

## Financial Services

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Industry Brief

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### Financial Services - Insurance: Industry Overview

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Please read domestic and foreign disclosure/risk information beginning on page 13 and Analyst Certification on page 13.

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### MetLife Acquires Aviva's Eastern European Operations

MetLife, Inc. (MET) announced first thing Monday the acquisition of Aviva plc's life insurance businesses in the Czech Republic (Aviva Czech Life) and Hungary (Aviva Hungary Life), and its life insurance and pension businesses in Romania (Aviva Romania Life and Pensions).

As for how this benefits MetLife, Michel Khalaf, President of the Europe, Middle East and Africa (EMEA) region stated, "MetLife is intent on investing and growing in high-potential markets and this transaction creates an excellent opportunity to reach more customers with a broader product and service offering, and further build scale in our existing operations in these countries."

The terms of the deal were not disclosed. The transaction is expected to close during 2012.

### Prudential Puts Death Benefit Lawsuit to Bed

On Thursday, Prudential Financial (PRU) reached a \$17 million multi-state settlement in order to resolve a lawsuit over unpaid insurance claims associated with the Social Security Death Master File. As part and parcel of the agreement, Prudential will overhaul its computer system to make better use of the database. The settlement will be used toward the examination, monitoring, and compliance expenses. If, for some reason, beneficiaries cannot be located, the company must turn over the proceeds to the states in accordance with state unclaimed property laws.

The agreement will become effective upon 20 states signing it. To date, seven states have signed including Florida, California, Illinois, New Hampshire, North Dakota, Pennsylvania, and New Jersey.

### Principal Announces Fundamental Dividend Change

Monday, Principal Financial Group (PFG) announced that going forward the company will adhere to a quarterly dividend schedule versus its prior practice of declaring the dividend annually. The change will be implemented in the first quarter of 2012 and the company will release more detail as it becomes available.

### BB&T Acquires Crump Group, Inc. for \$570 Million

This morning, BB&T Corporation (BBT/\$28.02/Strong Buy), announced it had reached an agreement to acquire Crump Group, Inc., which is the largest independent wholesale distributor of life insurance and one of the largest providers of wholesale commercial insurance brokerage and specialty programs in the U.S. BB&T is paying \$570 million in cash for Crump, which is approximately 9x Crump's projected EBITDA and approximately 1.8x projected revenue. The acquisition is expected to be accretive to GAAP EPS in the first full year.

### P/C Comings and Goings – January 2012

Comings and Goings is a monthly report of key personnel changes from companies in the property & casualty insurance industry. Below is a summary chart of the Comings and Goings for January 2012.

P/C Comings and Goings - January 2012					
Name	Company Joining	New Position	Company Leaving	Former Position	Date
Boynton, Emily	MMC	Senior M&A Consultant, Mercer	AECOM	Director, Global HR M&A	1/30/2012
Dhesi, Arvinder	TW	Director of Talent & Organization	Royal Bank of Scotland	Group Human Resources Director for Talent	1/24/2012
Diefenthaler, Aaron	RU	Chief Investment Officer and Vice President	AAM Insurance Inv. Mgmt.	Principal and Portfolio Manager	1/23/2012
Harris, Jason	XL	Chief Executive, International P/C Business	AIG	Executive Director of Commercial Lines, Chartis	1/23/2012
Bredahl, Rob	Third Point Re	Chief Financial Officer and Chief Operating Officer	AON	CEO, Aon Benfield Securities	1/20/2012
Malloy, Dan	Third Point Re	Executive Vice President of Underwriting	AON	Co-Head of Specialty Practice, Aon Benfield	1/20/2012
Macro, Paul	MMC	Head of Defined Contribution, Mercer U.K.	TW	Senior Consultant, Defined Contribution	1/18/2012
King, Alice	TW	Sr. Consultant, National Hospital Consulting Team	ESI Healthcare Bus. Sol.	VP, Contract Administration & Payment Solutions	1/18/2012
Bussineau, Annette	TW	Sr. Consultant, National Hospital Consulting Team	Sullivan, Cotter & Assoc.	Senior Consultant, Physician Compensation	1/18/2012
Portalaín, Julio	MMC	President & Chief Executive Officer, Mercer	AIG	President & CEO, Chartis Growth Economies	1/17/2012
Buberl, Thomas	AXA	Chief Executive Officer, AXA Germany	Zurich Financial Services	Chief Executive Officer, Switzerland	1/17/2012
Gramm, Michael	XL	Vice President - Excess Auto, Excess & Surplus Unit*	MKL	Director, Transportation Product Lines	1/13/2012
Lee-Smith, Chris	AON	COO of U.K. Retail Business, Aon Risk Solutions	WSH	Chief Operating Officer, Willis U.K. & Ireland	1/13/2012
Conway, Juliene	Firemen's Fund	Chief Marketing Officer	TIAA-CREF	Marketing Consultant	1/13/2012
Cecil, Gerald	WSH	Practice Leader for Programs, Willis North America	Zurich	Business Dev. Dir., Global Auto Industry Practice	1/10/2012
Rodio, Bruce	TW	Sr. Investment Advisor, Delegated Investment Svcs	Aberdeen Asset Mgmt	Senior Relationship Manager	1/10/2012
Walker, Rob	TW	Senior Consultant, Defined Contribution	Barclays	Analyst, Corporate Pensions and Benefits Division	1/10/2012
Varma, Michael	TW	Senior Consultant, Defined Contribution	RSM Tenon	Senior Employee Benefits & Pensions Consultant	1/10/2012
Buluswar, Murli	AIG	Chief Science Officer, Chartis	Zurich	VP of Enterprise Customer Experience, Farmers	1/9/2012
Greenway, Jonathan	HCC	President of Avemco Insurance Company	American Airlines	Director of Safety, Aircraft Owners & Pilot Assn.	1/9/2012
Devabhaktuni, Sai	Allianz	Executive Vice President, PIMCO	Monocle Group	Founder and Managing Principal	1/9/2012
Bennett, Brad	ACE	President, Combined Insurance Co. of America	AIG	Chief Operating Officer, Chartis Companies Japan	1/6/2012
Smith, David	AXS	Chief Executive Officer & Country Manager, Australia	Zurich Financial Services	Chief Executive Officer, Australia LTD	1/5/2012
McMullen, David	Kentucky Nat'l Ins.	President	AAA Allied Group	Director of Insurance	1/3/2012

\*New position/division

Source: Company Releases, Raymond James.

**A.M. Best Affirms American Equity Ratings**

A.M. Best Co. affirmed American Equity Investment Life Holding Company's (AEL) main life insurer's (American Equity Life) issuer credit rating (a-) and its other subsidiaries issuer credit ratings (also a-). The holding company's issuer credit rating was also affirmed (bbb-) along with the holding company's debt ratings – inclusive of the shelf registration of Capital Trust V and VI.

The Outlook for all ratings remains Stable.

