

Best's Rating Report



**Lion Insurance
Company**

Holiday, Florida



A-

Ultimate Parent: Jamestown Holdings Corp.

LION INSURANCE COMPANY

2739 US Highway 19 North, Suite 601, Holiday, FL 34691

Tel: 727-938-5562

Fax: 727-937-1349

AMB#: 012616

NAIC#: 11075

Ultimate Parent#: 051391

FEIN#: 59-3565930

BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the company's Financial Strength, it is assigned a Best's Financial Strength Rating of A- (Excellent). The company's Financial Size Category is Class VII.

RATING RATIONALE

Rating Rationale: The rating reflects Lion Insurance Company's (Lion) excellent capitalization, solid underwriting and operating performance, and the financial flexibility of its parent, Jamestown Holdings Corp. The positive rating factors are driven by the company's strict underwriting and pricing guidelines and conservative investment philosophy. These factors are somewhat offset by the company's limited operating experience and product and geographic concentration as a workers' compensation writer primarily for an affiliated professional employer organization, South East Personnel Leasing, Inc. The rating outlook is based on the expectation of sustained profitability, prudent premium growth and management's intent to conservatively manage Lion's capital at levels fully supportive of its exposures.

Best's Financial Strength Rating: A-

Outlook: Stable

FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
04/27/10	A-	06/14/07	A-
05/20/09	A-	06/08/06	A-
06/04/08	A-	06/27/05	A-

KEY FINANCIAL INDICATORS (\$000)

Period Ending	Statutory Data						
	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus	
2005	14,972	7,052	985	662	262,156	25,152	
2006	15,881	14,476	3,673	2,447	388,512	36,055	
2007	13,022	12,932	5,569	3,693	452,278	53,611	
2008	11,005	9,194	3,540	2,683	390,781	56,430	
2009	11,865	10,541	3,517	2,279	322,043	58,709	
Period Ending	Profitability		Leverage		Liquidity		
	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)
2005	97.1	0.4	14.0	...	0.3	9.7	110.6
2006	86.1	0.5	25.4	...	0.4	10.2	110.2
2007	80.8	0.7	43.1	...	0.2	7.7	113.4
2008	91.8	0.7	38.5	...	0.2	6.1	116.9
2009	78.8	0.8	46.0	1.0	0.2	4.7	122.3
5-Yr	86.3	0.6	33.7

(*) 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 Workers' Compensation Composite.

BUSINESS REVIEW

Lion provides workers' compensation insurance coverage primarily to an affiliate, South East Personnel Leasing, Inc. (SEPL). SEPL is focused on providing services such as payroll administration, risk management, record keeping, employee relations and employee benefits to business owners. The current policy with SEPL is a high deductible policy with a \$1,000,000 deductible per occurrence. Lion maintains a large deductible collateral fund that is funded by SEPL based on actuarially determined costs of ultimate

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losses under the deductible. The deductible portion of losses and loss adjustment expenses is paid from this large deductible fund. Under an expense allocation agreement, Lion allocates to SEPL that portion of investment income related to the funds paid by SEPL into the large deductible collateral fund.

Lion benefits from its leading position in the construction industry and the ability to write small businesses and accommodate new start-ups. Although construction represents the majority of Lion's business, the company also provides coverage to other industries such as manufacturing and transportation, as well as many service businesses. Business is produced through approximately 35 internal sales representatives as well as independent agents. Operations are focused in Florida with a small amount written in Georgia and Texas. In the 4th quarter of 2009, Lion started to underwrite workers' compensation policies for businesses not affiliated with SEPL.

2009 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
	Direct	Net			
Workers' Comp.....	11,865	10,541	100.0	20.4	21,488
Totals.....	11,865	10,541	100.0	20.4	21,488

Geographical breakdown of direct premium writings (\$000): Florida, \$8,389 (70.7%); Georgia, \$3,464 (29.2%); Texas, \$13 (0.1%).

