

FIRST QUARTER 2019: GLOBAL INSURANCE STOCK REVIEW

Global equities markets shook off the late 2018 slump to register a strong performance in this year's first quarter, and insurance stocks participated fully. The Morgan Stanley All Countries World Index gained 11.8% for Q1, and the IIS global insurance stock aggregate rose 11.6%. Robust economic news propelled markets upward in most parts of the developed world, while many emerging markets continued to struggle.

Although it is the exception more than the rule, all major industry sectors performed relatively in line with each other, with Reinsurance being the exception.

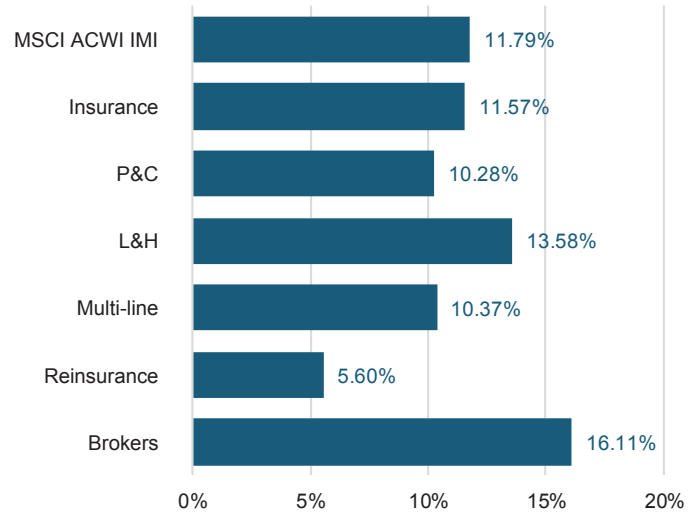
Best performing in Q1 was the Broker group, up 16%, as consolidation in this sector has accelerated growth and profitability prospects for acquirers and raised valuations for potential targets. Broking is no longer simply a transaction processing fee business, but largely a business of consultation and advice, and so the major competitors have structural advantages over smaller players, adding to the merger trend. Marsh, Aon and Willis all excelled.

The Life & Health group advanced 14% during the first quarter, after a dismal 2018. There were more than 15 L&H stocks that rose in excess of 20% in Q1. The two star performers were Indonesia's Panin Financial, which has grown rapidly with support from part owner Dai Ichi Life (+44%) and Ping An Insurance of China, a juggernaut of innovation and marketing prowess (+42%). Rising interest rates have helped this industry sector worldwide, and Asia leads the world in life premium growth potential. At the other end of the L&H spectrum, Just Group of the UK, a retirement products provider, showed disappointing 2018 results and plunged 32% for the quarter.

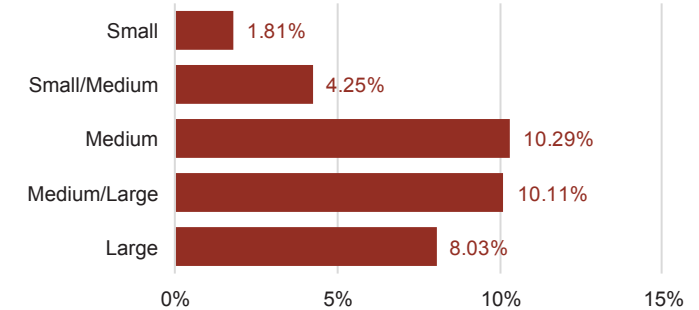
Property & Casualty stocks were up 10% in the first quarter in a widespread advance: personal lines and commercial lines insurers gained, large and small cap issues gained, and all geographic areas gained. Top performers included US based motor insurance writer Erie Indemnity (+35%) and Australia's mostly commercial lines QBE (+26%). United Fire Group of the US continued a challenging run by declining 21% for the quarter, to earn the dubious distinction of being the world's worst P&C stock for the period.