**A.M. Best Removes FBL Financial from “Under Review”**

A.M. Best Co. announced on Wednesday it had upgraded the issuer credit rating (from bb to bbb-) and subsequent debt ratings of FBL Financial Group (FFG). The FSR rating of A- and ICR of a- for FFG's life subsidiary, Farm Bureau Life, were affirmed.

The Outlook has been upgraded to Stable and removed from under review.

**FBL Financial Outlook Lowered by S&P**

Standard and Poor's Ratings Services lowered FBL Financial Inc.'s (FFG) outlook to Stable from Positive due to asset-liability duration gaps and increased spread compression. The outlook was also revised down for Farm Bureau Life, FFG's core insurance company.

All debt and credit ratings were affirmed.

**S&P Downgrades Genworth Subsidiaries**

In accordance with Standard & Poor's stance on mortgage insurers, it downgraded Genworth Mortgage Insurance Corp. and Genworth Residential Mortgage Insurance Corp. of North Carolina by two notches to B. The ratings on the holding company, Genworth Financial Inc (GNW), and the company's Australian business were unaffected by this change.

The Outlook on the subsidiaries remains Negative.

**Fitch Affirms Principal's Rating/Outlook**

Principal Financial Group's (PFG) long-term issuer default rating (A) and insurer financial strength ratings of the subsidiaries (AA-) were affirmed by Fitch Ratings earlier this week.

The outlook remains Stable.

**A.M. Best Affirms Ratings of Progressive Corporation and its Subsidiaries**

On Wednesday, A.M. Best affirmed the issuer credit rating of “a” and all of the debt ratings for The Progressive Corporation (PGR).

The outlook for all ratings is stable.

**Fitch Downgrades Old Republic**

On Monday, Fitch Ratings downgraded Old Republic International's (ORI) issuer default rating to BBB from BBB+ and its P/C and title insurance subsidiaries' insurer financial strength ratings to A from A+. Fitch attributed the downgrade to earnings levels that are “weak compared with industry peers and relative to historic norms,” and its belief that the company's earnings will remain challenged over the next one to two years due to losses in mortgage guaranty and the consumer credit indemnity (CCI) product within the General Insurance segment.

The rating outlook is negative.

## 4Q11 Earnings Recap

### **Aflac, Inc. (AFL)**

**Summary:** Aflac reported fourth quarter non-GAAP operating EPS of \$1.48, higher than the \$1.33 reported in the same period last year and just below our \$1.51 estimate and consensus of \$1.51.

**Aflac U.S.:** Pretax operating earnings in the U.S. of \$198 million reflected an 11.8% decrease y/y and were lower than expected by just \$2.6 million on even greater investment spending than already expected. **Positives:** Buoyed by group sales through the traditional agent channel, Aflac's domestic sales increased 9.3% from a year earlier to \$447 million and were above the \$413.1 million we had modeled. Annualized premiums in force for the quarter were \$5.188 billion (RJE: \$5.152 billion). **Negatives:** None.

**Aflac Japan:** Pretax operating earnings in the segment were up 8.0% on a yen basis to ¥71.2 billion (\$920 million) compared to ¥65.9 billion (\$798 million) in the same quarter a year earlier and roughly in line with our ¥72.4 billion (\$936 million) forecast.

**Positives:** Japan reported fourth quarter sales of ¥48.6 billion (~\$627 million), up 31.0% on a yen basis versus a year earlier and significantly above our ¥38.8 billion estimate. Annualized premiums in force at the end of the quarter were ¥1,343.7 billion (RJE: ¥1,325.7 billion). **Negatives:** None.

**Investments:** Net realized investment losses were \$145 million after tax on a GAAP basis or \$0.31 per share, primarily driven by investment de-risking activities during the quarter. After-tax realized investment losses totaled \$522 million for the quarter reflecting one large impairment and the movement of a basket of European securities from held to maturity to available for sale as the company's new investment management team moves toward greater de-risking.

Total gross unrealized losses in the quarter decreased to \$3.536 billion from \$5.038 billion at the end of last quarter but rose slightly from \$3.363 billion a year earlier.

Aflac's investment portfolio totaled \$103.5 billion at the end of the fourth quarter versus \$97.4 billion last quarter and \$88.2 billion a year ago. Below investment grade (BIG) assets, at amortized cost, rose to 5.6% of the investment portfolio, from 5.1% at the end of September, reflecting the inclusion of Israel Electric Corp, the company's second biggest holding. The unrealized loss on the BIG portfolio dropped to \$648 million from \$908 million three months due to impairments and sales.

**Guidance:** Given the very strong quarter, management suggests Japan sales could be down 2-5%. We would note that even if this were to occur, annualized premium in-force at year-end 2012 would be higher than we projected, all else equal, coming into the quarter. U.S. sales projection of a 3% to 8% increase would be in line with expectations. The company reiterated that operating earnings for 2012 should be up 2% to 5% on a functional currency basis.

### **Allstate Corporation (ALL)**

Allstate reported operating EPS of \$1.48 in 4Q11 vs. the consensus estimate of \$0.95. Our EPS estimate was \$0.89 and the company reported operating EPS of \$0.50 in 4Q10. The variance from our estimate was primarily due to a better-than-expected combined ratio (~\$0.51 per share after tax).

Net premiums written (NPW) increased 3% y/y (vs. our flat y/y estimate) to \$6.4 billion in 4Q11, primarily reflecting the inclusion of Esurance which recorded NPW of \$181 million. Excluding Esurance, NPW grew 0.5% in 4Q11, which is just the second time in 21 quarters that the company has reported positive y/y NPW growth.

Allstate achieved pricing actions in its Auto and Homeowners' lines. Standard auto received approval for rate increases averaging 4.6%, primarily in New York and Florida, while homeowners received approval for rate increases in 17 states averaging 7.8% for the year.

New issued applications dropped 14.4% y/y reflecting a 14.3% y/y decline in standard auto and an 18.2% y/y decline in homeowners in 4Q11. The retention ratio in standard auto improved 40 basis points to 88.8% in 4Q11, while the homeowners' retention ratio dropped 40 basis points to 88.1% in 4Q11.

The 4Q11 combined ratio (CR) improved 10.1 points to 90.7% (vs. our estimate of 96.7%), primarily due to the lower cat losses with 1.0 point of cat losses and 2.0 points of favorable prior-period reserve development (PPRD). The 4Q10 CR of 100.8% included 8.3 points of cat losses and no PPRD. The underlying CR also improved 1.5 points to 90.5% (vs. our estimate of 92.6%) in 4Q11.

**American Financial Group (AFG)**

American Financial Group reported EPS of \$1.06 in 4Q11 vs. \$1.03 in 4Q10. Our EPS estimate was \$1.01 (consensus was \$0.96). The variance from our estimate reflected a better-than-expected combined ratio and higher earned premium.

P&C net premiums written (NPW) increased 7% y/y in 4Q11 to \$602 million (vs. our estimate of flat y/y). AFG received a 1% overall rate increase in 4Q11, which was the first positive overall quarterly rate movement in nearly two years. Management is targeting an average renewal rate increase of 2-4% in 2012.

