

Insurance Industry Focus

Freeman & Co. LLC

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Indices at December 31, 2012:

Index / Metric	Value
DJIA	13,104
NASDAQ	3,020
S&P 500	1,422
FTSE 100	5,898
10 yr Bond	1.76%
USD per GBP	\$1.63
USD per Euro	\$1.32

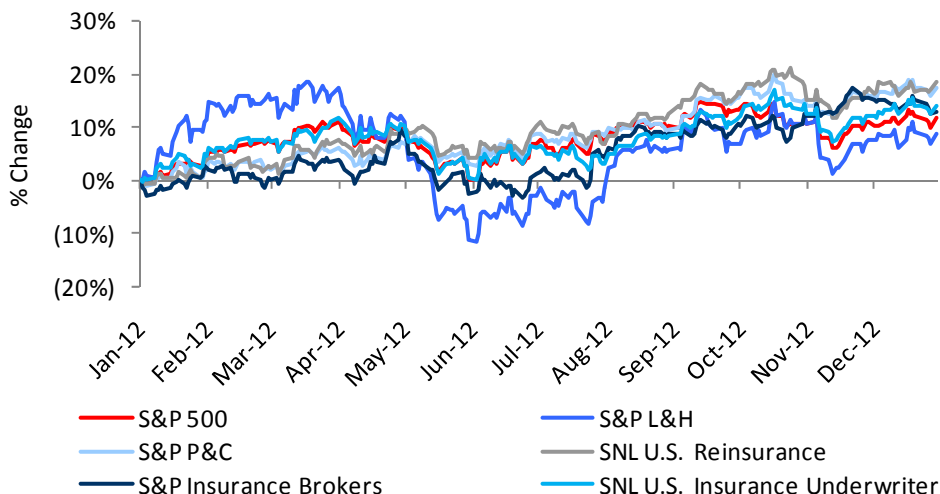
Mixed Messaging on Market Momentum

Insurance Firms Continue to Alter Their Business Plans to Navigate New Regulatory and Economic Environment

As insurance carriers and brokers look toward a new year of pricing, the predicted trends seem all too familiar – once again some are forecasting an end to the lengthy soft market of recent years while others are predicting that the lack of new macro catalysts will carry the soft market through another pricing cycle. This mixed messaging on market direction is eerily similar to the conditions entering the 2012 pricing cycle where macroeconomic circumstances were quite analogous with today's. Low interest rates will continue as the world keeps dealing with fallout from the Financial Crisis, and deleveraging will continue alongside the low rates. Solvency II has been pushed out beyond 2014, so regulatory uncertainty surrounding increased capital charges has compounded this situation. In this report we discuss some of these trends, including:

- Insurers divesting of depository institutions in a move to drop savings and loan status
- The lack of market hardening after 2011 which saw record cat losses, and the economic repercussions of Hurricane Sandy
- Workers' compensation pricing posts notable increases
- The annuity market has undergone significant change do to decreased sales from low interest rates despite decent investment returns

U.S. Insurance Company Stock Performance - 2012



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Key Themes for 2013

Pricing in 2013

What can be gleaned from numerous studies issued on insurance pricing the primary trend is that the 2013 pricing year will be mixed.

Property & casualty direct premiums are expected to increase by 3% to 7%, primarily due to growth in the emerging markets. This trend, however, is not expected to be universal across the entire P&C market. For example, marine lines have experienced significant losses this year with Sandy and Costa Concordia and renewals are expected to come in late do to continued uncertainty over the extent of losses.

Life insurance premiums are expected to increase by about 2%. The life insurance industry faces substantial headwinds with increasing regulatory pressures and large portfolios that are plagued with costly guarantees. With the backdrop of an aging population, these guaranteed-return products will continue to weigh heavily on returns.

With loss ratios for P&C companies in 2012 in the low 90%'s (as compared to over 100% in 2011) the industry looks to be slowly recovering from the severe losses of 2011. Still, for lines with a lot of casualty exposure (such as construction risks, manufacturers, mining, & energy companies), rates are expected to increase significantly and restrictions on coverage to increase.

National Companies Lose their Edge in Pricing

Regional insurance carriers appear to have the most positive outlook for the new year.

With a definite edge in localized knowledge, regional insurance companies are eager and willing to exploit this advantage in the pricing game. National insurers often execute broad decisions on price changes, while regional insurers are able to cater changes to specific markets.

Despite more advanced technologies and market research, national insurance companies' growth rates in 2012 did not match their stated rate increases, suggesting that new business is most likely down. In contrast, third quarter earnings showed that regional insurers are reporting premium growth rates vastly superior to those of national insurers.

Regional insurance companies increased net premiums written by almost 10% in LTM Q3 2012 compared to LTM Q3 2011, while national & specialty insurers increased by 3% (as classified by Assured, Research, LLC).⁽¹⁾

Workers' Compensation Experiences Standout Growth

In a year of mixed results, of particular note in 2012 is the significant increase in premiums written for workers' compensation lines. Despite these significant increases, questions remain on profitability in these businesses. As discussed in our Insurance Newsletter issued in June 2012, workers' compensation is particularly susceptible to the high unemployment levels of late in addition to reserve depletion, a volatile equity environment and low investment yields.

Coming off of years of poor underwriting results, it is promising that the top 25 workers' compensation insurers increased premiums written by 30% in the first half of 2012 versus 2011. Still, this increase only recovers half of the decline in annual premiums written from the peak in 2006.

The majority of the premiums written by the top 25 companies were written in California, which has undergone significant rate increases over the past year. Workers' compensation rates experienced average rate increase of 5%-10% in 2012 (one of the highest increases among P&C lines).

