

**GLOBAL INSURANCE STOCK REVIEW:
FIRST HALF 2020**

What a rollercoaster the first half of 2020 was in the equities market. After the market suffered a decline of more than 20% globally in the first quarter, it came roaring back in the second stanza with an epic reversal of fortune. Regional bourses around the world recovered, with the key US index, the S&P 500, gaining 20% to register its best quarter-to-quarter swing since 1932. The best benchmark of global equities performance, the MSCI All Countries World Index, rebounded sharply in Q2, though not as rapidly as the S&P 500, to finish the first half of 2020 with an 8.2% decline.

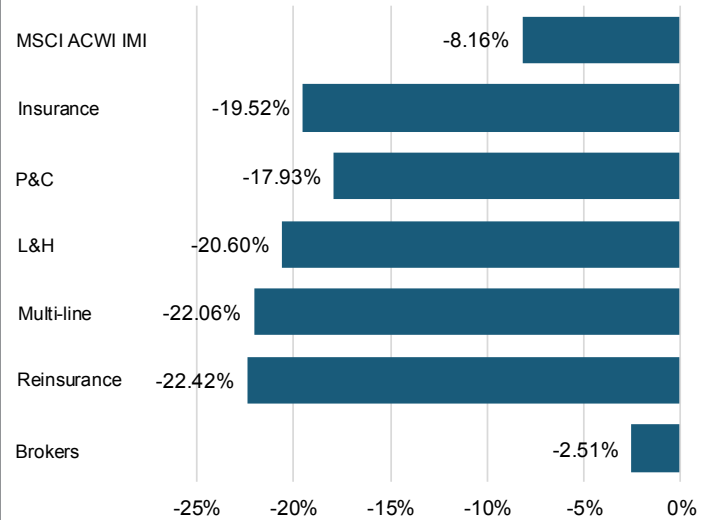
Insurance stocks significantly underperformed, as the IIS Global Aggregate fell 19.5% for the half year. Widespread economic woes driven by the COVID-19 pandemic affected both insurance industry premiums and actual losses, and the threat of regulatory/judicial intervention to expand business interruption claim eligibility hung over the industry. Additionally, losses from natural catastrophes were much higher than the comparable period last year, and many life insurers suffered greater than normal all-cause mortality. All in all, a challenging period for both life and nonlife insurers was reflected in their stock prices.

Industry sectors were unusually tightly bunched in performance for the first half, with the exception of Brokers. I don't recall a period when the divergence from the best performing sector to the worst among insurance companies was merely three percentage points, as this year showed. Simply put, all risk bearing sectors did poorly and investors didn't seem to differentiate between them.

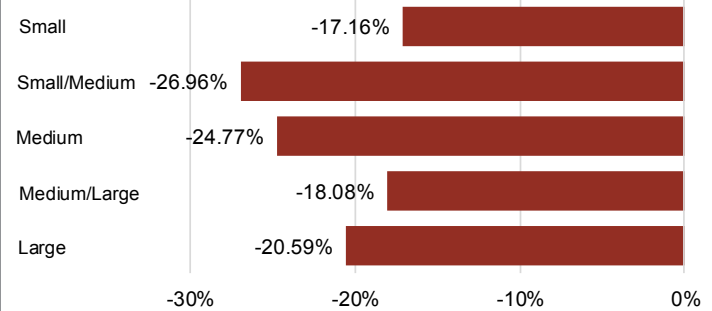
Insurance Brokers fared best for structural reasons. Insured needed to keep their policies in force, and for the most part kept paying their premiums, in which the brokers participated. And, of course, the Brokers did not suffer underwriting losses. They were insulated from the worst effects of the pandemic-driven economic decline. Small Thailand-based TQM Corp's early stage growth surge was rewarded with a 100% stock price increase in the first half. Texas based Goosehead Insurance is an early stage, franchise model agency

