

Best's Rating and Report Updates for PROTECTIVE INSURANCE COMPANY

**Best's Rating of A+ g (Superior)
Financial Size Category of IX (\$250 Million to \$500 Million)**

Rating Category (Superior): This rating is assigned to companies that have, in our opinion, a superior ability to meet their ongoing obligations to policyholders. A.M. Best assigns each letter rated (A++ through D) insurance company a **Financial Size Category (FSC)**, which is designed to provide a convenient indicator of the size of a company based on reported policyholders' surplus and conditional or reserve funds.

The objective of **Best's rating system** is to provide an opinion of an insurer's financial strength and ability to meet ongoing obligations to policyholders. Our opinions are derived from the evaluation of a company's balance sheet strength, operating performance and business profile as compared to Best's quantitative and qualitative standards. View our **Best's Rating System and Procedures** for more information.

While Best's Ratings reflect our **opinion** of a company's financial strength and ability to meet its ongoing obligations to policyholders, they are **not a warranty**, nor are they a recommendation of a specific policy form, contract, rate or claim practice. View our **entire notice** for complete details.

Note: The above information reflects the most recent Best's Rating for this company, which may have been released subsequent to the creation of the following AMB Credit Report - Insurance Professional (Unabridged) (formerly known as Best's Company Report).

AMB Credit Report - Insurance Professional (Unabridged) provides detailed business overview, extensive financial data and analytical commentary, product and geographic information, company history, as well as the rationale supporting the financial strength rating assigned by A.M. Best. These reports are updated on a regular basis based on input and analysis performed throughout the year.

Report Revision Date - 07/02/2008 *

The **Report Revision Date *** represents the last significant material change made to this report. Other non-material changes may have been made to this report subsequent to this date, but are not reflected in the report revision date. The AMB Credit Report - Insurance Professional (Unabridged) below was created based on the following dates.

Rating and Commentary ¹	Financial ²	General Information ³
Best's Rating: 01/28/2008	Time Period: 1st Quarter - 2008	Corporate Structure: N/A
Rating Rationale: 01/28/2008	Last Updated: 06/26/2008	States Licensed: 11/11/2004
Report Commentary : 07/02/2008	Status: Quality Cross Checked	Officers and Directors: 07/15/2008

***Note:** The **Rating and Commentary ¹** date outlines the most recent updates to the Company's Rating, Rationale, and Report Commentary for key rating and business changes. Report commentary may include significant changes to Business Review, Financial Performance/Earnings, Capitalization, Investment/Liquidity, or Reinsurance sections of the report. The **Financial ²** date reflects the current status of the financial tables found within the body of the Report, including whether the data was loaded as received or had been run through our quality control cross-check process. The **General Information ³** date covers key areas that may have changed such as corporate structure, states licensed or officers and directors.

AMB Credit Report - Insurance Professional (Unabridged)

(formerly known as Best's Company Report)

for

PROTECTIVE INSURANCE COMPANY

Ultimate Parent: Baldwin & Lyons Incorporated

1099 North Meridian Street, Indianapolis, Indiana, United States 46204

Web: <http://www.baldwinandlyons.com/>

Tel: 317-636-9800

Fax: 317-632-9444

AMB#: 00784

NAIC#: 12416

Ultimate Parent#: 58332

FEIN#: 35-6021485

Report Revision Date: 07/02/2008

BEST'S RATING

Based on our opinion of the consolidated Financial Strength of the company and its insurance subsidiaries, the company is assigned a Best's Rating of A+ (Superior). The company's Financial Size Category is Class IX.

RATING RATIONALE

The following text is derived from the report of Baldwin & Lyons Group.

Rating Rationale: The rating applies to Protective Insurance Company and is based on the consolidated financial condition and operating performance of the company and its separately rated subsidiary, Sagamore Insurance Company. The rating reflects the group's superior risk-adjusted capitalization, excellent operating performance and solid market position in its core commercial trucking market. These positive rating attributes are partially offset by the long-term competitive nature of its core commercial trucking and non-standard personal automobile markets, elevated common stock investment leverage, shareholder dividends, and a degree of customer concentration, with its largest customer accounting for more than 20% of premiums. The outlook reflects A.M. Best's expectation that the group will continue to generate positive earnings and organic surplus generation over the near term despite increasingly competitive pressures.

The group's positive rating factors are derived from its conservative underwriting and reserving practices combined with its solid market presence within the national and regional commercial trucking market. Long-standing relationships are maintained with a core group of large trucking firms, resulting from its commitment to service and product development initiatives. In addition, the group operates as a well-diversified carrier through its expansion of products and markets including non-standard personal automobile coverage, small fleet trucking programs and assumed reinsurance. The group's emphasis on loss control and operating expense efficiency has led to very strong underwriting profitability driven by substantial loss reserve redundancies on

prior accident years.

While catastrophic events, such as the unusually active hurricane seasons of 2004 and 2005, and variances in realized and unrealized gains and losses from the group's equity investments have caused results to be somewhat variable over the past five years, operating profits have remained strong; a direct result of management's conservative underwriting philosophy and sound risk management capabilities. Given its track record, A.M. Best expects the group to sustain operating earnings at a reasonably strong level while maintaining superior capitalization despite increased competitive pressures in its core books of business.

**Best's Rating: A+
g**

Outlook: Stable

FIVE YEAR RATING HISTORY

<u>Date</u>	<u>Best's Rating</u>
01/28/08	A+ g
01/31/07	A+ g
01/10/06	A+ g
06/24/05	A+ g
05/28/04	A+ g
06/02/03	A+ g

KEY FINANCIAL INDICATORS

<u>Period</u>	<u>Statutory Data (\$000)</u>		
	<u>Direct Premiums Written</u>	<u>Net Premiums Written</u>	<u>Pretax Operating Income</u>
2003	149,055	91,988	21,514
2004	172,164	110,576	14,308
2005	153,331	131,827	13,146
2006	123,263	117,442	26,758
2007	133,081	130,800	30,012
03/2007	29,799	30,762	8,390
03/2008	35,893	35,180	3,575

<u>Period</u>	<u>Statutory Data (\$000)</u>		
	<u>Net Income</u>	<u>Total Admitted Assets</u>	<u>Policy- holders' Surplus</u>
2003	20,147	472,286	303,385
2004	14,384	525,495	318,182