The core combined ratio (CR) increased to 87.6% in 4Q11 (vs. our estimate of 89.9%) from 85.9% in 4Q10. The 4Q11 CR included 3.7 points (\$0.17 per share) of favorable reserve development vs. 7.2 points (\$0.29 per share) in 4Q10. Catastrophe losses did not have a meaningful impact in 4Q11 or 4Q10.

P&C net investment income (NII) declined 11% y/y to \$72 million (vs. our estimate of \$73 million). Management expects 2012 NII to decline 5% y/y.

Annuity and Supplemental Insurance (A&S) earnings increased. Annuity and Supplemental Insurance Group's pre-tax operating earnings increased 27% y/y to \$65 million (vs. our estimate of \$64 million).

**Aon Corporation (AON)**

Aon reported 4Q11 operating EPS of \$0.97. Our estimate was \$0.98 and the consensus was \$0.96. The variance from our estimate reflected lower than expected adjusted margins in Risk Solutions and HR Solutions partially offset by a lower effective tax rate.

While organic revenue came in better than expected, Aon's adjusted margins declined y/y. Excluding amortization expense, the Risk Solutions margin declined ~20 bp and the HR Solutions margin increased ~60 bp.

Risk Solutions reported organic revenue growth of 3% in 4Q11 (RJE= up 2%) compared with 3% in 3Q11.

HR Solutions reported organic revenue growth of 3% in 4Q11 (RJE= down 1%) compared with down 2% in 3Q11.

**Arthur J. Gallagher (AJG)**

Arthur J. Gallagher reported 4Q11 EPS of \$0.35. Our estimate was \$0.32, and the consensus estimate was \$0.33. Excluding one-time items, AJG reported adjusted EPS of \$0.39. We were impressed with the results, particularly the 4.9% organic growth in core Brokerage commissions and fees. Importantly, management commented on the conference call that exposure units appear to be holding steady, P/C rates are firming, and AJG continues to generate more new business vs. lost business.

All divisions reported positive organic growth. Brokerage organic revenue growth was +4.9% (RJE: +2.2%) vs. +2.2% in 3Q11. Risk Management organic growth was +12.6% (RJE: +4.0%) vs. +12.9% in 3Q11.

Management estimated that it could see modest adjusted EBITDAC margin expansion in Brokerage when organic revenue is above 3% and expects the 1Q12 Brokerage margin to be essentially flat y/y due to the integration of Health Lambert. The reported Brokerage EBITDAC margin declined to 19.3% in 4Q11 (RJE: 19.7%) from 20.0% in 4Q10 largely due to one-time items. The reported Risk Management EBITDAC margin improved to 15.1% (RJE: 14.4%) from 12.2% in 4Q10 as management completed the integration of GAB Robins.

Management raised its clean coal tax credit investment guidance and now expects an additional \$2.5 million in after-tax quarterly earnings from its 42% interest in Chem-Mod, LLC. Management guided Corporate segment EPS to \$0.12 in 2012 compared with our prior estimate of \$0.07. While management did not provide 2013 guidance, we believe our \$0.20/share estimate for the segment remains conservative.

**Assurant, Inc. (AIZ)**

**Summary:** Assurant reported an impressive quarter with non-GAAP operating EPS of \$1.65 versus \$1.08 a year earlier - well above our \$1.40 estimate and the Street consensus of \$1.36. Relative to our estimate, Assurant benefited by \$0.15 per share of lower than expected rebate expense in the Health segment and by another \$0.07 per share of claims liability reductions in Employee Benefits. These benefits were offset by \$0.09 per share of unfavorable reserve charges in Solutions and Other. Factor in a \$0.04 per share hit on higher than expected taxes and earnings normalize to \$1.56 per share.

Outperformance, excluding non-trendable items, was seen in the Specialty Property, Health, and Other segments, while Solutions was roughly in line. Relative to our estimate, Employee Benefits was \$2.2 million (-21.8%) short on lower than expected cat losses. In the same vein, Health exceeded our expectations by \$4.2 million on much lower than modeled rebates.

**Solutions:** Solutions reported operating earnings of \$28.5 million (\$33.4 adjusted for pre-need reserve charge), up 144% from a year ago but below our \$34.4 million estimate, reflecting a much higher than expected tax rate due to year-end true-ups.

**Specialty Property:** Specialty Property reported earnings of \$116.1 million (with no catastrophe losses) versus our forecast of \$103.3 million (including \$0.3 million of cat losses). The segment's combined ratio was 272 bp lower than our expectation.

At the end of the fourth quarter, Specialty Property was tracking 28.4 million mortgage loans, basically flat with last quarter and down 1.7% from a year earlier.

**Assurant Health:** Assurant Health posted operating earnings of \$22.7 million (including \$4.4 million positive rebate accrual) compared with our \$4.4 million estimate (which included \$9.8 million negative rebate accrual).

**Employee Benefits:** The Employee Benefits segment reported operating earnings of \$14.5 million (\$7.9 million adjusted for claims liability reduction) compared with our forecast of \$10.1 million and down from \$17.7 million reported a year earlier. The y/y decline reflected less favorable disability and life insurance loss experience.

**Corporate and Other:** Corporate and Other reported an earnings loss of \$21.1 million (\$16.9 million adjusted for reserve increase), which was better than the loss of \$24.1 million a year ago and compared well with our \$20.1 million loss target.

### ***Kemper Corp (KMPR)***

**Summary:** Kemper reported 4Q11 non-GAAP operating earnings per share of \$0.42 versus a gain of \$0.64 a year earlier and our estimate of \$0.85. Relative to our estimate, excluding variable income items of \$0.11 per share and an impairment of intangible assets in Unitrin Direct of \$0.14 per share, earnings would normalize to \$0.67 per share.

**Kemper Preferred:** Kemper Preferred's after-tax operating earnings were a gain of \$13.1 million versus a gain of \$9.1 million a year earlier and our \$20.7 million gain estimate. Earnings were affected by after-tax catastrophe results of \$3.1 million (versus our estimate of \$1.7 million), \$1.3 million after-tax of favorable reserve development (versus our \$1.7 million estimate), and a gain of \$0.6 million, after tax, from alternative investments (versus our expectation of a \$1.3 million gain). Adjusted for non-trendables, the shortfall in the quarter primarily reflected lower earned auto premium and an elevated loss ratio.

**Unitrin Specialty:** Unitrin Specialty reported after-tax earnings of \$3.9 million versus \$2.2 million a year earlier and our estimate of \$4.9 million. Relative to our estimate, earnings were affected by after-tax accident-year catastrophe results of \$0.07 million (versus our estimate of \$0.07 million) and \$1.6 million after tax of favorable reserve development (versus our estimate of \$1.2 million). Alternative investments had a gain of \$0.2 million, after tax, compared with our estimate of \$0.7 million in gains.

**Unitrin Direct:** Unitrin Direct reported an after-tax loss of \$17.0 million versus a loss of \$2.0 million last year and our loss estimate of \$2.3 million. Relative to our estimate, earnings were affected by after-tax catastrophe results of \$0.4 million (versus our estimate of \$0.07 million), \$1.3 million after tax of unfavorable reserve development (versus our \$0.7 million favorable estimate), and \$0.2 million of gains from alternative investments (versus our estimate of \$1.1 million in income). The company also recognized an \$8.8 million write-off of intangible assets associated with its acquisition of Direct Response in 2009.