Insurers Divest Assets in Face of Regulatory Changes

As discussed in our Insurance Industry Note issued in November 2011, insurance companies have been divesting banks and thrift institutions in the face of anticipated bank holding reporting requirements. These divestitures picked up in 2012 as insurance companies attempted to protect themselves

from stringent financial reporting requirements and the prospect of being held to other bank holding company requirements as part of the Dodd Frank Act. Significant divestitures are included in the table below:

Bank / Thrift	Parent	Deposits (\$mm)	Status
MetLife Bank NA	MetLife Inc.	\$10,066	Selling to GE Capital (Dec. 2011)
Ameriprise Bank FSB	Ameriprise Financial Inc.	\$4,899	Plans to transition to nondepository national trust bank (June 2012)
Principal Bank	Principal Financial Group Inc.	\$2,200	Filed draft application to transition trust bank (Dec. 2012)
Prudential Bank & Trust FSB	Prudential Financial Inc.	\$1735	Transferred deposits to TCF National Bank (Feb. 2012)
AIG FSB	American International Group	\$806	Management exploring options for banking unit (Nov. 2012)

1) Regional insurance companies include the 15 publicly-traded regional insurers and 127 private regional insurers as classified by Assured Research, LLC.

Life Insurance Overview

- The sustained low interest rate environment continues to place pressure on the life insurance industry as net investment yields remain low
 - While market appreciation in certain asset classes has improved investment yields, low interest rates continue to be a heavy burden for life insurance companies which shoulder guaranteed payouts on certain products
 - On Page 6 of this report we discuss the changes that the annuity market has seen as many life insurance companies look towards sustained low interest rates and an unpredictable market environment
- As investors continue reaching for yield, commercial mortgages loans have proven to be an attractive option for life insurance companies to acquire
 - In the third quarter of 2012, direct commercial mortgage loan acquisitions by life insurance companies slightly decreased year over year, ending 10 consecutive quarters of increases
- With the US national debt continuing to rise, the tax-favored status of life insurance benefits has once again come into question
 - As life insurance brokers are typically drawn toward the mass affluent due to the larger commissions, middle and lower market customers are often left with relatively low levels of coverage. This trend has made life insurance tax benefits an easy target for change from lawmakers who are looking to close in on the budget deficit

Selected Life Insurance Transactions

Date Announced	Target	Target Type	Target Country	Acquirer	Deal Value (\$mm)
3/28/2012	Irish Life	Carrier	Ireland	Department of Finance, Ireland	1,729
12/21/2012	Aviva USA Corporation	Carrier	USA	Athene Holding ⁽²⁾	1,550
12/17/2012	Sun Life Assurance Company	Carrier	USA	Guggenheim Partners	1,350
5/30/2012	SRLC America Holding	Carrier	USA	Jackson National Life Insurance	621
9/27/2012	Hartford Life ⁽¹⁾	Carrier	USA	The Prudential Insurance Company of America	615
2/3/2012	Crump Life Insurance	Carrier	USA	BB&T Corporation	570
12/28/2012	Presidential Life Corporation	Carrier	USA	Athene Holding ⁽²⁾	414

Selected Financials for Life Insurance Market

Balance Sheet (\$bn)	2010			2011			LTM Q3 '12		
	2010	2011	LTM Q3 '12	2010	2011	LTM Q3 '12	2010	2011	LTM Q3 '12
Total Cash and Investments	3,196.2	3,360.5	3,398.3						
Total Assets	5,196.7	5,370.0	5,591.6	Premiums, Consideration & Deposits	581.2	623.9	610.8		
Net Policy Reserves - Life	2,191.7	2,312.3	2,292.1	Net Investment Income	164.1	167.3	165.8		
Net Policy Reserves - A&H	207.1	222.3	220.3	Separate Accounts					
Total Policy Reserves	2,398.9	2,534.7	2,512.4	Revenue	23.4	26.1	27.5		
Total Liabilities	4,890.3	5,059.6	5,266.2	Total Revenue	773.3	835.0	814.2		
Surplus Notes	32.1	31.3	28.8	Pre-tax Operating Income	53.1	28.0	59.0		
Capital and Surplus	306.4	310.4	325.4	Net Income	28.0	14.4	35.2		
				Net Yield on Invested Assets	5.2%	5.1%	4.9%		

Property & Casualty Insurance Overview

- Fitch Ratings Service projects that net income for the P&C industry as a whole will have increased 90% in 2012 from its 2011 level of \$20bn (source: Fitch Ratings Service, P&C Pricing Momentum May Subside in 2013). The primary reason for this significant shift is the lack of extreme cat losses in 2012 as compared to 2011 and the positive swing in pricing
 - In 2013 Fitch also predicts that net income will rise by an additional 6% to over \$40bn for the year off net written premiums of \$475bn
- Like life insurers, P&C carriers have faced numerous headwinds in recent years – a decrease of investment income, low interest rate environment and a slowdown in pricing momentum has put serious pressure on profit margins
- While the top 25 workers' compensation insurers grew premiums 30% based on June 30, 2012 results versus June 30, 2011, concern remains that it is not enough to improve profitability due to low investment returns. Several of the top companies wrote the majority of their premiums in California, which experienced significant rate increases in 2012
 - Like other lines of insurance, workers' compensation is facing numerous headwinds including: less favorable claim frequency trends, increases in medical costs and price reductions with lower interest rates compounding the unfavorable cost trends

