

**GLOBAL INSURANCE STOCK REVIEW:
FIRST NINE MONTHS OF 2020**

International equity markets rebounded in the third quarter, enough so that most of the major indexes recovered to near where they were on January 1. Hopes for a vaccine-driven reduction in COVID infections and for more government financial stimulus (both of which seemed less likely by late October) gave investors some renewed optimism.

The Morgan Stanley Capital International All Countries World Index erased its early year swoon to finish the first three quarters of 2020 down just 1%. In the US, both the Dow Jones and the S&P indexes rose about 8% for the third quarter, to reduce their severe first half losses.

Unfortunately, insurance stocks as a group did not participate in the third quarter recovery. The IIS Global Insurance Stock Aggregate declined 17.6% for the first nine months of the year, a scant 2% improvement from the 19.5% drop suffered in the first half.

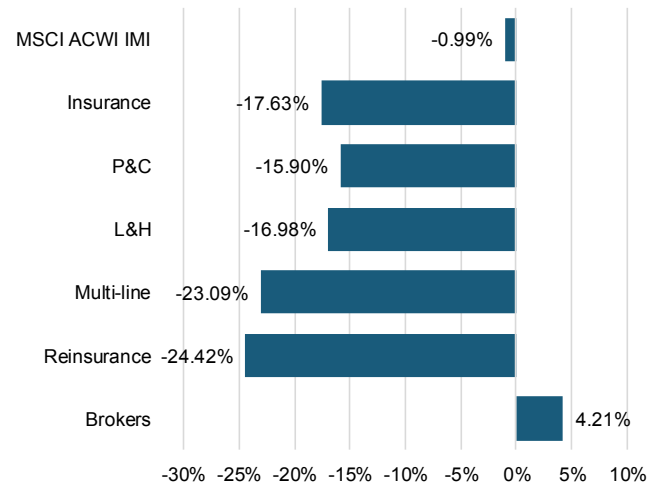
As always, performance varied widely by geography, industry sector and company size. The most interesting trends are often in the variations by industry sector.

The industry's best performing sector was Insurance Brokers, which slipped just 2.5% for the nine months. Of course, this sector is a fee and commission business; it is not exposed to underwriting losses and has very minor exposure to the low interest rates that bedevil both Life and P&C insurers. Flying above the other brokers was Texas-based agency franchiser Goosehead Insurance, which added 106%. Small Thai broker TQM Corp. was also a noteworthy winner, gaining 90%. Online Medicare specialist EHealth fell 18%, as investors expressed anxiety about the future of Medicare in this volatile political environment.

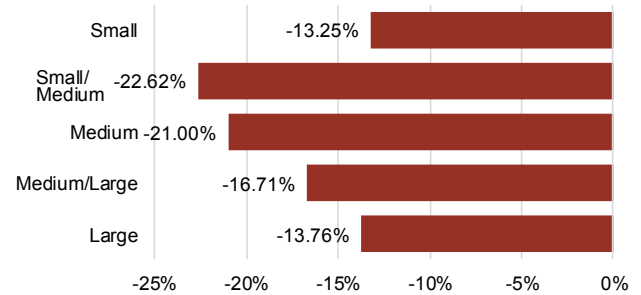
The second-best performing sector was Property & casualty, which slipped 15.9%. The third quarter was the most damaging period since 2017 in terms of extreme weather events, and COVID losses continued to climb. As the quarter neared its end, several major insurers pre-announced or warned that the upcoming earnings report would be disappointing, which cast a pall on the entire sector worldwide.

