



# BEST'S COMPANY REPORT

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## Lion Insurance Company

### LION INSURANCE COMPANY

**Domiciliary Address:** 2739 US Highway 19 North, Suite 601, Holiday, Florida 34691 United States

**AMB #:** 012616

**NAIC #:** 11075

**FEIN #:** 59-3565930

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## Best's Credit Rating Effective Date

December 09, 2022

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## Information

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[Market Segment Outlooks](#)

## Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

# Lion Insurance Company

**AMB #:** 012616 | **NAIC #:** 11075 | **FEIN #:** 59-3565930

**Ultimate Parent:** AMB # 051391 - Jamestown Holdings Corp.

## Best's Credit Ratings

### Financial Strength Rating (FSR)

<b>A</b>
<b>Excellent</b>
Outlook: <b>Stable</b>
Action: <b>Affirmed</b>

### Issuer Credit Rating (ICR)

<b>a</b>
<b>Excellent</b>
Outlook: <b>Stable</b>
Action: <b>Affirmed</b>

## Assessment Descriptors

Balance Sheet Strength	<b>Strongest</b>
Operating Performance	<b>Strong</b>
Business Profile	<b>Limited</b>
Enterprise Risk Management	<b>Appropriate</b>

**Rating Rationale**

**Balance Sheet Strength: Strongest**

- Lion Insurance Company (Lion) maintains the strongest level of risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), which benefits from a high credit quality investment portfolio and low reinsurance dependence.
- Net liabilities in each of the last five years have been around 65% or more composed 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 mainly consisted of IBNR losses arising from estimated low frequency, high severity claims that penetrate above the \$1.0 million deductible of SPLI's policy.
- Reserve development on a calendar year basis has been redundant, but those redundancies are slightly offset by voluntary reinsurance commutations by Lion of its first layer of reinsurance: \$3.5 million excess \$1.5 million in some years.

**Operating Performance: Strong**

- Lion reported favorable results in each of the last ten years, and the average pre-tax return on net premiums earned over that period was 34.8% compared with 14.7% for the workers' compensation composite.
- Underwriting results have been favorable with a loss and loss adjustment expense ratio that has not exceeded 55% in any of the last ten years compared with the workers' compensation composite, which has been significantly above the 65% level.
- Lion's low net investment yield is mainly attributable to the inclusion of SPLI collateral funds in Lion's invested assets, but Lion is netting out interest income earned on SPLI funds.

**Business Profile: Limited**

- Lion is dedicated to writing a high deductible workers' compensation policy for an affiliate, 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 and emerging exposures.
- ERM activities were recently enhanced with the introduction of stress testing for a number of the company's larger risks.

**Outlook**

- The stable outlooks reflect AM Best's expectation that the company's rating fundamentals will remain unchanged over the short to medium term.

**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 reinsurance commutations and/or prior year reserve development result in a material decline in risk-adjusted capitalization.
- Negative rating actions 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.

**Key Financial Indicators**

**Best's Capital Adequacy Ratio (BCAR) Scores (%)**

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	85.2	78.0	75.2	74.4

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

Key Financial Indicators USD (000)	9-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
Premiums Written:							
Direct	15,977	16,383	16,072	17,018	18,994	19,145	19,060
Assumed*	8,533	6,796	8,874	9,380	11,167	12,051	12,136
Ceded*	2,542	975	1,224	1,045	1,860	4,286	4,080
Net	21,967	22,204	23,722	25,353	28,302	26,909	27,116
Net Operating Income	4,688	4,655	6,556	6,164	9,274	5,297	6,265
Net Income	4,399	4,671	6,695	7,413	9,783	5,534	6,573
Total Admitted Assets	352,431	341,498	309,218	299,430	297,148	282,175	264,255
Policyholders' Surplus	132,514	127,487	130,205	121,940	113,400	102,959	96,906

Source: BestLink® - Best's Financial Suite

\*Quarterly premiums include affiliated reinsurance premiums that are eliminated in annual assumed and ceded values.

