

GLOBAL INSURANCE STOCKS UNDERPERFORM IN FIRST HALF OF 2018

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Insurance stocks substantially underperformed the market for the first half of 2018. While the Morgan Stanley All Countries World Index, which captures over 95% of the world's equities market capitalization, slipped 1% for the first six months of this year, the IIS Insurance Stock Aggregate declined 5.7%. Insurance stocks have thus fallen short of the overall market's performance for three consecutive quarters. Naturally, industry sectors' and geographic markets' performance varied widely, and even market cap tiers' returns showed greater than normal amplitude. The industry is not a monolithic entity in the market, and we will describe where areas of outperformance and underperformance occurred in the first half.

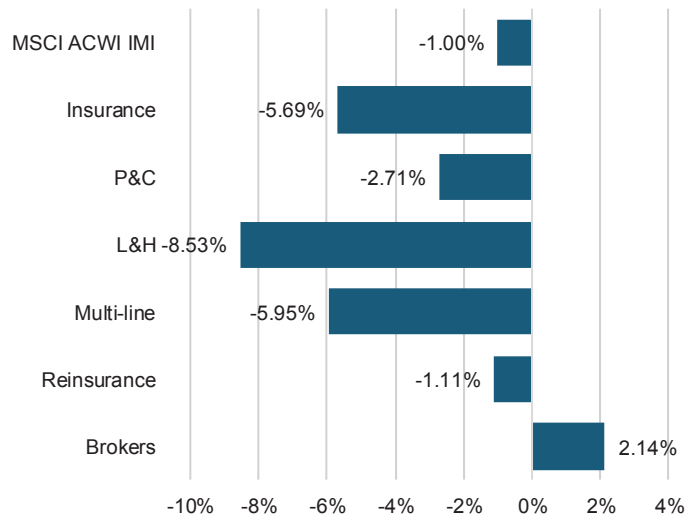
In terms of industry sectors, it is interesting to note that the groups involved most in the P&C sector fared the best. Insurance Brokers were on the top of the list with a 2.1% gain, Property & Casualty Insurers declined 2.7% and Reinsurers were down 1.1%. The best performing issues tended to be deal-driven or restructuring companies like XL Group (+60%), AmTrust (+47%), or Validus (+46%), or those rebounding from terrible 2017 performance, like cat exposed Florida property insurer HCI Group (+42%) or Mexican auto insurer Qualitas Controladora (+36%). The worst performing P&C insurers were heavily Asia Pacific companies, especially Korean writers Hyundai M&F, Hanwha General and Meritz F&M.

Both commercial and personal lines insurers continued to achieve rate increases during the period, and catastrophe losses were much lower than in the corresponding months of 2017. Reserve releases are dwindling, but are still a positive for underwriting results in 2018. Investment income increases from higher portfolio yields has also fueled favorable P&C results.

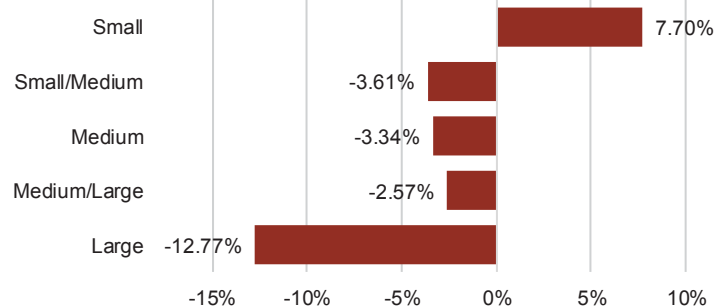
The worst industry sector performers were the subsectors exposed to the life insurance industry. Multi-line Insurers declined 6%, and Life & Health

