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Insurance Industry Focus
Freeman & Co. LLC

Inside this Issue:

Damned if You Don't

2011 Insurance M&A Outlook

If there's a lesson that the insurance industry should have learned from the credit crisis in 2008-09, it's that there is no time like the present to act in terms of improving balance sheets and divesting non-core lines of business. Only two years ago, late in 2008, the American Council of Life Insurers approached the U.S. Government's TARP fund, hat in hand, with the rationale that the insurance industry was critical to the U.S. financial system. The resulting multi-billion dollar taxpayer bailouts of AIG and several other insurers proved that the industry was far worse off than either the ratings agencies or individual management teams had anticipated.

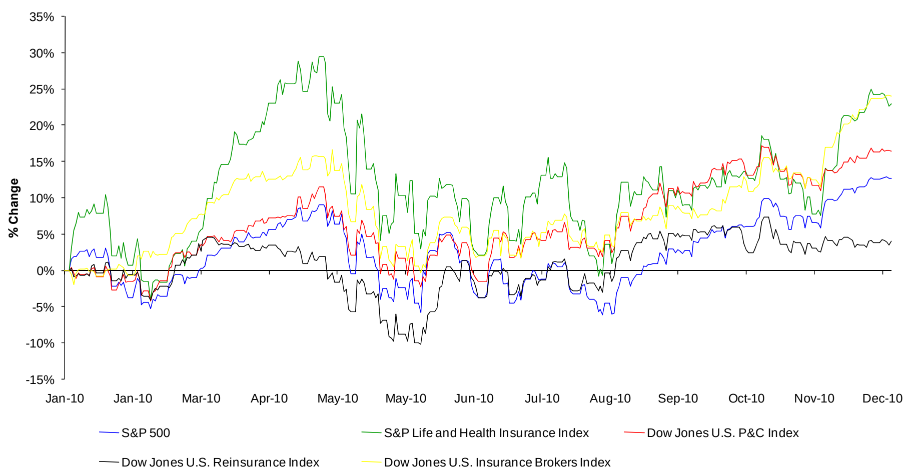
Although the insurance industry is substantially better off today, insurers still have plenty of room to improve their financial position and business strategies. Several converging factors should drive M&A transactions over the course of 2011-12, including:

- Sweeping global regulatory changes that will dramatically effect capital requirements in the U.S., Europe and Asia
- Continued reaching for yield as the low rate environment continues to take its toll on various life insurers writing spread business, along with the added expenses of implementing hedging programs
- Tremendous reliance by both life and property & casualty insurers on the existing rating agencies' ability to accurately predict credit risks
- Consumer trends in an extremely challenging economic climate

Indices at January 7, 2011

Index / Metric	Value
DJIA	11,674
NASDAQ	2,703
S&P 500	1,271
FTSE 100	5,894
10 yr Bond	3.32%
DJ U.S. Select Insurance Index	3,538
USD per GBP	$1.55
USD per Euro	$1.31

2010 U.S. Insurance Company Stock Performance



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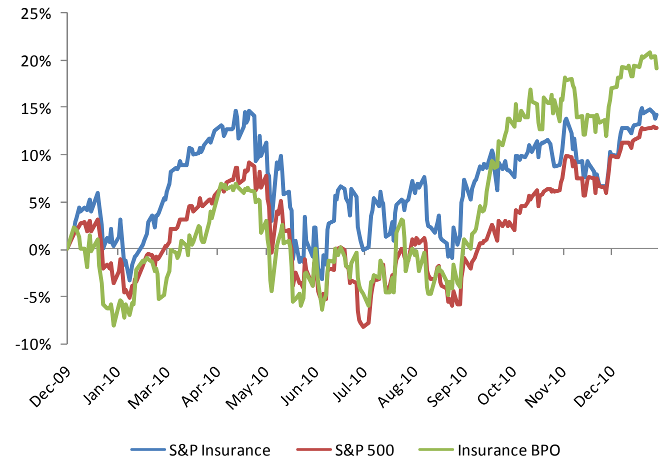
Solvency What?

What's on the horizon for U.S. and European insurers?

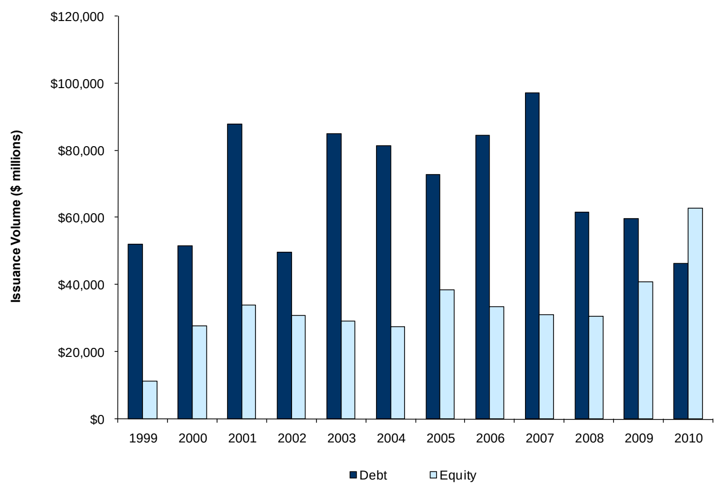
In July 2010, we published an overview on Europe's Solvency II regime, which is currently scheduled to be implemented in 2012. Over 1,500 insurers have thus far been involved in five quantitative impact studies used to determine and evaluate Solvency Capital requirements. We estimate that certain European insurers are one-third to two-thirds undercapitalized. There's little doubt that the Solvency requirements will continue to morph as the industry struggles to collectively meet the new regulatory capital requirements. However, one clear trend that we see is a massive wave of capital raising initiatives over the next few years. Our belief is that most large insurers that can access public capital markets will do so. This dynamic will leave smaller and middle market insurers that lack both diverse product lines and access to public capital markets as likely M&A targets.

The need for increased regulatory capital will seriously affect U.S. life and property & casualty insurers in 2011-12. We have previously written about alternatives to public capital raising efforts like divesting non-core business lines and outsourcing various back office functions via TPA/BPO platforms. These specific trends certainly picked up during the recent credit crisis and we expect them to continue for the next several years. The credit crisis served as the catalyst pushing the insurance industry into action, but this wave is far from cresting. Below we have highlighted several insurance owned asset managers that were divested during the last two years, and on p. 8 of this report we highlight selected TPA/BPO transactions done in 2010.