Progress on the underwriting front seems to mean three baby steps forward, one giant leap back. The underlying loss ratio rose to 96.5% from 83.5%, and was well above our 82% forecast. The expense ratio was astronomical as well at 60.3% versus our 34.0% forecast and 30.8% a year ago.

Michigan, New York, and Florida remain thorns in the segment's paw. Direct received approval to non-renew all direct auto business in Michigan starting in April and has initiated actions to terminate distribution relationships in New York amounting to approximately 15% of its New York book. In reflection of these actions, the company took the write-off noted above.

**Life and Health:** Life and Health insurance posted after-tax operating earnings of \$32.5 million versus \$34.5 million in the same period a year earlier and our earnings estimate of \$33.4 million.

### ***Principal Financial Group Inc. (PFG)***

**Summary:** Principal posted fourth quarter non-GAAP operating EPS of \$0.71, above the \$0.66 reported in the same period a year earlier but below our estimate of \$0.76 and Street consensus of \$0.75. Identifiable one-timers in the quarter negatively affected results by \$0.02.

The slight shortfall from our estimate, excluding non-trendables, occurred primarily in the flagship Full Service Accumulation (FSA) business. The big question is whether and to what extent FSA is undergoing a model change and the effect this will have on the overall profitability of the business.

**Retirement and Investor Services** reported earnings were \$131.9 million (\$141.1 million post adjustments) compared to \$151.0 million in the same period a year earlier and our \$145.0 million estimate. **Positives:** FSA sales were \$3.4 billion versus the \$3.0 billion we had forecasted. FSA net client cash inflows were \$1.62 billion compared with our \$956 million inflow forecast and \$490 million of inflows reported a year earlier. Individual Annuities contributed \$30.0 million to earnings versus \$33.2 million a year earlier and our estimate of \$25.5 million. **Negatives:** Pension - Full Service Accumulation (FSA) earnings were \$63.9 million (\$73.9 million adjusted for variable spread income and excess DAC amortization) versus \$76.0 million a year ago and below our \$79.7 million forecast. Principal Funds contributed \$10.6 million of earnings versus \$10.5 million in the same period a year earlier and our \$11.7 million estimate.

**Principal Global Investors (PGI)** reported earnings of \$17.5 million versus \$19.2 million last year and just above our \$17.3 million estimate. **Positives:** Unaffiliated AUM was \$82.5 billion, in line with our projection. **Negatives:** Exclusive of assets sourced through other Principal operations, PGI had net outflows of \$1.9 billion versus \$900 million of outflows a year earlier.

**International Asset Management and Accumulation (IAMA)** reported earnings of \$51.4 million (\$41.4 million adjusted for a number of items including the addition of an extra month of Brazilian earnings), up from \$30.9 million in the same period a year earlier and better than our \$38.8 million estimate. **Positives:** Principal International net cash inflow was \$1.7 billion versus inflows of \$1.8 billion a year earlier. We had estimated inflows of \$825 million. **Negatives:** None.

**Insurance Solutions** reported earnings of \$59.3 million (\$56.3 million adjusted for DAC) versus \$52.3 million a year ago and our estimate of \$60.9 million. **Positives:** Life Insurance premiums and deposits were up 3.8% y/y. Loss ratios in Specialty Benefits were generally better than modeled. **Negatives:** Both Specialty Benefits and Life Insurance earnings were slightly short due to higher than projected expense levels.

**Corporate & Other** experienced an operating loss of \$43.0 million (\$31.0 million adjusted for MF Global exposure) compared with our loss projection of \$29.0 million and \$39.3 million a year ago.

### **Reinsurance Group of America (RGA)**

**Summary:** Reinsurance Group of America reported 4Q11 non-GAAP operating EPS of \$1.91 compared to \$2.15 a year earlier, our estimate of \$1.76, and the consensus estimate of \$1.84. A lower than expected tax rate and gains from recaptured policies benefited earnings by \$0.20 per share, while the lack of a FIN 48 adjustment to interest expense had a negative effect of about \$0.12 per share. Much better than expected mortality results in Canada offset unfavorable disability income results in the U.S. and Australia.

**U.S. operations** recorded pretax operating income of \$120.1 million compared to \$132.7 million in the same period a year earlier and well above our \$101.9 million estimate. **Positives:** Traditional Reinsurance pretax operating earnings were \$86.0 million compared to \$107.1 million reported a year earlier and above our estimate of \$80.1 million. Traditional Reinsurance net premiums were \$1.1 billion, up 5.0% from \$1.0 billion a year earlier and 5.0% higher than our \$1.0 billion estimate. Traditional's loss ratio was just below expectations at 86.6% - 40 bp better than our estimate, despite adverse claims experience in group disability. Financial Reinsurance pretax operating earnings were \$6.9 million, up from \$5.6 million in the same period a year earlier and above our \$6.4 million projection. **Negatives:** New traditional reinsurance assumed was \$24.8 billion, below both the \$26.2 billion a year earlier and our \$30.1 billion projection. Asset Intensive pretax operating earnings were \$27.2 million (\$13.2 million excluding a retroceded annuity treaty recapture) from last quarter's \$1.0 million but fell short, excluding the gain, of both the \$20.0 million reported in the same period a year earlier and our \$15.4 million estimate.

**International** pretax operating earnings were \$78.5 million versus \$81.1 million a year earlier but above our \$67.5 million estimate. **Positives:** Reflecting excellent mortality experience, the Canadian segment reported pretax operating earnings of \$41.0 million, well above our \$16.5 million forecast and up from \$36.6 million in the same quarter last year. Europe and South Africa pretax operating earnings were \$38.7 million versus \$36.4 million a year earlier and our \$28.3 million estimate due to favorable results most notably in the U.K. and South Africa. Net premiums increased across the board. **Negatives:** Asia-Pacific reported a pretax operating earnings loss of \$1.2 million, down from the gain of \$8.1 million in the same period a year ago and our \$22.8 million gain estimate. Poor results stemmed from unfavorable Australian disability - particularly low claim termination rates. New reinsurance assumed in Canada fell to \$11.3 billion from \$12.2 billion on a U.S. dollar basis annually, and from the third quarter's \$14.0 billion result. New reinsurance also fell in Europe and South Africa to \$24.9 billion from \$28.5 billion a year ago.

**Corporate and Other** reported a loss of \$3.2 million compared with a gain of \$7.3 million last year and our \$18.6 million gain estimate. There appeared to be no benefit in the quarter either from the release of tax reserves following the completion of previous years' audits or from FIN 48 ("Accounting for Uncertainty in Income Taxes") adjustments.

Management announced guidance expectations for 2012 within a range of \$6.70 to \$7.30 on a non-GAAP operating basis.