2005	11,358	579,706	330,482
2006	20,938	595,991	342,691
2007	27,949	619,785	359,633
03/2007	5,371	598,640	346,728
03/2008	-976	603,960	347,785

Period	Profitability			Leverage			Liquidity	
	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev	Overall Liq (%)	Oper. Cash-flow (%)
2003	86.3	2.3	23.5	44.6	0.3	0.9	279.7	133.7
2004	95.9	1.9	12.9	46.3	0.3	1.0	253.6	154.5
2005	98.0	1.9	10.0	52.5	0.4	1.1	236.5	153.0
2006	89.8	2.3	22.7	55.3	0.3	1.1	235.4	117.6
2007	87.7	2.3	23.0	51.6	0.4	1.1	238.5	127.4
5-Yr Avg	91.8	2.1	18.1	...	...	...	...	...
03/2007	83.3	XX	27.6	XX	0.3	1.1	237.7	121.7
03/2008	98.0	XX	10.2	XX	0.4	1.1	236.0	91.6

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement. Within several financial tables of this report, this company is compared against the Commercial Casualty Composite.

BUSINESS REVIEW

The following text is derived from the report of Baldwin & Lyons Group.

Baldwin & Lyons, through Protective Insurance Company, provides commercial casualty coverage primarily to large commercial trucking fleets, which retain a sizable amount of self-insurance, and medium-sized trucking fleets on a first dollar or small deductible basis. These accounts maintain policy limits of up to \$10 million. In addition, Protective provides group accident and health, workers' compensation, non-trucking liability and physical damage coverages to independent trucking contractors. These products are marketed through the parent company, Baldwin & Lyons, Inc. The group also operates as a retrocessionaire for non-affiliated insurance and reinsurance companies, primarily on catastrophe layers. This business consists primarily of United States and international property exposure, as well as limited clash and casualty exposure. Premium volume on the assumed reinsurance business is limited by the company's intention to expose itself to a maximum loss of \$30 to \$35 million from a single catastrophic event. Protective is licensed in all 50 states and maintains a branch operation which is licensed in all provinces of Canada.

In recent years, the group has increased its product offering through Sagamore

Insurance Company to provide non-standard automobile, small fleet trucking liability, cargo and physical damage and, until discontinued in 2004 with all policies expiring in 2005, small business workers' compensation coverage utilizing independent agents. Currently, non-standard automobile coverage is produced in twenty-seven states through an independent agency force. Sagamore's small trucking fleet program (generally ten or fewer power units) is currently marketed through independent agents in thirty states.

2007 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product	Premiums Written		% of	Pure	Loss
	Direct	Net	Total	Loss	& LAE
<u>Line</u>	<u>Direct</u>	<u>Net</u>	<u>NPW</u>	<u>Ratio</u>	<u>Reserves</u>
Oth Liab Occur	47,620	29,439	22.5	50.8	105,468
Reins-Property	...	26,334	20.1	54.7	26,263
Auto Physical	25,546	23,358	17.9	74.8	7,221
Group A & H	22,156	21,581	16.5	24.7	18,000
Workers' Comp	24,475	14,616	11.2	56.5	35,576
Comm'l Auto Liab	11,517	13,380	10.2	63.3	27,152
All Other	1,767	2,091	1.6	21.2	2,946
Totals	133,081	130,800	100.0	53.0	222,627

Major 2007 Direct Premium Writings By State (\$000): Pennsylvania, \$44,063 (33.1%); Indiana, \$27,182 (20.4%); Ohio, \$12,483 (9.4%); North Carolina, \$7,424 (5.6%); Texas, \$6,993 (5.3%); 44 other jurisdictions, \$34,937 (26.3%).

FINANCIAL PERFORMANCE

The following text is derived from the report of Baldwin & Lyons Group.

The group has reported solid operating results over the five-year historical period, driven by excellent underwriting results on its core books of business, substantial investment income from its large invested asset base and installment premium fees. These strong results were achieved despite the impact of the hurricane losses in 2004 and 2005, some deterioration in its non-standard auto and small commercial books and the discontinuation of the small business workers' compensation product during this period.

The group's profitable underwriting results are derived from its commitment to sound underwriting principles, conservative reserving practices and management's experience and extensive knowledge of its core commercial trucking and non-standard automobile markets. The group's five-year average combined ratio outperforms that of the commercial casualty industry composite, demonstrating its long-term underwriting

strength. Underwriting results have also benefited significantly from the takedown of prior period reserve redundancies.

The group's average yield on invested assets, which does not consider the effect of capital gains, is typically below that of the industry composite, due to the short-term nature of the group's fixed income investment portfolio, the negative impact of low interest rates through 2004 and a high percentage of assets invested in equity securities. Yields on bonds and short-term investments increased in recent years. These higher yields, combined with higher average invested assets, drove increased net investment income growth in 2005 and 2006 compared to prior periods.

The majority of invested assets is comprised of fixed income securities diversified among U.S. Government bonds, corporate and tax-exempt issues, while approximately 22% of investments are comprised of a diversified common stock portfolio and preferred equities. The remainder of invested assets is represented by cash and short-term investments.

PROFITABILITY ANALYSIS

Period	Company				Industry Composite			
	Pretax ROR (%)	Return on PHS (%)	Comb. Ratio	Oper. Ratio	Pretax ROR (%)	Return on PHS (%)	Comb. Ratio	Oper. Ratio
Ending								
2003	23.5	15.5	86.3	76.4	5.2	12.8	104.0	92.0
2004	12.9	7.4	95.9	88.3	7.0	12.2	103.0	91.9
2005	10.0	7.3	98.0	90.9	9.5	9.1	103.2	89.9
2006	22.7	11.8	89.8	79.1	19.4	19.1	93.0	79.5
2007	23.0	11.1	87.7	77.7	20.3	15.0	94.0	79.2
5-Yr Avg	18.1	10.5	91.8	82.8	12.6	14.0	99.2	86.2
03/2007	27.6	XX	83.3	73.2	XX	XX	XX	XX
03/2008	10.2	XX	98.0	90.1	XX	XX	XX	XX

