

2018 GLOBAL INSURANCE STOCK REVIEW

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What a difference three months can make. For the first time in history, the benchmark US stock index, the S&P 500, showed a decline for the full year after being up for the first nine months. The fourth quarter of the year has historically been the best period for stock performance, but in 2019 the pattern was abruptly broken. Fears about a government shutdown's implications for the US economy and foreign policy jitters following the firing of Defense Secretary James Mattis spooked the market badly. Asian and European markets performed much the same, as the world's markets are increasingly linked. The Morgan Stanley All Countries World Index declined 11% for the full year, after posting a 2% increase for the first nine months.

Insurance stocks were also down sharply for the year, but slightly outperformed the overall market in Q4. This has been a common occurrence over the decades: insurance stocks tend to advance after hurricane season is over, whether they suffered major storm losses or not. The IIS global insurance stock aggregate fell 11.5% for the year, slightly underperforming the general market, but closed the major performance gap that had characterized the first three quarters.

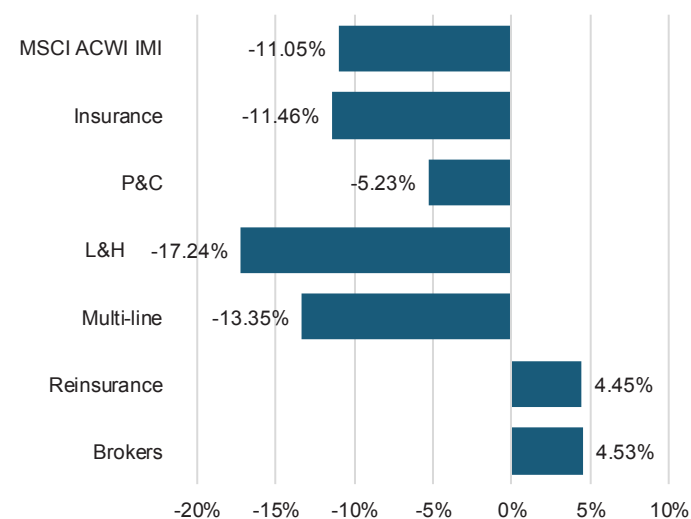
Property & Casualty stocks plunged worldwide, as the industry suffered another year of heavy catastrophe losses. While total economic losses from cats is estimated to have declined from 2017's record US \$350 billion to approximately US \$155 billion last year, the 2018 figure is still the fourth costliest year on record. And as heavy as US insurers' losses were, they were even more severe internationally.

P&C stocks were down 5.2% globally for the year. The best performers tended to be US insurers, the leaders being dominated by companies involved in mergers or restructuring like XL Group, AmTrust, Navigators, Infinity and Universal, all up more than 35%. Laggards were primarily from Asia Pacific and Europe and plagued by heavy property losses, except Chinese online insurer Zhong An, which investors feared paid so much to distribution partners that its profitability will fall far short of its impressive revenue growth.

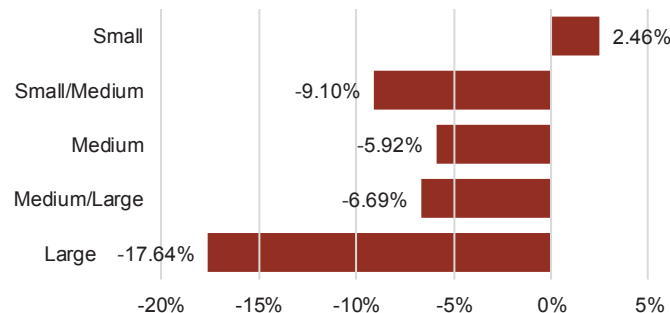
IRB Brasil led the performance of Reinsurers with a 120% stock price surge, as the privatization has led to highly profitable growth. Two reinsurers were down more than 50%: Maiden Holdings plummeted 74% as reserve shortages and subsequent writedowns threatened the company's viability, and Greenlight Capital shared the stock market-related woes of many hedge fund sponsored reinsurers. Overall, both the Reinsurers and the Brokers escaped the fate of the primary P&C

