



Review of First Quarter 2019

7-May-2019

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Forward Looking Statements

Forward-looking statements made during this call, and included in this document, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve inherent risks and uncertainties. Readers are encouraged to review the Company's annual report for its full statement regarding forward-looking information.

Certain statements made during this conference call, in the press release and in this document, which are not historical, may be deemed forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Although Protective Insurance Corporation believes the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained. Factors and risks that could cause actual results to differ materially from expectations are detailed in the press release and from time-to-time, with the Company's filings with the SEC.

Also, the discussions during this call, in the press release and in this document, will include certain non-GAAP financial measures. Reconciliations of these measures to the most directly comparable GAAP financial measures are included within the press release, which is available on our website at <https://www.protectiveinsurance.com/>.

Review of First Quarter 2019

2.8% growth in book value during quarter, supported by investment appreciation
Repurchased \$3.5m in stock, which is immediately accretive to book value

- **Book Value increased \$0.68 per share during quarter**
 - Supported by investment appreciation
 - 2.8% book value growth
 - 3.3% total value creation⁽¹⁾
 - ◆ Including \$0.10 per share dividend
- **Combined ratio of 108.0%, improving from 112.2% during the fourth quarter of 2018**
 - Maintaining current accident-year loss ratios at a level consistent with rising severity expectations in commercial auto
 - Attained double-digit rate increases on agency placed commercial automobile policies renewing during the quarter
- **Total return on investment portfolio of 2.6% during the first quarter**
- **\$3.5m of repurchases since January 1, 2019 further support book value growth**
 - 197,397 shares repurchased year to date at 72% of book value
 - \$3.0m of these repurchases occurred after 31-Mar-'19

(\$ in thousands,
except per share data)

	Three Months Ended	
	March 31	
	2019	2018
Book value/sh at start of period	\$ 23.95	\$ 27.83
Book value/sh at end of period	24.63	27.38
Change in book value per share	\$ 0.68	\$ (0.45)
Plus: Dividends paid	0.10	0.28
Change in BV/sh + dvds paid	\$ 0.78	\$ (0.17)
÷ Book value/sh at start of period	\$ 23.95	\$ 27.83
Total value creation ^{(1) (2)}	13.0%	(2.4%)
Loss and LAE expense	\$ 87,122	\$ 72,298
÷ Net premiums earned	110,013	105,462
Loss and LAE ratio	79.2%	68.6%
Other operating expenses	\$ 33,701	\$ 34,767
Less: Commissions and other	2,064	1,814
Other op ex less comm & other	\$ 31,637	\$ 32,953
÷ Net premiums earned	110,013	105,462
Expense ratio	28.8%	31.2%
Combined ratio	108.0%	99.8%
Gross premiums written	\$ 148,893	\$ 148,823
Net premiums written	115,322	113,434

(1) Total Value Creation equals change in book value plus dividends paid, divided by beginning book value.

(2) Quarterly amounts are annualized.

What We Do

Protective Insurance specializes in providing insurance for the transportation industry. Our products and people help our insureds: enable commerce, provide recovery from the unexpected, and save lives



FLEET TRUCKING INSURANCE

With more than 80 years of experience in the transportation industry, we understand the fleet trucking business like no other insurance company



INDEPENDENT CONTRACTOR INSURANCE

We offer a comprehensive, best-in-class independent contractor program for trucking fleets to protect themselves and their contractors



WORKERS' COMPENSATION INSURANCE

Protective's Workers' Compensation program offers custom loss prevention and safety services and expert claims handlers



PUBLIC TRANSPORTATION INSURANCE

We provide complete coverage for public transportation fleets, including charter bus, school bus and limousine operations

2018 Gross
Premiums Written

Commercial Auto

67%

Workers' Comp 33%

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Current Drivers of Value

We have important tailwinds supporting our book value per share

Favorable Investment Leverage

2.47x

(Invested assets/Equity)