UNDERWRITING EXPERIENCE

Year	Net Undrw (\$000)	Loss Ratios			Expense Ratios			Div. Pol.	Comb Ratio
		Pure Loss	LAE	Loss & LAE	Net Comm	Other Exp.	Total Exp.		
2003	12,366	57.9	8.7	66.6	7.3	12.5	19.8	...	86.3
2004	4,692	67.9	9.8	77.7	7.4	10.8	18.2	...	95.9
2005	2,645	74.7	6.9	81.7	7.8	8.5	16.4	...	98.0
2006	12,092	60.0	7.7	67.7	12.2	9.9	22.1	...	89.8
2007	16,091	53.0	6.3	59.3	17.2	11.1	28.3	...	87.7

5-Yr Avg	...	62.9	7.8	70.7	10.6	10.4	21.1	0.0	91.8
03/2007	4,988	52.8	7.9	60.8	XX	XX	22.6	...	83.3
03/2008	641	59.0	8.4	67.4	XX	XX	30.6	...	98.0

INVESTMENT INCOME ANALYSIS (\$000)

<u>Year</u>	<u>Company</u>			<u>Industry Composite</u>	
	<u>Net Inv Income</u>	<u>Realized Capital Gains</u>	<u>Unrealized Capital Gains</u>	<u>Inv Inc Growth (%)</u>	<u>Inv Yield (%)</u>
2003	9,041	9,367	24,085	5.9	4.9
2004	8,453	8,150	8,763	2.0	4.4
2005	9,360	4,537	12,235	20.9	4.8
2006	12,594	2,765	18,789	6.4	4.6
2007	12,976	9,523	10,861	11.3	4.7
03/2007	3,097	335	-198	XX	XX
03/2008	2,735	-1,006	-10,426	XX	XX
5-Yr Avg	5.8	2.1	6.8	9.4	4.7
03/2007	XX	XX	0.6	XX	XX
03/2008	XX	XX	-1.5	XX	XX

INVESTMENT PORTFOLIO ANALYSIS

<u>Asset Class</u>	<u>2007 Inv Assets</u>		<u>% of Invested Assets</u>		<u>Annual % Chg</u>
	<u>(\$000)</u>	<u>2007</u>	<u>2006</u>		
Long-Term bonds	182,027	30.9	34.7		-5.2
Stocks	105,842	17.9	24.2		-21.0
Affiliated Investments	115,184	19.5	19.7		5.8
Other Inv Assets	186,925	31.7	21.3		58.5
Total	589,979	100.0	100.0		6.7

2007 BOND PORTFOLIO ANALYSIS

Asset Class	% of Total Bonds	Mkt Val to Stmt Val(%)	Avg. Maturity (Yrs)	Class 1 - 2 (%)	Class 3 - 6 (%)	Struc. Secur. (%)	Struc. Secur. (% of PHS)
Governments	12.6	1.2	0.9	100.0	...	...	...
States, terr & poss	56.0	0.8	4.5	100.0	...	3.2	1.5
Corporates	31.4	0.5	1.0	99.7	0.3	2.4	0.6
Total all bonds	100.0	0.8	2.9	99.9	0.1	2.5	2.1

CAPITALIZATION

The following text is derived from the report of Baldwin & Lyons Group.

The group's capitalization is superior and comfortably supports its current rating based on Best's Capital Adequacy Ratio (BCAR). Overall capitalization is reflective of the group's conservative underwriting leverage and loss reserve position, somewhat offset by an above average investment risk profile driven by common stock holdings. Capitalization also benefits from the financial flexibility of the holding company.

The group has experienced positive surplus growth during the five-year historical period, driven by generally solid operating earnings and capital gains. Historically, the group has made annual dividend payments out of Protective Insurance Company to the holding company, Baldwin & Lyons, Inc., which have somewhat lessened surplus growth. In addition, a significant amount of cash and invested assets are maintained at the parent.

Net and gross underwriting leverage ratios remain conservative compared to the commercial casualty industry composite average, consistent with management's philosophy of sacrificing premium growth during periods of severe price competition. Through most of the past five years, the group experienced increases in written premium, primarily as a result of rate increases but also due to the addition of new accounts and geographic expansion at Sagamore. More recently, softening market conditions have led to a reduction in overall premiums on Protective's large fleet trucking and Sagamore's non-standard auto programs, which have been somewhat offset by growth opportunities in the independent contractor trucking program.

CAPITAL GENERATION ANALYSIS (\$000)

_____	Source of Surplus Growth	_____
Pretax Operating	Total Inv.	Net Contrib.

<u>Year</u>	<u>Income</u>	<u>Gains</u>	<u>Capital</u>
2003	21,514	33,453	-10,000
2004	14,308	16,913	-10,000
2005	13,146	16,772	-10,000
2006	26,758	21,554	-32,500
2007	30,012	20,384	-20,000
5-Yr Total	105,738	109,075	-82,500
03/2007	8,390	137	-2,500
03/2008	3,575	-11,432	-2,500
	Source of Surplus Growth		
	Other, Net of <u>Tax</u>	Change in <u>PHS</u>	PHS Growth <u>(%)</u>
<u>Year</u>			
2003	-9,311	35,655	13.3
2004	-6,423	14,797	4.9
2005	-7,618	12,300	3.9
2006	-3,603	12,209	3.7
2007	-13,454	16,942	4.9
5-Yr Total	-40,409	91,903	...
03/2007	-1,990	4,037	1.2
03/2008	-1,491	-11,848	-3.3

QUALITY OF SURPLUS (\$000)

<u>Year</u>	Year- End <u>PHS</u>	% of PHS			Dividend Requirements		
		Cap Stk/ Contrib. <u>Cap.</u>	Other	Un- assigned Surplus	Stock- holder Divs	Div to POI <u>(%)</u>	Div to Net Inc. <u>(%)</u>
2003	303,385	16.4	...	83.6	-10,000	46.5	49.6
2004	318,182	15.7	...	84.3	-10,000	69.9	69.5
2005	330,482	15.1	...	84.9	-10,000	76.1	88.0
2006	342,691	14.5	...	85.5	-32,500	121.5	155.2
2007	359,633	13.9	...	86.1	-20,000	66.6	71.6
03/2007	346,728	14.4	...	85.6	-2,500	29.8	46.5
03/2008	347,785	14.3	...	85.7	-2,500	69.9	-99.9