RETURNS BY SECTOR*

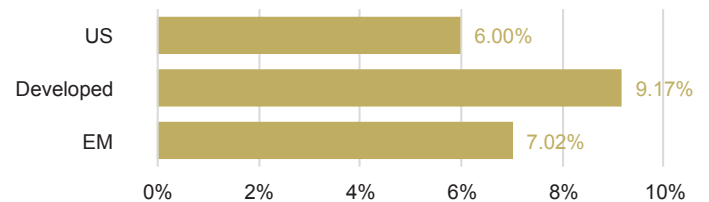
*Weighted Return



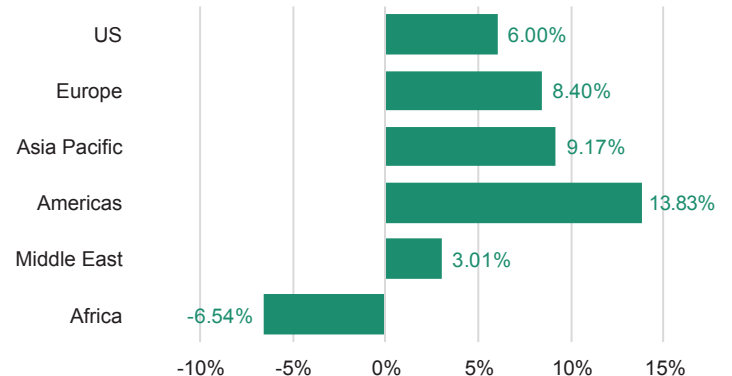
RETURNS BY MARKET CAP



RETURNS BY MARKET TYPE



RETURNS BY REGION



Multi Line insurers were also up 10% for the quarter. The multiline format is still common in many countries outside the US, with insurers selling both life & health and property & casualty products. This structure has virtually disappeared in the US, as insurers sought to focus on what they perceived to be sectors where they had scale and some competitive advantage. topQ1 performers in the multiline area were Unipol of Italy (+24%) and China Pacific, which gained 23%. There were not really any poor performing multilines for the period. The worst showing was that of Poland's PZU, which lost just under 10% of its value.

The significant outlier in the performance of insurance sectors in the first quarter was Reinsurance, which gained just under 6%. Greenlight Re jumped 26% in Q1 to lead the sector, but one company's terrible year end report and subsequent stock slide dragged the entire sector down. Maiden Holdings has had a lengthy catalogue of woes recently, culminating in a severe reserve deficiency. Upon the delayed publication of its year end 2018 report, Maiden stock fell 55% in the first quarter.

Among geographic areas, Americas topped the Q1 results with a 14% gain, shared by both Canadian and Latin American insurers. Examples include Canada's Intact Financial and Power Corp and Mexico's Qualitas Controladora. Both Asia Pacific (+9%) and European (+8%) insurance stocks gained in value, albeit at less than overall market returns. The US actually lagged, with just a 6% increase in Q1, as none of the biggest market capitalization names like Berkshire Hathaway, AIG or Chubb had particularly strong quarters. Africa (-7%) and Middle East (+6%) were the weakest performers, unfortunately continuing their 2018 slide.

As this report is being written, insurance stocks are enjoying a robust second quarter. Commercial P&C rates appear to be rising again. Innovation in the industry is showing concrete signs of producing expense efficiencies and stimulating growth. With valuations appearing increasingly stretched in many sectors of the stock market, the valuations versus growth and profitability prospects of insurers are garnering more and more investor interest.

Mike Morrissey, CFA
President and CEO
 May 2019

Leaders and Laggards: **Multi-line**

LEADERS		
UNIPOL GRUPPO FINANZIARIO	Europe	23.8%
CHINA PACIFIC INSURANCE (GROUP) LT	Asia Pacific	22.7%
CHINA PACIFIC INSURANCE (GROUP) LT	Asia Pacific	21.2%
BALOISE HOLDING AG	Europe	20.1%
MENORAH MIVTACHIM HOLDINGS LTD	Middle East	20.1%
GJENSIDIGE FORSIKRING	Europe	17.0%
AXA SA	Europe	16.5%
MIGDAL INSURANCE AND FINANCIAL HOL	Middle East	13.2%
HARTFORD FINANCIAL SERVICES GROUP	US	12.5%
AVIVA PLC	Europe	12.0%
ALLIANZ	Europe	11.2%
ZURICH INSURANCE GROUP AG	Europe	11.2%
ASSICURAZIONI GENERALI	Europe	10.8%
UNIQA INSURANCE GROUP AG	Europe	10.8%
VIENNA INSURANCE GROUP AG	Europe	10.7%

LAGGARDS		
PZU SA	Europe	-9.6%
IDI INSURANCE COMPANY LTD	Middle East	-7.0%
HORACE MANN EDUCATORS CORP	US	-5.3%
AMERICAN NATIONAL INSURANCE	US	-4.5%
GRUPO CATALANA OCCIDENTE SA	Europe	-4.0%
CLAL INSURANCE ENTERPRISES LTD	Middle East	-3.3%
BB SEGURIDADE SA	Americas	-2.2%
NATIONAL GENERAL HOLDINGS CORP	US	-1.8%
PORTO SEGURO SA	Americas	2.5%
SAMPO	Europe	3.2%
MAPFRE SA	Europe	3.7%
HELVETIA HOLDING AG	Europe	4.7%
ASR NEDERLAND NV	Europe	5.1%
LOEWS CORP	US	5.4%
PHOENIX HOLDINGS LTD	Middle East	5.6%

