PROTECTIVE INSURANCE™

YEAR IN REVIEW 2017

Protective Insurance is the marketing name used to refer to Protective Insurance Company and its subsidiaries and affiliates that provide insurance and related services, including Sagamore Insurance Company and Protective Specialty Insurance Company.

Protective Insurance Company and its subsidiaries and affiliates are subsidiaries of Baldwin & Lyons, Inc.

For additional information, please visit www.baldwinandlyons.com and www.protectiveinsurance.com.

Who is Baldwin & Lyons, Inc.?

We abide by our mission statement: ***deliver the highest quality, customized insurance products and services.***

With over ***85 years of experience*** in the transportation industry, we maintain a proud tradition of providing a range of commercial auto and workers' compensation insurance products and services through our subsidiaries.

We are a publicly held company trading for over 45 years on NASDAQ under the tickers BWINA and BWINB.

Our financial stability has culminated in an A+ (Superior) rating by A.M. Best for our subsidiary Protective Insurance Company for over 20 consecutive years.

We hold licenses in all 50 states, Puerto Rico and all Canadian provinces.

We have over 500 employees based out of our corporate office in Carmel, Indiana.

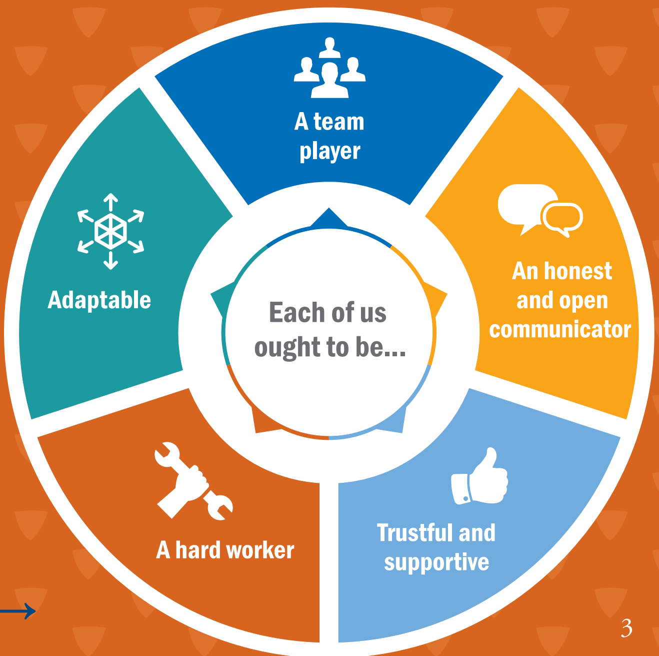
Our size gives our underwriting companies the capacity to provide exceptional claims and underwriting service, while maintaining a small-company feel and truly building relationships with policyholders and clients.

Rather than take a one-size-fits-all approach to insurance, we have been able to successfully and methodically expand over the years by ***honing and leveraging our strengths*** to enter new markets through our retail and program businesses.

Company & Values

As our company continues its upward growth trajectory while guided by our mission statement, the importance of a strong culture and associates' belief in our products, services and company is more critical to our success than ever. We are committed to cultivating a workplace that inspires and motivates our employees day-to-day to achieve excellence, while diligently giving back to our community.

OUR ASSOCIATES STAND BY THE FOLLOWING VALUES →



Financial Summary

	Year Ended December 31		
	2017	2016	2015
	(dollars in thousands, except per share data)		
Gross Premium Written	**$ 504,737**	$ 403,004	$ 383,553
Net Premiums Earned	**328,145**	276,011	263,335
Net Investment Income	**18,095**	14,483	12,498
Net Realized Gains (Losses) on Investments	**19,686**	23,228	(1,261)
Total Revenue	**371,234**	318,997	280,275
Income Before Taxes	**$10,122**	$43,054	$33,952
Net Income	**$18,323**	$28,945	$23,283
Earnings Per Share – Net Income	**$1.21**	$1.92	$1.55
Loss Ratio	**75.4%**	67.6%	59.1%
Expense Ratio	**33.0%**	30.5%	32.2%
Combined Ratio	**108.4%**	98.1%	91.3%
Investment Portfolio	**$854,595**	$749,501	$729,877
Total Assets	**1,357,016**	1,154,137	1,085,771
Shareholders' Equity	**418,811**	404,345	394,498
Book Value Per Share	**27.83**	26.81	26.25
Dividends Per Share	**1.08**	1.04	1.00