Selected P&C Insurance Transactions

Date Announced	Target	Target Type	Target Country	Acquirer	Deal Value (\$mm)
4/17/2012	AmWINS Group	Broker	USA	New Mountain Capital	1,300
8/30/2012	Flagstone Reinsurance	Carrier	Luxembourg	Validus	623
5/2/2012	JEVCO Insurance Company	Broker	Canada	Intact Financial	535
4/25/2012	Omega Insurance Holdings	Carrier	Bermuda	Canopus Group	264
8/27/2012	SeaBright Holdings, Inc.	Carrier	USA	Enstar Group	250
9/25/2012	Permanent General Companies	Carrier	USA	American Family Insurance	239
3/3/2012	Hardy Underwriting Bermuda	Carrier	Bermuda	Loews Corporation	227

Selected Financials for P&C Insurance Market

Balance Sheet (\$bn)	2010			2011			LTM Q3 '12			
	2010	2011	LTM Q3 '12	Income Statement (\$bn)			2010	2011	LTM Q3 '12	
Total Cash and Investments	1,316.2	1,343.5	1,365.9	Direct Premiums Written	483.1	500.9	504.5			
Total Assets	1,548.4	1,591.2	1,630.0	Net Reinsurance Premiums	(56.9)	(59.1)	(54.2)			
Loss Reserves	468.4	496.1	480.8	Net Premiums Written	426.2	441.8	450.3			
Loss Adjustment Expense Reserves	101.1	104.5	102.7	Net Underwriting Gain (Loss)	(8.3)	(35.4)	(5.9)			
Unearned Premium Reserves	200.9	204.9	217.2	Net Investment Income	48.1	51.0	47.1			
Total Liabilities	986.7	1,029.1	1,045.2	Net Realized Capital Gains (Losses)	7.8	7.6	6.7			
Surplus Notes	15.5	14.7	12.8	Pre-tax Operating Income	38.2	15.6	41.6			
Capital and Surplus	561.8	562.1	587.8	Net Income	37.2	20.1	39.6			
Change in Loss and LAE Reserves / Reserves	0.9%	5.5%	0.7%	Net Yield on Invested Assets	3.7%	3.8%	3.5%			

Cat Bonds and Natural Disaster Losses

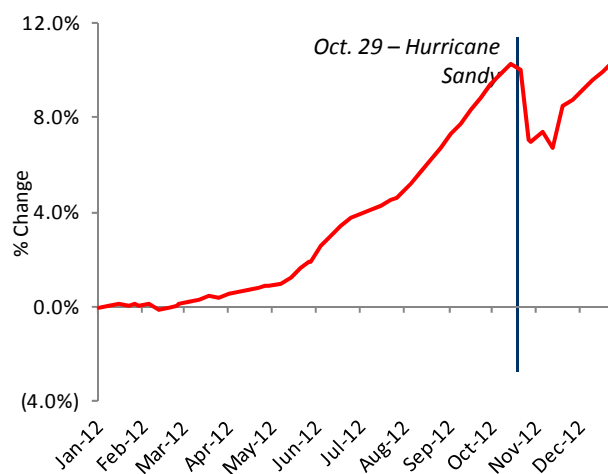
- After the record losses experienced in 2011, the first half of 2012 saw mild cat losses that were notably below the 10-year average. With Hurricane Sandy, the relatively light year of natural disasters was knocked slightly off course. Still estimates have 2012 cat losses at 50% of 2011's losses of \$120bn
 - Worldwide natural catastrophe events for the first half of 2012 caused \$26bn in economic damages and \$12bn in insured losses. Losses in the US totaled \$10bn for the first six months of 2012, representing over 80% of worldwide losses
 - The five costliest cat events in the first half of 2012 were all severe storms and tornados in the US
 - Current catastrophe models predict that losses from Sandy will be between \$20bn and \$25bn. Lines most effected by Sandy will be homeowners, marine and commercial multiple peril lines as the majority of flood lines are reinsured by the government's National Flood Insurance Program
- Sales of cat bonds in 2012 stood at \$6.39bn, with a issuance of a \$400mm Compass Re Ltd. cat bond, sponsored by AIG in the last week of 2012, bumping up total sales to over \$6.0bn. This was the second highest amount of new cat bond sales since the market began, only falling below 2007's \$7bn
 - Over 50% of outstanding bonds hold northeast US hurricane risk exposure
 - Cat bonds continue to gain popularity from investors as they are seen as uncorrelated to the volatile equity markets
 - 26 new bonds were sold in 2012 pushing outstanding bonds to approximately \$16bn

Company	Q3 2012 Equity (\$mm)	Estimated Sandy Losses (\$mm)	Notes
American International Group	\$102,414	\$1,300	After-tax, net of reinsurance
Allstate Corp.	\$20,837	\$1,075	Pre-tax, net of reinsurance
Travelers Cos.	\$25,905	\$650	After-tax, net of reinsurance
Chubb Corp	\$15,974	\$570	After-tax, net of reinsurance and reinstatements
ACE Ltd.	\$26,963	\$380	After-tax, net of reinsurance and reinstatements
XL Group	\$11,757	\$350	Pre-tax, net of reinsurance and reinstatements
AXIS Capital	\$5,856	\$300	After-tax, net of reinsurance and reinstatements

Cat Bonds Issued and Outstanding



Swiss Re Cat Bond Index



Changing Annuity Market Landscape

As previously discussed in our Insurance Focus report released in June 2012, low interest rates continue to threaten insurers and other financial institutions. Life insurance companies hold approximately 75% of their portfolio in fixed income products and are liable to meet certain payouts depending on product type. Therefore, facing what appears to be a prolonged period of low interest rates, carriers have been motivated to alter the structures and payouts of the products that they issue. This trend has become especially evident among the issuance and structure of annuities.