Insurance Servicing & Processing Stock Performance[1]



Insurance Carrier Capital Raising



Notable Insurance Company Divestitures of Asset Management Subsidiaries

Date	Parent Insurer	Asset Management Affiliate	AUM ($bn)	Buyer
12/31/2008	Phoenix Cos.	Virtus Investment Partners	$22.6	Spin-off (NYSE: VRTS)
6/16/2009	Swiss Re	Conning & Co.	70.0	Aquiline Partners
8/19/2009	Lincoln National	Delaware Investments	124.4	Macquarie
9/7/2009	AIG	AIG Investments	89.0	Pacific Century Group
10/21/2010	The Hartford	Hartford Investments Canada	1.7	CI Financial

The Dilemma for Middle-Market U.S. Insurers

Several insurers struggled to raise capital throughout the credit crisis. While certain transactions required asset divestitures, others required costly capital raises like Warren Buffet's 12% preferred stock invested into Swiss Re in March 2009. Expensive equity and debt may have plugged the dike for some companies in the short term, however, many insurers have seen their embedded values erode as a result of these transactions.

In the U.S., we believe that several smaller and middle-market insurers will continue to be likely M&A candidates, and to continue divesting non-core assets, as companies either fail to gain operating scale or to access the necessary capital required to write new business. Mutual insurers will also continue to face headwinds on the capital raising and divestiture front in 2011, as many are facing continuing downward pressure on their financial strength ratings.

1) Insurance BPO Index includes: ATHN, CRVL, COVR, CRD.B, EBIX, EXLS, G, HMSY, SLH

Source: Thomson Reuters / Freeman & Co.

The Dilemma for Middle-Market U.S. Insurers (cont.)

While the combination of writing long-term liabilities and statutory accounting principles kept some mutual insurers out of the frying pan during the credit crisis, others continue to face the flames being fanned by A.M. Best and S&P.

Recent Ratings Actions on Select Mutual Insurance Companies

Company	Type	Capital & Surplus	Total Assets	A.M. Best Rating	S&P Rating	S&P Direction	S&P Watch as of 11/29/10
Nationwide Mutual Insurance Co	P&C	$10,444,407	$27,874,818	A+	A+	Affirm	**Outlook Negative**
Pacific Life Insurance Co.	Life	5,756,508	97,153,671	A+	A+	**Downgrade**	Outlook Stable
Mutual of Omaha Insurance Co.	Life	2,253,043	18,968,362	A+	AA-	Affirm	**Outlook Negative**
National Life Insurance Co.	Life	1,173,683	8,578,949	A	A	**Downgrade**	Outlook Stable
Medical Prof Mutual Ins Co.	P&C	907,499	2,525,478	A-	BB	**Downgrade**	
State Automobile Mutl Ins Co.	P&C	854,907	1,805,773	A+	A-	**Downgrade**	Outlook Stable
MAG Mutual Insurance Co.	P&C	529,169	1,474,710	A-	BB	**Downgrade**	
PA National Mutual Cas Ins Co.	P&C	503,015	1,531,027	A-	BBB+	Affirm	**Outlook Negative**
FCCI Insurance Co.	P&C	453,284	1,538,741	A-	BB	**Downgrade**	
Union Central Life Ins Co.	Life	407,516	6,792,741	A	A+	**Downgrade**	Outlook Stable
Mutual Insurance Co. of AZ	P&C	405,607	987,698	A	BBB	**Downgrade**	
State Volunteer Mutual Ins Co.	P&C	398,990	1,145,740	A	BB	**Downgrade**	
GuideOne Mutual Insurance Co.	P&C	391,681	1,033,344	A	BBB	**Downgrade**	
Acacia Life Insurance Co.	Life	329,086	1,518,640	A	A+	**Downgrade**	Outlook Stable
Public Service Mutual Ins Co.	P&C	245,083	626,987	B++	BBB	Affirm	**Outlook Negative**
Trustmark Insurance Co.	Life	230,512	1,211,973	A-	BBB	**Downgrade**	

Demutualization: A potential solution for U.S. mutual insurance companies

In 2009-2010, Freeman & Co. advised Security Benefit Corporation on its $400 million recapitalization and demutualization. The case study below highlights some of the dynamics that we believe additional mutual insurers may face going forward:

SECURITY BENEFIT℠ GUGGENHEIM

Background:

Security Benefit Corporation ("SBC") is a Kansas-based provider of annuity and asset management products that has operated for over a century. SBC's primary subsidiaries include Security Benefit Life Insurance Co. ("SBL"), which has 200,000 policyholders consisting of primarily fixed and variable annuities with $4.3bn in general account assets; Rydex|SGI, which has $22 billion in AUM in traditional and alternative investment strategies in separate accounts, mutual funds and ETFs; se2, which provides TPA services for 700,000 primarily variable annuity policies encompassing $30 billion in assets under administration; and Security Financial Resources, which services 135,000 retirement plan accounts focused on the 403(b) education marketplace.

Rationale:

SBC faced significant challenges during the credit crisis, including:

- Deterioration of credit quality in SBL's general account, including investments in CDOs, ABS and MBS
- SBC and its subsidiaries had faced several ratings downgrades following the announcement of the Rydex acquisition, resulting in an S&P financial strength rating of BB with negative watch

Transaction:

In early 2010, a Guggenheim-led investor group sponsored the demutualization of SBC, which became 100% owned by the investor group following the closing of the transaction in July. The transaction resulted in a four-notch upgrade by S&P on closing from BB negative watch to BBB+ with positive watch.

1) Freeman & Co. initiated the transaction and acted as exclusive financial advisor to Security Benefit Corporation

Source: Freeman & Co., SNL

Low Interest Rates…

…and even lower trust in the credit ratings agencies

Obviously, we don't have a crystal ball and therefore we cannot accurately predict future interest rate movements. With that said, spread writers in both the U.S. and the UK will continue to face an uphill economic battle during what we believe will be a prolonged period of low rates. Annuity companies will need to continue "pushing out" in terms of risks taken on the credit spectrum in order to earn their minimum crediting rates, and certain carriers will continue to wrestle with the implementation of hedging programs, all in an era of more onerous and expensive regulatory capital.