RETURNS BY SECTOR*

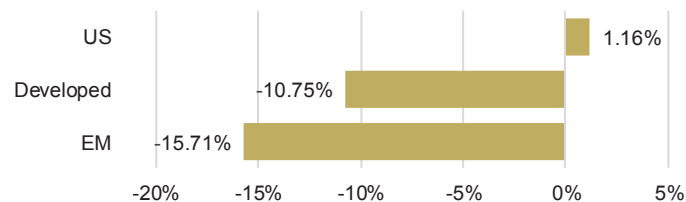
*Weighted Return



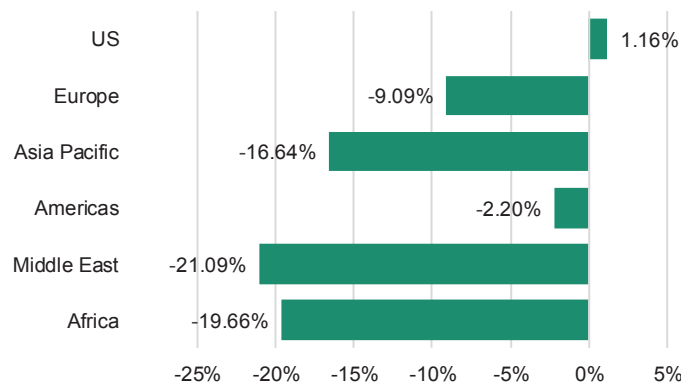
RETURNS BY MARKET CAP



RETURNS BY MARKET TYPE



RETURNS BY REGION



insurers, both showing gains in the 4.5% area for the year, the best sectors in the entire industry for 2018.

Life insurance-related industry sectors fared even worse than those exposed to the vicissitudes of the P&C world. Life insurance faces a number of growth and profitability challenges, ranging from internal issues like plateauing mortality improvement, low investment portfolio yields and stagnant growth in developed markets, to external factors like a changing workforce and customer experience demands. The result for many Life and Multi Line insurers has been lagging fundamental and stock market performance.

Life stocks worldwide plunged 17% for the year 2018, and Multi Line insurers fell more than 13%. Nearly twenty issues in these two sectors declined more than 30%, while only five advanced more than 20%. Life insurers just cant provide a margin of profitability covering policyholder obligations at this level of interest rates and portfolio yields. Restructuring Genworth recovered nearly 50% last year. The two best fundamentally driven performers were both Brazilian insurers: Sul America and Porto Seguro, each up more than 30%. Considering also the top performance of IRB Brasil in the Reinsurance sector, 2018 was a banner year for the Brazilian insurance industry.

As challenging as market conditions were in the US, they were even more difficult throughout the rest of the world. The US experienced its worst year in ten years, but still far outshone all other geographic regions. The 1% overall gain eked out by the US market (better, at least, than the 6% decline registered by both the Dow Jones Industrials and the S&P 500) looks favorable by comparison to other regions.

The Americas ex-US slipped just 2% last year. The strong performance of the Brazilian market has already been mentioned as a component. Europe was down 9%, as decent performance by P&C insurers and Reinsurers was far offset by significant declines by Life and Multi Line carriers. The Asia Pacific region fell nearly 17%, also driven by subpar performance by life insurers. Both the Middle East and the Africa regions fell in the 20% range. Qatar Insurance was the region's P&C laggard with a 20% decline, and Aviva-backed Turkish insurer Avivasa fell 53% for the year amid plunging profits.

The insurance industry will continue to struggle in developed markets, whose economies grow at low single digit rates for the most part and where insurance penetration is already mature. In emerging markets, the industry has the "double play" environment of more rapidly growing economies and increasing penetration from a low base, and will have this advantage for many years to come. Some investors will identify the emerging market insurers who will best capitalize on these trends, and/or the developed market incumbents who can find ways to grow by partnering with them. They will be the ones who earn the best returns this industry has to offer.