RETURNS BY SECTOR*

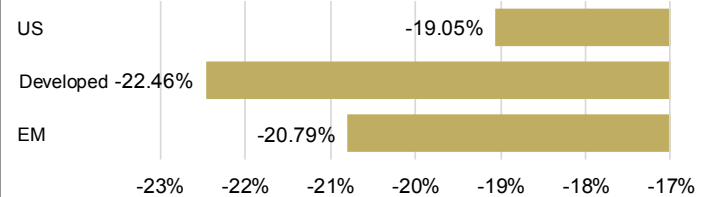
*Weighted Return



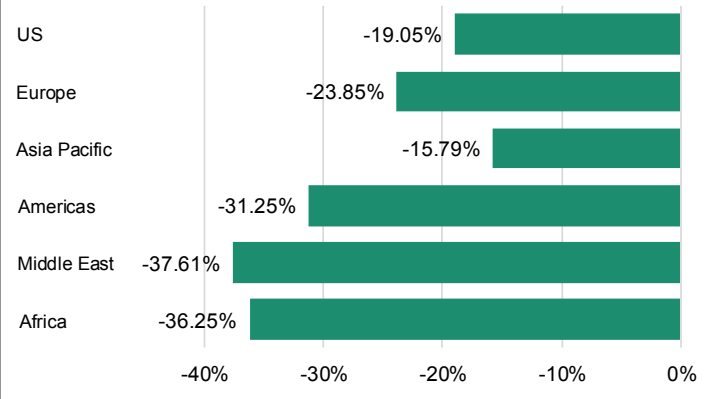
RETURNS BY MARKET CAP



RETURNS BY MARKET TYPE



RETURNS BY REGION



consolidator showing rapid growth, and its shares rose 77%. Even the sector's worst performing company, Aon, only declined 7%.

The Property & Casualty sector's 19.5% decline ranked second among a battered lot. Auto insurers both personal and commercial were forced by regulators and competitive pressure to rebate premiums because miles driven were down sharply. Workers Compensation, General Liability and other business level related classes contracted sharply in line with the economic slowdown. At the same time, losses related directly or indirectly to the pandemic rose. Due to the worst second quarter for catastrophe losses in more than a decade, the industry suffered a severe profit decline.

Amid the carnage there were several bright spots, all highly focused specialty insurers. Nat cat and earthquake insurer Palomar Holdings seems to have been discovered by investors and rose a spectacular 70%. Excess & Surplus lines star Kinsale Capital soared 53% as market dislocations helped the E&S market. Both of these strong performers are American companies. The other notable P&C issue was China's Zhong An Online P&C, the country's only all online insurer. Apart from these relatively few performance leaders, there was an abundance of laggards. More than 30 P&C stocks declined by more than 30%. The worst were medical liability insurer ProAssurance, down 59%, due to a huge loss on a single account that spawned a major shareholder class action. Assured Guaranty's financial guaranty focus was particularly troubled during the economic decline; it fell 50%. UK-based insurer Hiscox plunged 48% in large part because of a series of heavy business interruption losses tied to the UK's economic troubles, which have been even greater than those of the US.

The first half of this year was challenging for Life & Health insurers as well. Life insurance sales declined in most markets, as marketing efforts were severely curtailed. Asset values plunged in the first quarter, and the recovery in Q2 did not make up for the earlier damage entirely. All cause mortality rose as well, partly but not entirely due to COVID-19. L&H stocks worldwide declined 20.6% to rank third among the tightly packed industry sectors. The only insurer in this group to show a significant gain was Taiwan-based Mercuries and Associates, which added 23.8% as its sales of individual life, health and pension products rose sharply. On the other end of the spectrum, many

L&H insurers suffered severe declines: more than 25 issues fell more than 30%, and 8 plunged more than 40%. Worst of all were Africa's Liberty Holdings (down 49%) and Old Mutual (down 47%), and US long term care and annuity writer Genworth fell 47%, as its hoped-for takeover by a Chinese company faltered.

The Multi Line sector and the Reinsurance sector were almost identical in poor performance during the first half. Multi Lines declined 22.1% and had no issues showing a gain. The top ML showing was that of National General, which declined nearly 2% in spite of a generous takeover bid from Allstate. The group was dominated by big losers: 28 issues falling more than 30%. British older age specialist Saga plunged 73%, in part due to the UK's severe economic downturn that hit seniors especially hard. There were ML insurers down more than 40% in share price from every region of the world.

Reinsurers felt the brunt of both higher catastrophe losses and payouts from personal and commercial auto, workers comp and other P&C classes, and excess mortality in the life re area. Germany's Hannover Re and Munich Re each fell 7%, which was the sector's best showing. Worst of all was IRB Brasil, down 79%. Investors in this recent privatization and IPO must wish the company had remained government owned. In the life re area, Reinsurance Group of America, which can boast a decades long record of outstanding results, fell 51% due to an excess mortality surge driven by COVID-19. Earnings declined more than 50% as well.