We're also not sure when the exact moment came that the "music died" in terms of reliance on the current ratings oligopoly. It was a far easier question to answer in the song *American Pie*. However, our best guess is that it happened en masse sometime between the subprime crisis and Fannie Mae issuing preferred stock that went to zero nearly instantaneously. Investors are now demanding new standards of accuracy and performance from the ratings agencies, and several potential new players such as Kroll and Meredith Whitney may enter the marketplace in 2011. It is our sincere hope that below investment grade collateral will cease to move across the PowerPoint slides of the future and magically become AAA rated securities. One wise trader responded to the backlash against CDO structures by stating, "CDO's aren't bad, there's just bad collateral and bad attachment points." We agreed wholeheartedly with this sentiment, and hope that the bulk of insurers are taking a hard look at the credit risks in their portfolios.

We also plan to publish a separate white paper in January titled, "Is a Terrorist Lurking in Your Investment Portfolio?" which highlights some of the deficiencies that certain insurers have in managing their general account portfolios. With enormous pressure being put on state and local governments to figure out how to fund their future pension liabilities, it would be a foolish strategy for insurers to simply bury their heads in the sand and believe that their municipal bond portfolios, for example, are in fact trading at realistic values. Finally, we continue to see the growing trend of watching the gatherers of insurance liabilities outsourcing to third party institutional fixed income managers who can more efficiently evaluate credit risks while maintaining ALM targets within insurers' existing portfolio guidelines.

20 Largest Insurance Asset Managers Globally(1)

$ billions

Parent Asset Manager	Insurance AUM	Firmwide AUM
Blackrock	$291.6	$3,446.1
Deutsche Asset Management	222.3	703.0
Welington Management	168.0	1,607.0
PIMCO	148.6	1,000.0
Goldman Sachs Asset Management	88.4	823.0
Conning	76.4	79.0
Delaware Investments	69.7	145.0
T. Rowe Price	62.7	439.7
General Re-New England Management	60.4	65.5
J.P. Morgan Asset Management	58.1	1,300.0
State Street Global Advisors	56.9	1,900.0
Legg Mason	48.5	673.5
BNY Mellon	43.9	1,140.0
Aberdeen Asset Management	37.3	276.8
MFS Investment Management	36.3	208.5
PineBridge Investments	30.9	83.0
Schroders	28.4	254.1
AllianceBernstein	26.1	499.0
Wells Capital Management	25.2	354.0
Janus Capital Group	22.4	160.8

1) Insurance AUM as of 3/31/10 and reflects unaffiliated AUM only; Overall AUM as of most recent regulatory filings

Source: Pensions & Investments, SEC

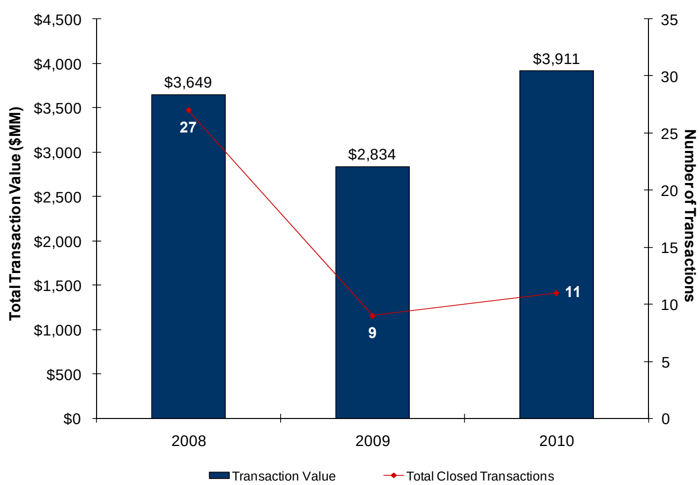
2010 Private Equity Activity in Insurance

Sponsor Activity Shows Signs of Life

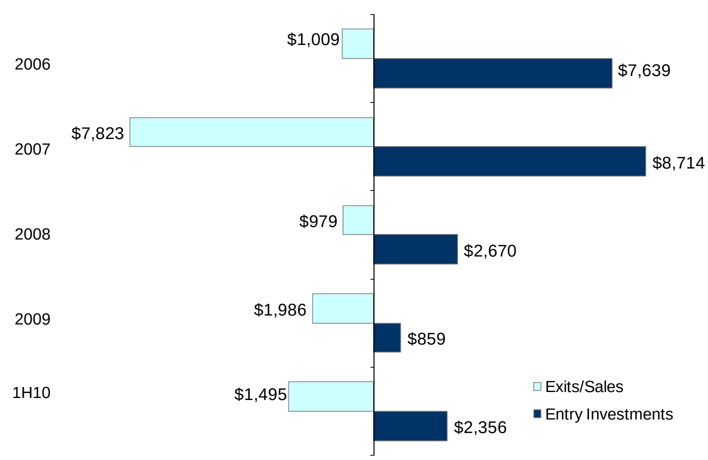
For the third consecutive year private equity activity among insurance carriers, brokers and technology providers remained sluggish and well off record levels of investment achieved in 2006 and 2007. However, 2010 witnessed a sharp increase in investment over 2009, which may bode well for 2011.

Perhaps the most notable transaction to close in 2010 was an investor group's sale of Alterra shares, an offshore property and casualty insurer that went public on the NYSE in May. Alterra was formed through the merger of Max Capital Group and Harbor Point, which previously had sponsor backing from Stone Point. Stone Point and other sponsors retained some of their equity in the combined entity. A notable entry transaction involved the first sponsored demutualization in at least three years – Guggenheim Partners' $400 million investment into, and demutualization of, Security Benefit Life Insurance, which was announced in February and closed in July. Another notable entry transaction was Warburg Pincus' investment in Primerica, a life insurance and financial advisory arm of Citigroup that was IPO'd in April. This was Warburg's second multi-billion dollar insurance deal in recent years, following their 2008 rescue of bond insurer MBIA. Other transactions to close in 2010 included Genstar's purchase of Granite Global Solutions, a Canadian risk technology provider; Electra's assistance on the MBO of Esure, a UK-based auto insurer; and Greenhill Capital Partners' investment into Acrisure, a Michigan-based insurance brokerage.