- **High Quality Portfolio (p.8)**
- **Short Duration: 2.4 years**
 - Affords optionality when market dislocations provide opportunity for investment
- **7.4% contribution to pre-tax ROE @ 3.0% total return**

Favorable Underwriting Leverage

1.20x

(Annualized NPE/Equity)

- **Executing current operating initiatives to improve underwriting profit (p.6)**
- **A 4% underwriting margin (96% combined ratio) would generate a 4.8% contribution to pre-tax ROE**

Share Repurchases

\$3.5m

Repurchased in 2019 to date

- **Company intends to continue repurchasing shares at a discount to book value**
 - Accretive to book value
- **Stock is currently trading at the lower end of historical range**

Update on Seven Operating Initiatives

*We are focusing on what we know – Commercial Auto and Workers' Compensation.
We are using these initiatives to improve our results and solidify our platform*



Rate Achievement and Revised Pricing Methodologies

- **Assessing rate need on a granular basis**
 - Double-digit rate increases achieved in Q1-'19 on policies available for renewal
- **Continuing to revise pricing methodologies**
 - Decreasing reliance on loss history, more heavily weighting other predictive variables
 - Working on design of new pricing engine



Manage Volatility

- **Now placing much of the higher layers of certain commercial auto lines into the facultative market**
 - Reduces our volatility to shock losses
 - Provides price discovery into higher layers



Expense Discipline

- **Focusing on creating efficiencies**
 - Investing in process redesign
 - Hiring new positions requires strategic purpose
 - Value based review of all initiatives



Creating Strategic Digital Partnerships

- **Making progress on establishing partnerships to provide better value to our customers**
 - In process of creating a digital operating platform
 - Leveraging data with AI/analytics partner



Enhance and Improve Infrastructure

- **Strengthening our infrastructure**
 - Re-prioritizing initiatives with focus on value-added activities



Create & Implement a Customer Service Model & Philosophy

- **Strengthening our customer service model**
 - Have begun redefining customer interactions with the goal of improving customer experience



Enhance Employee Capabilities

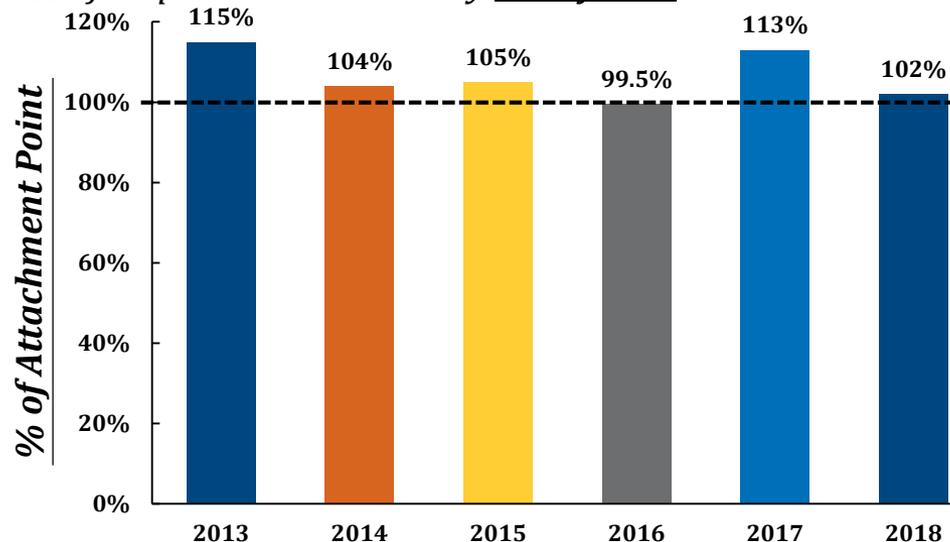
- **Continue investing in our people**
 - Both quantitative and qualitative skillsets
 - Extending training and development

Commercial Auto Reinsurance Treaty Limits Downside

Reinsurance protection helps put much of the problem of adverse prior-year development behind us