Leaders and Laggards: **Multi-line**

LEADERS		
SUL AMERICA UNITS SA	Americas	34.4%
PORTO SEGURO SA	Americas	33.8%
NATIONAL GENERAL HOLDINGS CORP	US	24.1%
VITTORIA ASSICURAZIONI S.P.A.	Europe	15.8%
TOPDANMARK	Europe	14.6%
BAJAJ FINSERV LTD	Asia Pacific	13.5%
HELVETIA HOLDING AG	Europe	7.7%
SYARIKAT TAKAFUL MALAYSIA KELUARGA	Asia Pacific	7.4%
UNIPOLSAI	Europe	3.8%
ZURICH INSURANCE GROUP AG	Europe	3.6%
PZU SA	Europe	2.2%
ASR NEDERLAND NV	Europe	2.0%
AMERICAN NATIONAL INSURANCE	US	1.9%
ASSICURAZIONI GENERALI	Europe	-3.5%
AGEAS NV	Europe	-3.6%

LAGGARDS		
PROTECTOR FORSIKRING	Europe	-50.2%
CHINA PACIFIC INSURANCE (GROUP) LT	Asia Pacific	-33.5%
AMERICAN INTERNATIONAL GROUP INC	US	-32.1%
CHINA PACIFIC INSURANCE (GROUP) LT	Asia Pacific	-30.7%
AVIVA PLC	Europe	-26.0%
AXA SA	Europe	-23.3%
MIGDAL INSURANCE AND FINANCIAL HOL	Middle East	-23.0%
VIENNA INSURANCE GROUP AG	Europe	-22.4%
CLAL INSURANCE ENTERPRISES LTD	Middle East	-22.0%
HARTFORD FINANCIAL SERVICES GROUP	US	-19.2%
SAGA PLC	Europe	-17.0%
IDI INSURANCE COMPANY LTD	Middle East	-16.9%
FAIRFAX FINANCIAL HOLDINGS SUB VOT	Americas	-15.9%
SAMPO	Europe	-15.4%
MENORAH MVTACHIM HOLDINGS LTD	Middle East	-14.7%

Leaders and Laggards: **Property & Casualty**

LEADERS		
HCI GROUP INC	US	75.9%
XL GROUP LTD	US	65.1%
AMTRUST FINANCIAL SERVICES INC	US	48.5%
NAVIGATORS GROUP INC	US	43.3%
UNIVERSAL INSURANCE HOLDINGS INC	US	41.5%
INFINITY PROPERTY AND CASUALTY COR	US	35.9%
UNITED FIRE GROUP INC	US	31.1%
ARGO GROUP INTERNATIONAL HOLDINGS	US	27.7%
SHINKONG INSURANCE LTD	Asia Pacific	24.4%
KINSALE CAPITAL GROUP INC	US	24.1%
MBIA INC	US	21.9%
STATE AUTO FINANCIAL CORP	US	18.4%
RLI CORP	US	16.7%
QUALITAS CONTROLADORA	Americas	15.0%
ASSURED GUARANTY LTD	US	15.0%
EMC INSURANCE GROUP INC	US	14.9%
ERIE INDEMNITY CLASS A	US	12.5%
HANOVER INSURANCE GROUP INC	US	10.1%
ESURE GROUP HOLDINGS PLC	Europe	9.7%
PROGRESSIVE CORP	US	9.4%