Private Equity Transactions in Insurance(1)



Private Equity Insurance Entry vs. Exit Deals(1)



Select Private Equity Insurance Transactions: 2010

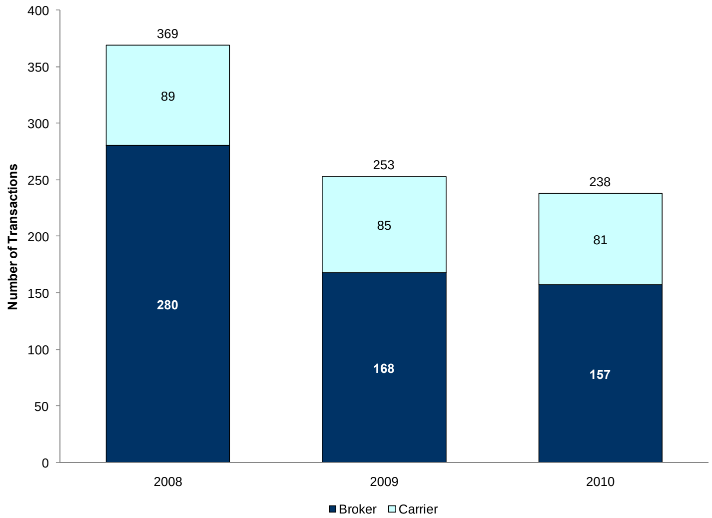
Announce Date	Target	Target Type	Target Country	Acquirer	Deal Value ($mm)	Amount Acquired	Entity Value ($mm)
11/23/2010	NYMAGIC	Property & Casualty	USA	Goldman, TPG	$329	NA	NA
5/31/2010	Granite Global Solutions, Inc.	Insurance Technology	USA	Genstar Capital	NA	NA	NA
5/12/2010	Alterra (2)	Property & Casualty	Bermuda	BAML, Diamond Castle, Stone Point	$1,394	NA	NA
4/15/2010	Primerica, Inc.	Life & Health	USA	Warburg Pincus	$230	23%	$1,019
3/12/2010	Jelf Group PLC	Brokerage	UK	Capital Z	$29	NA	NA
2/16/2010	Security Benefit Corporation	Life & Health	USA	Guggenheim Partners	$400	100%	$400
2/11/2010	Esure Holdings Limited	Insurance Technology	UK	Electra Private Equity	$422	70%	$603
1/29/2010	Acrisure LLC	Brokerage	USA	Greenhill Capital Partners	$20	NA	NA

1) Includes only transactions that have closed
2) Exit transaction

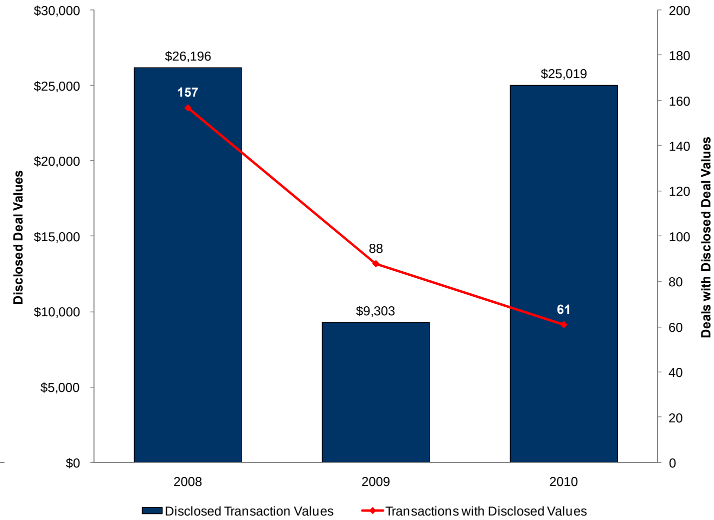
Source: Thomson Financial / Freeman & Co.

2010 Insurance Carrier and Broker M&A Activity

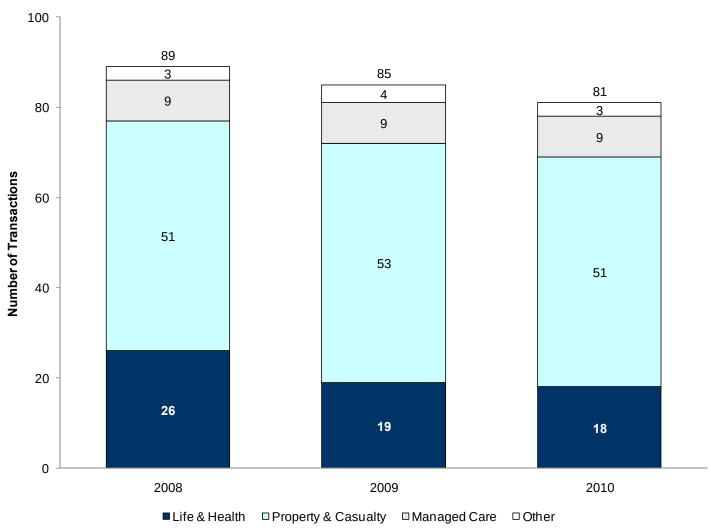
Total Number of Insurance Transactions



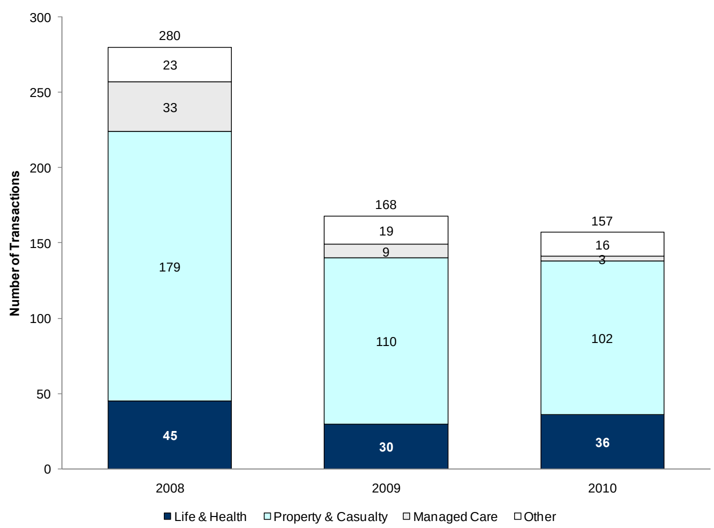
Insurance Transactions with Disclosed Deal Values



