|                                      | 2016 (\$000)                  | 2015 (\$000)        | 2016 (%)        | 2015 (%)        |
| Bonds                                | 173,753                       | 153,007             | 68.5            | 62.6            |
| Preferred Stock                      | ...                           | ...                 | ...             | ...             |
| Common Stock                         | 4,240                         | 3,519               | 1.7             | 1.4             |
| Cash and Short-term Invest           | 61,993                        | 77,749              | 24.5            | 31.8            |
| Real estate, investment              | ...                           | ...                 | ...             | ...             |
| Derivatives                          | ...                           | ...                 | ...             | ...             |
| Other Non-Affil Inv Asset            | ...                           | ...                 | ...             | ...             |
| Investments in Affiliates            | ...                           | ...                 | ...             | ...             |
| Real Estate, Offices                 | ...                           | ...                 | ...             | ...             |
| <b>Total Invested Assets</b>         | <b>239,987</b>                | <b>234,275</b>      | <b>94.7</b>     | <b>95.8</b>     |
| Premium Balances                     | 895                           | -1,201              | 0.4             | -0.5            |
| Accrued Interest                     | 1,420                         | 1,283               | 0.6             | 0.5             |
| All Other Assets                     | 11,211                        | 10,223              | 4.4             | 4.2             |
| <b>Total Assets</b>                  | <b>253,513</b>                | <b>244,580</b>      | <b>100.0</b>    | <b>100.0</b>    |
| <b>Liabilities &amp; Surplus</b>     | <b>Year End - December 31</b> |                     |                 |                 |
|                                      | <b>2016 (\$000)</b>           | <b>2015 (\$000)</b> | <b>2016 (%)</b> | <b>2015 (%)</b> |
| Loss and LAE Reserves                | 50,689                        | 46,782              | 20.0            | 19.1            |
| Unearned Premiums                    | 96                            | 15                  | ...             | ...             |
| Derivatives                          | ...                           | ...                 | ...             | ...             |
| Conditional Reserve Funds            | ...                           | ...                 | ...             | ...             |
| All Other Liabilities                | 112,741                       | 114,397             | 44.5            | 46.8            |
| <b>Total Liabilities</b>             | <b>163,526</b>                | <b>161,195</b>      | <b>64.5</b>     | <b>65.9</b>     |
| Surplus notes                        | ...                           | ...                 | ...             | ...             |
| Capital and Assigned Surplus         | 49,062                        | 49,062              | 19.4            | 20.1            |
| Unassigned Surplus                   | 40,925                        | 34,324              | 16.1            | 14.0            |
| <b>Total Policyholders' Surplus</b>  | <b>89,987</b>                 | <b>83,386</b>       | <b>35.5</b>     | <b>34.1</b>     |
| <b>Total Liabilities and Surplus</b> | <b>253,513</b>                | <b>244,580</b>      | <b>100.0</b>    | <b>100.0</b>    |

Source: Bestlink - Best's Statement File - P/C, US

**Summary of Operations and Operating Cash Flow:**

**Summary Of Operations (000)**

|                            | <b>Year End - December 31</b> |                                |             |
|----------------------------|-------------------------------|--------------------------------|-------------|
| <b>Statement of Income</b> | <b>2016</b>                   | <b>Net Operating Cash Flow</b> | <b>2016</b> |
| Premiums earned            | 28,239                        | Premiums collected             | 26,178      |
| Losses incurred            | 6,769                         | Benefit & loss-related pmts    | 3,413       |
| LAE incurred               | 4,809                         |                                |             |
| Undwr expenses incurred    | 10,092                        | LAE & undwr expenses paid      | 14,903      |
| Other expenses incurred    | ...                           | Other income / expense         | ...         |
| Dividends to policyholders | ...                           | Dividends to policyholders     | ...         |
| Net underwriting income    | 6,568                         | Underwriting cash flow         | 7,862       |
|                            |                               | Net transfer                   | ...         |
| Net investment income      | 2,157                         | Investment income              | 3,371       |
| Other income/expense       | -4                            | Other income/expense           | 428         |
| Pre-tax operating income   | 8,722                         | Pre-tax cash operations        | 11,661      |
| Realized capital gains     | 223                           |                                |             |
| Income taxes incurred      | 2,681                         | Income taxes pd (recov)        | 3,668       |
| Net income                 | 6,263                         | Net oper cash flow             | 7,993       |

Source: Bestlink - Best's Statement File - P/C, US

# Lion Insurance Company

**Report Revision Date:**  
November 28, 2017

## Company Attributes:

**Industry:** Insurance  
**Business Type:** Property/Casualty  
**Entity Type:** Operating Company  
**Organization Type:** Stock  
**Business Status:** In Business - Actively Underwriting  
**Marketing Type:** Direct Response  
**Financial Size:** VII (\$50 Million to \$100 Million)

## Company History:

**Date Incorporated:** 06/17/1986

**Date Commenced:** 06/26/1986

**Domicile:** United States: Florida

## Company Operations:

**Licensed Territory:** (Current since 07/28/2015). The company is licensed in the District of Columbia, AL, AZ, CO, CT, FL, GA, HI, IL, LA, MD, MA, MS, NV, NJ, NM, NC, OK, PA, RI, SC, TN, TX and VA.

| 2016 |                                |        |
|------|--------------------------------|--------|
| Rank | Top 5 Lines of Business by NPW |        |
| 1    | Workers' Comp                  | 100.0% |

| 2016 |                                      |       |
|------|--------------------------------------|-------|
| Rank | Top 5 Geographic Distribution by DPW |       |
| 1    | United States: FL                    | 67.1% |
| 2    | United States: GA                    | 8.8%  |
| 3    | United States: IL                    | 3.8%  |
| 4    | United States: NC                    | 3.3%  |
| 5    | United States: NV                    | 2.9%  |

Source: Bestlink - Best's Statement File - P/C, US

## Company Management:

Last significant update on 03/13/2014

The company is a wholly owned subsidiary of Jamestown Holdings Corp., a privately held Florida corporation owned 100 percent by John A. Porreca. The company is affiliated with South East Personnel Leasing, Inc., a privately held Florida corporation owned by John A. Porreca and Deborah A. Porreca.

## Officers

**President and Treasurer:** John A. Porreca  
**Secretary:** Grant Dalgleish

## Company Management: (Continued...)

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### Directors

Robert B. Bennett  
Carol A. Ostapchuk  
John A. Porreca  
Stephen L. Rohde  
Mary Ann Stiles

### Regulatory:

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**Auditor:** TaylorChandler, LLC

An examination of the financial condition was made as of December 31, 2011, by the insurance department of Florida. The 2015 annual independent audit of the company was conducted by TaylorChandler, LLC. The annual statement of actuarial opinion is provided by AI Rhodes, SIGMA Actuarial Consulting Group, Inc.

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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