Distribution & Product Summary

Our market-facing brand Protective Insurance has two primary channels of distribution:

RETAIL

- Partner agencies/brokers (current strategy)
- Legacy direct customers (renewal basis only)

PRODUCTS

- Commercial Auto
  – Primary & Excess
- Workers' Compensation
  – 1st Dollar & Deductible/Excess
- Independent Contractor

PROGRAMS

- Program Administrators
- Sponsors

PRODUCTS

- Primary Commercial Auto
- 1st Dollar Workers' Compensation
- Independent Contractor
- New Products

Fellow Shareholders,

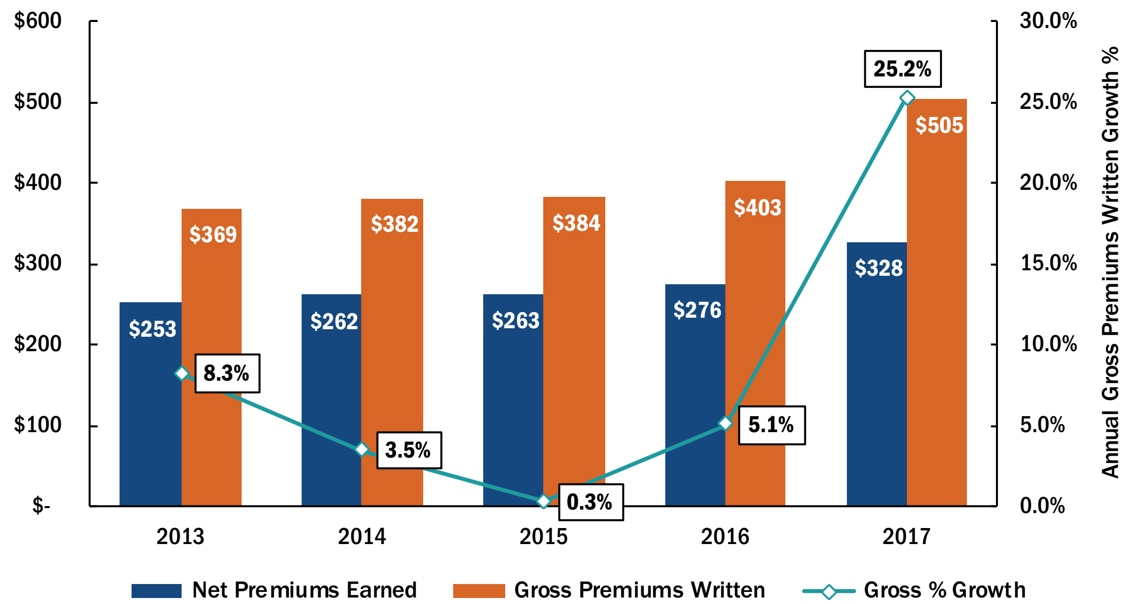
2017 marked a year of both challenges and progress for our company. Our progress included growing Gross Premiums Written by $102 million, an increase of 25% for the year, significantly surpassing both our historical premium revenue and growth rate.

Our 2017 premium growth reflects our strategy of diversifying our customer base within our core businesses: transportation and workers' compensation insurance. Our growth strategy, however, will never deviate from our commitment to deliver the highest quality, customized products and services, while maintaining the underwriting standards that ensure sound financial strength for our policyholders.

We continue to build our platform to execute this growth strategy. During the past year we defined and rebranded our go-to-market brand as Protective Insurance, and entered into several new transportation and workers' compensation markets through Program business opportunities. We also are making the necessary investments in technology and analytics to enhance our underwriting, claims processing and policy support.

