

Market Commentary

- 📌 P&C industry results continue to reflect significant headwinds, though Q3 results suggest signs of progress
 - An industrywide combined ratio of 101.4 for Q3 is 4.8 points improved from Q2 '23 and 5.1 points favorable to Q3 '22
 - Operating income of \$7.3B in Q3 reflects improved underwriting results and higher investment income with increasing yields
 - Rate actions drove Q3 written premium up +9.5 percent over PQ, including +14.4 percent for personal lines risks and 15.4 percent in Texas
 - Catastrophe pressure continues as Q3 saw severe convective storms across the U.S. offset a relatively quiet Atlantic hurricane season
- 📌 Personal lines market taking corrective actions
 - Rate increases driving personal auto premium growth of 15.4 percent and homeowners of 12.4 percent over Q3 '22
 - Industrywide expense ratio is down nearly two points from Q3 '22 driven by reduced marketing and staffing reductions following layoffs at many personal lines carriers including Allstate, GEICO, Liberty Mutual, and American Family
 - Notable market exits include State Farm and Allstate for California home, Farmers in Florida, Kemper's preferred business wind down, and multiple Midwest carriers exiting personal lines altogether
- 📌 Improved outlooks driving up capital market valuations, particularly for those with demonstrated expertise
 - P&C carriers broadly saw a +5.2 percent return over the last three months (Sept-Nov), well above the S&P 500 return of +1.2 percent
 - Specialty continues to command the highest valuation, trading at a 15x P/E or 2.0x BV; with broader commercial trading at 10x P/E or 1.6x BV
 - Personal lines is generally unprofitable but still trading at 1.5 BV, Progressive is an outlier with strong Q3 earnings driving a 5.5 BV multiple
 - 34 carrier related M&A transactions YTD across a variety of sectors; strong valuations for specialty carriers but relatively smaller deal sizes

Key Metric

Commentary

Top Line Growth

YoY DPW

Q3

YTD

9.5%

9.0%

- 📌 Direct Written Premiums increased 9.5% YoY and 9.0% through Q3 YTD
- 📌 Personal lines grew 14.4% and commercial lines grew 4.6% YoY

Operating Results

Combined Ratio

Q3

LTM

101.4

103.6

- 📌 In Q3 the total industry combined ratio improved to 101.4 from 106.2 in the prior quarter
- 📌 In Q3 the industry operating income was \$7.3 billion

Public Markets

Insurance Index Return

L3M

LTM

5.2%

6.8%

- 📌 The public carrier index returned 6.8% through November LTM and 5.2% over the last three months
- 📌 The Progressive Corporation (NYSE:PGR) returned 21.1% over the last three months

M&A Activity

Deals Announced

Q3

YTD

5

34

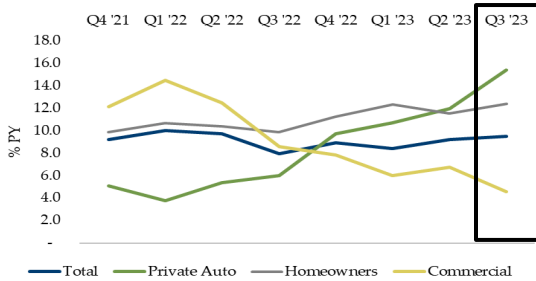
- 📌 5 transactions were announced in Q3 '23
- 📌 34 transactions were announced YTD through November

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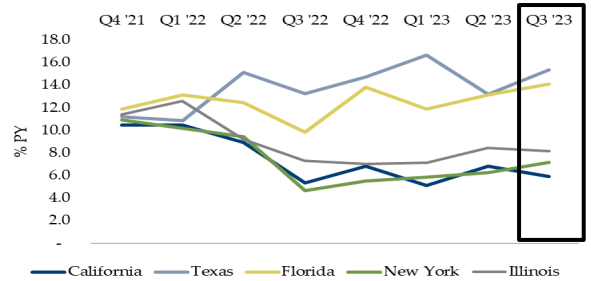
P&C Insurance Carriers: Statutory Results