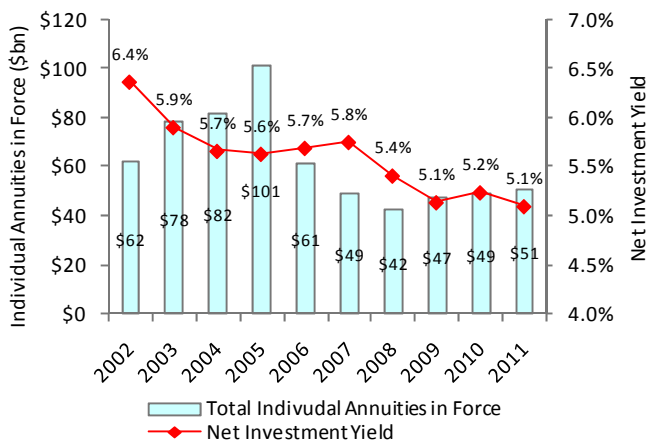
Several large players in the variable annuity market have pulled back from the market in recent years leaving an opening for other variable annuity writers to increase market share and penetration. Sun Life, Genworth and ING exited the market in 2011 and were followed shortly by Hartford Life in the first quarter of 2012, as well as MetLife's announcement that they would begin scaling back through 2013. Those players that have remained in the market have focused on de-risking and managing the low investment returns and volatile markets. They have been restructuring products by decreasing withdrawal percentages and making investment options more restrictive. Beneficiaries of variable annuity market changes include:

- Prudential Financial Inc. and Jackson National Life Insurance Co. that have increased market share by 7% and 12% respectively. Transamerica Life Insurance and RiverSource Life Insurance have also increased market share over the last year
- AXA Equitable Life Insurance has grown its sales force in the face of market vacancies, enhancing its wholesale team, and moving to fifth in market penetration among variable annuity providers in 2012 (Source: Cogent Advisors)

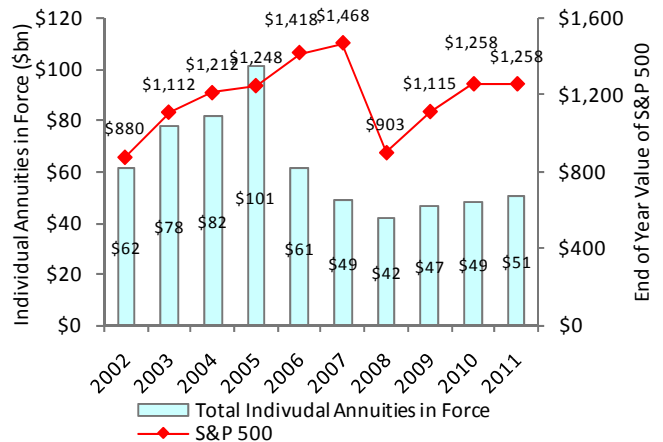
- In addition to increasing its sales team, AXA has gained in market share from introducing new variable annuity products that are specifically constructed to suit the post-crisis environment. New products include the Retirement Cornerstone product, which has an optional rate hold offering investors a 6% return guarantee for a two-year period, after which income would float with the 10 year Treasury. Sales of this product reached \$1bn in the first six months

While many companies are exiting the variable annuity space, insurance companies view the fixed annuity space as a safer way to generate returns through retirement products. Firms like Hartford and Genworth that have recently exited the variable annuity market have begun offering fixed annuity products, using their distribution networks as a tool to enter a competitive network. Athene Holding (backed by Apollo Global) made significant investments in the fixed annuity industry in 2012 with their \$414mm acquisition of Presidential Life, a fixed annuity and life and health insurance provider, their acquisition of Aviva's US life and annuity business, and their disclosure of a prospective coinsurance deal with Liberty Bankers Life Insurance's \$500mm of fixed annuities reserves.

Annuities in Force and Net Investment Yield



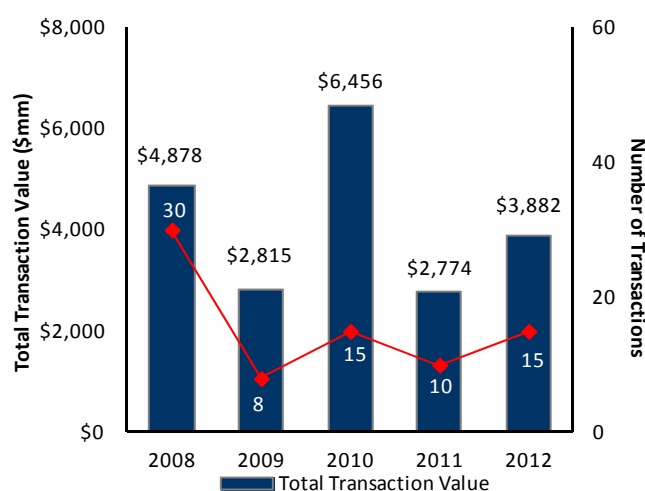
Annuities in Force and Market Performance