UNDERWRITING RESULTS

In addition to investments in people and systems, our growth also requires continued investment in our underwriting capability. While we are experiencing a great influx of new business, new business, by its nature, puts pressure on our loss ratio as we partner with our new customers to improve their loss performance. Given our extensive experience in underwriting transportation business, the longer we work with our customers, the more effective we are in pricing and managing the risks unique to their operations. We are confident that the business we wrote in 2017 will similarly benefit over time from both our customer's improved loss performance, and our refined pricing insights. It is also imperative that, as a company, we continue to cultivate strong relationships and provide top-notch service to our existing policyholders, enabling us to maintain our historically high renewal rates that will aid in building on the foundation for our future income.



LETTER FROM THE CEO

Our challenges during 2017 included recognizing the need to strengthen our reserves, in part due to difficult conditions in the commercial auto market. We chose to address it head-on during the second quarter, leading to an elevated combined ratio. This reserve strengthening focused on commercial auto related products (predominately from accident years 2015 and prior) and discontinued lines, such as professional liability reinsurance and Florida commercial multi-peril policies. Additionally, we faced the impact of the structure of our prior reinsurance agreements during the same quarter. Due to adjustments we made to strengthen reserves in some of those prior reinsurance treaty years, we had to adjust both net premiums earned and ceding commission income downward. The ensuing compounding effect increased both our loss ratio, and our expense ratio.

Our reserve strengthening for prior accident years in commercial auto lines is not unique—adverse reserve development is placing a strain on commercial auto insurers as a whole. While I was disappointed with our overall 2017 underwriting results, I have full confidence that our experience and commitment to the commercial auto sector will help us achieve a high level of success with our growth strategy.

DISTRIBUTION STRATEGY

As we grow, our distribution strategy is focused on continuing to support profitable growth, while diversifying our customer base. After I joined the Company in 2013, we changed our distribution strategy from a "direct-centric" model, where we maintained our own internal agency and sales force, to an "agency-centric" distribution model. This was a major change for our company and creates avenues of growth that we are just beginning to develop.

Under this new model, our two primary distribution channels include our Retail business and Program business. Our Retail business partners are agents and brokers. Our development strategy ensures our partners are trained to truly understand our products and business, resulting in quality submissions and relationships with our Company. Products available through our Retail channel include primary commercial auto, first dollar, deductible and excess workers' compensation, and independent contractor products.

It is through our Program channel that we have the opportunity to leverage our transportation and workers' compensation expertise to explore new segments in our target markets. For Programs, we will control claims handling and set rate levels. We require our program administrators to execute our rigorous underwriting guidelines and take income risk in the results. Products available through our Program channel include primary commercial auto, first dollar workers' compensation, and independent contractor products.

It is through our Program channel that we have the opportunity to leverage our transportation and workers' compensation expertise to explore new segments in our target markets.

A clear benefit of our expanded distribution strategy is the ability to reduce our dependence on any single source of premium.

PRODUCT SUMMARY

We continue to offer our commercial auto products, including guaranteed cost and deductible coverages for mid-market trucking fleets of 25 – 250 units, along with our flagship product of self-insured retention generally for fleets of over 250 units. We also offer coverages for public transportation fleets, including charter buses, limousines and school buses. Workers' compensation continues to be a major area of growth in both the transportation and non-transportation segments. A major highlight for 2017 was our further expansion into non-transportation segments such as light manufacturing, restaurants, retail and professional services.

UNDERWRITING OPERATIONS

We are continuing to invest in our underwriting team and technology. Our proprietary database of fleet transportation data continues to grow, resulting in ever more granular underwriting capability. Our distribution strategy and positioning in the industry as a high-quality provider is generating a historically high number of new business submissions. This allows us to continue to be highly selective, and ensures that we are only working with brokers and insureds who truly are a fit, and have demonstrated the capability and willingness to be a long-term partner.

CLAIMS OPERATIONS

We will maintain our proven strategy of settling claims promptly and fairly. We will remain committed to providing best in-class, personalized claims service even as our customer base expands. However, we will not become complacent—we are investing in analytical capabilities to continue improving all aspects of claims handling, from customer experience to settlement and subrogation.

INFORMATION TECHNOLOGY

As I mentioned earlier, we have not been without challenges stemming from our growth. One challenge has been the level of capital, both human and financial, required to advance infrastructure within our organization. This has been top of mind for us, so much so that we are investing significantly in information technology and infrastructure improvements at the highest rate in company history. Unfortunately this does not generate, in the short-term, a lower expense ratio. Long-term, I am confident that the return on these investments will manifest itself in operating efficiencies, underwriting performance and maintaining our high levels of customer service.