RETURNS BY SECTOR*

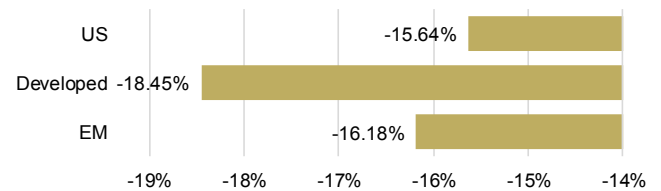
*Weighted Return



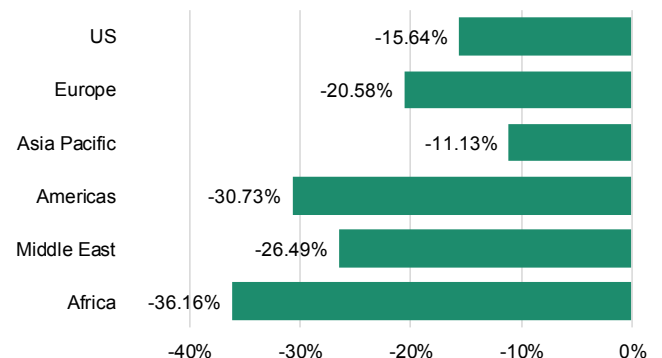
RETURNS BY MARKET CAP



RETURNS BY MARKET TYPE



RETURNS BY REGION



The top performing P&C stock continued to be Palomar Holdings, which countered the market's slump with a 107% spike. Palomar is a niche player, focusing on the US West Coast earthquake market, a line shunned by most insurers. Excess & Surplus lines writer Kinsale also stood out, boasting an 87% gain. There were only 11 P&C stocks in the world showing a gain of more than 10%, as the sector trend was decidedly negative.

Five P&C issues fell more than 50%, and 11 dropped more than 40%, one of the worst performances by this group since the 1987 market crisis. The dubious distinction of having their share prices more than halved was shared by five US insurers: medical liability insurer ProAssurance (-56%), financial guaranty company Assured Guaranty (-55%), Midwest personal lines carrier State Auto (-55%), Midwest small commercial writer United Fire (-52%) and Florida homeowners specialist United Insurance (-51%). Keep in mind, we are describing the industry's second-best performing sector!

The Life & Health sector was the third ranking industry group, experiencing a 17% decline for the first nine months. Considering what a bizarre year 2020 is, it is perhaps not surprising that the top performing L&H stock thus far has been a dog and cat insurer, Trupanion. The Seattle-based pet insurer rose 111% even as insurers of humans struggled. The other top L&H gainers were more mundane, including China Life and New China Life, both up 33%. At the other end of the L&H performance spectrum were two South African insurers. Liberty Holdings fell 54% and Old Mutual declined 53%, as new business slumped in the COVID-ravaged country.

Life insurers all around the world face the long-term headwind of declining ownership trends. In the developed world, only about 50% of adults own a life insurance policy, down from 60% just ten years ago. Fewer employer sponsored group plans are available, and many younger people don't see the value proposition of life insurance versus other savings and investment vehicles. Add the chronic low interest rate problem to the industry's worry list, and investor pessimism is to be expected.

Multi Line Insurers and Reinsurers were mired in fourth and fifth places among industry sectors. The MLs that prospered were mostly those for whom P&C business dominates, like US insurer National General (+54%) and Saudi Arabia's Al Rajhi Insurance (+27%). The worst performing ML by a wide margin was Saga plc, whose focus on the

older age market in the UK was devastated by the sharp contraction in the country's COVID + Brexit economy.

Reinsurers, being catastrophe-exposed in the worst storm period in several years, naturally got downgraded by investors. The group declined 24% for the nine months. Munich Re was the "least worst" issue in the group, slipping only 10% as it continued to show great financial resilience. At the other end of the spectrum was Brazil's IRB Brasil Re, which plummeted 85%, casting further doubt on the wisdom of its restructuring to afford a public offering.

The Asia Pacific region was the best performing geography for the period; nonetheless its insurance shares declined 11%. The bright spot in the region was their Life & Health issues, many of which exceeded growth expectations. The US ranked second with a 16% decline, largely due to Property & Casualty insurers. Europe ranked third with a 21% decline, primarily because of it is home to several of the hard-hit reinsurers and commercial insurers.

The Middle East had a broad-based slump centered around its Multi Line insurers, falling 26%. The Americas sector fell 31%, weighted down by the precipitous decline of Brazil's former state-owned reinsurer IRB Brasil. At the bottom of the regional spectrum was Africa, suffering a 36% plunge. Few African insurers could escape the public health crisis that ravaged economies on the continent. The US was the best performing single big country, with a 16% decline. What a terrible time for insurance stocks.

The fourth quarter of the year is most often the best for the relative performance of insurance stocks. This is partly due to the "all clear" signal that sounds (metaphorically) when hurricane season is over officially in late October. Of course, weather patterns are changing, and storms have been escalating in frequency, severity and on the calendar, so this old Q4 bromide has less validity than in the past. Throw the myriad uncertainties of a particularly consequential US election in November and continued diplomatic concerns in the UK, the Middle East and elsewhere and you have a recipe for continued volatility and uncertainty. Sometimes I miss managing portfolios of global insurance stocks as I did for many years; but right now, not so much!