Leaders and Laggards: **Property & Casualty**

LEADERS		
ERIE INDEMNITY CLASS A	US	34.8%
QBE INSURANCE GROUP LTD	Asia Pacific	26.3%
PROGRESSIVE CORP	US	24.1%
KINSALE CAPITAL GROUP INC	US	23.6%
ARCH CAPITAL GROUP LTD	US	21.0%
HASTINGS GROUP HOLDINGS PLC	Europe	18.1%
FIDELITY NATIONAL FINANCIAL INC	US	17.3%
INTACT FINANCIAL CORP	Americas	17.0%
QUALITAS CONTROLADORA	Americas	16.6%
ASSURED GUARANTY LTD	US	16.5%
FIRST AMERICAN FINANCIAL CORP	US	16.3%
TRAVELERS COMPANIES INC	US	15.2%
KEMPER CORP	US	15.1%
WR BERKLEY CORP	US	14.8%
ALLSTATE CORP	US	14.6%
ALM BRAND	Europe	13.2%
SUNCORP GROUP LTD	Asia Pacific	13.1%
INSURANCE AUSTRALIA GROUP LTD	Asia Pacific	13.1%
DIRECT LINE INSURANCE PLC	Europe	12.9%
ZHONGAN ONLINE P & C INSURANCE COR	Asia Pacific	12.3%

LAGGARDS		
UNITED FIRE GROUP INC	US	-20.7%
ANICOM HOLDINGS INC	Asia Pacific	-18.0%
UNIVERSAL INSURANCE HOLDINGS INC	US	-17.8%
GLOBAL INDEMNITY LTD CLASS A	US	-15.5%
HCI GROUP INC	US	-15.2%
HANWHA GENERAL INSURANCE LTD	Asia Pacific	-14.3%
PROASSURANCE CORP	US	-13.9%
HYUNDAI MARINE & FIRE INSURANCE LT	Asia Pacific	-9.5%
TI FINANCIAL HOLDINGS LTD	Asia Pacific	-6.9%
ANADOLU ANONIM TURK SIGORTA SIRKET	Middle East	-5.4%
DB INSURANCE LTD	Asia Pacific	-4.3%
MARKEL CORP	US	-4.0%
UNITED INSURANCE HOLDINGS CORP	US	-4.0%
EMPLOYERS HOLDINGS INC	US	-3.9%
STATE AUTO FINANCIAL CORP	US	-3.0%
COFACE SA	Europe	-2.6%
MERCURY GENERAL CORP	US	-2.0%
HISCOX LTD	Europe	-1.9%
HERITAGE INSURANCE HOLDINGS INC	US	-0.4%
DONEGAL GROUP INC CLASS A	US	-0.4%

Leaders and Laggards: **Life & Health**

LEADERS		
PANIN FINANCIAL	Asia Pacific	44.4%
CHINA LIFE INSURANCE LTD A	Asia Pacific	42.3%
PING AN INSURANCE (GROUP) OF CHINA	Asia Pacific	40.8%
POWER CORPORATION OF CANADA	Americas	31.2%
NEW CHINA LIFE INSURANCE LTD A	Asia Pacific	30.3%
TRUPANION INC	US	28.6%
NEW CHINA LIFE INSURANCE COMPANY L	Asia Pacific	28.3%
PING AN INSURANCE (GROUP) CO OF CH	Asia Pacific	26.8%
PHOENIX GROUP HOLDINGS PLC	Europe	26.8%
CHINA LIFE INSURANCE LTD H	Asia Pacific	26.5%
ORANGE LIFE INSURANCE LTD	Asia Pacific	26.0%
PRIMERICA INC	US	25.4%
POWER FINANCIAL CORP	Americas	25.0%
HUBEI BIOCAUSE PHARMACEUTICAL LTD	Asia Pacific	24.6%
POSTE ITALIANE	Europe	21.8%

LAGGARDS		
JUST GROUP PLC	Europe	-32.0%
GENWORTH FINANCIAL A INC	US	-17.8%
DISCOVERY LTD	Africa	-14.0%
NATIONAL WESTERN LIFE GROUP INC CL	US	-12.7%
CITIZENS INC CLASS A	US	-11.3%
ANADOLU HAYAT EMEKLILIK A	Middle East	-8.9%
LIBERTY HOLDINGS LTD	Africa	-8.4%
RAND MERCHANT INSURANCE HOLDING LT	Africa	-8.2%
SANLAM LTD	Africa	-7.8%
T&D HOLDINGS INC	Asia Pacific	-7.7%
DAHCHI LIFE HOLDINGS INC	Asia Pacific	-7.7%
CHINA LIFE INSURANCE LTD	Asia Pacific	-7.1%
HANWHA LIFE INSURANCE LTD	Asia Pacific	-7.1%
TONG YANG LIFE INSURANCE LTD	Asia Pacific	-5.6%
CATHAY FINANCIAL HOLDING LTD	Asia Pacific	-5.4%

Leaders and Laggards: **Reinsurance**

LEADERS		
GREENLIGHT CAPITAL LTD CLASS A	US	26.1%
IRB BRASIL RESSEGUROS SA	Americas	11.4%
MJENCHENER RUECKVERSICHERUNGS-GESE	Europe	8.8%
THIRD POINT REINSURANCE LTD	US	7.7%
RENAISSANCERE HOLDING LTD	US	7.6%

LAGGARDS		
MAIDEN HOLDINGS LTD	US	-55.0%
SCOR	Europe	-5.6%
ALLEGHANY CORP	US	-1.8%
EVEREST RE GROUP LTD	US	-0.2%
REINSURANCE GROUP OF AMERICA INC	US	1.7%

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