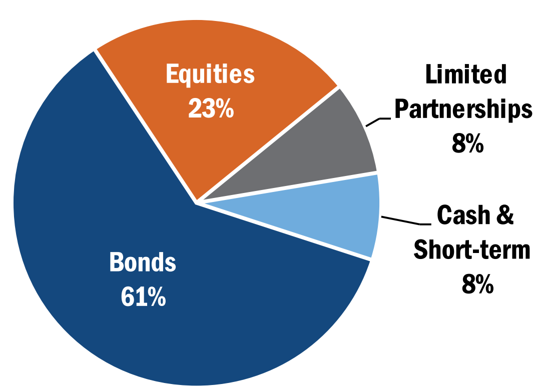
INVESTMENT STRATEGY & FINANCIAL STRENGTH

We continue holding ourselves accountable to our long-term investment philosophy of providing the asset security our policyholders require.

For years, our investment philosophy has emphasized shorter-duration instruments. At year-end our fixed income portfolio had a weighted average duration of 2.2 years and weighted average credit quality of A+. We are also active in the equity securities market, through both direct holdings of equities and investment partnerships. Our investments in the equity markets reflect a conservative, value driven approach, which has been implemented through partnerships, advisors and the Investment Committee. Our net investment income increased to \$18.1 million vs. \$14.5 million in 2016, reflecting higher interest rates for shorter duration securities, increased dividends, and increased invested assets resulting from positive cash flows. Positive cash flows also increased our investment leverage (a measure of the amount of invested assets and cash we hold compared to our equity) to 1.96x at year-end 2017.

Maintaining the financial strength of our company is critical to our growth strategy. We paid \$16.3 million in dividends in 2017 and our board currently intends to maintain a quarterly dividend of \$0.28 per share as our operating cash flow is sufficient to both fund our growth and a robust dividend. Dividend payments are further supported by lower corporate tax rates in 2018, following the

INVESTMENT PORTFOLIO



enactment of the Tax Cuts and Jobs Act of 2017, providing further cash flow in support of our growth. We also repurchased $1.9 million of our Class B common stock.

GOVERNANCE

We welcomed three new Directors to our Board during 2017, and a fourth in early 2018. Each of these four Directors bring years of insurance industry expertise and leadership to our Board. Their insights will help guide the direction of our Company's future as we execute the operating strategies discussed above, which are aligned with our strategic plan for profitable growth.

Our Board has also benefited from the continuity of Directors who have served our shareholders for a number of years. I'd like to thank all of these Directors, particularly John Pigott, who has served us as a Director since 1997. John's tenacious commitment to serving as a steward for our shareholders has been an inspiration to me, to his fellow board members, and to our management team.

LOOKING FORWARD

Our claims and underwriting expertise and distribution strategy has us well positioned to achieve profitable growth greater than our historical average, as we build our Retail channel and expand our Program offerings to meet strong demand.

In 2017 we also took the exciting leap of changing the market-facing brand of our company. As we evolve our products and services to meet the needs of today's customer, we knew it was time to bid a fond farewell to our quill logo and welcome a new look. The Protective shield symbolizes our ongoing commitment to protecting our customers and serving as their partner in risk management.

We also introduced a new incentive compensation structure where all associates are rewarded based directly on the company's performance. Employees are realizing the significant impact they have on our profit, growth and equity, spurring a renewed sense of alignment within the organization.

I strongly believe that our people, and the strength of our evolving culture, is pivotal in helping us successfully execute our strategy. Every single day, I see our people coming to work with an entrepreneurial spirit, commitment to innovation, and desire to forge a strong sense of camaraderie both across our organization and with our external partners. As the transportation and insurance industries continue undergoing change, we are at the forefront, adaptable to change and ensuring that our products and services continue to meet the needs of our customers. I am proud of what we accomplished during 2017, and very excited to be part of what is to come.

Randy Birchfield
President, Chief Executive Officer &
Chief Operating Officer
Baldwin & Lyons, Inc.