The recovery experienced by most insurance stocks in the second quarter should not be viewed as evidence of a sustainable turnaround. In sport terms it could be described as "one win in a row". The third calendar quarter of the year is the most catastrophe exposed, and several academic and scientific researchers have forecast this to be an above average year for storm activity. We will see how this issue plays out. Even more problematic, the revenue and claims elements of the pandemic are still with us, with nobody's crystal ball indicating when it will abate. The fact that insurance stocks have not recovered nearly as much as the general market over the past few months seems entirely justified in light of this uncertainty.

Mike Morrissey, CFA
IIS Special Advisor
August 2020

Leaders and Laggards: **Life & Health**

LEADERS		
MERCURIES AND ASSOCIATES LTD	Asia Pacific	23.8%
TRUPANION INC	US	14.0%
BUPA ARABIA	MAPPING REQUIRED	6.7%
SONY FINANCIAL HOLDINGS INC	Asia Pacific	3.5%
POWER FINANCIAL CORP	Americas	1.1%
CATHAY FINANCIAL HOLDING LTD	Asia Pacific	- 0.5%
CHINA DEVELOPMENT FINANCIAL HOLDIN	Asia Pacific	- 1.6%
ORANGE LIFE INSURANCE LTD	Asia Pacific	- 3.2%
FUBON FINANCIAL HOLDING LTD	Asia Pacific	- 4.3%
MEDIBANK PRIVATE LTD	Asia Pacific	- 4.4%
MAX FINANCIAL SERVICES LTD	Asia Pacific	- 4.4%
AIA GROUP LTD	Asia Pacific	-10.0%
PRIMERICA INC	US	-10.1%
NEW CHINA LIFE INSURANCE LTD A	Asia Pacific	-11.2%
CITIZENS INC CLASS A	US	-11.3%

LAGGARDS		
LIBERTY HOLDINGS LTD	Africa	- 48.6%
GENWORTH FINANCIAL A INC	US	- 47.5%
OLD MUTUAL LIMITED LTD	Africa	- 47.4%
HANWHA LIFE INSURANCE LTD	Asia Pacific	- 43.3%
SAMSUNG LIFE LTD	Asia Pacific	- 42.2%
CNP ASSURANCES SA	Europe	- 42.1%
UNUM	US	- 41.4%
PANIN FINANCIAL	Asia Pacific	- 41.3%
MIRAE ASSET LIFE LTD	Asia Pacific	- 38.2%
IA FINANCIAL INC	America	- 38.1%
JUST GROUP PLC	Europe	- 38.0%
LINCOLN NATIONAL CORP	US	- 36.5%
SANLAM LIMITED LTD	Africa	- 36.2%
CHINA TAIPING INSURANCE HLDGS LTD	Asia Pacific	- 35.4%
FBL FINANCIAL GROUP INC CLASS A	US	- 34.9%

Leaders and Laggards: **Property & Casualty**

LEADERS		
PALOMAR HOLDINGS INC	US	69.9%
KINSALE CAPITAL GROUP INC	US	52.9%
ZHONGAN ONLINE P & C INSURANCE COR	Asia Pacific	37.2%
ANICOM HOLDINGS INC	Asia Pacific	25.3%
ERIE INDEMNITY CLASS A	US	17.0%
PROGRESSIVE CORP	US	14.4%
JAMES RIVER GROUP HOLDINGS LTD	US	10.9%
ALM BRAND	Europe	5.2%
HASTINGS GROUP HOLDINGS PLC	Europe	3.4%
HCI GROUP INC	US	3.1%
HERITAGE INSURANCE HOLDINGS INC	US	- 0.2%
LANCASHIRE HOLDINGS LTD	Europe	- 0.3%
TRYG	Europe -	0.7%
DONEGAL GROUP INC CLASS A	US	- 2.0%
ADMIRAL GROUP PLC	Europe	- 4.9%
QUALITAS CONTROLADORA	Americas	- 5.2%
KEMPER CORP	US	- 5.6%
SHINKONG INSURANCE LTD	Asia Pacific	- 6.4%
AMERISAFE INC	US	- 6.5%
RLI CORP	US	- 8.3%