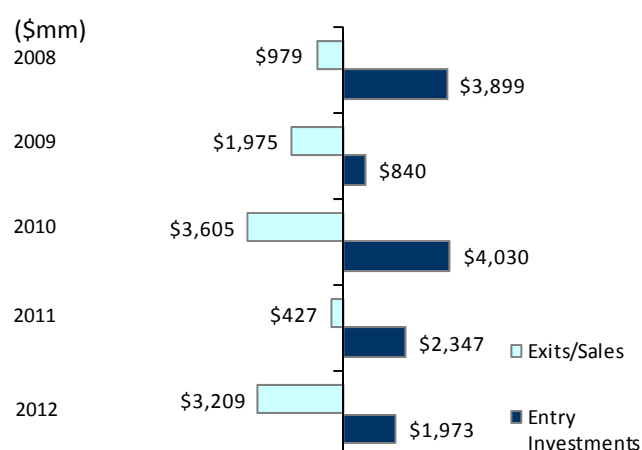
Private Equity Activity in Insurance

- Overall, it was an average year for PE activity in insurance, with some notable exits closing in 2012. Exits or sales were up significantly over 2011 but flat as compared to 2010, while entries were down 16% since 2011 and 51% since 2010
- Private equity and hedge fund platforms continue to acquire permanent capital by buying run-off bodies of life and P&C insurance
- Private Equity firms showed a strong interest in the fixed annuity space throughout 2012, with Guggenheim's \$1.35bn acquisition of Sun Life Assurance, Athene's acquisition of Presidential Life Corp and Athene's acquisition of Aviva's US life and annuity business being the most notable transactions in that space
 - Other investment managers have made significant investments in the industry: Harbinger Capital acquired Old Mutual in 2011 for \$350mm and Guggenheim acquired EquiTrust Life Insurance in 2011
- Brokerage activity remained active with several large transactions and a significant amount of small deals from roll-ups

Private Equity Transactions in Insurance⁽¹⁾



Private Equity Insurance Entry vs. Exit Deals⁽¹⁾



Selected Private Equity Transactions

Completed Transactions

Announce Date	Private Equity Firm	Portfolio Company	Deal Value (\$mm)	Transaction Type
4/17/2012	Buyers: New Mountain Capital Sellers: Parthenon Capital	AmWINS Group	1,300	Equity Stake
2/15/2012	Vestar, Aquiline, New Mountain ⁽²⁾	Validus Holdings	947	Buyback of Equity
1/9/2012	Spectrum Equity	ARROWHEAD General Insurance	400	Equity Stake
4/17/2012	Carlyle Group ⁽²⁾	Qualicorp	365	Follow-on Offering
3/30/2012	JC Flowers & Co.	Fidea NV	335	Equity Stake

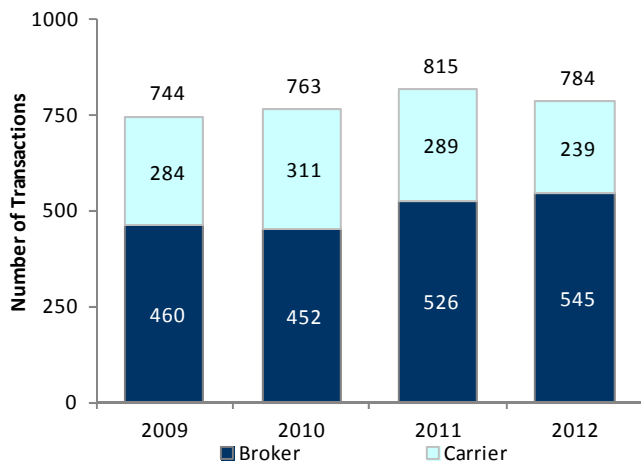
Pending Announced Transactions

Announce Date	Private Equity Firm	Portfolio Company	Deal Value (\$mm)	Transaction Type
12/21/2012	Apollo (Athene)	Aviva USA	1,550	Equity Stake
11/26/2012	Onex	USI	2,300	Equity Stake
11/25/2012	Buyers: KKR Sellers: Blackstone	Alliant Insurance Services		Equity Stake

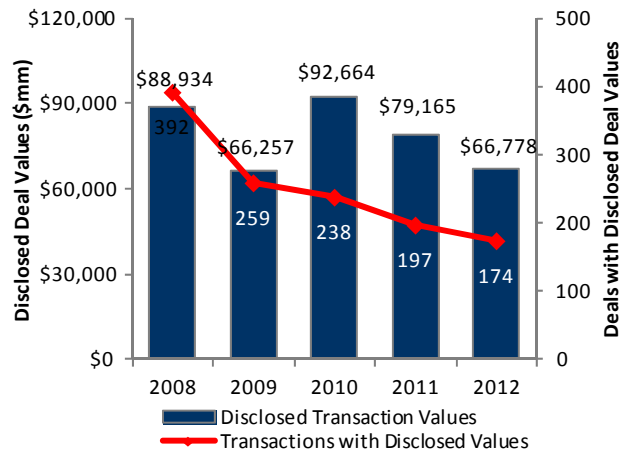
Insurance Carrier and Broker M&A Activity

- The number of insurance transactions remained relatively steady compared to previous years, standing at 784 for 2012 after 815 transactions in 2011, a 4% decrease
- However, the total deal value of \$66.8 billion in 2012, stands 16% below 2011 total deal value of \$79.2 billion
- Insurance activity has remained fairly active throughout the financial crisis and subsequent recovery, but the focus of M&A activity has shifted away from P&C to Life & Health
 - Life insurance transactions were more frequent with many large divestitures in the second half of 2012
 - In addition to making divestitures in the face of changing regulatory environment, life insurance companies have also been actively selling off blocks of annuities as the competitive landscape in both variable and fixed annuities changes (see page 7)