Key Financial Ratios (%)	9-Months		Year End - December 31					Weighted Average
	2022	2021	2021	2020	2019	2018	2017	
Profitability:								
Combined Ratio	75.4	73.3	78.7	79.4	75.8	74.7	75.4	76.7
Reserve Development Combined Ratio Impact	4.4	8.7	8.0	10.6	0.3	-10.9	-12.0	-1.1
Net Investment Yield	1.1	1.0	1.0	1.0	1.3	1.2	1.0	1.1
Pre-Tax Operating Return on Net Earned Premiums	33.2	32.8	33.9	31.9	37.4	36.8	33.5	34.8
Net Income Return on Policyholders' Surplus	4.5	5.0	5.3	6.3	9.0	5.5	7.0	6.6
Total Return on Policyholders' Surplus	2.3	5.9	6.6	6.4	9.8	4.7	7.5	7.0
Leverage:								
Net	1.8	1.9	1.6	1.7	1.9	2.0	2.0	...
Gross	...	...	1.8	1.9	2.2	2.4	2.3	...
Non-affiliated Investment	5.8	7.2	7.6	6.2	5.5	5.1	5.8	...

Source: BestLink® - Best's Financial Suite

## Credit Analysis

### Balance Sheet Strength

Lion Insurance maintains strongest risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR), which benefits from a high credit quality investment portfolio and low reinsurance dependence. 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 is the collateral balance which is maintained over the actuarial required amount to meet claim obligations.

The balance sheet has some unique aspects as a result of the high deductible policy written for affiliate South East Personnel Leasing, Inc. (SPLI). Collateral funds from SPLI to cover its obligations have comprised around 65% of Lion's total liabilities in each of the last five years.

The company's underwriting leverage ratios compare favorably to the averages for the workers compensation industry composite. Leverage ratios have been very conservative with NPW / Surplus of 0.2 and Loss & LAE / Surplus of 0.51 at year-end 2021. The largest item in net liabilities, as mentioned above, has been the collateral funds from affiliate SPLI. The net leverage ratio at year-end 2021 was 1.6, slightly lower than the prior year. The year-end net leverage ratio benefits from very little unearned premium outstanding as the policy to SPLI renews on January 1.

SPLI retains the first \$1 million of losses under a large deductible with Lion and State National Insurance Company. The company's net retention is the next \$0.5 million excess of the SPLI deductible. The first layer is \$3.5 million excess \$1.5 million with a 25% co-participation. Excess layers are \$5.0 million excess \$5.0 million with a 57.5% co-participation; \$10.0 million excess \$10.0 million; and \$5.0 million excess \$20.0 million. Lion can commute the first layer after 18 months and 36 months from the expiration date (for treaties through June 30, 2021).

**Balance Sheet Strength (Continued...)**

**Capitalization**

The company has grown surplus organically in each of the last five years. The compound annual growth rate of surplus over the latest five-year period was 7.7% which compares favorably to the rate of -3.5% for net premiums written in the same period.

<b>Capital Generation Analysis USD (000)</b>	<b>9-Months</b>		<b>Year End - December 31</b>				
	<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning Policyholders' Surplus	130,205	121,940	121,940	113,400	102,959	96,906	89,987
Net Operating Income	4,688	4,655	6,556	6,164	9,274	5,297	6,265
Net Realized Capital Gains (Losses)	-289	16	140	1,249	508	237	308
Net Unrealized Capital Gains (Losses)	-2,176	881	1,587	141	835	-864	412
Net Change in Paid-In Capital and Surplus	...	...	...	900	...	...	...
Other Changes in Capital and Surplus	86	-6	-17	87	-177	1,382	-67
Net Change in Policyholders' Surplus	2,309	5,547	8,265	8,541	10,441	6,053	6,919
<b>Ending Policyholders' Surplus</b>	<b>132,514</b>	<b>127,487</b>	<b>130,205</b>	<b>121,940</b>	<b>113,400</b>	<b>102,959</b>	<b>96,906</b>
Net Change in Policyholders' Surplus (%)	1.8	4.5	6.8	7.5	10.1	6.2	7.7
Net Change in Policyholders' Surplus (5 yr CAGR)	...	...	7.7	...	...	...	...