Premium Trends

DWP Growth by LOB

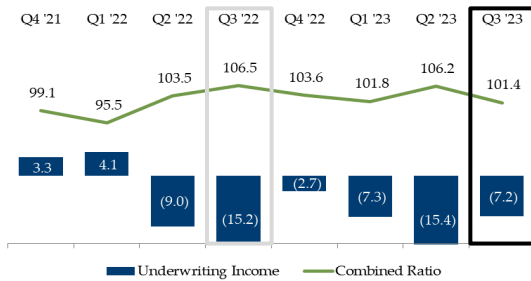


DWP Growth – 5 Largest States

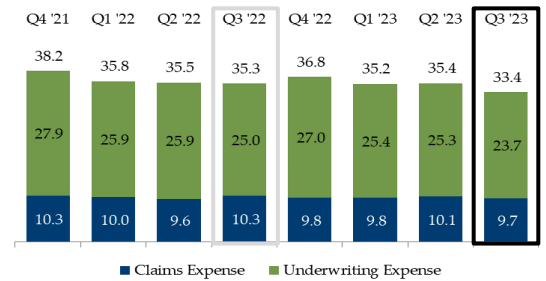


Underwriting Results

U/W Income - Combined Ratio

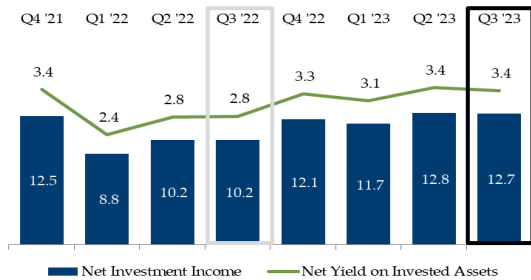


U/W and Claims Expense

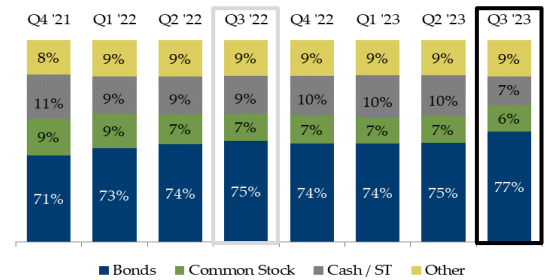


Investment Results⁽¹⁾

Net Investment Income - Yield

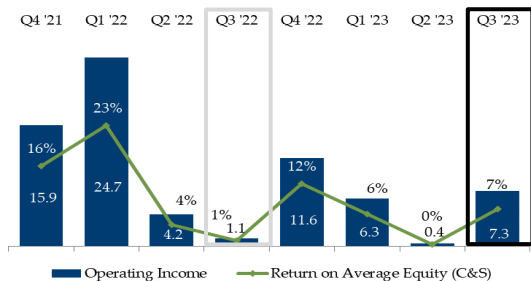


Investment Allocation

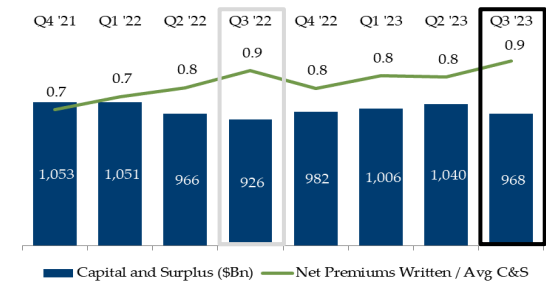


Net Income & Surplus

Operating Income - Return on Surplus



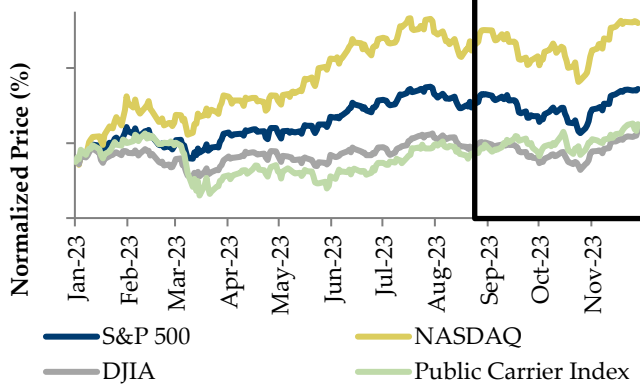
Surplus - NPW/Surplus



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P&C Insurance Carriers: Capital Market Update