FINANCIAL PERFORMANCE

Over the past five years, Lion has produced strong operating earnings with returns on revenue (ROR) that have outperformed the workers' compensation composite, driven by favorable underwriting results from improved loss development trends and solid investment earnings. Investment earnings have been solid, reflective of the significant growth in invested assets from increases in the company's large deductible collateral fund, strong underwriting and operating cash flows and capital contributions from its parent company, Jamestown Holding Corporation. However, Lion's investment yields remain low compared to the industry composite, as collateral funds are predominately held in short-term certificates of deposits and cash.

Going forward, A.M. Best expects that Lion will continue to generate solid operating results and return measures based on the company's prudent underwriting strategy and management's expertise in its niche market.

PROFITABILITY ANALYSIS

Period Ending	Company				Industry Composite			
	Pretax ROR (%)	Return on PHS	Comb. Ratio	Oper. Ratio	Pretax ROR (%)	Return on PHS	Comb. Ratio	Oper. Ratio
2005	14.0	3.7	97.1	86.0	13.6	14.4	103.1	88.5
2006	25.4	8.0	86.1	74.6	15.5	13.0	103.8	84.3
2007	43.1	8.2	80.8	56.9	15.5	10.0	107.0	84.0
2008	38.5	4.9	91.8	61.5	13.0	-4.0	111.2	86.1
2009	46.0	4.0	78.8	42.7	7.3	8.5	120.0	92.5
5-Yr	33.7	5.7	86.3	64.7	13.3	7.9	108.1	86.8

UNDERWRITING EXPERIENCE

Period Ending	Net Undrw Income (\$000)	—Loss Ratios—			—Expense Ratios—				
		Pure Loss	LAE	Loss & LAE	Net Comm.	Other Exp.	Total Exp.	Div. Pol.	Comb. Ratio
2005	202	10.2	39.0	49.2	...	47.9	47.9	...	97.1
2006	2,016	38.6	24.4	63.0	...	23.0	23.0	...	86.1
2007	2,477	27.1	32.7	59.8	...	21.1	21.1	...	80.8
2008	753	33.4	29.2	62.6	...	29.2	29.2	...	91.8
2009	759	20.4	28.6	49.0	4.0	25.7	29.7	...	78.8
5-Yr	...	28.1	30.0	58.2	0.8	27.4	28.2	...	86.3

INVESTMENT INCOME ANALYSIS (\$000)

Period Ending	Company						Industry Composite	
	Net Inv. Income	Realized Capital Gains	Unrealized Capital Gains	Inv. Inc. Growth (%)	Inv. Yield (%)	Total Return (%)	Inv. Inc. Growth (%)	Inv. Yield (%)
2005	783	...	...	445.5	0.4	0.4	13.9	3.8
2006	1,657	...	...	111.6	0.5	0.5	18.5	4.2
2007	3,092	4	...	86.6	0.7	0.7	10.6	4.4
2008	2,787	397	...	-9.9	0.7	0.8	-2.1	4.3
2009	2,758	-93	...	-1.0	0.8	0.8	-6.1	4.1
5-Yr	...	...	...	30.9	0.6	0.7	5.8	4.2

INVESTMENT PORTFOLIO ANALYSIS

Asset Class	2009 Inv. Assets (\$000)		—% of Invested Assets—		Annual % Change
	2009	2008	2009	2008	
Long-term bonds.....	269,419	...	85.4	42.0	65.8
Other Inv Assets.....	46,168	...	14.6	58.0	-79.4
Total.....	315,587	...	100.0	100.0	-18.4

2009 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)
States, terr & poss..	0.9	3.0	6.5	100.0	...	...	...
Special Revenue.....	9.0	2.4	5.2	100.0	...	39.4	16.2
Corporates.....	78.7	0.3	1.0	99.7	0.3	6.5	23.4
Total all bonds..	100.0	1.0	1.9	99.8	0.2	8.6	39.6

CAPITALIZATION

Lion has reported strong surplus growth over the current five-year period, as evidenced by its annual growth rate of approximately 41%, driven by \$37 million in capital contributions from its parent, Jamestown Holdings Corp., and favorable operating earnings.