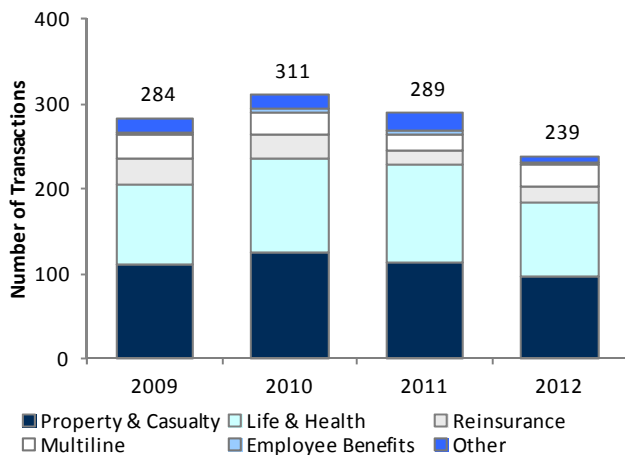
Total Number of Insurance Transactions⁽¹⁾



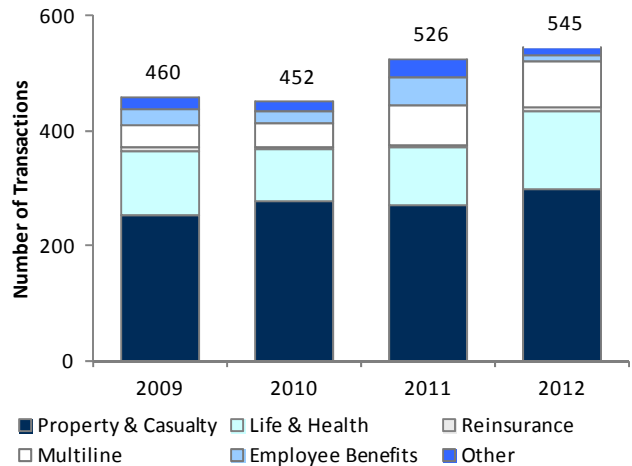
Transactions with Disclosed Deal Values⁽¹⁾



Insurance Carrier Transactions by Type⁽¹⁾

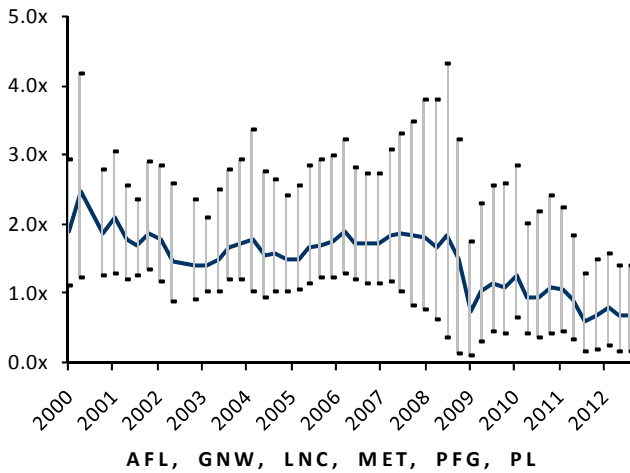


Insurance Broker Transactions by Type⁽¹⁾

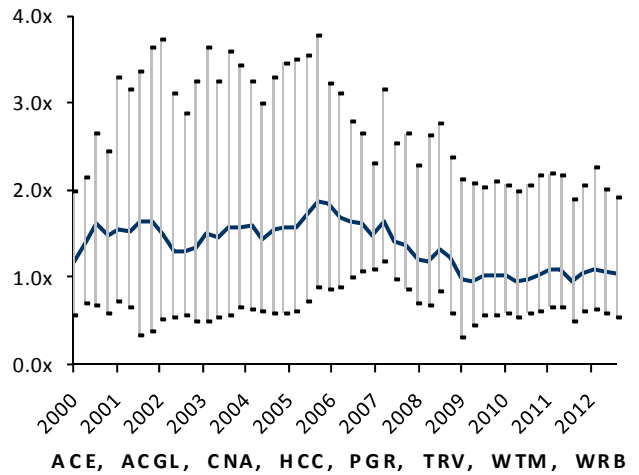


Insurance Company Valuation Spreads

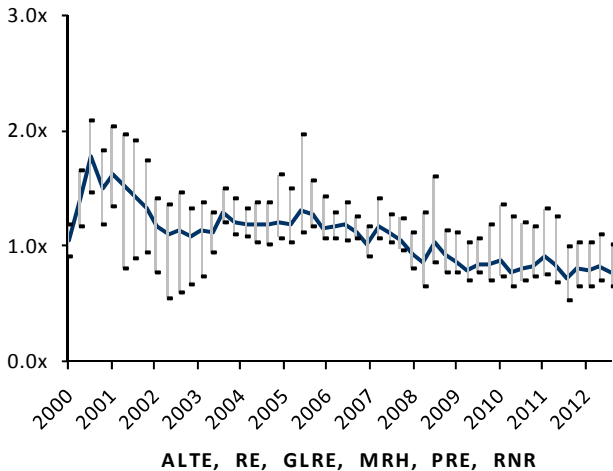
U.S. Life Insurers' Price/Book Multiples⁽¹⁾



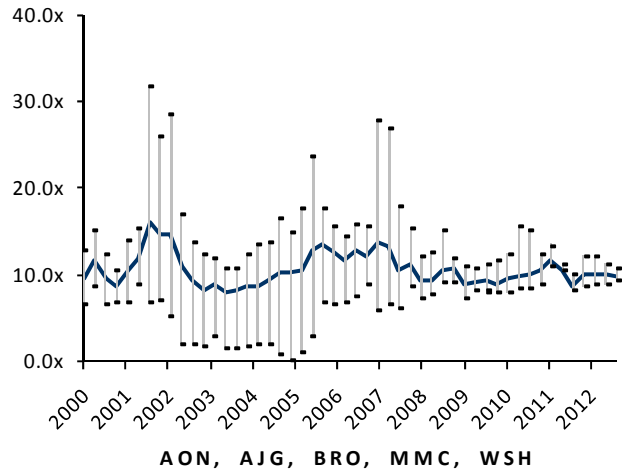
U.S. P&C Insurers' Price/Book Multiples⁽¹⁾