Commercial Auto Aggregate Stop-loss

% of Stop-loss Attachment by Treaty Year at Current Loss Picks



- Dotted black line is the point in each **treaty year** that the aggregate stop-loss reinsurance provision begins

- Once this aggregate stop-loss level is reached, the Company retains only 25% of any further adverse loss development

- Dollars of gross loss exposure before reaching the stop-loss threshold for each **treaty year**

- Only \$0.7m of gross loss exposure remains before all six **treaty years** are at-or-above the aggregate stop-loss attachment point

	2013	2014	2015	2016	2017	2018
\$ to stop-loss threshold	--	--	--	\$0.7m	--	--
Premium	\$74m	\$96m	\$106m	\$174m	\$254m (to date)	\$76m (to date)

2014-2018 Treaty Years

	5% Increase In Ultimate Loss Ratio For All Years	10% Increase In Ultimate Loss Ratio For All Years
Gross Loss Expense	\$35.3	\$70.7
Company's Retention	\$9.2	\$18.1
\$/share (after-tax)	\$0.49	\$0.96

- Table provides the financial impact of a 5% or 10% increase in ultimate loss picks for each of the five most recent reinsurance **treaty years**

- Even if all five years experienced an additional 10% increase in adverse development, the resulting decrease in book value would be less than \$1/share

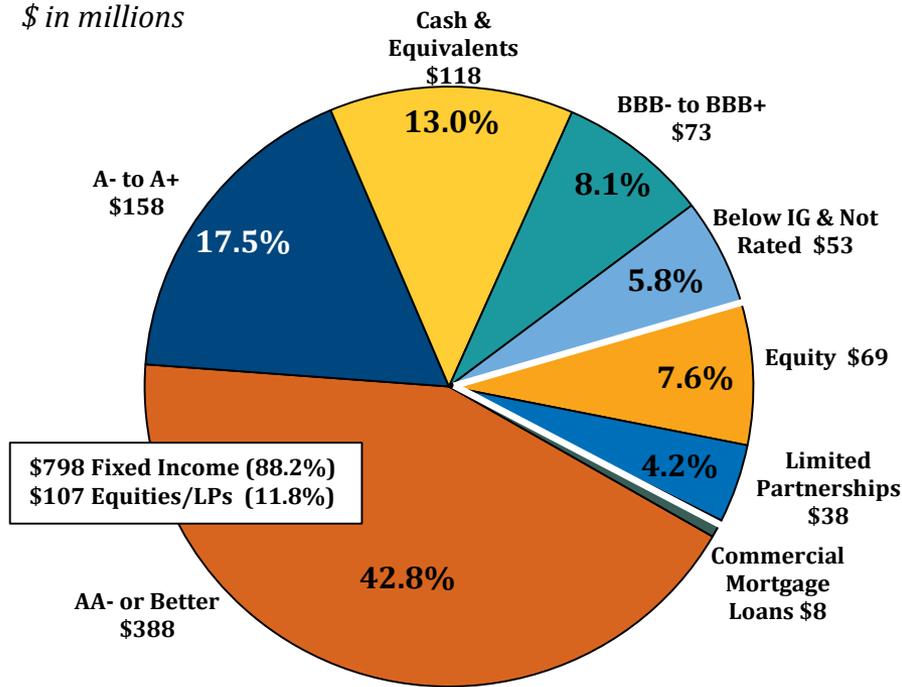
Note: \$ in millions. **Treaty years** are for policies attaching to the reinsurance treaty beginning in July of each year and ending in July of the following year (e.g. the 2017 **treaty year** covers policies attaching from 3-Jul-2017 to 2-Jul-2018).