Source: BestLink® - Best's Financial Suite

<b>Liquidity Analysis</b>	<b>9-Months</b>		<b>Year End - December 31</b>				
	<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Net Operating Cash Flow USD (000)	8,248	11,059	10,637	7,840	13,445	14,811	10,104
Current Liquidity (%)	153.4	153.1	167.4	161.4	156.8	152.5	150.1

Source: BestLink® - Best's Financial Suite

**Asset Liability Management - Investments**

Lion's investment portfolio is relatively conservative with a minor allocation to common equities and no alternative assets. Management reports that the fixed income portfolio, which is entirely investment grade, has an average duration of 3.2 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.

<b>Composition of Cash and Invested Assets</b>	<b>9-Months</b>		<b>Year End - December 31</b>				
	<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total Cash and Invested Assets USD (000)	335,894	326,310	298,204	285,031	286,465	271,713	249,611
<b>Composition Percentages (%)</b>							
Unaffiliated:							
Cash and Short Term Investments	21.7	27.0	17.0	27.8	30.8	28.9	24.5
Bonds	76.0	70.1	79.7	69.6	66.8	69.3	73.1
Stocks	2.3	2.8	3.3	2.7	2.2	1.8	2.1
Other Invested Assets	...	0.1	...	...	0.2	...	0.3
<b>Total Unaffiliated</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: BestLink® - Best's Financial Suite

<b>Bonds and Short Term Investments - Distribution by Maturity (%)</b>	<b>Years</b>					<b>Average (Years)</b>
	<b>0-1</b>	<b>1-5</b>	<b>5-10</b>	<b>10-20</b>	<b>20+</b>	
Government Bonds	3.2	2.7	2.1	...	...	3.3
Government Agencies and Municipal Bonds	4.2	15.3	6.6	0.6	...	4.0
Industrial and Miscellaneous Bonds	12.5	30.7	18.2	3.7	0.2	4.5
<b>Total Bonds</b>	<b>19.9</b>	<b>48.6</b>	<b>26.9</b>	<b>4.4</b>	<b>0.2</b>	<b>4.3</b>

Source: BestLink® - Best's Financial Suite

**Balance Sheet Strength (Continued...)**

**Reserve Adequacy**

Over the last five years, IBNR has comprised greater than 85% of total Net loss and LAE reserves, compared with an average of approximately 60% for the workers compensation composite. As a result of the high deductible policy with SPLI, the losses are more low frequency, high severity type claims that penetrate through the deductible. Calendar year loss reserve development has been redundant in nine of the last ten calendar years. Claim payments out of the SPLI collateral fund typically average approximately \$55.0 million per year. In turn, SPLI funds the collateral to meet the actuarially expected amount of future reserves together with an additional excess of between \$20.0 million and \$25.0 million. These payments and receipts do not flow through Lion's underwriting account or cash flow.

	9-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
<b>Loss and Loss Adjustment Expense Reserves and Development - Calendar Year</b>							
Loss and ALAE* Reserves USD (000)	70,171	67,931	64,801	64,506	59,842	48,713	34,141
Loss and ALAE* Reserves Development USD (000)	791	1,552	...	-184	-641	-6,904	-17,231
Development to:							
Original Reserves (%)	...	...	...	-0.3	-1.1	-12.4	-33.5
Prior Year End Reserves(%)	1.2	2.4	...	...	...	...	...
Prior Year End Surplus (%)	0.6	1.3	...	-0.2	-0.6	-6.7	-17.8

Source: BestLink® - Best's Financial Suite

\* Interim LAE reserves balances displayed include Adjusting and Other Unpaid as well as Defense and Cost Containment Unpaid. Year End LAE balances include Defense and Cost Containment Unpaid only.

	Year End - December 31				
<b>Loss and Loss Adjustment Expense Reserves and Development - Accident Year</b>	2021	2020	2019	2018	2017
Original Loss and ALAE Reserves USD (000)	7,409	7,216	7,338	7,564	7,746
Loss and ALAE Reserves Developed thru Latest Year End USD (000)	7,409	7,779	12,922	15,205	8,265
Development to Original Reserves (%)	...	7.8	76.1	101.0	6.7
Accident Year Loss and LAE Ratio (%)	37.6	40.6	64.9	80.5	50.1
Accident Year Combined Ratio (%)	70.7	73.5	100.7	119.3	91.1

Source: BestLink® - Best's Financial Suite

**Holding Company Assessment**

The holding company assessment is Neutral.