Public Markets



Returns Thru November 2023

	Last 3 Months	TTM
S&P 500	1.2%	12.1%
DJIA	3.2%	4.5%
NASDAQ	1.4%	23.9%
P&C Carrier Index	5.2%	6.8%

Commercial Lines Focused

(all financials in billions of \$USD, except per share items)									
Company	Ticker	11/30/23 Market Cap.	Diluted EPS	Basic BVPS	11/30/23 Close Price	1-Yr. Price Change	Qtr Price Change	Market Cap./	
								Total Equity	Net Income
The Travelers Companies, Inc.	TRV	\$41.3	\$9.24	\$87.47	\$180.62	-4.8%	4.0%	2.1x	18.9x
The Hartford Financial Services Group, Inc.	HIG	23.5	7.30	44.09	78.16	2.3%	8.5%	1.7x	10.1x
Cincinnati Financial Corporation	CINF	16.1	10.57	67.71	102.79	-7.4%	5.6%	1.5x	9.6x
CNA Financial Corporation	CNA	11.4	3.99	31.61	42.13	-1.1%	9.1%	1.3x	8.9x
Old Republic International Corporation	ORI	8.0	3.14	21.10	29.31	19.6%	16.4%	1.4x	8.7x
Selective Insurance Group, Inc.	SIGI	6.2	5.20	40.35	101.69	5.8%	6.0%	2.3x	18.8x
The Hanover Insurance Group, Inc.	THG	4.4	(2.37)	59.11	124.30	-15.6%	10.0%	2.1x	nm
United Fire Group, Inc.	UFCS	0.5	(1.16)	25.53	20.89	-31.6%	-7.8%	0.8x	nm

Min:	0.8x	8.7x
Median:	1.6x	9.9x
Mean:	1.7x	12.5x
Max:	2.3x	18.9x

Personal Lines Focused

(all financials in billions of \$USD, except per share items)									
Company	Ticker	11/30/23 Market Cap.	Diluted EPS	Basic BVPS	11/30/23 Close Price	1-Yr. Price Change	Qtr Price Change	Market Cap./	
								Total Equity	Net Income
The Progressive Corporation	PGR	\$96.0	\$4.61	\$28.88	\$164.03	24.1%	23.9%	5.5x	35.0x
The Allstate Corporation	ALL	36.1	(7.91)	47.94	137.87	3.0%	26.4%	2.5x	nm
Kemper Corporation	KMPR	2.8	(5.89)	36.85	44.23	-22.3%	-8.4%	1.2x	nm
Mercury General Corporation	MCY	2.1	(1.84)	24.82	37.25	2.7%	23.1%	1.5x	nm
Horace Mann Educators Corporation	HMN	1.4	(0.27)	25.74	33.46	-13.3%	12.8%	1.3x	nm
Safety Insurance Group, Inc.	SAFT	1.1	2.11	52.04	76.93	-16.1%	7.3%	1.5x	36.4x
Lemonade, Inc.	LMND	1.2	(3.72)	10.40	17.67	-11.0%	4.9%	1.7x	nm
Donegal Group Inc.	DGIC.A	0.5	0.30	14.26	14.23	-4.3%	-1.4%	1.0x	47.6x
NI Holdings, Inc.	NODK	0.3	(0.53)	11.10	13.32	-1.3%	-10.3%	1.2x	nm
Hippo Holdings Inc.	HIPO	0.2	(12.60)	17.04	8.55	-42.7%	-48.3%	nm	nm
Porch Group, Inc.	PRCH	0.2	(1.73)	(0.38)	1.52	-25.5%	10.1%	nm	nm