RETURNS BY SECTOR*

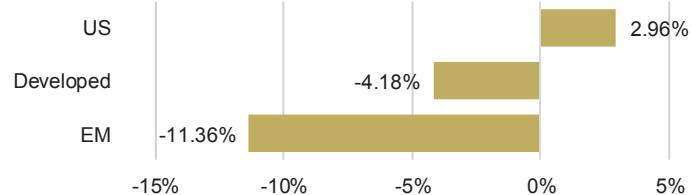
*Weighted Return



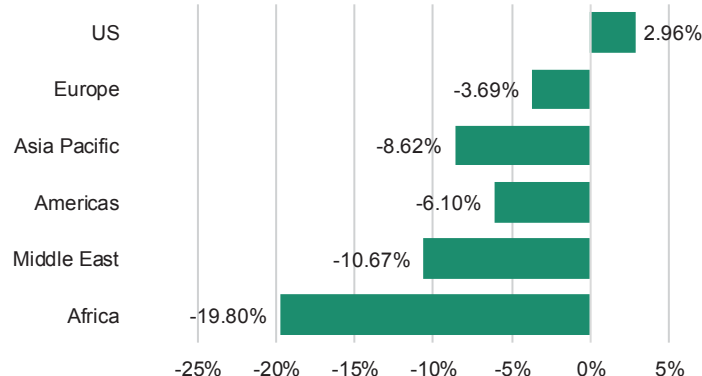
RETURNS BY MARKET CAP



RETURNS BY MARKET TYPE



RETURNS BY REGION



Insurers tumbled 8.5%. The entire life sector, with the exception of companies operating in the rapidly growing Asian market, has suffered from declining sales, low investment yields in relation to product assumptions, and an uptick in mortality trends. This is an industry, at least in the developed world, that is trying to reinvent itself to survive. Even increasing sales doesn't ensure profitability, as this sector's worst performers included New China Life (-40%), Max Financial (-32%) and China Life (-26%). Bright spots included restructuring Genworth (+45%) and pet insurer Trupanion (+32%). In contrast to humans, animal mortality trends seem to be improving.

Several industry sector best performing lists were dominated by American companies: the US stock market climbed to new highs in first half 2018, and insurance stocks participated if not fully, then at least enough to be the best in the world. US insurance stocks rose 3% in the aggregate, while other Developed Markets' insurers slipped 4.2% and Emerging Markets insurers plunged 11.4%. Specifically, insurance stocks in Europe declined 3.7%, and Asia Pacific insurers dropped 8.6%, but insurance issues in the Middle East and Africa fell 10.7% and an alarming 19.8% respectively.

Overall, Small Cap insurers vastly outperformed their Large Cap brethren, reflecting greater growth and profitability by smaller, more focused and nimble insurers.

As Warren Buffett once memorably said "In the short term, the stock market is a voting machine. In the long term, it is a weighing machine". This maxim is certainly true when looking at the performance of insurance stocks for any short period of time. What you see in the accompanying tables and read about herein is a fleeting period in the life of these companies. In this particular period, their share price may well have been favorably or unfavorably influenced by events that have little bearing on their long term prospects. Over the long term, however, superior management, a commitment to innovation and an attractive industry niche will generate the best returns for insurance investors. Nonetheless, the short term gyrations we often see in quarterly performance do provide opportunities for insurers and investors alike.

Leaders and Laggards: **Multi-line**

LEADERS		
NATIONAL GENERAL HOLDINGS CORP	US	34.5%
VITTORIA ASSICURAZIONI S.P.A.	Europe	16.3%
KEMPER CORP	US	10.6%
SYARIKAT TAKAFUL MALAYSIA KELUARGA	Asia Pacific	9.9%
AGEAS SA	Europe	8.1%
TOPDANMARK	Europe	8.1%
FAIRFAX FINANCIAL HOLDINGS SUB VOT	Americas	6.9%
HELVETIA HOLDING AG	Europe	5.4%
HAREL INSURANCE INVESTMENTS & FINA	Middle East	4.1%
ASSURANT INC	US	3.9%
BAJAJ FINSERV LTD	Asia Pacific	3.8%
ASR NEDERLAND NV	Europe	3.6%
ZURICH INSURANCE GROUP AG	Europe	3.2%
HORACE MANN EDUCATORS CORP	US	2.4%
SAGA PLC	Europe	1.8%

LAGGARDS		
PROTECTOR FORSIKRING ASA	Europe	-25.9%
CHINA PACIFIC INSURANCE (GROUP) LT	Asia Pacific	-24.5%
BB SEGURIDADE SA	Americas	-24.2%
MIGDAL INSURANCE LTD	Middle East	-23.1%
CLAL INSURANCE ENTERPRISES LTD	Middle East	-22.6%
CHINA PACIFIC INSURANCE (GROUP) LT	Asia Pacific	-17.1%
POWSZECHNY ZAKLAD UBEZPIECZEN S.A.	Europe	-14.3%
UNIPOL GRUPPO FINANZIARIO	Europe	-14.1%
SUL AMERICA UNITS SA	Americas	-13.9%
MENORA MIVTACHIM HOLDINGS LTD.	Middle East	-13.3%
AXA SA	Europe	-12.8%
AMERICAN INTERNATIONAL GROUP INC	US	-10.0%
GJENSIDIGE FORSIKRING ASA	Europe	-8.8%
VIENNA INSURANCE GROUP AG	Europe	-8.8%
HARTFORD FINANCIAL SERVICES GROUP	US	-8.3%

Leaders and Laggards: **Property & Casualty**

LEADERS		
XL GROUP LTD	US	60.4%
AMTRUST FINANCIAL SERVICES INC	US	46.7%
HCI GROUP INC	US	41.6%
QUALITAS CONTROLADORA	Americas	35.6%
INFINITY PROPERTY AND CASUALTY COR	US	35.5%
UNIVERSAL INSURANCE HOLDINGS INC	US	30.1%
AMBAC FINANCIAL GROUP INC	US	24.2%
MBIA INC	US	23.5%
KINSALE CAPITAL GROUP INC	US	22.2%
UNITED FIRE GROUP INC	US	21.0%
SHINKONG INSURANCE CO. LTD.	Asia Pacific	20.5%
NAVIGATORS GROUP INC	US	17.3%
ANADOLU ANONIM TURK SIGORTA SIRKET	Middle East	16.9%
ANICOM HOLDINGS INC	Asia Pacific	16.7%
INSURANCE AUSTRALIA GROUP LTD	Asia Pacific	14.4%
UNITED INSURANCE HOLDINGS CORP	US	14.2%
AXIS CAPITAL HOLDINGS LTD	US	12.2%
HANOVER INSURANCE GROUP INC	US	11.6%
RLI CORP	US	9.8%
ARGO GROUP INTERNATIONAL HOLDINGS	US	9.5%