**Operating Performance**

Lion has reported strong operating results on its high deductible policy issued to SPLI each year in the last decade with pre-tax returns on net premiums earned averaging approximately 34.8% over that period compared with 14.7% for the workers compensation composite. The pre-tax 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 55% in any of the last ten years compared with the workers' compensation composite that has never been below that level. Despite higher-than-average expense ratios, the company has reported combined ratios below 80% since 2014, whereas the lowest combined ratio reported by the composite resulted in 2013, and was 94.5% during the last decade. Lion's results reflect its relatively higher severity / lower frequency book of business as coverage is provided to SPLI above a \$1.0 million 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

**Operating Performance (Continued...)**

attributable to those collateral funds to SPLI. Other factors influencing the net yield is the high balance maintained in cash and short term investments, which comprised 16.4% of total admitted assets at year-end 2021.

Operating and Financial Performance Ratios (%) - Company	9-Months		Year End - December 31					Weighted Average
	2022	2021	2021	2020	2019	2018	2017	
Calendar Year Loss and LAE Ratio	45.6	45.9	45.6	46.5	40.0	35.8	34.4	40.3
Expense and Policyholder Dividend Ratio	29.8	27.4	33.0	32.9	35.8	38.9	41.0	36.4
Combined Ratio	75.4	73.3	78.7	79.4	75.8	74.7	75.4	76.7
Reserve Development Ratio Impact	4.4	8.7	8.0	10.6	0.3	-10.9	-12.0	-1.1
Net Investment Yield	1.1	1.0	1.0	1.0	1.3	1.2	1.0	1.1
Pre-Tax Operating Return on Net Earned Premiums	33.2	32.8	33.9	31.9	37.4	36.8	33.5	34.8
Net Income Return on Policyholders' Surplus	4.5	5.0	5.3	6.3	9.0	5.5	7.0	6.6
Total Return on Policyholders' Surplus	2.3	5.9	6.6	6.4	9.8	4.7	7.5	7.0

Source: BestLink® - Best's Financial Suite

Operating and Financial Performance Ratios (%) - Composite	9-Months		Year End - December 31					Weighted Average
	2022	2021	2021	2020	2019	2018	2017	
Calendar Year Loss and LAE Ratio	...	67.5	67.2	67.8	65.5	66.6	68.8	67.2
Expense and Policyholder Dividend Ratio	...	34.7	35.2	33.8	34.1	29.7	30.2	32.6
Combined Ratio	...	102.3	102.4	101.6	99.6	96.4	99.0	99.8
Reserve Development Ratio Impact	...	-7.0	-12.2	-13.6	-13.5	-9.5	-6.4	-11.0
Net Investment Yield	...	2.4	2.5	2.7	3.1	3.0	2.8	2.8
Pre-Tax Operating Return on Net Earned Premiums	...	11.2	11.7	11.6	16.7	18.0	15.3	14.7
Net Income Return on Policyholders' Surplus	...	6.3	6.2	5.6	8.7	8.8	8.5	7.5
Total Return on Policyholders' Surplus	...	8.7	9.8	6.7	12.6	5.0	11.6	9.1

Source: BestLink® - Best's Financial Suite

Industry Composite: Workers' Compensation Composite - BestLink® - Best's Financial Suite

**Business Profile**

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 with 77.8% of 2021 direct premiums written in 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.

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 Lion with that unaffiliated carrier.

**Business Profile (Continued...)**

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.

Premium Composition and Growth	9-Months		Year End - December 31					5 Year CAGR
	2022	2021	2021	2020	2019	2018	2017	
Direct Premiums Written USD (000)	15,977	16,383	16,072	17,018	18,994	19,145	19,060	...
% Change	-2.5	-4.7	-5.6	-10.4	-0.8	0.4	2.9	-2.8
Reinsurance Premiums Assumed USD (000)*	8,533	6,796	8,874	9,380	11,167	12,051	12,136	...
% Change	25.6	1.7	-5.4	-16.0	-7.3	-0.7	1.1	-5.9
Reinsurance Premiums Ceded USD (000)*	2,542	975	1,224	1,045	1,860	4,286	4,080	...
% Change	160.8	-55.7	17.1	-43.8	-56.6	5.1	85.1	-11.1
Net Premiums Written USD (000)	21,967	22,204	23,722	25,353	28,302	26,909	27,116	...
% Change	-1.1	2.5	-6.4	-10.4	5.2	-0.8	-4.2	-3.5

Source: BestLink® - Best's Financial Suite

\*Quarterly premiums include affiliated reinsurance premiums that are eliminated in annual assumed and ceded values.