**Selective Insurance Group (SIGI)**

Selective Insurance Group reported operating EPS of \$0.33 in 4Q11 compared with our estimate of \$0.35 and the consensus estimate of \$0.30. The company reported operating EPS of \$0.48 in 4Q10. The variance from our estimate was primarily due to a better-than-expected combined ratio offset by a decline in net investment income.

Selective Insurance Group reported a 17% y/y increase (vs. our estimate of an increase of 11% y/y) in consolidated net premiums written to \$352.2 million in 4Q11, reflecting the inclusion of its E&S operations as well as 4% y/y growth in its core book of business.

The consolidated combined ratio (CR) improved to 98.7% (vs. our estimate of 102.5%) in 4Q11 and included 1.7 points (~\$0.08 per share) of cat losses and 2.7 points (~\$0.12 per share) of favorable prior period reserve development (PPRD). The 4Q10 CR was 100.1% and included 1.2 points (~\$0.05 per share) cat losses and 2.0 points (~\$0.08 per share) of favorable PPRD.

Pre-tax net investment income declined 31% y/y (vs. our estimate of a 3% y/y decline) to \$28.8 million in 4Q11, due to a loss of \$3.3 million in its alternative investment portfolio compared with earnings of \$9.1 million in 4Q10.

Management initiated 2012 guidance for a GAAP combined ratio of 102.5%, which includes a cat loss assumption of 2.5 points and no assumptions for PPRD; this compares with our current CR estimate of 102.0% for 2012. Net investment income is expected to be flat y/y from 2011, and weighted average shares outstanding at year-end 2012 are expected to be 55.6 million.

**StanCorp Financial Group (SFG)**

**Summary:** StanCorp Financial Group reported fourth quarter non-GAAP operating earnings of \$0.87 per share versus \$1.14 per share last year, significantly above our estimate of \$0.69 and the consensus estimate of \$0.80. The difference from our estimate is primarily due to much lower than expected experience rated refunds offset slightly by a decrease in discount rate.

**Insurance Services:** pretax income was \$53.7 million versus our \$43.8 million forecast while Asset Management pre-tax income was \$14.5 million compared with our estimate of \$15.9 million. The Other segment reported a pre-tax loss of \$15.8 million compared with our \$16.4 million loss expectation.

**Group Insurance:** While Group Disability claims incidence seems to be improving from earlier in the year, experience rated refunds contributed \$1.7 million to earnings compared with an expected cost of \$12 million, a difference of \$0.20 per share.

The group insurance benefit ratio for the quarter was 82.8%, above the 77.4% reported in 4Q10 but below our expectations of 83.6%. While a decrease in the discount rate added 7 bp to the claims ratio in the quarter, the claims results would have been worse than modeled when adjusted for the difference in experience rated refunds.

Sales were in line with expectations at \$73.6 million and higher than the \$73.1 million reported a year ago.

**Individual Insurance:** Premiums in the individual segment were in line with our forecast at \$43.3 million. The benefit ratio of 70.9% was higher than expected (we were looking for 66.3%). Given the small size of the individual disability income block, the loss ratio can be very volatile.

**Asset Management:** Asset Management reported pretax income of \$14.5 million versus our estimate of \$15.9 million, below the \$16.4 million reported last year.

Assets under administration fell 6.8% y/y, while average assets under administration decreased an estimated 5.6% in the same time period. Commercial mortgage originations increased 9.8% y/y, but decreased 12.8% from the third quarter.

**Other:** Other Operations experienced an operating loss of \$15.8 million for the quarter, roughly in line with our loss estimate of \$16.4 million.

**Miscellaneous:** Despite continued share repurchase during the quarter (10,100 shares at a total cost of \$0.3 million), excess capital increased by \$20 million to \$220 million as of December 31 compared with September 30. Reported book value per share was \$45.42 (excluding accumulated other comprehensive income, book value per share came to \$40.10) compared with \$45.97 (\$40.10 excluding AOCI) at the end of September.

The company announced a 2012 after-tax non-GAAP operating EPS guidance range of \$3.60 to \$3.90, with a return on equity in the range of 9% to 10%. Specifically, management is expecting a group benefit ratio in the range of 80% to 82%, flat premium growth, and capital deployment in the \$40 million to \$80 million range.

**Symetra Financial Group (SYA)**

**Summary:** Symetra reported non-GAAP operating EPS of \$0.38 compared with \$0.35 a year ago, our \$0.34 estimate, and consensus of \$0.34.

Overall, relative to our expectations and excluding non-trendables, outperformance was seen in the Benefit Division and the Income Annuity Division - partially offsetting weaker-than-modeled Life, Deferred Annuity, and Other results. Roughly \$0.09 per share of favorable investment and MBS prepayment income was partially offset by \$0.06 per share of various unfavorable unlockings, unfavorable mortality, and reserve modifications, normalizing the quarter by \$0.03 to \$0.35 per share versus our estimates.

**Benefit:** The Benefit division reported a pretax adjusted operating income of \$24.0 million (\$25.5 million excluding operating amortization charges) versus \$21.0 million last year and our estimate of \$17.4 million. **Positives:** The group loss ratio was 59.6%, lower than both 60.5% last year and our estimate of 65.0%. Total sales were strong at \$26.5 million (up 75.5% annually), driven by medical stop-loss sales. **Negatives:** None.

**Retirement:** Deferred Annuities generated \$27.9 million (\$21.6 million adjusted for favorable prepayment income, net of unlocking) in operating income versus our estimate of \$25.5 million and \$20.9 million last year, while Income Annuities reported \$6.5 million of earnings (\$10.1 million excluding unfavorable mortality) compared to our forecast of \$8.5 million and \$10.9 million in 4Q10.

**Positives:** Deferred Annuities recorded total fixed account values of \$10.6 billion, in line with our expectations and above \$9.2 billion a year ago. Additionally, the company's indexed annuity effort began in the second quarter and has grown from \$3.1 million of new sales to \$25.8 million. **Negatives:** Due to the difficult interest rate environment, both annuity operations reported declining sales. Income Annuity sales fell to \$54.1 million versus \$67.9 million a year ago, while Deferred Annuity sales declined to \$356.8 million compared with \$522.9 million last year. GAAP interest credited was higher than modeled.

**Life:** reported pretax adjusted operating income of \$18.2 million (\$14.5 million excluding investment prepayments and a reserve modification) compared with our estimation of \$17.1 million and \$17.3 million a year ago. **Positives:** None. **Negatives:** Sales were \$3.1 million during the quarter (RJ estimate \$3.3 million) compared to \$0.6 million a year ago. Slightly higher benefit expenses and deferred acquisition cost amortization than we had modeled contributed to the shortfall.

**Other:** reported a pretax adjusted operating loss of \$5.2 million (\$5.8 million adjusted) compared with our loss expectations of \$2.7 million and last year's reported loss of \$2.0 million.