LAGGARDS		
PROASSURANCE CORP	US	- 59.3%
ASSURED GUARANTY LTD	US	- 49.6%
HISCOX LTD	Europe	- 48.3%
COFACE SA	Europe	- 46.7%
ARGO GROUP INTERNATIONAL HOLDINGS	US	- 46.3%
PROSIGHT GLOBAL INC	US	- 44.8%
STATE AUTO FINANCIAL CORP	US	- 41.9%
CINCINNATI FINANCIAL CORP	US	- 38.1%
UNITED INSURANCE HOLDINGS CORP	US	- 37.2%
QATAR INSURANCE	Middle East	- 36.6%
UNIVERSAL INSURANCE HOLDINGS INC	US	- 35.5%
UNITED FIRE GROUP INC	US	- 35.4%
LOEWS CORP	US	- 34.5%
AMBAC FINANCIAL GROUP INC	US	- 33.6%
ARCH CAPITAL GROUP LTD	US	- 33.2%
RSA INSURANCE GROUP PLC	Europe	- 32.4%
MERITZ FIRE & MARINE INSURANCE LTD	Asia Pacific	- 31.7%
QBE INSURANCE GROUP LTD	Asia Pacific	- 30.9%
FIDELITY NATIONAL FINANCIAL INC	US	- 30.9%
SAMSUNG FIRE & MARINE INSURANCE LT	Asia Pacific	- 30.4%

Leaders and Laggards: **Multi-line**

LEADERS		
NATIONAL GENERAL HOLDINGS CORP	US	- 1.7%
AL RAJHI COMPANY FOR COOPERATIVE I	MAPPING REQUIRED	- 5.2%
THE COOPERATIVE INSURANCE	MAPPING REQUIRED	7.3%
ZURICH INSURANCE GROUP AG	Europe	- 8.3%
ALLIANZ	Europe	- 11.5%
GJENSIDIGE FORSIKRING	Europe	- 12.3%
BALOISE HOLDING AG	Europe	- 13.4%
TOPDANMARK	Europe	- 13.6%
HORACE MANN EDUCATORS CORP	US	- 14.4%
SAMPO	Europe	- 17.5%
ASR NEDERLAND NV	Europe	- 17.9%
ASSURANT INC	US	- 20.4%
VIENNA INSURANCE GROUP AG	Europe	- 21.4%
ASSICURAZIONI GENERALI	Europe	- 23.6%
SYARIKAT TAKAFUL MALAYSIA KELUARGA	Asia Pacific	- 25.5%

LAGGARDS		
SAGA PLC	Europe	- 72.8%
MIGDAL INSURANCE AND FINANCIAL HOL	Middle East	- 45.1%
CLAL INSURANCE ENTERPRISES LTD	Middle East	- 44.5%
SUL AMERICA UNITS SA	Americas	- 44.0%
BB SEGURIDADE SA	Americas	- 41.8%
AMERICAN FINANCIAL GROUP INC	US	- 41.5%
BAJAJ FINSERV LTD	Asia Pacific	- 41.3%
AGEAS SA	Europe	- 39.6%
AVIVA PLC	Europe	- 39.0%
PORTO SEGURO SA	Americas	- 38.8%
PHOENIX HOLDINGS LTD	Middle East	- 38.8%
AMERICAN INTERNATIONAL GROUP INC	US	- 38.0%
AMERICAN NATIONAL GROUP	US	- 37.6%
IDI INSURANCE COMPANY LTD	Middle East	- 36.2%
PROTECTOR FORSIKRING	Europe	- 36.0%

Leaders and Laggards: **Reinsurance**

LEADERS		
HANNOVER RUECK	Europe	- 7.0%
MUENCHENER RUECKVERSICHERUNGS-GESE	Europe	- 7.2%
RENAISSANCERE HOLDING LTD	US	- 12.4%
KOREAN REINSURANCE	Asia Pacific	- 22.2%
EVEREST RE GROUP LTD	US	- 24.5%

LAGGARDS		
IRB BRASIL RESSEGUROS SA	Americas	- 79.2%
REINSURANCE GROUP OF AMERICA INC	US	- 51.3%
ALLEGHANY CORP	US	- 37.6%
GREENLIGHT CAPITAL LTD CLASS A	US	- 35.5%
SCOR	Europe	- 34.7%

Leaders and Laggards: **Brokers**

LEADERS		
TQM CORPORATION PCL	Asia Pacific	100%
GOOSEHEAD INSURANCE INC CLASS A	US	77%
AUB GROUP LTD	Asia Pacific	22%

LAGGARDS		
AON PLC CLASS A	US	- 7%
STEADFAST GROUP LTD	Asia Pacific	- 4%
MARSH & MCLENNAN INC	US	- 3%

** 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 6/30/2020

** 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 6/30/2020