LEVERAGE ANALYSIS

<u>Year</u>	Company				Industry Composite			
	NPW to <u>PHS</u>	Reserves to PHS	Net <u>Lev</u>	Gross <u>Lev</u>	NPW to <u>PHS</u>	Reserves to PHS	Net <u>Lev</u>	Gross <u>Lev</u>

2003	0.3	0.5	0.9	1.7	1.3	1.9	4.3	6.0
2004	0.3	0.6	1.0	1.9	1.2	1.9	4.2	5.6
2005	0.4	0.7	1.1	1.8	1.1	1.8	3.9	5.3
2006	0.3	0.7	1.1	1.6	1.0	1.6	3.5	4.6
2007	0.4	0.6	1.1	1.5	0.9	1.5	3.2	4.1
03/2007	0.3	0.6	1.1	XX	XX	XX	XX	XX
03/2008	0.4	0.6	1.1	XX	XX	XX	XX	XX

Current BCAR: 365.5

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period <u>Ending</u>	<u>DPW</u>		<u>GPW</u>	
	<u>(\$000)</u>	<u>(% Chg)</u>	<u>(\$000)</u>	<u>(% Chg)</u>
2003	149,055	32.9	162,395	34.3
2004	172,164	15.5	184,208	13.4
2005	153,331	-10.9	167,734	-8.9
2006	123,263	-19.6	139,098	-17.1
2007	133,081	8.0	162,299	16.7
5-Yr CAGR	...	3.5	...	6.1
5-Yr Change	...	18.7	...	34.3
03/2007	29,799	-14.0	36,456	-5.5
03/2008	35,893	20.4	43,818	20.2
Period <u>Ending</u>	<u>NPW</u>		<u>NPE</u>	
	<u>(\$000)</u>	<u>(% Chg)</u>	<u>(\$000)</u>	<u>(% Chg)</u>
2003	91,988	49.8	91,374	51.0
2004	110,576	20.2	111,303	21.8
2005	131,827	19.2	132,031	18.6
2006	117,442	-10.9	117,743	-10.8
2007	130,800	11.4	130,679	11.0
5-Yr CAGR	...	16.3	...	16.6
5-Yr Change	...	113.0	...	115.9
03/2007	30,762	-2.3	30,408	-1.6
03/2008	35,180	14.4	34,953	14.9

LOSS & ALAE RESERVE DEVELOPMENT: CALENDAR YEAR (\$000)

<u>Calendar Year</u>	<u>Original Loss Reserves</u>	<u>Developed Reserves Thru 2007</u>	<u>Develop. to Orig. (%)</u>	<u>Develop. to PHS (%)</u>	<u>Develop. to NPE (%)</u>	<u>Unpaid Reserves @12/2007</u>	<u>Unpaid Resrv. to Dev. (%)</u>
----------------------	-------------------------------	-------------------------------------	------------------------------	----------------------------	----------------------------	---------------------------------	----------------------------------

2002	128,046	109,736	-14.3	-6.8	181.3	47,263	43.1
2003	139,914	113,755	-18.7	-8.6	124.5	55,252	48.6
2004	177,098	147,180	-16.9	-9.4	132.2	69,540	47.2
2005	215,233	185,051	-14.0	-9.1	140.2	110,948	60.0
2006	222,011	200,961	-9.5	-6.1	170.7	158,407	78.8
2007	220,031	220,031	...	...	168.4	220,031	100.0

**LOSS & ALAE RESERVE DEVELOPMENT: ACCIDENT YEAR
(\$000)**

Accident Year	Original Loss Reserves	Developed Reserves Thru 2007	Develop. to Orig.(%)	Unpaid Reserves @12/2007	Acc Yr. Loss Ratio	Acc Yr. Comb Ratio
2002	34,288	22,197	-35.3	1,429	61.6	80.9
2003	52,558	33,137	-37.0	7,989	56.8	76.6
2004	76,289	56,990	-25.3	14,288	72.3	90.5
2005	93,055	82,039	-11.8	41,408	82.8	99.2
2006	67,379	61,366	-8.9	47,459	76.1	98.2
2007	61,624	61,624	...	61,624	75.8	104.2

ASBESTOS & ENVIRONMENTAL (A&E) RESERVES ANALYSIS

_____ Company _____						
Year	Net A&E Reserves (\$000)	Reserve Retention (%)	Net IBNR Mix (%)	_____ Industry Composite _____		
Year	Survival Ratio (3 yr)	Comb Ratio Impact (1 yr)	Comb Ratio Impact (3 yr)	Survival Ratio (3 yr)	Comb Ratio Impact (1 yr)	Comb Ratio Impact (3 yr)
2003	...	2,688	59.1	93.0	...	...
2004	...	2,000	58.8	100.0	...	...
2005	5.1	1,500	60.0	100.0	8.5	1.4
2006	61.3	1,500	60.0	100.0	7.9	0.9
2007	100.3	1,500	60.0	100.0	8.5	0.7

CEDED REINSURANCE ANALYSIS (\$000)

Year	Company				Industry Composite		
	Ceded Reins Total	Business Retention (%)	Rein to PHS (%)	Rec Ceded Reins to PHS (%)	Business Retention (%)	Rein to PHS (%)	Rec Ceded Reins to PHS (%)
2003	247,867	56.9	58.5	81.7	72.4	121.3	173.4
2004	299,536	60.2	71.0	94.1	76.3	107.4	147.4
2005	221,754	79.0	56.2	67.1	76.8	104.4	138.9
2006	173,132	85.6	44.2	50.5	76.7	81.0	110.0
2007	150,432	82.0	33.1	41.8	78.0	69.2	95.4

2007 REINSURANCE RECOVERABLES (\$000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
Foreign Affiliates	854	...	...	...	854
US Insurers	30,246	47,643	6	-105	77,790
Pools/Associations	60	...	...	...	60
Other Non-US	5,871	34,409	...	-52	40,228
Total (ex US Affils)	37,031	82,052	6	-157	118,932
Grand Total	37,031	82,052	6	-157	118,932

* Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

Year	Company					Industry Composite		
	Class 3-6 Bonds	Real Estate/Mtg.	Other Invested Assets	Common Stocks	Non-Affl Inv. Lev.	Affil Inv.	Class 3-6 Bonds	Common Stocks
2003	2.6	...	1.7	40.3	44.6	30.0	8.4	19.2
2004	1.7	...	4.8	39.8	46.3	30.6	6.8	19.7
2005	0.9	...	12.2	39.4	52.5	31.0	7.0	18.6
2006	...	...	16.1	39.1	55.3	31.8	6.0	18.5
2007	0.1	...	22.1	29.4	51.6	32.0	5.7	17.4

LIQUIDITY

The following text is derived from the report of Baldwin & Lyons Group.