2021 By Line Business	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention
	USD (000)	%	USD (000)	%	USD (000)	%	USD (000)	%	%
Workers Comp	16,072	100.0	8,874	100.0	1,224	100.0	23,722	100.0	95.1
Top 5	16,072	100.0	8,874	100.0	1,224	100.0	23,722	100.0	95.1
Total	16,072	100.0	8,874	100.0	1,224	100.0	23,722	100.0	95.1

Source: BestLink® - Best's Financial Suite

Geographic Breakdown by Direct Premiums Written USD (000)	Year End - December 31				
	2021	2020	2019	2018	2017
Florida	12,503	13,216	14,549	13,697	13,350
Georgia	1,207	1,427	1,621	1,881	2,054
New Jersey	321	326	474	479	491
North Carolina	310	418	598	740	716
Arizona	258	291	303	368	384
Top 5 States	14,600	15,678	17,545	17,165	16,995
All Other	1,472	1,340	1,449	1,980	2,065
Total	16,072	17,018	18,994	19,145	19,060
Geographic Concentration Index	0.61	...	...	...	...

Source: BestLink® - Best's Financial Suite

**Enterprise Risk Management**

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, as well as consideration of new risks as they emerge. 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. The company has eliminated this risk by requiring SPLI to pre-fund its annual expected deductible losses.

**Reinsurance Summary**

SPLI retains the first \$1 million of losses under a large deductible with Lion and State National Insurance Company. The company's net retention is the next \$0.5 million excess of the SPLI deductible. The first layer is \$3.5 million excess \$1.5 million with a 25% co-participation. Excess layers are \$5.0 million excess \$5.0 million with a 57.5% co-participation; \$10.0 million excess \$10.0 million; and



## Enterprise Risk Management (Continued...)

\$5.0 million excess \$20.0 million. Lion can commute the first layer after 18 months and 36 months from the expiration date (for treaties through June 30, 2021).

## Environmental, Social & Governance

AM Best considers the credit quality of Lion to be low risk as the insurer's exposure to ESG factors is limited. Weather-related events and climate risk do not pose significant threats to the company at this time. Lion's risk framework includes a component devoted to the surveillance of the governance and risk culture. The company closely monitors the current economic and political environment and maintains an appropriate reinsurance program in conjunction with a conservative portfolio. At present, it is unlikely that the credit quality of Lion will be impacted by ESG factors over the short-term.

## Financial Statements

	9-Months		Year End - December 31			
	2022		2021		2020	
	USD (000)	%	USD (000)	%	USD (000)	%
<b>Balance Sheet</b>						
Cash and Short Term Investments	72,861	20.7	50,731	16.4	79,100	26.4
Bonds	255,324	72.4	237,589	76.8	198,377	66.3
Preferred and Common Stock	7,709	2.2	9,885	3.2	7,555	2.5
<b>Total Cash and Invested Assets</b>	<b>335,894</b>	<b>95.3</b>	<b>298,204</b>	<b>96.4</b>	<b>285,031</b>	<b>95.2</b>
Premium Balances	4,575	1.3	-1,403	-0.5	513	0.2
Net Deferred Tax Asset	1,242	0.4	1,156	0.4	1,173	0.4
Other Assets	10,721	3.0	11,261	3.6	12,713	4.2
<b>Total Assets</b>	<b>352,431</b>	<b>100.0</b>	<b>309,218</b>	<b>100.0</b>	<b>299,430</b>	<b>100.0</b>
Loss and Loss Adjustment Expense Reserves:						
Net Reported Loss Reserves*	6,521	1.9	5,080	1.6	6,478	2.2
Net IBNR Loss Reserves*	63,650	18.1	47,153	15.2	45,952	15.3
Net LAE Reserves	...	...	13,537	4.4	13,386	4.5
Total Net Loss and LAE Reserves	70,171	19.9	65,770	21.3	65,815	22.0
Net Unearned Premiums	4,040	1.1	51	...	64	...
Other Liabilities	145,706	41.3	113,193	36.6	111,610	37.3
<b>Total Liabilities</b>	<b>219,917</b>	<b>62.4</b>	<b>179,013</b>	<b>57.9</b>	<b>177,490</b>	<b>59.3</b>
Capital Stock	2,500	0.7	2,500	0.8	2,500	0.8
Paid-In and Contributed Surplus	47,462	13.5	47,462	15.3	47,462	15.9
Unassigned Surplus	82,552	23.4	80,243	26.0	71,978	24.0
<b>Total Policyholders' Surplus</b>	<b>132,514</b>	<b>37.6</b>	<b>130,205</b>	<b>42.1</b>	<b>121,940</b>	<b>40.7</b>
<b>Total Liabilities and Surplus</b>	<b>352,431</b>	<b>100.0</b>	<b>309,218</b>	<b>100.0</b>	<b>299,430</b>	<b>100.0</b>