Mike Morrissey, CFA
iis Special Advisor
October 2020

Leaders and Laggards: **Life & Health**

LEADERS		
TRUPANION INC	US	110.6%
CHINA LIFE INSURANCE LTD A	Asia Pacific	33.4%
NEW CHINA LIFE INSURANCE LTD A	Asia Pacific	32.8%
BUPA ARABIA	MAPPING REQUIRED	19.9%
MERCURIES AND ASSOCIATES LTD	Asia Pacific	16.6%
MAX FINANCIAL SERVICES LTD	Asia Pacific	10.9%
NN GROUP NV	Europe	5.8%
SONY FINANCIAL HOLDINGS INC	Asia Pacific	4.0%
POWER FINANCIAL CORP	Americas	1.1%
CATHAY FINANCIAL HOLDING LTD	Asia Pacific	-1.9%
FUBON FINANCIAL HOLDING LTD	Asia Pacific	-2.5%
ORANGE LIFE INSURANCE LTD	Asia Pacific	-3.2%
PHOENIX GROUP HOLDINGS PLC	Europe	-3.8%
CHINA DEVELOPMENT FINANCIAL HOLDIN	Asia Pacific	-3.9%
AIA GROUP LTD	Asia Pacific	-5.1%

LAGGARDS		
LIBERTY HOLDINGS LTD	Africa	-54.0%
OLD MUTUAL LIMITED LTD	Africa	-52.9%
LINCOLN NATIONAL CORP	US	-45.3%
JUST GROUP PLC	Europe	-44.6%
PANIN FINANCIAL	Asia Pacific	-43.3%
AEGON NV	Europe	-41.5%
SANLAM LIMITED LTD	Africa	-41.4%
UNUM	US	-39.6%
MOMMET SHS LTD	Africa	-39.1%
CHINA TAIPING INSURANCE HLDGS LTD	Asia Pacific	-37.5%
NATIONAL WESTERN LIFE GROUP INC CL	US	-37.2%
CNP ASSURANCES SA	Europe	-37.1%
IA FINANCIAL INC	Americas	-34.7%
HANWHA LIFE INSURANCE LTD	Asia Pacific	-34.7%
CATTOLICA ASS	Europe	-34.6%

Leaders and Laggards: **Property & Casualty**

LEADERS		
PALOMAR HOLDINGS INC	US	106.5%
KINSALE CAPITAL GROUP INC	US	87.4%
HASTINGS GROUP HOLDINGS PLC	Europe	41.2%
ZHONGAN ONLINE P & C INSURANCE COR	Asia Pacific	37.0%
PROGRESSIVE CORP	US	35.3%
ALM BRAND	Europe	28.9%
ERIE INDEMNITY CLASS A	US	28.8%
ANICOM HOLDINGS INC	Asia Pacific	19.8%
ADMIRAL GROUP PLC	Europe	16.6%
HCI GROUP INC	US	10.8%
JAMES RIVER GROUP HOLDINGS LTD	US	10.5%
STEWART INFO SERVICES CORP	US	9.9%
TRYG	Europe	8.1%
INTACT FINANCIAL CORP	Americas	0.9%
HANWHA GENERAL INSURANCE LTD	Asia Pacific	0.4%
SHINKONG INSURANCE LTD	Asia Pacific	-1.7%
DONEGAL GROUP INC CLASS A	US	-2.0%
RLI CORP	US	-6.2%
THE PEOPLES INSURANCE COMPANY (GRO	Asia Pacific	-7.1%
QUALITAS CONTROLADORA	Americas	-8.5%