Overall Liquidity: The group maintains excellent balance sheet liquidity as non-

affiliated invested assets significantly exceed overall liabilities. Both the quick and current liquidity ratios are strong and compare favorably to its composite. The group's liquidity position is further enhanced by generally positive operating cash flows, primarily reflective of increased premium collections, and sales of equity security investments.

LIQUIDITY ANALYSIS

Year	Company				Industry Composite			
	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)
2003	128.1	197.9	279.7	11.7	26.3	102.4	134.7	14.9
2004	120.0	181.0	253.6	13.5	24.0	104.4	135.3	14.7
2005	122.7	178.0	236.5	8.8	22.2	106.9	136.8	13.1
2006	107.1	175.3	235.4	8.7	23.8	113.5	141.0	11.9
2007	85.0	182.7	238.5	7.0	22.6	116.1	143.8	10.1
03/2007	XX	179.7	237.7	8.5	XX	XX	XX	XX
03/2008	XX	180.3	236.0	7.5	XX	XX	XX	XX

CASH FLOW ANALYSIS (\$000)

Year	Company			Industry Composite			
	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper Cash Flow (%)	Underw Cash Flow (%)	Oper Cash Flow (%)
2003	21,607	24,652	-4,539	133.0	133.7	113.3	123.7
2004	36,284	40,629	21,268	154.2	154.5	128.7	137.2
2005	50,470	55,056	73,952	152.5	153.0	116.6	127.0
2006	17,308	19,521	-50,118	117.7	117.6	117.0	127.3
2007	27,837	33,068	47,780	125.2	127.4	117.1	125.6
03/2007	2,244	6,084	-12,289	108.0	121.7	XX	XX
03/2008	-3,856	-3,065	-32,844	88.4	91.6	XX	XX

HISTORY

Baldwin & Lyons, Inc., was founded in 1930, specializing in marketing and underwriting casualty insurance for the trucking industry. Protective Insurance Company was incorporated under the laws of Indiana on December 21, 1954, to be the

successor to Protective Mutual Insurance Company, which was organized in 1947. All policy liability of the mutual company was assumed by the stock company at the commencement of business on December 22, 1954.

Paid-in capital of \$7,650,000 consists of 765,000 shares of common stock at a par value of \$10 per share. All authorized shares are outstanding.

MANAGEMENT

Protective Insurance Company is a wholly owned subsidiary of Baldwin & Lyons, Inc., an insurance agency and holding company founded in 1930. Administration of the company's affairs is under the direction of Gary W. Miller, chairman and chief executive officer of Protective and Baldwin & Lyons, Inc., and Joseph J. DeVito, who was named president and chief operating officer of Baldwin & Lyons, Inc., in February 2007, and who became president of Protective Insurance Company in May 2007, upon the retirement of the former president, James W. Good. Mr. DeVito will continue to serve as president of Sagamore Insurance Company. He has served in a variety of positions at Baldwin & Lyons, Inc., since beginning his employment there in 1981, and was named to the company's board of directors in 1997. Mr. Miller has been associated with the company since 1965.

Officers: Chairman of the Board and Chief Executive Officer, Gary W. Miller; President, Joseph J. DeVito; Senior Vice President, G. Patrick Corydon (Finance); Vice President and Secretary, Michael J. Case; Vice President and Treasurer, Thomas W. Thompson; Vice Presidents, Mark L. Bonini (Sales and Marketing), Rodger A. Cottrell (Claims), David J. Dugan (Claims), James D. Isham (Administration), Jennie LeReau (Underwriting), John A. Mitchell (Reinsurance and Actuarial), Craig C. Morfas (Claims), Daryl W. Osborne (Finance).

Directors: Mark L. Bonini, Michael J. Case, G. Patrick Corydon, Rodger A. Cottrell, Joseph J. DeVito, David J. Dugan, James D. Isham, Jennie LaReau, Gary W. Miller (Chairman), John A. Mitchell, Craig C. Morfas, Walter D. Osborne, Thomas W. Thompson.

REGULATORY

An examination of the financial condition is being made as of December 31, 2006 by the Insurance Department of Indiana. The 2007 annual independent audit of the company was conducted by Ernst & Young, LLP. The annual statement of actuarial opinion is provided by Robert Wainscott, FCAS, FCIA, MAAA, Ernst & Young, LLP.

TERRITORY

The company is licensed in the District of Columbia and all states. It is also licensed in

all Canadian provinces and territories.

REINSURANCE PROGRAMS

The following text is derived from the report of Baldwin & Lyons Group.

The group maintains a number of quota share and excess reinsurance treaties to limit its risk exposure on all business with the exception of the independent contractor accident and health business, which carries lower limits and is retained net. Excluding the group's assumed reinsurance program, its net retention on a single loss ranges from \$100,000 to approximately \$2.5 million, depending on policies involved and coverage affected. Treaty reinsurance coverage is provided for all respective policy limits written by the members of the group and facultative placements are utilized to provide increased limits or in special situations where treaty coverage is not appropriate. The group maintains catastrophe reinsurance providing coverage for its non-standard auto and small fleet trucking physical damage products in amounts considered adequate by management for the limited exposures present. The group utilizes several high quality non-affiliated domestic and foreign reinsurers throughout its reinsurance program.