Source: BestLink® - Best's Financial Suite

\* Interim reserves balances include LAE.

<b>Income Statement USD (000)</b>	<b>9-Months</b>		<b>Year End - December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>
Net Premiums Earned	17,973	17,866	23,741	25,373
Net Losses and LAE Incurred:				
Current Accident Year	7,413	6,646	8,932	9,106
Prior Accident Years	791	1,552	1,898	2,692
Underwriting Expenses Incurred	6,539	6,086	7,837	8,348
<b>Net Underwriting Income</b>	<b>3,230</b>	<b>3,582</b>	<b>5,075</b>	<b>5,227</b>
Net Investment Income	2,733	2,282	2,987	2,877
Other Income (Expense)	...	-10	-7	-1
<b>Pre-Tax Operating Income</b>	<b>5,963</b>	<b>5,855</b>	<b>8,055</b>	<b>8,103</b>
Income Taxes Incurred	1,275	1,200	1,499	1,939
<b>Net Operating Income</b>	<b>4,688</b>	<b>4,655</b>	<b>6,556</b>	<b>6,164</b>
Net Realized Capital Gains (Losses)	-289	16	140	1,249
<b>Net Income</b>	<b>4,399</b>	<b>4,671</b>	<b>6,695</b>	<b>7,413</b>

Source: BestLink® - Best's Financial Suite

<b>Statement of Operating Cash Flows USD (000)</b>	<b>9-Months</b>		<b>Year End - December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>
Net Premiums Collected	16,400	21,982	27,535	21,273
Net Losses Paid	987	3,358	7,470	2,656
Expenses Paid	9,268	9,439	11,999	13,301
Net Underwriting Cash Flow	6,146	9,185	8,067	5,316
Net Investment Income	3,567	3,213	4,232	4,072
Other Income (Expense)	...	-10	-7	-1
Income Taxes Paid (Recovered)	1,465	1,330	1,655	1,548
Net Operating Cash Flow	8,248	11,059	10,637	7,840

Source: BestLink® - Best's Financial Suite

## Lion Insurance Company

**Last Update**

December 19, 2022

**Identifiers**

**AMB #:** 012616

**NAIC #:** 11075

**FEIN #:** 59-3565930

**Contact Information**

Domiciliary Address:

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

**Web:** [lioninsurancecompany.com](http://lioninsurancecompany.com)

**Phone:** +1-727-682-0155

**Fax:** +1-727-937-1349

**Financial Data Presented**

The financial data in this report reflects the most current data available at the time the report was printed.

### Operations

**Date Incorporated:** June 17, 1986 | **Date Commenced:** June 26, 1986

**Domiciled:** Florida, United States

**Licensed:** (Current since 11/10/2020). The company is licensed in the District of Columbia, AL, AZ, CO, CT, FL, GA, HI, IL, KY, LA, MD, MA, MS, NV, NJ, NM, NC, OK, PA, RI, SC, TN, TX and VA.