Insurance Carrier Transactions by Type



Insurance Broker Transactions by Type



Notable Insurance Transactions: 2010

Announce Date	Target	Target Type	Acquirer	Deal Value ($mm)	Amount Acquired	Entity Value ($mm)
3/7/2010	AIG's American Life Insurance Company	Life & Health	MetLife, Inc.	$15,545	100%	$15,545
9/30/2010	AIG's Star and Edison subsidiaries	Life & Health	Prudential Financial, Inc.	$4,200	100%	$4,200
2/17/2010	Zenith National Insurance Corp.	Property & Casualty	Fairfax Financial Holdings Limited	$1,319	92%	$1,439
9/14/2010	Rain and Hail Insurance Bureau	Property & Casualty	ACE Limited	$1,100	80%	$1,378
10/22/2010	Liberty Life Insurance Company	Life & Health	Athene Life Re	$628	100%	$628

Life Settlements: Life After Death

Marketplace Stabilizing after Volatile Two Years

Life settlements, or transactions involving the sale of an existing life insurance policy to a third party, have developed into an estate-planning tool for elderly Americans over the past decade. The secondary market for such policies ballooned at the same time, as life settlements also became a popular investment for alternative asset managers seeking uncorrelated returns. However, from the onset of the financial crisis through the early part of 2010, investor appetite for committing large sums in order to support the negative cash flow profile of the asset class had virtually disappeared. Over the past six months, we have seen an increase in activity, led by a few serious institutional buyers who have returned to the asset class in significant size. These buyers either have found that the concerns of the previous two years have subsided, or they have proactively mitigated these concerns:

Issue	Investor Concern	Solution
Liquidity Demands	• Annual premium payments associated with the high face value policies that make up life settlement portfolios limit both the number and type of buyers that can participate in the market	• New vehicles have been formed with long-term, locked-up capital • Finance future premiums with third-party lenders that are committing debt capital again • Reserve additional 90 to 100% of the purchase price to pay future premiums
Carrier Litigation	• Insurance carriers would litigate over a lack of insurable interest, or fraudulent underwriting, leading to litigation over matured policies	• Recent investor-friendly court decisions, where AXA and Phoenix each claimed lack of insurable interest or fraud in separate cases, have required carriers to pay claims after the contestability period, in each case, had passed
Carrier Insolvency	• Non-payment of claims as a result of carrier insolvency became a concern when major life insurers came under severe stress in 2008 • For example, Phoenix Life saw its risk-based capital nearly breach regulatory compliance levels	• Accessibility to government assistance (e.g., AIG and other TARP-assisted carriers) and a general improvement in carrier balance sheets have staved off insolvencies thus far • Carrier credit analysis is now a key consideration in life settlement investing and portfolio construction
Life Expectancy Accuracy	• After life expectancy underwriters extended their actuarial tables in 2009, the second such increase in two years, many portfolios took severe valuation impairments	• Sophisticated buyers now perform their own analysis on a policy-by-policy basis to determine a portfolio's value, use updated life expectancy tables, and improved stress test scenarios

The recent news that Apollo Management had raised a $600 million fund to buy life settlements, coupled with Fortress' purchase of $6.2 billion of policies from KBC are welcome signs for sellers that secondary market demand is resurfacing. More yield-hungry investors should follow, as portfolios are now trading around 18-20% IRRs – a healthy pickup on the underlying life insurance carriers' bond yields.

Another positive dynamic for the life settlements market is that certain policies are now being sold via 363 bankruptcy court-ordered processes. A typical requirement of a 363 sale is that assets are delivered free of any liens or encumbrances. In an asset class with a history of litigation surrounding proper title and origination practices, 363 processes may mitigate a key risk that had previously discouraged buyers from entering the market involving tertiary policies.

Recent Life Settlements Secondary Market Activity

Date	Seller	Buyer	NDB	Description
Apr 2010	KBC Group(1)	KBC Group (credit bid)	$1,741	Auction of Lancier, Olive Tree, XLI, XE Life Policies
Oct 2010	KBC Group	Fortress Investment Group	$6,187	Asset divestiture from KBC Group
Nov 2010	SageCrest(1)	TBD	$514	Bankruptcy court-ordered sale of life settlements portfolio

1) Freeman & Co. hired as advisor to run auction process

Cat Bonds: On the Rebound

What are Cat Bonds?

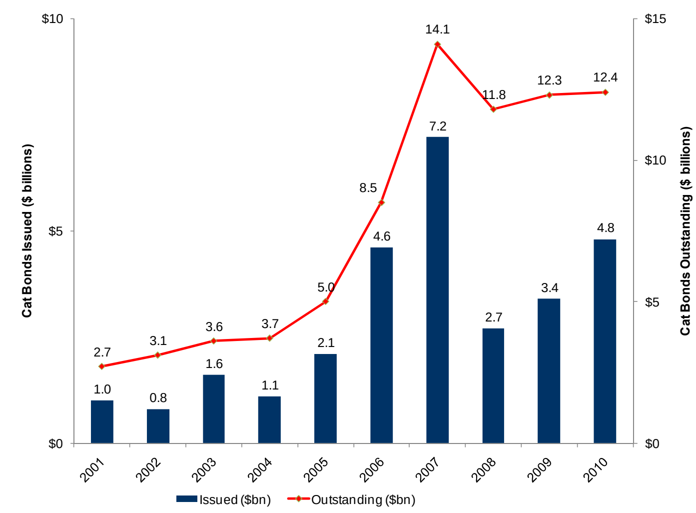
Catastrophe bonds ("cat bonds") are risk-related securities that transfer a specified set of risks from a sponsor to the investors. They are intended to transfer insurance risk arising out of natural disasters such as earthquakes, hurricanes and floods to the capital markets. When investors buy a cat bond, this capital outlay is invested in high credit quality collateral, such as a money market fund, not given to the reinsurer that issues the bond. If the bond is triggered by a pre-defined catastrophic event, the reinsurer sells the collateral and takes the cash to help cover its losses. But if not, the investor receives the principal and interest back, typically over a three year horizon. While the asset class has become popular in developed markets, issuance remains limited in emerging economies.