BALANCE SHEET (\$000)

<u>ADMITTED ASSETS</u>	<u>12/31/2007</u>	<u>12/31/2006</u>	<u>2007 %</u>	<u>2006 %</u>
Bonds	182,027	191,948	29.4	32.2
Common stock	105,842	134,047	17.1	22.5
Cash & short-term invest	104,443	56,664	16.9	9.5
Other non-affil inv asset	79,617	58,240	12.8	9.8
Investments in affiliates	115,184	108,892	18.6	18.3
Total invested assets	587,113	549,790	94.7	92.2
Premium balances	24,672	29,250	4.0	4.9
Accrued interest	2,866	3,059	0.5	0.5
All other assets	5,134	13,892	0.8	2.3
Total assets	619,785	595,991	100.0	100.0
<u>LIABILITIES & SURPLUS</u>	<u>12/31/2007</u>	<u>12/31/2006</u>	<u>2007 %</u>	<u>2006 %</u>
Loss & LAE reserves	222,627	225,617	35.9	37.9
Unearned premiums	1,409	1,289	0.2	0.2
Conditional reserve funds	251	91	0.0	0.0
All other liabilities	35,865	26,304	5.8	4.4
Total liabilities	260,152	253,300	42.0	42.5

Capital & assigned surplus	49,814	49,814	8.0	8.4
Unassigned surplus	309,819	292,877	50.0	49.1
	<hr/>	<hr/>	<hr/>	<hr/>
Total policyholders' surplus	359,633	342,691	58.0	57.5
Total liabilities & surplus	619,785	595,991	100.0	100.0

SUMMARY OF 2007 OPERATIONS (\$000)

<u>STATEMENT OF INCOME</u>	<u>12/31/2007</u>	FUNDS PROVIDED	<u>12/31/2007</u>
		<u>FROM OPERATIONS</u>	
Premiums earned	130,679	Premiums collected	138,363
Losses incurred	69,288	Benefit & loss related pmts	65,538
LAE incurred	8,222		
Undrw expenses incurred	37,078	LAE & undrw expenses paid	44,988
	<hr/>		<hr/>
Net underwriting income	16,091	Undrw cash flow	27,837
Net investment income	12,976	Investment income	14,632
Other income/expense	946	Other income/expense	946
	<hr/>		<hr/>
Pre-tax oper income	30,012	Pre-tax cash operations	43,415
Realized capital gains	9,523		
Income taxes incurred	11,586	Income taxes pd (recov)	10,346
	<hr/>		<hr/>
Net income	27,949	Net oper cash flow	33,068

INTERIM BALANCE SHEET (\$000)

<u>ADMITTED ASSETS</u>	<u>03/31/2008</u>
Cash & short term invest	71,599
Bonds	183,331
Common stock	240,055
Other investments	74,475
	<hr/>
Total investments	569,460

Premium balances	25,804
Reinsurance funds	2,390
Accrued interest	2,486
All other assets	3,821

Total assets	603,960
--------------	---------

LIABILITIES & SURPLUS 03/31/2008

Loss & LAE reserves	225,064
Unearned premiums	1,636
Conditional reserve funds	251
All other liabilities	29,224

Total liabilities	256,176
-------------------	---------

Capital & assigned surp	49,814
Unassigned surplus	297,970

Policyholders' surplus	347,785
------------------------	---------

Total liabilities & surplus	603,960
-----------------------------	---------

INTERIM INCOME STATEMENT (\$000)

	Period Ended <u>3/31/2008</u>	Period Ended <u>3/31/2007</u>	Increase/ <u>Decrease</u>
Premiums earned	34,953	30,408	4,545
Losses incurred	20,612	16,066	4,546
LAE incurred	2,953	2,414	539
Underwriters expenses incurred	10,748	6,941	3,807
Net underwriting income	641	4,988	-4,347
Net investment income	2,735	3,097	-362
Other income/expenses	199	305	-106
Pre-tax operating income	3,575	8,390	-4,815
Realized capital gains	-1,006	335	-1,341
Income taxes incurred	3,544	3,353	191
Net income	-976	5,371	-6,347

INTERIM CASH FLOW (\$000)

	Period Ended <u>3/31/2008</u>	Period Ended <u>3/31/2007</u>	Increase/ <u>Decrease</u>
Premiums collected	29,520	30,267	-747
Benefit & loss related pmts	19,262	19,671	-409
Undrw expenses paid	14,114	8,352	5,762
Underwriting cash flow	<u>-3,856</u>	<u>2,244</u>	<u>-6,100</u>
Investment income	3,592	3,535	56
Other income/expense	<u>199</u>	<u>305</u>	<u>-106</u>
Pre-tax cash operations	<u>-65</u>	<u>6,084</u>	<u>-6,150</u>
Income taxes pd (recov)	3,000	...	3,000
Net oper cash flow	<u>-3,065</u>	<u>6,084</u>	<u>-9,150</u>

Copyright © 2008 by A.M. Best Company, Inc. ALL RIGHTS RESERVED.

No part of this report may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of the A.M. Best Company. BCR07222008