**Business Type:** Property/Casualty

**Organization Type:** Stock

**Marketing Type:** Direct Response

**Financial Size:** VIII (\$100 Million to \$250 Million)

## Best's Credit Ratings

### Rating Relationship

**AM Best Rating Unit: 012616 - Lion Insurance Company**

Refer to the [Best's Credit Report for AMB# 012616 - Lion Insurance Company](#) for details regarding the rating rationale, credit analysis, and financial exhibits available at the time the credit analysis was performed.

### Best's Credit Rating History

AM Best has assigned ratings on this company since 2005. In our opinion, the company has an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to [Rating History](#) in BestLink:

Effective Date	Best's Financial Strength Ratings			Best's Long-Term Issuer Credit Ratings		
	Rating	Outlook	Action	Rating	Outlook	Action
<b>Current -</b>						
<b>Dec 9, 2022</b>	<b>A</b>	<b>Stable</b>	<b>Affirmed</b>	<b>a</b>	<b>Stable</b>	<b>Affirmed</b>
Dec 3, 2021	A	Stable	Affirmed	a	Stable	Affirmed
Dec 4, 2020	A	Stable	Affirmed	a	Stable	Affirmed
Dec 11, 2019	A	Stable	Affirmed	a	Stable	Affirmed
Dec 14, 2018	A	Stable	Affirmed	a	Stable	Affirmed

## Corporate Structure

**Ultimate Parent:** AMB # 051391 - Jamestown Holdings Corp.

Based on AM Best's analysis, AMB# 051391 Jamestown Holdings Corp. is the AMB Ultimate Parent and identifies the topmost entity of the corporate structure. Access in BestLink this company's current [Corporate Structure](#).

**Management**

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 Dagleish

**Directors**

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

**Regulatory**

**Auditor:** Thomas Howell Ferguson, PA  
**Actuary:** Al J. Rhodes, ACAS, MAAA

An examination of the financial condition was made as of December 31, 2016, by the insurance department of Florida. The 2021 annual independent audit of the company was conducted by Thomas Howell Ferguson, PA. The annual statement of actuarial opinion is provided by Al J. Rhodes, ACAS, MAAA, SIGMA Actuarial Consulting Group, Inc.

**Financial Results**

Financial exhibits presented in this report provide calculated ratios using the most recent company-filed statements available in BestLink - Best's Statement File – P/C, US. Access [Quantitative Analytical Report \(QAR\) Annual](#) and [Quarterly](#) for additional details.

**Currency:** US Dollars

**Balance Sheet Highlights**

	Year End - December 31				
<b>Ceded Reinsurance Analysis</b>	2021	2020	2019	2018	2017
<b>Lion Insurance Company</b>					
Ceded Reinsurance USD (000)	29,297	28,266	33,858	37,377	26,213
Business Retention (%)	95.1	96.0	93.8	86.3	86.9
Reinsurance Recoverables to PHS (%)	21.6	22.3	28.2	32.1	22.8
Ceded Reinsurance to PHS (%)	22.5	23.2	29.9	36.3	27.0
<b>Workers' Compensation Composite</b>					
Business Retention (%)	65.3	67.6	68.6	70.1	69.7
Reinsurance Recoverables to PHS (%)	22.0	24.5	26.1	28.5	28.9
Ceded Reinsurance to PHS (%)	32.0	34.3	36.1	39.5	39.8

Source: BestLink® - Best's Financial Suite

**Balance Sheet Highlights**

	Paid & Unpaid Losses	Incurred but not reported (IBNR) losses	Unearned premiums	Other Recoverables	Total Reinsurance Recoverables
<b>2021 Reinsurance Recoverables USD (000)</b>					
US Insurers	1,460	19,584	...	...	21,044
Other Non-US	1,185	5,846	...	...	7,030
Total (excluding US Affiliates)	2,645	25,430	...	...	28,074
<b>Grand Total</b>	2,643	25,430	...	...	28,073