**Guidance:** Management reiterated 2012 operating EPS guidance of \$1.25 to \$1.40.

## Insurance Earnings Calendar

Ticker	Company Name	Expected Earnings		Conference Call Details				FactSet	FactSet
		Release Date	Day	Date	Time (ET)*	Dial in Number	Access Code	4Q11 EPS Estimate	2011Y EPS Estimate
AHL	Aspen Insurance Holdings Ltd.	2/6/2012	Tuesday	2/7/2012	9:00 AM	(888) 459-5609	41345544	-0.22	-1.50
CNA	CNA Financial Corp.	2/6/2012	Monday	2/6/2012	10:00 AM	(888) 378-4353	--	0.73	2.31
MCY	Mercury General Corp.	2/6/2012	Monday	2/6/2012	1:00 PM	(877) 807-1888	--	0.68	2.90
PRE	PartnerRe Ltd.	2/6/2012	Tuesday	2/7/2012	10:00 AM	(800) 768-6570	1412604	-2.10	-9.37
TMK	Torchmark Corp.	2/6/2012	Tuesday	2/7/2012	11:00 AM	(719) 325-2487	Torchmark	1.24	4.68
UNM	Unum Group	2/6/2012	Tuesday	2/7/2012	9:00 AM	(800) 289-0726	7242399	0.75	2.93
AXS	AXIS Capital Holdings Ltd.	2/7/2012	Wednesday	2/8/2012	10:00 AM	(866) 843-0890	2678280	0.45	-1.34
HIG	Hartford Financial Services	2/7/2012	Wednesday	2/8/2012	9:00 AM	(800) 374-0753	42419941	0.62	1.83
HMN	Horace Mann Educators Corp.	2/7/2012	Wednesday	2/8/2012	10:00 AM	--	--	0.53	0.93
LNC	Lincoln National Corp.	2/7/2012	Wednesday	2/8/2012	11:00 AM	(877) 776-4049	--	1.00	4.18
NFP	National Financial Partners	2/7/2012	Wednesday	2/8/2012	8:30 AM	(866) 510-0708	NFP	0.62	2.03
PTP	Platinum Underwriters Holdings	2/7/2012	Wednesday	2/8/2012	8:00 AM	(888) 239-5167	4532514	0.37	-5.71
PRI	Primerica Inc.	2/7/2012	Wednesday	2/8/2012	10:00 AM	--	--	0.61	2.39
RNR	RenaissanceRe Holdings Ltd.	2/7/2012	Wednesday	2/8/2012	9:00 AM	--	--	1.15	-3.06
ALTE	Alterra Capital Holdings Ltd.	2/8/2012	Thursday	2/9/2012	10:00 AM	(888) 679-8040	96825658	0.29	0.90
CINF	Cincinnati Financial Corp.	2/8/2012	Thursday	2/9/2012	11:00 AM	(800) 374-0064	--	0.57	0.45
RE	Everest Re Group Ltd.	2/8/2012	Thursday	2/9/2012	10:30 AM	--	--	-0.41	-1.15
FNF	Fidelity National Financial	2/8/2012	Thursday	2/9/2012	10:00 AM	(800) 230-1074	--	0.67	1.55
THG	Hanover Insurance Group Inc.	2/8/2012	Thursday	2/9/2012	9:00 AM	--	--	0.81	0.08
PRU	Prudential Financial Inc.	2/8/2012	Thursday	2/9/2012	11:00 AM	(877) 777-1971	--	1.76	6.25
EIHI	Eastern Insurance Holdings	2/9/2012	Friday	2/10/2012	10:00 AM	(877) 317-6789	--	0.17	0.69
ENH	Endurance Specialty Holdings	2/9/2012	Friday	2/10/2012	8:30 AM	(888) 695-0608	8149681	-1.00	-3.23
FFG	FBL Financial Group Inc.	2/9/2012	Friday	2/10/2012	11:00 AM	(877) 280-7291	--	0.69	3.59
MFC	Manulife Financial Corp.	2/9/2012	Thursday	2/9/2012	2:00 PM	(866) 898-9626	--	-0.06	0.04
MRH	Montpelier Re Holdings Ltd.	2/9/2012	Friday	2/10/2012	8:00 AM	(877) 317-6789	--	-0.30	-2.50
PL	Protective Life Corp.	2/9/2012	Friday	2/10/2012	10:00 AM	(866) 761-0749	20640606	0.83	3.47
XL	XL Group plc	2/9/2012	Thursday	2/9/2012	5:00 PM	(866) 617-1526	XL GLOBAL	0.16	0.74
ACGL	Arch Capital Group Ltd.	2/14/2012	Wednesday	2/15/2012	11:00 AM	--	--	0.64	1.93
AGII	Argo Group International	2/14/2012	Wednesday	2/15/2012	10:00 AM	(888) 713-4214	33902903	-0.32	-3.44
MMC	Marsh & McLennan Companies	2/14/2012	Tuesday	2/14/2012	8:30 AM	(800) 967-7140	4267777	0.46	1.76
MIG	Meadowbrook Insurance Group	2/14/2012	Wednesday	2/15/2012	9:00 AM	(877) 407-8035	--	0.16	0.77
MET	MetLife Inc.	2/14/2012	Wednesday	2/15/2012	8:00 AM	(612) 326-1027	--	1.24	4.91
WSH	Willis Group Holdings Plc	2/14/2012	Wednesday	2/15/2012	8:00 AM	(866) 803-2143	WILLIS	0.49	2.77
AWH	Allied World Assurance Co.	2/15/2012	Thursday	2/16/2012	9:00 AM	(866) 843-0890	6211936	1.16	3.37
AFSI	AmTrust Financial Services	2/15/2012	Wednesday	2/15/2012	9:00 AM	(877) 755-7421	--	0.64	2.82

Source: SNL Financial.