LAGGARDS		
PROASSURANCE CORP	US	-37.0%
HYUNDAI MARINE & FIRE INSURANCE LT	Asia Pacific	-31.0%
ZHONGAN ONLINE P & C INSURANCE COR	Asia Pacific	-28.8%
HANWHA GENERAL INSURANCE LTD	Asia Pacific	-22.8%
MERITZ FIRE & MARINE INSURANCE LTD	Asia Pacific	-21.4%
ALM BRAND	Europe	-21.3%
QATAR INSURANCE CO.	Middle East	-21.2%
DB INSURANCE LTD	Asia Pacific	-20.3%
HASTINGS GROUP HOLDINGS PLC	Europe	-19.9%
DONEGAL GROUP INC CLASS A	US	-19.9%
LANCASHIRE HOLDINGS LTD	Europe	-17.9%
INTACT FINANCIAL CORP	Americas	-14.1%
QBE INSURANCE GROUP LTD	Asia Pacific	-13.3%
PICC PROPERTY AND CASUALTY LTD H	Asia Pacific	-13.1%
ARCH CAPITAL GROUP LTD	US	-12.5%
MERCURY GENERAL CORP	US	-12.5%
CHUBB LTD	US	-12.1%
ALLSTATE CORP	US	-12.0%
ESURE GROUP HOLDINGS PLC	Europe	-10.9%
CINCINNATI FINANCIAL CORP	US	-9.5%

Leaders and Laggards: **Life & Health**

LEADERS		
GENWORTH FINANCIAL A INC	US	44.7%
TRUPANION INC	US	31.9%
INDEPENDENCE HOLDING	US	21.6%
POSTE ITALIANE	Europe	17.4%
AMERICAN EQUITY INVESTMENT LIFE HO	US	17.1%
FBL FINANCIAL GROUP INC CLASS A	US	16.9%
SONY FINANCIAL HOLDINGS INC	Asia Pacific	11.1%
SHIN KONG FINANCIAL HOLDING CO. LT	Asia Pacific	9.0%
CITIZENS INC CLASS A	US	6.0%
CHINA LIFE INSURANCE CO. LTD.	Asia Pacific	4.4%
AIA GROUP LTD	Asia Pacific	3.6%
CATHAY FINANCIAL HOLDING LTD	Asia Pacific	2.6%
STOREBRAND	Europe	2.5%
CNP ASSURANCES SA	Europe	2.4%
SWISS LIFE HOLDING AG	Europe	2.0%

LAGGARDS		
NEW CHINA LIFE INSURANCE LTD A	Asia Pacific	-40.0%
NEW CHINA LIFE INSURANCE COMPANY L	Asia Pacific	-39.1%
UNUM	US	-32.0%
MAX FINANCIAL SERVICES LTD	Asia Pacific	-31.9%
BRIGHTHOUSE FINANCIAL INC	US	-31.7%
AVIVASA EMEKLILIK VE HAYAT AS	Middle East	-31.2%
DISCOVERY LTD	Africa	-28.2%
HANWHA LIFE INSURANCE LTD	Asia Pacific	-26.2%
CHINA LIFE INSURANCE LTD A	Asia Pacific	-26.1%
RAND MERCHANT INSURANCE HOLDING LT	Africa	-25.8%
SANLAM LIMITED LTD	Africa	-24.7%
ING LIFE INSURANCE KOREA LTD	Asia Pacific	-24.6%
WUESTENROT & WUERTEMBERGISCHE AG	Europe	-24.4%
MMI HOLDINGS LTD	Africa	-24.2%
SAMSUNG LIFE LTD	Asia Pacific	-23.9%

Leaders and Laggards: **Reinsurance**

LEADERS		
VALIDUS HOLDINGS LTD	US	45.7%
IRB BRASIL RESEGUROS SA	Americas	26.4%
MAIDEN HOLDINGS LTD	US	22.5%
EVEREST RE GROUP LTD	US	5.3%
HANNOVER RUECKVERSICHERUNG	Europe	3.7%

LAGGARDS		
GREENLIGHT CAPITAL A LTD	US	-29.4%
THIRD POINT REINSURANCE LTD	US	-14.7%
REINSURANCE GROUP OF AMERICA INC	US	-13.8%
CHINA REINSURANCE (GROUP) CORP H	Asia Pacific	-3.8%
RENAISSANCERE HOLDING LTD	US	-3.7%

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