Source: BestLink® - Best's Financial Suite

**Asset Liability Management | Investments**

	9-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
<b>Bond Portfolio</b>							
Bonds & Short Term Investments USD(000)	274,432	228,652	244,589	198,377	191,927	188,423	182,560
<b>By Issuer (%)</b>							
Unaffiliated Bonds:							
US Government	...	...	5.1	8.2	9.1	9.8	6.2
Foreign Government	...	...	0.2	...	...	...	...
Foreign - All other	...	...	4.7	4.0	5.3	5.7	6.0
State, Municipal & Special Revenue	...	...	27.6	40.1	48.0	51.4	55.9
Industrial and Misc, Hybrid and SVO Identified	...	...	62.5	47.7	37.6	33.1	31.9
<b>Bonds and Short Term Investments By Private vs Public (%)</b>							
Private issues	...	...	21.2	5.1	1.0	2.5	2.0
Public issues	...	...	78.8	94.9	99.0	97.5	98.0
<b>Bonds and Short Term Investments By Quality (%)</b>							
Class 1	80.3	82.4	81.1	83.7	91.6	91.8	93.8
Class 2	19.7	17.6	18.9	16.3	8.4	8.0	6.0
Class 4	...	...	...	...	...	0.2	0.3
Below Investment Grade (NAIC 3-6)	...	...	...	...	...	0.2	0.3
Below Investment Grade - % of Policyholders' Surplus	...	...	...	...	...	0.4	0.5

Source: BestLink® - Best's Financial Suite

	9-Months		Year End - December 31				
	2022	2021	2021	2020	2019	2018	2017
<b>Stock Portfolio</b>							
Stocks USD(000)	7,709	9,179	9,885	7,555	6,201	4,869	5,123
<b>By Type (%)</b>							
Unaffiliated Common	...	...	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

**Operating Performance Highlights**

Operating and Financial Performance Ratios (%)	9-Months		Year End - December 31					Weighted Average
	2022	2021	2021	2020	2019	2018	2017	
<b>Workers' Compensation Composite</b>								
Calendar Year Loss and LAE Ratio	...	67.5	67.2	67.8	65.5	66.6	68.8	67.2
Expense and Policyholder Dividend Ratio	...	34.7	35.2	33.8	34.1	29.7	30.2	32.6
Combined Ratio	...	102.3	102.4	101.6	99.6	96.4	99.0	99.8
Reserve Development Ratio Impact	...	-7.0	-12.2	-13.6	-13.5	-9.5	-6.4	-11.0
Net Investment Yield	...	2.4	2.5	2.7	3.1	3.0	2.8	2.8
Pre-Tax Operating Return on Net Earned Premiums	...	11.2	11.7	11.6	16.7	18.0	15.3	14.7
Net Income Return on Policyholders' Surplus	...	6.3	6.2	5.6	8.7	8.8	8.5	7.5
Total Return on Policyholders' Surplus	...	8.7	9.8	6.7	12.6	5.0	11.6	9.1

Source: BestLink® - Best's Financial Suite

By Line - Net Loss Ratio (%)	Year End - December 31				
	2021	2020	2019	2018	2017
Workers Comp	29.9	23.2	19.9	15.1	16.0
Total	29.9	23.2	19.9	15.1	16.0

Source: BestLink® - Best's Financial Suite

Geographic - Direct Loss Ratio (%)	Year End - December 31				
	2021	2020	2019	2018	2017
Florida	34.5	28.4	27.6	79.4	66.0
Georgia	14.0	-0.7	1.0	-45.8	29.6
New Jersey	302.3	1.8	69.1	0.4	99.0
North Carolina	206.8	...	...	...	...
Louisiana	-0.1	...	-62.3	-24.8	4.2
Illinois	89.4	...	...	...	...
Alabama	129.2	...	...	...	...
South Carolina	...	...	...	0.7	381.1
All Other	...	...	...	-3.7	-0.8
Total	40.7	22.0	22.8	51.9	52.2

Source: BestLink® - Best's Financial Suite

**Business Profile Highlights**

**Historical Market Presence**

By Line Breakdown - NPW USD (000)	Year End - December 31				
	2021	2020	2019	2018	2017
Workers Comp	23,722	25,353	28,302	26,909	27,116
Total	23,722	25,353	28,302	26,909	27,116

Source: BestLink® - Best's Financial Suite

By Line Reserves USD (000)	Year End - December 31		
	2021	2020	2019
Workers Comp	65,770	65,815	61,864
Total	65,770	65,815	61,864

Source: BestLink® - Best's Financial Suite

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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