What has driven the 2010 increase in cat bond issuance?

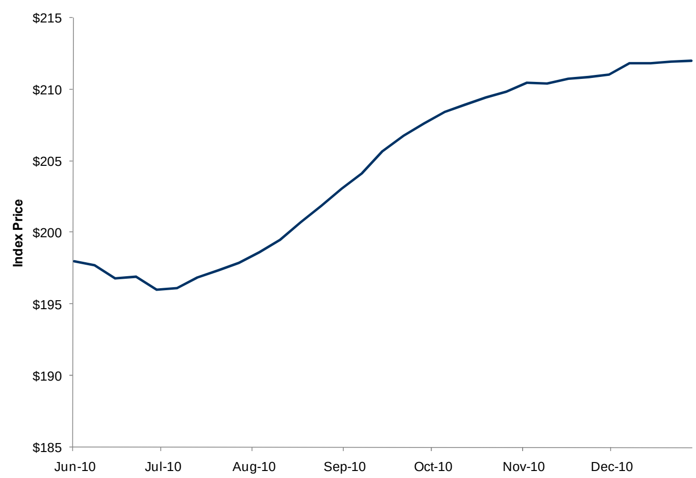
Cat bond issuance rose steadily from 2005 to 2007, but trailed off significantly during the credit crisis. However, in 2010, the new issue market has rebounded to 2006 levels despite a record number of losses. We suspect that this recent increase in volume relates to the yield profile of the asset class. Investors have historically been attracted to cat bonds as a result of their lack of correlation to traditional bond and equity markets. With yields on insurance and insurance-linked bonds at such low levels, cat bonds provide the potential for outsized yields on an uncorrelated basis.

Another factor driving primary market issuance may be that nearly 40% of all outstanding cat bonds are scheduled to mature by the middle of 2011. Cat investors seeking to redeploy capital ahead of this wave of maturities have close to a dozen bonds in the current pipeline, some of which protect against risks that are new to the cat bond market. In October, American Family Mutual Insurance Co.'s Mariah Re issued the first cat bond that solely covered thunderstorm risk. Because the initial $100 million bond was oversubscribed, American Family offered a second tranche of the same bond in December, raising an additional $100 million. In November, Aetna Life Insurance raised $200 million through the first ever cat bond aimed at protecting a health insurance company against medical benefit claims above a preset threshold. In December, Swiss Re closed the first ever longevity trend cat bond. While insurers have previously offered bonds aimed at protecting their balance sheets from the risk of individuals dying sooner than anticipated, Swiss Re's bond addressed the opposite risk – the risk that individuals would live longer than expected. The bond would trigger in the event of a divergence of a pool of lives from mortality expectations in the U.S. and UK.

Cat Bonds Issued and Outstanding: 2001-2010



Swiss Re Cat Bond Index(1)



Significant Catastrophic Events in 2010

Date	Event	Region/Country	Insured Loss
February 27	Earthquake	Chile	$6.5bn-$12bn
February 26-28	Windstorm Xynthia	Europe	$1.6bn-$4.1bn
September 4	Earthquake	New Zealand	$1bn-$5.5bn
April 20	Oil Rig Explosion	Mexico	$1.5bn-$3.5bn
June 15-16	Floods	France	$865mm
March 22	Hailstorms	Australia	$734mm
May 19	Riots	Thailand	$500mm+
March 13-15	Severe Weather	U.S.	$400mm-$1bn

1) Index created in June 2010

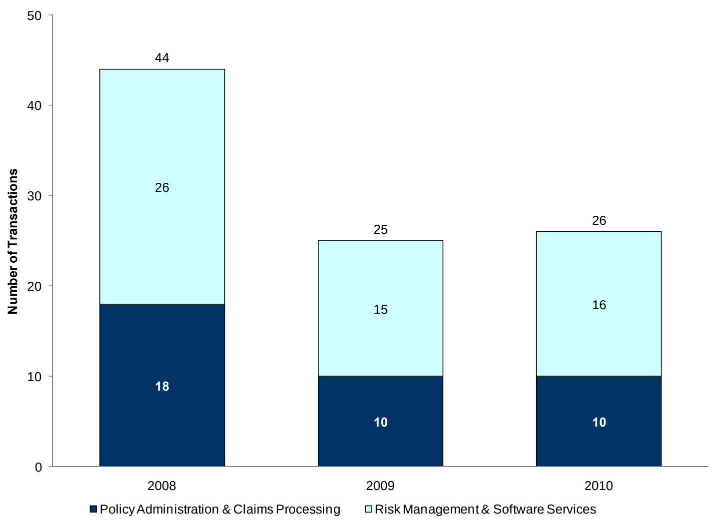
Source: Bloomberg, Guy Carpenter, Insurance Insider, Willis Capital

Insurance Servicing & Processing Review

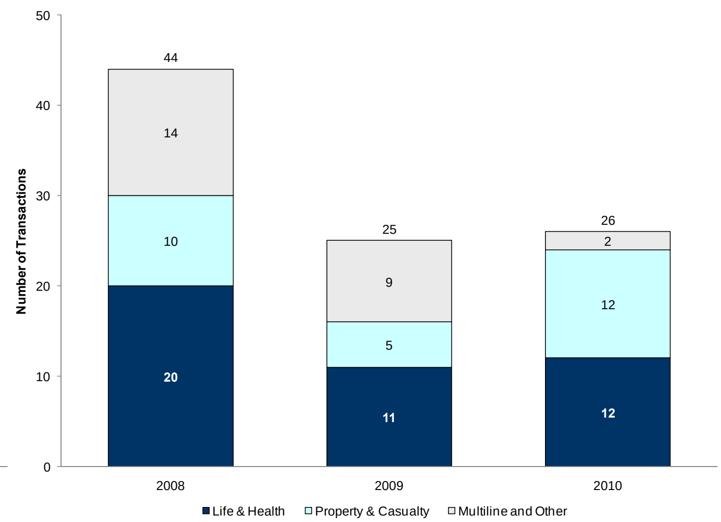
Insurance Servicing and Processing M&A flat in 2010

M&A among technology providers for insurance carriers and brokers remained nearly flat in 2010 as compared to 2009 and was dominated by a handful of market participants. M&A activity increased by only one transaction, still well short of 2008 levels. On the strategic side, Ebix, Inc. made four acquisitions, following up 2009 in which it made three acquisitions. Among Ebix's acquisitions were A.D.A.M., Inc., a provider of web-based solutions for employees to access benefits-related information, and Connective Technologies, which hosts platforms that allow property & casualty brokers to interface remotely with carriers. Private equity firm Stone Point Capital made two acquisitions last year, purchasing Sedgwick CMS with Hellman & Friedman from another sponsor group, and purchasing CIGNA's workers' compensation case management unit, International Rehabilitation Associates, through its portfolio company Genex Services.