The company's capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), is more than supportive of its current rating. The strong level of risk-adjusted capitalization reflects its conservative premium leverage, improved operating earnings and conservative investment guidelines. Given management's prudent business plan, A.M. Best expects Lion to remain strongly capitalized over the near term.

CAPITAL GENERATION ANALYSIS (\$000)

Period Ending	Source of Surplus Growth					Change in PHS	PHS Growth (%)
	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS		
2005	985	...	14,150	-322	14,813	143.3	
2006	3,673	...	8,450	-1,220	10,903	43.3	
2007	5,569	4	14,000	-2,016	17,556	48.7	
2008	3,540	397	...	-1,117	2,819	5.3	
2009	3,517	-93	...	-1,146	2,279	4.0	
5-Yr	17,283	308	36,600	-5,821	48,369	...	

QUALITY OF SURPLUS (\$000)

Period Ending	Year-End PHS	% of PHS			—Dividend Requirements—		
		Cap. Stock/Contrib. Cap.	Other	Unassigned Surplus	Stockholder Divs	Div. To POI (%)	Div. To Net Inc. (%)
2005	25,152	96.0	...	4.0
2006	36,055	90.4	...	9.6
2007	53,611	86.9	...	13.1
2008	56,430	82.6	...	17.4
2009	58,709	79.4	...	20.6

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LEVERAGE ANALYSIS

Period Ending	Company				Industry Composite			
	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.
2005	0.3	0.2	9.7	10.2	1.0	2.8	4.4	5.3
2006	0.4	0.3	10.2	10.3	0.8	2.5	3.9	4.6
2007	0.2	0.3	7.7	7.8	0.7	2.3	3.5	4.1
2008	0.2	0.3	6.1	6.3	0.6	2.4	3.5	4.1
2009	0.2	0.4	4.7	4.9	0.5	2.2	3.1	3.6

Current BCAR: 485.5

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW		GPW		NPW		NPE	
	(\$000)	(% Chg)	(\$000)	(% Chg)	(\$000)	(% Chg)	(\$000)	(% Chg)
2005	14,972	9.4	14,972	9.4	7,052	-7.1	7,052	4.3
2006	15,881	6.1	15,881	6.1	14,476	105.3	14,476	105.3
2007	13,022	-18.0	13,022	-18.0	12,932	-10.7	12,932	-10.7
2008	11,005	-15.5	11,005	-15.5	9,194	-28.9	9,194	-28.9
2009	11,865	7.8	11,865	7.8	10,541	14.6	7,638	-16.9
5-Yr CAGR	...	-2.8	...	-2.8	...	6.8	...	2.5
5-Yr Chg	...	-13.3	...	-13.3	...	38.8	...	13.0

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

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '09	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/09	Unpaid Res. to Develop. (%)
	2004	3,628	2,731	-24.7	-8.7	40.4	2,756	100.9
2005	4,845	4,731	-2.4	-0.5	67.1	4,756	100.5
2006	11,830	10,663	-9.9	-3.2	73.7	10,756	100.9
2007	15,735	14,288	-9.2	-2.7	110.5	14,756	103.3
2008	18,855	18,188	-3.5	-1.2	197.8	18,656	102.6
2009	20,977	20,977	...	...	274.6	20,977	100.0

LOSS & ALAE RESERVE DEVELOP.: ACCIDENT YEAR (\$000)

Accident Year	Orig. Loss Reserves	Developed Reserves Thru '09	Develop. to Orig. (%)	Unpaid Reserves @12/09	Acc. Yr Loss Ratio	Acc. Yr Comb Ratio
	2004	3,460	2,602	-24.8	2,626	63.6	103.0
2005	1,165	2,000	71.7	2,000	61.7	109.6
2006	2,850	5,932	108.1	6,000	59.9	83.0
2007	2,325	4,000	72.0	4,000	53.8	74.9
2008	3,000	3,900	30.0	3,900	67.7	96.9
2009	2,321	2,321	...	2,321	58.6	88.3