VI. All Companies Listed by Rating

Summer 2008

INSURANCE COMPANY NAME	DOM. STATE	TOTAL ASSETS (\$MIL)	INSURANCE COMPANY NAME	DOM. STATE	TOTAL ASSETS (\$MIL)
Rating: A+			Rating: B+		
ALFA GENERAL INS CORP	AL	445.1	UNITED FARM FAMILY MUTUAL INS CO	IN	869.9
ALFA INS CORP	AL	445.2	USAA GENERAL INDEMNITY CO	TX	358.3
HASTINGS MUTUAL INS CO	MI	617.9	WEST BEND MUTUAL INS CO	WI	1,509.8
INTERINS EXCH OF THE AUTOMOBILE CLUB	CA	5,615.5	AMERICAN FAMILY HOME INS CO	FL	447.2
PROTECTIVE INS CO	IN	619.8	AMERICAN MERCURY INS CO	OK	363.6
UNITED SERVICES AUTOMOBILE ASN	TX	18,401.8	AMERICAN MODERN HOME INS CO	OH	877.7
USAA CASUALTY INS CO	TX	6,040.6	AMERICAN NATIONAL GENERAL INS CO	MO	99.2
Rating: A			AMERICAN STANDARD INS CO OF WI	WI	368.4
AUTO-OWNERS INS CO	MI	9,507.2	AMICA LLOYDS OF TEXAS	TX	70.1
CHURCH MUTUAL INS CO	WI	1,178.6	ARCH SPECIALTY INS CO	NE	441.5
COUNTRY MUTUAL INS CO	IL	3,464.3	AUTO CLUB CASUALTY CO	TX	2.8
DAIRYLAND INS CO	WI	1,183.3	AUTO CLUB INDEMNITY CO	TX	5.9
FRANKENMUTH MUTUAL INS CO	MI	981.1	BAY STATE INS CO	MA	288.6
HOME-OWNERS INS CO	MI	1,258.7	CANAL INS CO	SC	1,377.4
KENTUCKY FARM BUREAU MUTUAL INS CO	KY	1,696.7	CENTRAL MUTUAL INS CO	OH	1,239.5
MERCURY INS CO	CA	1,486.4	CITATION INS CO	MA	402.1
PIONEER STATE MUTUAL INS CO	MI	328.2	COMMERCE INS CO	MA	2,878.1
SENTRY INS A MUTUAL CO	WI	5,525.4	COPIC INS CO	CO	460.5
TENNESSEE FARMERS ASR CO	TN	878.6	CORNHUSKER CASUALTY CO	NE	801.5
TENNESSEE FARMERS MUTUAL INS CO	TN	1,976.4	COUNTRY CASUALTY INS CO	IL	76.5
Rating: A-			CUMBERLAND MUTUAL FIRE INS CO	NJ	261.6
ALFA MUTUAL FIRE INS CO	AL	800.4	CUMIS INS SOCIETY INC	IA	1,301.7
ALFA MUTUAL INS CO	AL	1,339.8	FARM BUREAU MUTUAL INS CO OF ID	ID	365.5
ALLSTATE INS CO	IL	46,162.4	FARMERS AUTOMOBILE INS ASN	IL	859.1
AMERICAN NATIONAL PROPERTY & CAS CO	MO	1,181.7	FARMLAND MUTUAL INS CO	IA	331.3
BITUMINOUS CASUALTY CORP	IL	791.5	FEDERAL INS CO	IN	29,671.1
BITUMINOUS FIRE & MARINE INS CO	IL	527.3	FEDERATED MUTUAL INS CO	MN	3,905.2
CALIFORNIA STATE AUTO ASN INTER-INS	CA	5,550.9	GEICO CASUALTY CO	MD	245.7
CENTRAL STATES INDEMNITY CO OF OMAHA	NE	259.4	GEICO GENERAL INS CO	MD	153.9
CINCINNATI INDEMNITY CO	OH	77.5	GERMANIA FARM MUTUAL INS ASN	TX	325.3
CINCINNATI INS CO	OH	10,516.3	GOVERNMENT EMPLOYEES INS CO	MD	12,908.3
COOPERATIVA D SEGUROS MULTIPLES D PR	PR	513.2	GOVERNMENT EMPLOYEES INS CO	IN	1,519.6
FARM BUREAU MUTUAL INS CO	IA	1,460.0	GREAT NORTHERN INS CO	CT	26,570.5
FOREMOST INS CO	MI	1,902.8	HARTFORD FIRE INS CO	IN	325.5
GEICO INDEMNITY CO	MD	4,514.0	HARTFORD INS CO OF THE MIDWEST	IN	325.5
GENERAL STAR NATIONAL INS CO	OH	535.7	HARTFORD UNDERWRITERS INS CO	CT	1,551.8
GEORGIA FARM BUREAU MUTUAL INS CO	GA	830.3	INS CO OF GREATER NY	NY	100.3
GRANGE MUTUAL CAS CO	OH	1,721.9	METROPOLITAN PROPERTY & CAS INS CO	RI	5,333.5
GREAT WEST CASUALTY CO	NE	1,595.0	MOTORISTS MUTUAL INS CO	OH	1,213.5
HOUSING ENTERPRISE RISK SERV INC	VT	32.6	MUTUAL INS CO OF AZ	AZ	909.5
JEWELERS MUTUAL INS CO	WI	197.8	NATIONAL CASUALTY CO	WI	185.5
MERCURY CASUALTY CO	CA	2,401.4	NATIONWIDE MUTUAL FIRE INS CO	OH	4,330.5
MERRIMACK MUTUAL FIRE INS CO	MA	864.7	NORTH STAR MUTUAL INS CO	MN	325.5
MOUNTAIN WEST FARM BU MUTUAL INS CO	WY	335.9	OTSEGO MUTUAL FIRE INS CO	NY	78.5
NATIONAL LIABILITY & FIRE INS CO	CT	1,203.1	PEKIN INS CO	IL	193.5
NEW YORK MARINE & GENERAL INS CO	NY	593.6	PROPERTY-OWNERS INS CO	IN	131.5
NORTH CAROLINA FARM BU MUTUAL INS CO	NC	1,574.0	SAFETY INS CO	MA	1,212.5
OLD REPUBLIC GENERAL INS CORP	IL	991.3	STATE AUTO PROPERTY & CASUALTY INS	IA	1,604.5
OLD REPUBLIC INS CO	PA	2,427.8	STATE FARM MUTUAL AUTOMOBILE INS CO	IL	104,842.5
OLD REPUBLIC SURETY CO	WI	99.1	STATE VOLUNTEER MUTUAL INS CO	TN	941.5
OWNERS INS CO	OH	2,371.2	TOKIO MARINE & NICHIDO FIRE INS LTD	NY	1,685.5
RADIAN ASSET ASR CO	NY	2,529.8	TRUSTGARD INS CO	OH	67.5
SOUTHERN FARM BUREAU CAS INS CO	MS	2,654.9	TUSCARORA WAYNE MUTUAL INS CO	PA	55.5
STATE FARM CTY MUTUAL INS CO OF TX	TX	86.9	WESCO-FINANCIAL INS CO	NE	2,894.5
			WESTERN AGRICULTURAL INS CO	IA	135.5

PRONATIONAL INS CO

C

Fair

Major Rating Factors: Fair long-term capitalization index (4.5 on a scale of 0 to 10) based on good current risk adjusted capital (moderate loss scenario). Fair reserve development (4.8) as reserves have generally been sufficient to cover claims.