Insurance Technology M&A by Type of Company



Insurance Technology M&A by Sector Focus



Select Recent Insurance Technology Transactions

Announced Date	Target	Target Insurance Sector	Acquirer	Deal Value ($mm)	% Acquired	Entity Value ($mm)
11/4/2010	CIGNA's workers' compensation unit	Life & Health	Genex Services	ND	100%	ND
9/28/2010	ProClaim America, Inc.	Property & Casualty	ACE Limited	ND	ND	ND
8/29/2010	A.D.A.M., Inc.	Life & Health	Ebix, Inc.	$66	100%	$66
7/1/2010	Innovative Process Administration, LLC	Property & Casualty	Marsh, Inc.	ND	100%	ND
6/10/2010	Vertafore	Property & Casualty	TPG Capital	$1,400	100%	$1,400
5/20/2010	Connective Technologies, Inc.	Property & Casualty	Ebix, Inc.	ND	100%	ND
4/20/2010	Sedgwick Claims Management Services, Inc.	Property & Casualty	Stone Point Capital, Hellman & Friedman	$1,089	100%	$1,089
2/16/2010	se^2 (Security Benefit)	Life & Health	Guggenheim Partners	ND	100%	ND

Insurance Company Public Comps

Life Insurance Company Multiples

	Market Data		LTM 9/30/2010			2011E Multiples			2012E Multiples		
	1/7/2011		Price / LTM			Price / Fwd			Price / Fwd		
Company Name	**Stock Price**	**Market Cap**	**BV**	**Tang. BV**	**Dil. EPS**	**BV**	**Dil. EPS**	**ROE**	**BV**	**Dil. EPS**	**ROE**
AFLAC Inc.	$55.85	$26,320	2.4x	2.4x	13.3x	2.1x	9.0x	25.4%	1.8x	8.2x	24.4%
Genworth Financial Inc.	14.12	6,913	0.5x	0.5x	21.7x	0.5x	11.0x	4.8%	0.5x	7.8x	6.3%
Lincoln National Corp.	29.25	9,265	0.7x	0.9x	14.1x	0.6x	7.9x	9.1%	0.6x	7.1x	9.2%
MetLife, Inc.	46.07	45,391	1.0x	1.1x	13.8x	0.9x	9.1x	11.1%	0.9x	8.0x	11.5%
Principal Financial Group Inc.	32.44	10,392	1.1x	1.2x	21.6x	1.0x	11.2x	9.9%	1.0x	9.8x	10.5%
Protective Life Corp.	28.85	2,471	0.7x	0.7x	8.2x	0.7x	9.1x	8.5%	0.6x	8.3x	8.0%
		HIGH	2.4x	2.4x	21.7x	2.1x	11.2x	25.4%	1.8x	9.8x	24.4%
		LOW	0.5x	0.5x	8.2x	0.5x	7.9x	4.8%	0.5x	7.1x	6.3%
		MEDIAN	0.8x	1.0x	13.9x	0.8x	9.1x	9.5%	0.7x	8.1x	9.8%
		MEAN	1.0x	1.1x	15.4x	1.0x	9.6x	11.5%	0.9x	8.2x	11.6%

P&C Insurance Company Multiples

	Market Data		LTM 9/30/2010			2011E Multiples			2012E Multiples		
	1/7/2011		Price / LTM			Price / Fwd			Price / Fwd		
Company Name	**Stock Price**	**Market Cap**	**BV**	**Tang. BV**	**Dil. EPS**	**BV**	**Dil. EPS**	**ROE**	**BV**	**Dil. EPS**	**ROE**
ACE Limited	$61.26	$20,791	0.9x	1.1x	6.8x	0.8x	8.2x	10.9%	0.8x	8.1x	9.9%
Arch Capital Group Ltd.	86.22	4,215	1.0x	1.0x	5.3x	0.9x	9.7x	9.4%	0.8x	10.2x	8.1%
CNA Financial Corporation	27.44	7,387	0.6x	0.7x	9.9x	0.6x	10.8x	5.4%	0.5x	9.0x	6.1%
HCC Insurance Holdings Inc.	29.28	3,376	1.0x	1.3x	10.0x	0.9x	9.8x	10.1%	0.8x	9.2x	9.6%
Progressive Corp.	19.74	13,092	2.0x	2.0x	12.3x	2.0x	12.9x	15.5%	1.8x	12.0x	15.9%
The Travelers Companies	53.33	24,481	0.9x	1.0x	7.5x	0.8x	8.9x	9.9%	0.8x	9.2x	9.1%
White Mountains Insurance	345.85	2,870	0.8x	0.8x	NM	0.7x	24.9x	3.2%	0.7x	18.8x	3.9%
W.R. Berkley Corporation	26.90	3,902	1.0x	1.0x	3.2x	0.9x	10.4x	9.6%	0.9x	10.3x	8.6%
		HIGH	2.0x	2.0x	12.3x	2.0x	24.9x	15.5%	1.8x	18.8x	15.9%
		LOW	0.6x	0.7x	3.2x	0.6x	8.2x	3.2%	0.5x	8.1x	3.9%
		MEDIAN	0.9x	1.0x	7.5x	0.9x	10.1x	9.7%	0.8x	9.7x	8.8%
		MEAN	1.0x	1.1x	7.9x	1.0x	12.0x	9.2%	0.9x	10.9x	8.9%