CEDED REINSURANCE ANALYSIS (\$000)

Period Ending	Company				Industry Composite			
	Ceded Reins. Total	Bus. Ret. (%)	Reins. to PHS (%)	Ceded Reins. to PHS (%)	Bus. Ret. (%)	Reins. to PHS (%)	Ceded Reins. to PHS (%)	
2005	12,586	47.1	18.5	50.0	75.0	77.8	92.4	
2006	5,305	91.2	10.8	14.7	73.1	62.2	70.0	
2007	4,870	99.3	8.9	9.1	73.6	54.1	62.0	
2008	11,710	83.5	17.5	20.8	71.9	50.5	57.9	
2009	14,364	88.8	22.2	24.5	70.4	42.5	49.4	

2009 REINSURANCE RECOVERABLES (\$000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Insurers	268	10,505	...	...	10,772
Other Non-US	1,036	1,232	...	...	2,268
Total (ex US Affils)	1,304	11,737	...	...	13,040
Grand Total	1,303	11,737	...	...	13,039

* Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

Period Ending	Company					Industry Composite			
	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv.	Affil. Inv.	Class 3-6 Bonds	Common Stocks	
2005	3.2	28.2	
2006	2.9	26.9	
2007	2.8	25.5	
2008	2.8	18.2	
2009	1.0	...	...	...	1.0	...	2.9	21.2

LIQUIDITY

Lion maintains solid balance sheet liquidity with the quick liquidity measure remaining significantly higher than the workers' compensation composite, primarily due to the substantial percentage of invested assets held in cash and short-term investments. Overall liquidity has been enhanced over the current five-year period by strong underwriting and operating cash flows and is expected to remain solid over the near term as a result of cash flow generated by the collateral fund and continued operating profits.

LIQUIDITY ANALYSIS

Period Ending	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 (%)
2005	94.6	110.4	110.6	1.4	39.6	113.9	129.0	6.3
2006	97.4	108.8	110.2	3.8	40.0	118.2	131.6	5.2
2007	95.0	112.7	113.4	...	37.2	121.6	134.7	4.4
2008	71.6	115.7	116.9	...	35.0	120.0	134.0	4.4
2009	88.7	119.8	122.3	...	36.3	123.2	137.2	3.1

CASH FLOW ANALYSIS (\$000)

Period Ending	Company				Industry Composite			
	Underw Cash Flow	Oper. Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper. Cash Flow (%)	Underw Cash Flow (%)	Oper. Cash Flow (%)	
2005	1,095	1,601	87,944	119.6	127.7	122.8	137.5	
2006	7,800	8,956	121,228	237.2	244.3	105.9	124.0	
2007	8,053	9,166	40,592	229.2	212.3	102.5	120.8	
2008	3,476	3,457	-131,554	160.8	140.5	93.0	112.0	
2009	3,072	5,248	-178,239	161.7	191.2	82.7	104.0	

HISTORY

Gulf Atlantic Insurance Company commenced operations on June 17, 1986. On March 31, 1999, Clarendon National Insurance Company (Clarendon) acquired Gulf Atlantic and changed the name to Lion Insurance Company.

Effective April 29, 2003, the State of Florida Office of Insurance Regulation approved the acquisition of 100% ownership of Lion Insurance Company by Jamestown Holdings Corp. pursuant to Section 625.461, Florida Statutes. Clarendon received total consideration of approximately \$7.9 million, which consisted of Lion's capital and surplus as of the date of acquisition, plus the value of its six state Certificates of Authority which totaled \$600,000. As a condition of the approval of the acquisition by the Florida Office of Insurance Regulation, workers' compensation insurance was added to the company's Certificate of Authority and all other lines of insurance were removed. All liabilities remaining from operations prior to the date of acquisition were 100% ceded to Clarendon.