LAGGARDS		
ZHONGAN ONLINE P & C INSURANCE COR	Asia Pacific	-63.9%
HASTINGS GROUP HOLDINGS PLC	Europe	-42.2%
ALM BRAND	Europe	-39.0%
HANWHA GENERAL INSURANCE LTD	Asia Pacific	-30.3%
TI FINANCIAL HOLDINGS LTD	Asia Pacific	-29.7%
PROTECTIVE INSURANCE CORP CLASS B	US	-26.9%
PROASSURANCE CORP	US	-25.9%
RSA INSURANCE GROUP PLC	Europe	-20.9%
QATAR INSURANCE	Middle East	-20.4%
ALLSTATE CORP	US	-19.5%
DONEGAL GROUP INC CLASS A	US	-18.0%
FIRST AMERICAN FINANCIAL CORP	US	-17.9%
PICC PROPERTY AND CASUALTY LTD H	Asia Pacific	-17.6%
THE PEOPLES INSURANCE CO (GROUP)	Asia Pacific	-17.3%
FIDELITY NATIONAL FINANCIAL INC	US	-17.2%
HERITAGE INSURANCE HOLDINGS INC	US	-17.1%
HYUNDAI MARINE & FIRE INSURANCE LT	Asia Pacific	-13.8%
MS&AD INSURANCE GROUP HOLDINGS INC	Asia Pacific	-13.0%
DIRECT LINE INSURANCE PLC	Europe	-13.0%
LANCASHIRE HOLDINGS LTD	Europe	-12.6%

Leaders and Laggards: **Life & Health**

LEADERS		
GENWORTH FINANCIAL A INC	US	49.8%
INDEPENDENCE HOLDING	US	28.7%
SWISS LIFE HOLDING AG	Europe	12.7%
POSTE ITALIANE	Europe	12.0%
SONY FINANCIAL HOLDINGS INC	Asia Pacific	8.3%
AFLAC INC	US	6.2%
JAPAN POST HOLDINGS LTD	Asia Pacific	4.2%
OLD MUTUAL LIMITED LTD	Africa	3.8%
OLD MUTUAL LIMITED LTD	Europe	3.2%
CITIZENS INC CLASS A	US	2.3%
PANIN FINANCIAL	Asia Pacific	1.1%
AIA GROUP LTD	Asia Pacific	-1.2%
FBL FINANCIAL GROUP INC CLASS A	US	-1.4%
CHINA LIFE INSURANCE LTD	Asia Pacific	-1.8%
PRIMERICA INC	US	-2.9%

LAGGARDS		
AVIVASA EMEKLILIK VE HAYAT AS	Middle East	-52.7%
ORANGE LIFE INSURANCE LTD	Asia Pacific	-48.4%
JUST GROUP PLC	Europe	-48.3%
BRIGHTHOUSE FINANCIAL INC	US	-48.0%
UNUM	US	-45.2%
ANADOLU HAYAT EMEKLILIK A	Middle East	-45.0%
NEW CHINA LIFE INSURANCE LTD A	Asia Pacific	-42.4%
HANWHA LIFE INSURANCE LTD	Asia Pacific	-41.3%
NEW CHINA LIFE INSURANCE COMPANY L	Asia Pacific	-40.8%
TONG YANG LIFE INSURANCE LTD	Asia Pacific	-39.7%
CNO FINANCIAL GROUP INC	US	-38.5%
CHINA LIFE INSURANCE LTD A	Asia Pacific	-35.6%
SAMSUNG LIFE LTD	Asia Pacific	-35.0%
PRINCIPAL FINANCIAL GROUP INC	US	-35.0%
IGI HOLDINGS LTD	Asia Pacific	-33.9%

Leaders and Laggards: **Reinsurance**

LEADERS		
IRB BRASIL RESSEGUROS SA	Americas	119.6%
VALIDUS HOLDINGS LTD	US	46.6%
SCOR	Europe	17.4%
HANNOVER RUECK	Europe	11.5%
RENAISSANCERE HOLDING LTD	US	7.5%

LAGGARDS		
MAIDEN HOLDINGS LTD	US	-73.5%
GREENLIGHT CAPITAL LTD CLASS A	US	-57.1%
THIRD POINT REINSURANCE LTD	US	-34.2%
KOREAN REINSURANCE	Asia Pacific	-22.0%
ENSTAR GROUP LTD	US	-16.5%

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