Reinsurance Company Multiples

	Market Data		LTM 9/30/2010			2011E Multiples			2012E Multiples		
	1/7/2011		Price / LTM			Price / Fwd			Price / Fwd		
Company Name	**Stock Price**	**Market Cap**	**BV**	**Tang. BV**	**Dil. EPS**	**BV**	**Dil. EPS**	**ROE**	**BV**	**Dil. EPS**	**ROE**
Alterra Capital Holdings	$21.33	$2,461	0.8x	0.8x	9.6x	0.7x	8.6x	9.3%	0.7x	7.6x	9.2%
Everest Re Group Ltd.	82.61	4,519	0.7x	0.7x	11.1x	0.6x	6.8x	10.5%	0.6x	6.4x	9.9%
Greenlight Capital Re, Ltd.	26.89	980	1.3x	1.3x	14.2x	1.1x	7.6x	15.8%	0.9x	5.8x	15.2%
Montpelier Re Holdings Ltd.	19.86	1,324	0.8x	0.8x	7.1x	0.7x	7.6x	10.6%	0.7x	7.4x	9.4%
PartnerRe Ltd.	80.99	6,034	0.8x	0.9x	6.7x	0.8x	8.6x	9.7%	0.7x	8.4x	9.1%
RenaissanceRe Holdings Ltd.	61.98	3,401	1.0x	1.0x	4.9x	0.9x	7.9x	12.5%	0.8x	7.7x	11.2%
		HIGH	1.3x	1.3x	14.2x	1.1x	8.6x	15.8%	0.9x	8.4x	15.2%
		LOW	0.7x	0.7x	4.9x	0.6x	6.8x	9.3%	0.6x	5.8x	9.1%
		MEDIAN	0.8x	0.8x	8.4x	0.8x	7.7x	10.6%	0.7x	7.5x	9.6%
		MEAN	0.9x	0.9x	8.9x	0.8x	7.8x	11.4%	0.7x	7.2x	10.7%

Notes: LTM financials are adjusted for extraordinary and non-recurring items. In cases where a company has an adjusted pre-tax loss, GAAP net income is shown without adjustments.

Select Freeman & Co. Insurance and Mortality-linked Transactions

$1,738,551,000
The Life Settlements and Premium Finance Portfolio of
KBC
has been acquired at auction
The undersigned acted as financial advisor to KBC Financial Products
April 28, 2010
Freeman & Co. Securities LLC

$840,000,000
The Reverse Mortgage Portfolio of
KBC Senior Lending Network
has been acquired by an undisclosed
Investment Bank
The undersigned acted as financial advisor to KBC Financial Products
February 24, 2010
Freeman & Co. Securities LLC

700,000 policies administered
$30 billion in assets under administration
GUGGENHEIM
led investor group has acquired
se2
The undersigned acted as financial advisor to Security Benefit Corporation, parent of se2
February 16, 2010
Freeman & Co. Securities LLC

US $400 million investment
GUGGENHEIM
led investor group has acquired
SECURITY BENEFIT
The undersigned acted as financial advisor to Security Benefit Corporation
February 16, 2010
Freeman & Co. Securities LLC

$30,000,0000
Ullico
has completed a combined $30,000,000 senior debt and reinsurance transaction with
PATRIOT RISK MANAGEMENT INC
The undersigned acted as financial advisor to Ullico, Inc.
December 31, 2008
Freeman & Co. Securities LLC

KBC
has acquired
VERTICALLEND
The undersigned acted as financial advisor to KBC Financial Products
signed June 9, 2007
Freeman & Co. Securities LLC

KBC
has acquired the assets of
Mutual Credit Corp.
The undersigned acted as financial advisor to KBC Financial Products
November 13, 2006
Freeman & Co. Securities LLC

The Mortgage Loan and Real Estate Division of
CONNING
a wholly owned subsidiary of
Swiss Re
has been acquired by
KeyCorp
Acted as financial advisor to Swiss Re
June 28, 2002
Freeman & Co. Securities LLC

Other Recent Freeman & Co. Transactions

$2 billion AUM
altegris
has been acquired by
Genworth Financial
The undersigned acted as financial advisor to Altegris Investments
December 31, 2010
Freeman & Co. Securities LLC

CRT CAPITAL GROUP LLC
has raised $225,000,000 from
AQUILINE HOLDINGS LLC
The undersigned acted as financial advisor to CRT Capital Group, LLC
September 1, 2010
Freeman & Co. Securities LLC

$75,000,000
peachtree
has obtained $75,000,000 of structured settlement warehouse financing from an undisclosed
Hedge Fund
The undersigned acted as financial advisor to Peach Holdings
July 12, 2010
Freeman & Co. Securities LLC

$210,000,000
GSC GROUP
Senior Debt Restructuring
The undersigned acted as financial advisor to the Creditor Committee
2009 – 2010
Freeman & Co. Securities LLC

$32,000,000
HERALD NATIONAL BANK
NYSE Alternext: HNB
has received a $32,000,000 investment from an
Investor Group
The undersigned acted as co-manager for Herald National Bank
March 31, 2010
Freeman & Co. Securities LLC

€350,000,000
avoca capital
has acquired the CLO business of
KBC
The undersigned acted as financial advisor to Avoca Capital
December 11, 2009
Freeman & Co. Int. LLP

TORC FINANCIAL
has been acquired by
INSTINET
The undersigned acted as financial advisor to TORC Financial, LLC
August 26, 2009
Freeman & Co. Securities LLC

Lane Berry INVESTMENT BANKING
has been acquired by
RAYMOND JAMES
The undersigned acted as exclusive financial advisor to Lane, Berry & Co. International, LLC
May 26, 2009
Freeman & Co. Securities LLC

Other Recent Publications by Freeman & Co.

Asset Management Focus

- *Slogging Through the Mud (September 2010)*
- *Putting the Pieces Back Together (April 2010)*
- *Humpty Dumpty had a Big Fall (September 2009)*
- *Can a Third Shoe Drop? (March 2009)*

Financial Technology Focus

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- *Is A Terrorist Lurking in Your Investment Portfolio (January 2011)*
- *Damned if You Don't (January 2011)*
- *To Arms, To Arms: The Regulators are Coming! (July 2010)*
- *Back from the Brink (January 2010)*
- *Insurance Servicing & Processing (July 2009)*
- *Inaugural Issue (January 2009)*

Private Equity Focus

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