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; Vice President, Ida E. Coleman; Secretary, Deborah A. Porreca.

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

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REGULATORY

An examination of the financial condition was made as of December 31, 2006 by the Insurance Department of Florida. The 2009 annual independent audit of the company was conducted by Taylor Chandler LLC. The annual statement of actuarial opinion is provided by Al Rhodes, SIGMA Actuarial Consulting Group, Inc.

Territory: The company is licensed in the District of Columbia, FL, GA, MD, OK and TX.

REINSURANCE

Concurrent with the acquisition of Lion in 2003, a net retained liability reinsurance agreement was entered into between Lion and Lion's former parent, Clarendon National Insurance Company. Under this agreement, Clarendon accepts 100% quota share reinsurance of Lion's net retained liability under all policies of insurance or reinsurance issued or renewed by Lion prior to April 30, 2003. Accordingly, since Lion has ceded all liability for any losses under this agreement and does not have access to any loss data for claims under this agreement, the Florida Office of Insurance Regulation approved the reporting of only Lion's workers' compensation losses and loss adjustment expenses on business written since April 30, 2003.

Lion maintains excess of loss reinsurance on workers compensation providing coverage of 50% of \$9 million in excess of \$1 million per occurrence. Additionally, catastrophe reinsurance provides coverage in excess of \$10 million up to \$20 million.

BALANCE SHEET

ADMITTED ASSETS (\$000)

	12/31/09	12/31/08	'09%	'08%
Bonds	269,419	162,498	83.7	41.6
Cash & short-term invest	45,474	223,713	14.1	57.2
Total invested assets.....	314,893	386,211	97.8	98.8
Premium balances	2,491	...	0.8	...
Accrued interest	693	682	0.2	0.2
All other assets.....	3,966	3,888	1.2	1.0
Total assets.....	322,043	390,781	100.0	100.0

LIABILITIES & SURPLUS (\$000)

	12/31/09	12/31/08	'09%	'08%
Loss & LAE reserves	21,488	19,461	6.7	5.0
Unearned premiums.....	2,903	...	0.9	...
All other liabilities	238,943	314,889	74.2	80.6
Total liabilities.....	263,334	334,351	81.8	85.6
Capital & assigned surplus.....	46,600	46,600	14.5	11.9
Unassigned surplus.....	12,109	9,830	3.8	2.5
Total policyholders' surplus.....	58,709	56,430	18.2	14.4
Total liabilities & surplus.....	322,043	390,781	100.0	100.0

SUMMARY OF 2009 OPERATIONS (\$000)

Statement of Income	12/31/09	Funds Provided from Operations	12/31/09
Premiums earned.....	7,638	Premiums collected.....	8,050
Losses incurred	1,559	Benefit & loss related pmts	33
LAE incurred	2,185	LAE & undrw expenses paid	4,945
Undrw expenses incurred	3,135	Undrw cash flow	3,072
Net underwriting income	759	Investment income.....	2,954
Net investment income....	2,758	Pre-tax cash operations	6,026
Pre-tax oper income ...	3,517	Income taxes pd (recov)...	778
Realized capital gains.....	-93	Net oper cash flow.....	5,248
Income taxes incurred	1,146		
Net income.....	2,279		

Why is this Best's® Rating Report important to you?

A Rating Report from the A.M. Best Company represents an independent opinion from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899. The Best's Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of an 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 Best's 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.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company.

A Best's Financial Strength Rating is assigned after a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile.

Best's Financial Strength Ratings are assigned according to the following scale:

Secure Best's Financial Strength Ratings

A++ and A+	Superior
A and A-	Excellent
B++ and B+	Good

Vulnerable Best's Financial Strength Ratings

B and B-	Fair
C++ and C+	Marginal
C and C-	Weak
D	Poor
E	Under Regulatory Supervision
F	In Liquidation
S	Rating Suspended

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