U.S. Reinsurers' Price/Book Multiples⁽¹⁾



U.S. Insurance Broker's TEV/EBITDA⁽¹⁾



Insurance Carrier and Broker Performance Statistics⁽²⁾

	Carriers			
	2009	2010	2011	Q3 2012
ROAA	0.9%	1.6%	1.4%	1.5%
ROAE	6.4%	9.8%	8.8%	8.5%
Investment Yield	3.6%	4.5%	4.1%	4.2%
Reserves / Equity	3.2x	2.8x	2.9x	2.8x
Operating Margin	11.4%	13.8%	8.6%	11.3%
Net Premiums Written/ Avg Equity	74.0%	60.0%	61.0%	77.0%
Debt/ Book Capitalization	34.0%	33.0%	30.2%	40.0%

	Brokers			
	2009	2010	2011	Q3 2012
ROAA	2.0%	4.0%	3.7%	3.3%
ROAE	6.1%	14.3%	12.4%	11.1%
Operating Margin	12.0%	14.0%	13.9%	12.3%
Debt/ Book	32.3%	34.7%	35.6%	52.0%
Equity Growth	(0.4%)	26.2%	(2.4%)	11.1%

Insurance Company Public Comparables

P&C Insurance Company Multiples

Company Name	Market Data		9/30/2012			2012E			2013E		
	12/31/2012		Price / LTM			Price / Fwd			Price / Fwd		
	Stock Price	Market Cap	BV	Tang. BV	Dil. EPS	BV	Dil. EPS	ROE	BV	Dil. EPS	ROE
ACE Limited	\$79.80	\$27,117	1.01 x	1.27 x	10.2 x	1.00 x	10.6 x	9.9%	0.93 x	10.06 x	9.8%
Alleghany	\$335.42	\$5,683	0.86 x	0.90 x	4.8 x	NA	17.1 x	NA	NA	16.54 x	NA
Arch Capital Group Ltd.	\$44.02	\$6,011	1.20 x	NA	8.8 x	1.22 x	19.3 x	7.3%	1.14 x	14.91 x	8.0%
CNA Financial Corporation	\$28.01	\$7,546	0.60 x	0.61 x	9.1 x	0.60 x	10.9 x	5.8%	0.57 x	8.89 x	6.9%
Fairfax	\$358.55	\$7,678	0.99 x	1.21 x	NA	0.98 x	18.7 x	3.6%	0.95 x	14.99 x	4.5%
Hanover	\$38.74	\$1,727	0.64 x	0.68 x	11.0 x	0.66 x	165.6 x	1.7%	0.63 x	10.33 x	6.5%
HCC Insurance Holdings, Inc.	\$37.21	\$3,769	1.08 x	1.44 x	10.6 x	1.06 x	10.9 x	10.1%	0.98 x	11.00 x	9.3%
Old Republic	\$10.65	\$2,763	0.75 x	NA	NA	0.75 x	NA	NA	0.76 x	NA	1.6%
Progressive Corporation	\$21.10	\$12,760	1.95 x	1.95 x	14.2 x	2.13 x	18.5 x	12.3%	1.94 x	14.70 x	14.2%
Travelers Companies, Inc.	\$71.82	\$27,396	1.06 x	1.24 x	10.3 x	1.08 x	12.9 x	9.5%	1.01 x	10.50 x	9.8%
W.R. Berkley Corporation	\$37.74	\$5,126	1.19 x	1.21 x	11.7 x	1.20 x	15.2 x	9.1%	1.12 x	13.40 x	9.2%
Average			1.03 x	1.17 x	10.1 x	1.07 x	30.0 x	7.7%	1.00 x	12.5 x	8.0%
Median			1.01 x	1.21 x	10.3 x	1.03 x	16.2 x	9.1%	0.97 x	12.2 x	8.6%