LAGGARDS		
PROASSURANCE CORP	US	-55.9%
ASSURED GUARANTY LTD	US	-55.2%
STATE AUTO FINANCIAL CORP	US	-54.9%
UNITED FIRE GROUP INC	US	-51.9%
UNITED INSURANCE HOLDINGS CORP	US	-51.0%
UNIVERSAL INSURANCE HOLDINGS INC	US	-49.2%
ARGO GROUP INTERNATIONAL HOLDINGS	US	-46.4%
BEAZLEY PLC	Europe	-45.6%
COFACE SA	Europe	-43.2%
AMBAC FINANCIAL GROUP INC	US	-40.8%
INSURANCE AUSTRALIA GROUP LTD	Asia Pacific	-40.5%
HISCOX LTD	Europe	-38.9%
PICC PROPERTY AND CASUALTY LTD H	Asia Pacific	-37.8%
MBIA INC	US	-34.8%
LOEWS CORP	US	-33.5%
ARCH CAPITAL GROUP LTD	US	-31.8%
OLD REPUBLIC INTERNATIONAL CORP	US	-31.7%
HANOVER INSURANCE GROUP INC	US	-30.4%
SUNCORP GROUP LTD	Asia Pacific	-30.4%
WHITE MOUNTAINS INSURANCE GROUP LT	US	-30.1%

Leaders and Laggards: **Multi-line**

LEADERS		
NATIONAL GENERAL HOLDINGS CORP	US	53.8%
AL RAJHI COMPANY FOR COOPERATIVE I	MAPPING REQUIRED	26.8%
THE COOPERATIVE INSURANCE	MAPPING REQUIRED	13.3%
GJENSIDIGE FORSIKRING	Europe	3.1%
TOPDANMARK	Europe	1.1%
ASR NEDERLAND NV	Europe	-4.1%
SAMPO	Europe	-5.1%
ASSURANT INC	US	-6.0%
WATFORD HOLDINGS LTD	US	-8.8%
ZURICH INSURANCE GROUP AG	Europe	-9.5%
CHINA PACIFIC INSURANCE (GROUP) LT	Asia Pacific	-11.8%
BALOISE HOLDING AG	Europe	-15.1%
SYARIKAT TAKAFUL MALAYSIA KELUARGA	Asia Pacific	-15.2%
ALLIANZ	Europe	-16.7%
MENORAH MIVTACHIM HOLDINGS LTD	Middle East	-17.2%

LAGGARDS		
SAGA PLC	Europe	-74.8%
SUL AMERICA UNITS SA	Americas	-52.0%
BB SEGURIDADE SA	Americas	-48.2%
AMERICAN INTERNATIONAL GROUP INC	US	-44.7%
PORTO SEGURO SA	Americas	-43.3%
AMERICAN NATIONAL GROUP INC	US	-40.9%
AMERICAN NATIONAL GROUP	US	-40.3%
BAJAJ FINSERV LTD	Asia Pacific	-39.6%
PZU SA	Europe	-39.1%
UNIQA INSURANCE GROUP AG	Europe	-39.1%
HARTFORD FINANCIAL SERVICES GROUP	US	-37.9%
AMERICAN FINANCIAL GROUP INC	US	-37.8%
MAPFRE SA	Europe	-37.8%
CLAL INSURANCE ENTERPRISES LTD	Middle East	-37.3%
HELVETIA HOLDING AG	Europe	-36.5%

Leaders and Laggards: **Reinsurance**

LEADERS		
MUENCHENER RUECKVERSICHERUNGS-GESE	Europe	-9.7%
RENAISSANCERE HOLDING LTD	US	-12.9%
HANNOVER RUECK	Europe	-16.9%
KOREAN REINSURANCE	Asia Pacific	-19.1%
ENSTAR GROUP LTD	US	-21.9%

LAGGARDS		
IRB BRASIL RESSEGUROS SA	Americas	-84.9%
CHINA REINSURANCE (GROUP) CORP H	Asia Pacific	-40.9%
REINSURANCE GROUP OF AMERICA INC	US	-40.5%
SCOR	Europe	-34.0%
THIRD POINT REINSURANCE LTD	US	-33.9%

Leaders and Laggards: **Brokers**

LEADERS		
GOOSEHEAD INSURANCE INC CLASS A	US	106%
TQM CORPORATION PCL	Asia Pacific	90%
AUB GROUP LTD	Asia Pacific	48%

LAGGARDS		
EHEALTH INC	US	-18%
STEADFAST GROUP LTD	Asia Pacific	-2%
AON PLC CLASS A	US	0%

** Source

* Source: MSCI/BBG/BlackRock; sector based on GICS; market type and region based on MSCI classifications; returns are simple average returns unless otherwise stated and may differ from other data sources; data as of 9/30/2020

** Source: MSCI/BBG/BlackRock; returns may differ from other data sources due to various considerations such as FX, (reverse) stock splits, dividends, and tax regime; returns in USD data as of 9/30/2020