## Summary Valuation Metrics

Company Name	RJ Rating	Market Cap (Mil)	Last Price	YTD Change	Price / Book ex.		2011E P/E	2012E P/E
					Price / Book	FAS 115		
<b>BERMUDA</b>								
XL	NC	\$6,763	\$21.10	6.7%	0.68	0.70	28.5	9.4
ACGL	NC	\$4,946	\$36.86	-1.0%	1.18	1.23	19.1	13.0
RE	NC	\$4,705	\$87.61	4.2%	0.77	0.83	NM	7.4
PRE	NC	\$4,554	\$67.22	4.7%	0.78	0.78	NM	8.6
AXS	NC	\$4,111	\$31.48	-1.5%	0.82	0.82	NM	7.7
RNR	NC	\$3,867	\$74.68	0.4%	1.29	1.29	NM	9.1
WTM	NC	\$3,496	\$458.48	1.1%	1.01	1.05	1,018.8	23.9
TRH	NC	\$3,271	\$57.00	4.1%	0.80	0.87	NM	9.5
VR	NC	\$3,231	\$32.48	3.1%	0.94	0.94	30.9	6.8
ALTE	NC	\$2,567	\$24.61	4.1%	0.90	0.97	27.3	10.3
AWH	NC	\$2,399	\$62.86	-0.1%	0.80	0.80	18.7	9.3
AHL	NC	\$1,932	\$27.37	3.3%	0.69	0.78	NM	9.3
ESGR	NC	\$1,656	\$99.89	1.7%	1.33	NA	9.5	9.1
ENH	NC	\$1,552	\$38.30	0.1%	0.70	0.75	NM	8.0
OB	NC	\$1,554	\$16.45	6.9%	1.42	NA	21.4	16.8
PTP	NC	\$1,297	\$34.96	2.5%	0.75	0.81	NM	8.3
MRH	NC	\$1,103	\$17.91	0.9%	0.79	0.79	NM	8.4
GLRE	NC	\$944	\$25.86	9.3%	1.29	1.29	17.2	7.8
AGII	MO-2	\$793	\$29.65	2.4%	0.51	0.59	NM	11.7
MHLD	NC	\$690	\$9.55	9.0%	0.90	1.00	9.5	7.7
FSR	NC	\$647	\$9.23	11.3%	0.74	0.74	NM	8.3
ASI	MP-3	\$226	\$21.73	-0.1%	0.74	NA	24.4	10.3
					0.80	0.82	21.4	9.1
<b>BOND INSURERS</b>								
AGO	NC	\$2,905	\$15.94	21.3%	0.61	NA	5.2	5.6
MBI	NC	\$2,447	\$12.67	9.3%	1.04	0.97	NM	NM
					0.82	0.97	5.2	5.6
<b>DIVERSIFIED</b>								
BRK.A	NC	\$194,970	\$118,120	2.9%	1.22	1.37	17.5	15.2
AIG	NC	\$49,969	\$26.31	13.4%	NM	0.64	33.3	10.7
ACE	NC	\$24,420	\$72.48	3.4%	1.00	1.07	10.6	9.6
HIG	NC	\$8,255	\$18.52	14.0%	0.37	0.39	10.1	5.5
CNA	NC	\$7,653	\$28.42	6.2%	0.65	0.72	12.3	10.7
GNW	MP-3	\$3,947	\$8.04	22.7%	0.24	0.26	17.9	6.4
AFG	MO-2	\$3,663	\$37.45	1.5%	0.81	NA	11.2	10.1
AIZ	MP-3	\$3,814	\$41.41	0.9%	NA	NA	9.7	7.5
ORI	MU-4	\$2,655	\$10.24	10.5%	NA	NA	NM	NM
ANAT	NC	\$1,984	\$73.96	1.3%	0.54	0.57	NA	NA
KMPR	MP-3	\$1,747	\$28.99	-0.8%	0.79	NA	22.0	11.4
					0.72	0.64	12.3	10.1
<b>INSURANCE BROKERAGE &amp; SERVICES</b>								
MMC	SB-1	\$17,172	\$31.92	0.9%	2.68	2.68	18.1	14.9
AON	MP-3	\$15,961	\$49.37	5.5%	NA	NA	15.1	13.6
WSH	NC	\$6,855	\$39.50	1.8%	2.55	2.55	14.3	13.0
VRSK	MO-2	\$6,455	\$39.47	-1.6%	NA	NA	23.4	20.7
TW	MO-2	\$4,170	\$59.74	-0.3%	1.66	NA	13.5	11.9
AJG	MO-2	\$3,977	\$34.67	3.7%	3.20	3.20	26.3	18.7
BRO	MP-3	\$3,377	\$23.55	4.1%	2.09	2.09	21.2	18.5
SLH	MP-3	\$3,495	\$49.29	10.7%	4.53	NA	20.4	17.9
EBIX	NC	\$924	\$25.44	15.1%	3.04	NA	16.3	15.4
NFP	NC	\$659	\$15.94	17.9%	1.63	1.63	7.9	6.8
CRVL	NC	\$562	\$49.27	-4.7%	NA	NA	20.5	NA
CRD.B	MP-3	\$257	\$5.74	-6.8%	2.22	NA	7.3	8.6
FRF	NC	\$141	\$6.85	2.5%	1.08	1.10	9.6	7.8
					2.38	2.32	16.3	14.3
<b>LIFE - ACCUMULATION</b>								
MET	MP-3	\$38,477	\$36.38	16.7%	0.66	0.77	7.4	7.1
PFG	SB-1	\$8,271	\$27.47	11.7%	0.91	0.98	9.7	8.7
LNK	SB-1	\$6,839	\$22.67	16.7%	0.46	0.55	5.4	5.7
AEL	SB-1	\$745	\$11.74	12.9%	0.50	0.75	5.8	5.9
PLFE	NC	\$350	\$11.85	18.6%	0.44	0.62	NA	NA
					0.59	0.74	7.1	6.8
<b>LIFE - REINSURANCE</b>								
RGA	MO-2	\$4,071	\$55.49	6.2%	0.66	0.86	7.7	7.9
<b>LIFE - TRADITIONAL</b>								
PRU	MO-2	\$27,527	\$58.32	16.4%	0.74	0.86	9.3	8.3
TMK	MP-3	\$4,764	\$46.73	7.7%	1.14	1.33	10.0	8.9
DFG	NC	\$2,722	\$44.65	0.8%	1.41	1.50	12.9	11.9
PL	SB-1	\$2,129	\$25.71	14.0%	0.52	0.68	7.4	7.8
PRI	MP-3	\$1,610	\$24.81	6.8%	1.16	1.24	10.4	9.3
CNO	NC	\$1,727	\$7.10	12.5%	0.35	0.40	9.7	10.3
FFG	MP-3	\$1,115	\$35.66	4.8%	0.80	0.93	9.9	12.0
CIA	NC	\$521	\$10.43	7.6%	2.05	2.21	65.2	52.2
KCLI	NC	\$379	\$33.42	1.8%	0.52	0.59	NA	NA
PNX	MP-3	\$277	\$2.38	41.7%	0.22	0.23	6.3	5.0
					0.77	0.89	9.9	9.3

Source: SNL, Priced 2/2/2012.