High Quality, Short Duration Investment Portfolio

\$905m portfolio: AA- Weighted Average Rating, Effective Duration of 2.4⁽¹⁾ (including cash)

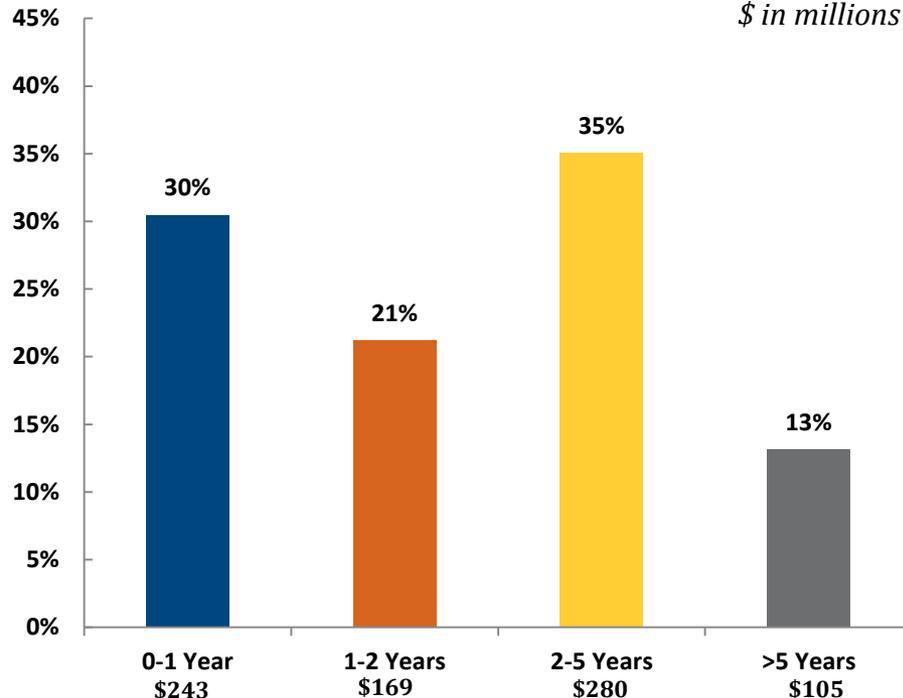
\$905m High Quality Portfolio: AA- Weighted Average Rating

\$ in millions

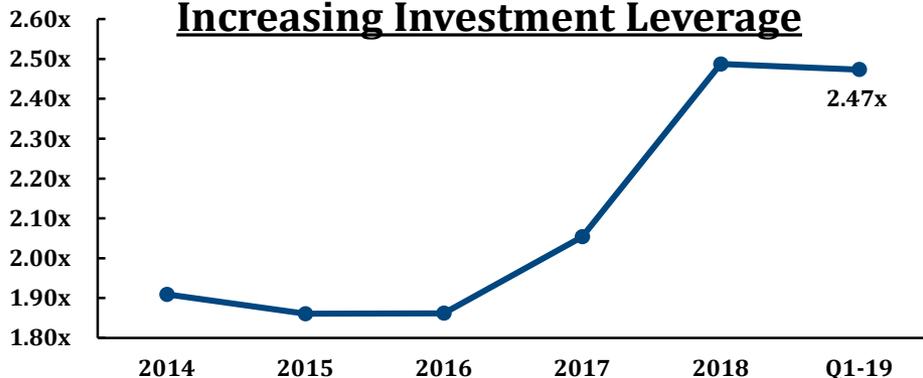


**\$798m Fixed Income: Effective Duration of 2.4 incl. cash⁽¹⁾
3.4% market yield⁽²⁾ excluding cash (3.3% incl. cash)**

\$ in millions



Increasing Investment Leverage



Note: \$ in millions. (1) Effective duration is a measure of a fixed income portfolio's sensitivity to interest rates (i.e. for every 100bps increase in rate, our fixed income portfolio would decline by 2.4%). (2) Weighted average market yield to worst, net of management fees.

• Reallocated \$31m of equities and limited partnerships during Q1-'19 into high quality, short duration fixed income

- Continues strategy of shifting our investment portfolio to a less volatile posture
- Another \$3m limited partnership reduction effective Q2-'19 with additional reductions planned