Life Insurance Company Multiples

Company Name	Market Data		9/30/2012			2012E			2013E		
	12/31/2012		Price / LTM			Price / Fwd			Price / Fwd		
	Stock Price	Market Cap	BV	Tang. BV	Dil. EPS	BV	Dil. EPS	ROE	BV	Dil. EPS	ROE
Aflac Incorporated	\$53.12	\$24,908	1.56 x	1.56 x	8.81 x	1.70 x	8.03 x	23.4%	1.48 x	7.67 x	20.8%
Aviva Plc	£3.73	£10,988	0.94 x	1.35 x	NA	0.92 x	9.44 x	4.3%	0.87 x	7.43 x	11.6%
AXA	€ 13.35	€ 31,872	0.73 x	1.54 x	12.03 x	0.67 x	7.22 x	9.0%	0.64 x	7.13 x	9.1%
CNO Financial	\$9.33	\$2,118	0.41 x	NA	13.52 x	0.48 x	13.70 x	4.1%	0.48 x	9.63 x	4.9%
Genworth Financial, Inc.	\$7.51	\$3,694	0.22 x	0.25 x	13.91 x	0.22 x	10.62 x	2.6%	0.22 x	5.98 x	4.4%
Humana	\$68.63	\$10,859	1.25 x	2.06 x	9.19 x	1.27 x	9.21 x	14.1%	1.14 x	8.65 x	13.5%
Lincoln National Corporation	\$25.90	\$7,123	0.47 x	0.55 x	16.09 x	0.49 x	5.98 x	10.0%	0.44 x	5.78 x	9.5%
MetLife, Inc.	\$32.94	\$35,939	0.57 x	0.67 x	15.69 x	0.63 x	6.32 x	10.7%	0.59 x	6.21 x	10.5%
Principal Financial Group, Inc.	\$28.52	\$8,373	0.90 x	1.07 x	11.98 x	0.93 x	10.88 x	9.2%	0.89 x	8.87 x	10.7%
Protective Life Corporation	\$28.58	\$2,262	0.50 x	0.51 x	7.37 x	0.59 x	7.80 x	9.2%	0.54 x	7.59 x	8.7%
Prudential Financial, Inc.	\$53.33	\$24,852	0.64 x	NA	22.22 x	0.76 x	8.59 x	9.9%	0.70 x	6.74 x	11.9%
Average			0.74 x	1.06 x	13.1 x	0.79 x	8.9 x	9.7%	0.73 x	7.4 x	10.5%
Median			0.64 x	1.07 x	12.8 x	0.67 x	8.6 x	9.2%	0.64 x	7.4 x	10.5%

Reinsurance Company Multiples

Company Name	Market Data		9/30/2012			2012E			2013E		
	12/31/2012		Price / LTM			Price / Fwd			Price / Fwd		
	Stock Price	Market Cap	BV	Tang. BV	Dil. EPS	BV	Dil. EPS	ROE	BV	Dil. EPS	ROE
Alterra Capital Holdings Limited	\$28.19	\$2,706	0.93 x	0.94 x	12.7 x	0.96 x	20.52 x	5.7%	0.90 x	12.85 x	6.2%
Everest Re Group, Ltd.	\$109.95	\$5,685	0.84 x	0.84 x	7.2 x	0.84 x	8.51 x	10.9%	0.77 x	8.15 x	10.3%
Greenlight Capital Re, Ltd.	\$23.08	\$847	0.96 x	NA	5.9 x	0.91 x	7.96 x	NA	0.80 x	6.50 x	NA
Montpelier Re Holdings Ltd.	\$22.86	\$1,269	0.83 x	NA	5.1 x	0.89 x	10.92 x	8.9%	0.82 x	9.59 x	9.2%
PartnerRe Ltd.	\$80.49	\$4,870	0.80 x	0.88 x	5.4 x	0.82 x	9.43 x	9.5%	0.76 x	10.30 x	7.7%
RenaissanceRe Holdings Ltd.	\$81.26	\$3,913	1.19 x	1.19 x	6.9 x	1.19 x	10.47 x	12.5%	1.07 x	8.96 x	13.2%
Average			0.92 x	0.96 x	7.2 x	0.93 x	11.3 x	9.5%	0.85 x	9.4 x	9.3%
Median			0.88 x	0.91 x	6.4 x	0.90 x	9.9 x	9.5%	0.81 x	9.3 x	9.2%

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

Select Freeman & Co. Insurance and Mortality-Linked Transactions



received a revolving credit facility from



Financial advisor to The Producers Group
July 2012

Freeman & Co. Securities LLC

\$344,499,000

The Life Settlements Portfolio of

Large Undisclosed Bank

has been sold to an affiliate of


Global Investment Bank

Financial advisor to Large Bank
June 2011

Freeman & Co. Securities LLC

\$1,738,551,000

The Life Settlements and Premium Finance Portfolio of




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



has been acquired by an undisclosed

Investment Bank

Financial advisor to KBC Group Products
February 2010

Freeman & Co. Securities LLC

700,000 policies administered
\$30 billion AUM



led investor group has acquired



Financial advisor to Security Benefit Corporation, parent of se²
July 2010

Freeman & Co. Securities LLC

\$400 million investment



led investor group has acquired



Financial advisor to Security Benefit
July 2010

Freeman & Co. Securities LLC

\$30,000,000




has completed a combined \$30,000,000 senior debt and reinsurance transaction with




Financial advisor to Ullico, Inc.
December 2008

Freeman & Co. Securities LLC




has acquired




Financial advisor to KBC Financial Products
June 9, 2007

Freeman & Co. Securities LLC

Other Recent Freeman & Co. Transactions



entered a strategic alliance with



Financial advisor to PlanMember
December 2012

Freeman & Co. Securities LLC

\$6 billion AUM



a subsidiary of



has been acquired by



Exclusive financial advisor to BNP Paribas
Pending

Freeman & Co. Securities LLC

\$25 billion AUM



has acquired



Exclusive financial advisor to LGT Capital Partners
December 2012

Freeman & Co. Securities LLC

\$3.0 billion AUM



a subsidiary of



has acquired a minority interest in



Exclusive financial advisor to Eagle
Pending

Freeman & Co. Securities LLC

\$9.3 billion AUM



has sold a majority interest to



Financial advisor to K2 Advisors
September 2012

Freeman & Co. Securities LLC

\$7 billion AUM



A GUGGENHEIM PARTNERS COMPANY

a wholly owned subsidiary of



has been sold to



Financial advisor to Guggenheim Partners and Claymore Investments
Pending

Freeman & Co. Securities LLC



has been acquired by




Financial advisor to Pagemill Partners
Announced December 2011

Freeman & Co. Securities LLC



has been acquired by



Financial advisor to Peachtree Settlement Funding
July 2011

Freeman & Co. Securities LLC

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