Other Rating Factors: Fair overall results on stability tests (4.3) including fair financial strength of affiliated ProAssurance Group. Good overall profitability index (5.8) despite operating losses during 2003. Return on equity has been good over the last five years, averaging 31.1%. Good liquidity (6.9) with sufficient resources (cash flows and marketable investments) to handle a spike in claims.

Principal Business: Medical malpractice (93%) and other liability (7%).

Principal Investments: Investment grade bonds (94%), non investment grade bonds (3%), misc. investments (2%), and cash (1%).

Investments in Affiliates: None

Group Affiliation: ProAssurance Group

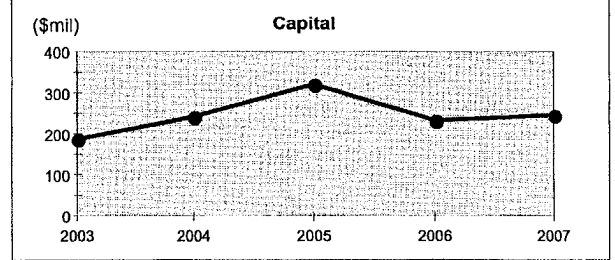
Licensed in: DE, FL, GA, IL, IN, IA, KS, KY, MD, MI, MO, NJ, OH, PA, SC, TN, VA, WV, WI

Commenced Business: June 1980

Address: 2600 Professionals Dr, Okemos, MI 48805-0150

Phone: (517) 349-6500 **Domicile State:** MI **NAIC Code:** 38954

Data Date	RACR	RACR #1	RACR #2	Loss Ratio %	Total Assets (\$mil)	Capital (\$mil)	Net Premium (\$mil)	Net Income (\$mil)
2007	C	1.04	0.76	99.3	1,138.6	246.8	152.3	18.1
2006	C	0.97	0.70	98.7	1,117.2	231.7	185.0	300.1
2005	C	0.89	0.73	82.2	1,138.7	320.2	189.2	32.0
2004	C-	0.68	0.55	83.6	1,013.0	241.8	197.2	32.4
2003	C-	0.59	0.47	103.2	892.0	187.9	193.0	-9.0



PROPERTY-OWNERS INS CO *

B+

Good

Major Rating Factors: Good long-term capitalization index (6.8 on a scale of 0 to 10) based on good current risk adjusted capital (moderate loss scenario). Moreover, capital has steadily grown over the last five years. Good liquidity (5.5) with sufficient resources (cash flows and marketable investments) to handle a spike in claims.

Other Rating Factors: Good overall results on stability tests (6.5). Ample reserve history (7.0) that can protect against increases in claims costs. Excellent profitability (9.4) with operating gains in each of the last five years. Return on equity has been excellent over the last five years averaging 22.4%.

Principal Business: Commercial multiple peril (34%), homeowners multiple peril (31%), workers compensation (9%), auto liability (8%), auto physical damage (6%), inland marine (5%), and other lines (6%).

Principal Investments: Investment grade bonds (92%) and misc. investments (8%).

Investments in Affiliates: None

Group Affiliation: Auto-Owners Group

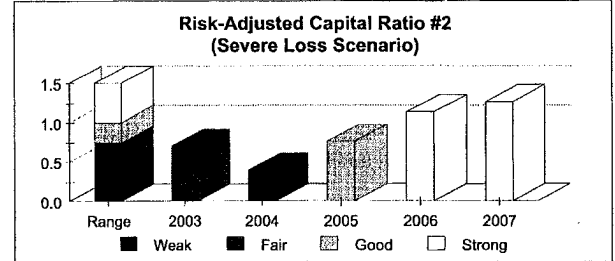
Licensed in: AL, AR, IL, IN, IA, KY, MI, MO, NE, NV, ND, SC, SD, UT, VA, WI

Commenced Business: September 1976

Address: 3950 W Delphi Pike, Marion, IN 46952-9266

Phone: (517) 323-1200 **Domicile State:** IN **NAIC Code:** 32905

Data Date	RACR	RACR #1	RACR #2	Loss Ratio %	Total Assets (\$mil)	Capital (\$mil)	Net Premium (\$mil)	Net Income (\$mil)
2007	B+	2.18	1.26	57.8	131.3	62.4	65.9	9.5
2006	B+	1.93	1.12	47.5	114.1	52.4	54.1	11.6
2005	B+	1.27	0.77	35.9	99.3	40.0	46.1	12.8
2004	B+	0.53	0.39	57.2	78.4	27.5	39.1	5.8
2003	B+	0.98	0.69	57.0	59.8	20.9	31.5	4.5



PROTECTIVE INS CO *

A+

Excellent

Major Rating Factors: Strong long-term capitalization index (8.0 on a scale of 0 to 10) based on excellent current risk adjusted capital (severe and moderate loss scenarios). Furthermore, this high level of risk adjusted capital has been consistently maintained in previous years. Ample reserve history (8.8) that helps to protect the company against sharp claims increases.

Other Rating Factors: Excellent profitability (8.7) with operating gains in each of the last five years. Excellent liquidity (7.1) with ample operational cash flow and liquid investments. Excellent overall results on stability tests (7.1). Stability strengths include good operational trends and excellent risk diversification.

Principal Business: Other liability (36%), auto physical damage (19%), workers compensation (18%), group accident & health (17%), auto liability (9%), and surety (1%).

Principal Investments: Misc. investments (52%) and investment grade bonds (50%).

Investments in Affiliates: 18%

Group Affiliation: Protective Ins Group

Licensed in: All states except PR

Commenced Business: December 1954

Address: 1099 N Meridian St, Indianapolis, IN 46204

Phone: (317) 636-9800 **Domicile State:** IN **NAIC Code:** 12416

Data Date	RACR	RACR #1	RACR #2	Loss Ratio %	Total Assets (\$mil)	Capital (\$mil)	Net Premium (\$mil)	Net Income (\$mil)
2007	A+	2.26	1.78	59.3	619.8	359.6	130.8	27.9
2006	A+	2.23	1.71	67.7	596.0	342.7	117.4	20.9
2005	A+	2.12	1.60	81.7	579.7	330.5	131.8	11.4
2004	A+	1.96	1.47	77.7	525.5	318.2	110.6	14.4
2003	A+	1.70	1.27	66.6	472.3	303.4	92.0	20.1