\*NC=Not Covered

Company Name	RJ	Market Cap	Last Price	YTD Change	Price / Book ex.		2011E P/E	2012E P/E	
	Rating	(Mil)			Price / Book	FAS 115			
<b>P&amp;C STANDARD</b>									
TRV	Travelers Companies, Inc.	NC	\$23,328	\$59.39	0.4%	0.95	1.08	17.8	10.2
CINF	Cincinnati Financial Corporation	NC	\$5,357	\$33.05	8.5%	1.12	1.31	73.4	22.6
THG	Hanover Insurance Group, Inc.	NC	\$1,670	\$37.21	6.5%	0.68	0.75	465.1	9.6
HGIC	Harleysville Group Inc.	NC	\$1,554	\$57.14	1.0%	2.07	2.51	NM	22.9
AFSI	AmTrust Financial Services, Inc.	NC	\$1,564	\$26.07	9.8%	1.87	1.89	9.2	9.2
SIGI	Selective Insurance Group, Inc.	MP-3	\$990	\$18.20	2.7%	0.89	0.98	60.7	11.9
STFC	State Auto Financial Corporation	NC	\$504	\$12.52	-7.9%	0.84	0.97	NM	21.2
NATL	National Interstate Corporation	MU-4	\$521	\$26.80	8.6%	1.54	1.61	16.4	14.3
BWINB	Baldwin & Lyons, Inc.	NC	\$339	\$22.79	4.5%	1.06	1.16	NA	NA
EMCI	EMC Insurance Group Inc.	NC	\$303	\$23.53	14.4%	0.85	0.97	NM	20.5
	<i>Median</i>					1.01	1.12	39.2	14.3
<b>PERSONAL LINES</b>									
ALL	Allstate Corporation	MO-2	\$15,175	\$30.29	10.5%	0.81	0.88	37.4	8.3
PGR	Progressive Corporation	SB-1	\$12,848	\$20.96	7.4%	2.21	2.51	14.4	13.3
ERIE	Erie Indemnity Company	NC	\$4,205	\$77.64	-0.7%	4.43	4.46	24.6	23.4
MCY	Mercury General Corporation	MU-4	\$2,429	\$44.29	-2.9%	1.34	1.34	15.3	16.2
IPCC	Infinity Property and Casualty Corporation	MP-3	\$718	\$60.67	6.9%	1.11	1.16	28.6	21.2
SAFT	Safety Insurance Group, Inc.	NC	\$672	\$44.23	9.3%	1.03	1.08	49.1	14.5
HMN	Horace Mann Educators Corporation	NC	\$639	\$16.00	16.7%	0.61	0.80	17.2	8.7
HTH	Hilltop Holdings Inc.	MO-2	\$502	\$8.89	5.2%	0.78	0.79	NM	127.0
DGICA	Donegal Group Inc.	NC	\$408	\$15.62	10.3%	1.03	1.09	104.1	16.4
UVE	Universal Insurance Holdings, Inc.	NC	\$166	\$4.14	15.6%	1.06	1.06	3.4	4.0
FAC	First Acceptance Corporation	NC	\$49	\$1.20	-11.8%	0.49	0.53	NA	NA
KFS	Kingsway Financial Services Inc.	NC	\$34	\$0.64	23.8%	0.26	NA	NA	NA
	<i>Median</i>					1.03	1.08	24.6	15.3
<b>MEDICAL MALPRACTICE</b>									
PRA	ProAssurance Corporation	MO-2	\$2,548	\$83.45	4.5%	1.26	1.34	12.2	14.3
<b>MICRO-CAP INSURERS</b>									
IHC	Independence Holding Company	NC	\$161	\$9.82	20.8%	0.62	0.64	NA	NA
EIHI	Eastern Insurance Holdings, Inc.	NC	\$113	\$14.20	1.6%	0.90	0.92	20.6	18.9
ITIC	Investors Title Company	NC	\$86	\$40.37	12.9%	0.82	0.88	NA	NA
UNAM	Unico American Corporation	NC	\$62	\$11.58	-3.9%	0.81	0.83	NA	NA
HCII	Homeowners Choice, Inc.	NC	\$63	\$10.17	27.0%	1.30	1.29	10.6	6.9
UIHC	United Insurance Holdings Corp.	NC	\$47	\$4.50	2.3%	0.90	0.93	NA	NA
AAME	Atlantic American Corporation	NC	\$43	\$2.03	3.0%	0.51	0.57	NA	NA
TCHC	21st Century Holding Company	NC	\$26	\$3.22	8.8%	0.46	0.46	NA	NA
NSEC	National Security Group, Inc.	NC	\$24	\$9.93	13.5%	0.64	0.72	NA	NA
KINS	Kingstone Companies, Inc.	NC	\$13	\$3.35	-6.7%	0.91	0.93	NA	NA
AFFM	Affirmative Insurance Holdings, Inc.	NC	\$18	\$1.15	117.0%	0.24	0.24	NA	NA
TGIC	Triad Guaranty Inc.	NC	\$2	\$0.10	-9.1%	NM	NM	NA	NA
	<i>Median</i>					0.81	0.83	15.6	12.9
<b>MORTGAGE INSURERS</b>									
MTG	MGIC Investment Corporation	NC	\$811	\$4.03	8.0%	0.68	NA	NM	NM
RDN	Radian Group Inc.	NC	\$374	\$2.81	20.1%	0.29	0.29	NM	NM
	<i>Median</i>					0.48	0.29	NM	NM
<b>SPECIALTY</b>									
CB	Chubb Corporation	MO-2	\$18,478	\$67.81	-2.0%	1.19	1.34	13.4	11.8
WRB	W.R. Berkley Corporation	NC	\$4,959	\$36.06	4.9%	1.24	NA	17.7	14.4
MKL	Markel Corporation	NC	\$3,897	\$405.00	-2.3%	1.15	NA	33.9	25.7
HCC	HCC Insurance Holdings, Inc.	MP-3	\$3,076	\$28.88	5.0%	0.94	1.00	12.8	9.8
Y	Alleghany Corporation	NC	\$2,554	\$298.70	4.7%	0.91	0.93	26.9	23.0
RLI	RLI Corp.	NC	\$1,536	\$72.57	-0.4%	1.88	2.19	13.4	17.1
TWGP	Tower Group, Inc.	NC	\$866	\$21.72	7.7%	0.85	0.90	15.7	7.8
NAVG	Navigators Group, Inc.	NC	\$718	\$50.25	5.4%	0.90	0.96	32.4	18.1
HALL	Hallmark Financial Services, Inc.	MP-3	\$140	\$7.25	3.7%	0.66	NA	NM	145.0
	<i>Median</i>					0.94	0.98	16.7	17.1
<b>SUPPLEMENTAL</b>									
AFL	Aflac Incorporated	MO-2	\$22,607	\$48.48	12.1%	1.67	1.83	7.6	7.3
UNM	Unum Group	MO-2	\$6,748	\$23.08	9.5%	0.71	0.79	7.9	7.3
SFG	StanCorp Financial Group, Inc.	MP-3	\$1,744	\$39.39	7.2%	0.87	1.03	12.6	10.5
SYA	Symetra Financial Corporation	MP-3	\$1,133	\$9.55	5.3%	0.36	0.53	6.9	7.2
	<i>Median</i>					0.79	0.91	7.7	7.3
<b>WORKERS COMPENSATION</b>									
EIG	Employers Holdings, Inc.	NC	\$633	\$18.15	0.3%	1.30	1.68	36.3	29.8
MIG	Meadowbrook Insurance Group, Inc.	MP-3	\$510	\$9.99	-6.5%	0.88	0.99	13.0	10.4
AMSF	AMERISAFE, Inc.	NC	\$442	\$24.46	5.2%	1.31	1.31	19.0	16.3
SBX	Seabright Holdings, Inc.	NC	\$184	\$8.24	7.7%	0.52	0.55	NM	41.2
	<i>Median</i>					1.09	1.15	19.0	23.0

Source: SNL, Priced 2/2/2012.

\*NC=Not Covered

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**Market Perform (MP3)** Expected to perform in line with the underlying country index.

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	Coverage Universe Rating Distribution			Investment Banking Distribution		
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<b>Market Perform (Hold)</b>	36%	27%	54%	5%	28%	3%
<b>Underperform (Sell)</b>	6%	0%	6%	6%	0%	0%

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