Min:	1.0x	nm
Median:	1.5x	nm
Mean:	1.9x	nm
Max:	5.5x	nm

Specialty Lines Focused

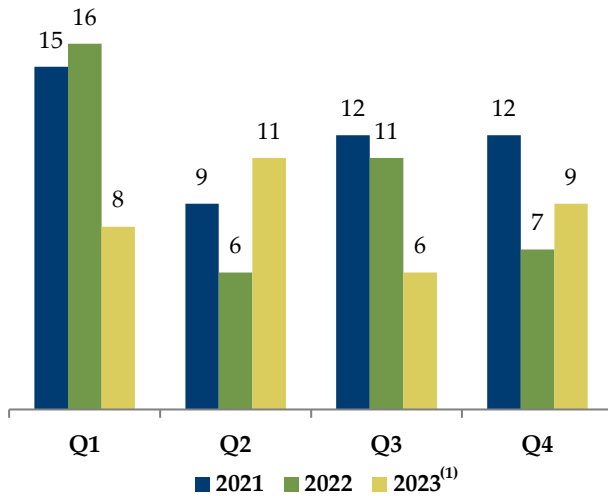
(all financials in billions of \$USD, except per share items)									
Company	Ticker	11/30/23 Market Cap.	Diluted EPS	Basic BVPS	11/30/23 Close Price	1-Yr. Price Change	Qtr Price Change	Market Cap./	
								Total Equity	Net Income
Arch Capital Group Ltd.	ACGL	\$31.0	\$7.76	\$38.62	\$83.69	39.7%	11.8%	2.0x	10.5x
Markel Group Inc.	MKL	19.0	139.54	1,013.28	1,439.09	8.6%	4.0%	1.3x	9.9x
W. R. Berkley Corporation	WRB	18.7	4.96	26.80	72.55	-4.9%	21.8%	2.7x	13.7x
Assurant, Inc.	AIZ	8.8	9.83	85.15	168.02	31.0%	33.6%	2.0x	16.7x
Palomar Holdings, Inc.	PLMR	1.4	2.83	17.04	58.51	-6.7%	0.8%	3.4x	20.1x
Skyward Specialty Insurance Group, Inc.	SKWD	1.3	NA	14.21	32.70	na	28.7%	2.4x	16.9x
Ambac Financial Group, Inc.	AMBC	0.7	4.25	27.99	14.75	-9.3%	3.6%	nm	3.4x
Global Indemnity Group, LLC	GBLI	0.5	1.55	46.27	33.78	43.1%	0.6%	0.7x	20.9x

Min:	0.7x	3.4x
Median:	2.0x	15.2x
Mean:	2.1x	14.0x
Max:	3.4x	20.9x

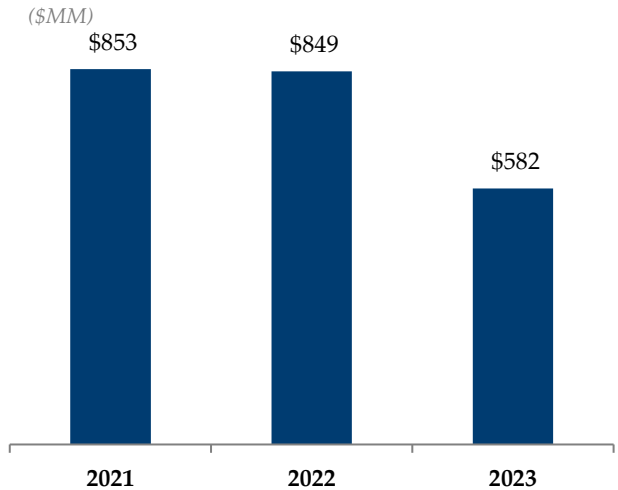
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P&C Insurance Carriers: M&A Market Update

Historical Deal Volume⁽¹⁾



Average Reported Deal Value



Notable Carrier Related Transactions

Announcement Date	Acquirer	Target	Business Focus	Deal Type	Deal Value	DWP	NWP	C&S
10/20/23	Onex Corporation	Accredited America Insurance Holding Corporation	Product Liability	Acquisition of Whole Company	\$638	\$1,048	\$31	\$74
10/13/23	Slide Insurance Company	Farmers Insurance Company, Inc. - Florida	Personal Lines	Renewal Rights	NA	NA	NA	NA
08/01/23	Automobile Club of Southern California, Inc.	Wawanesa General Insurance Company	Personal Auto	Acquisition of Whole Company	NA	591	588	164
06/27/23	Arbour National	Southern Trust Insurance Company/Southern Specialty	Personal/Commercial Lines	Acquisition of Whole Company	NA	68	49	18
06/27/23	Velocity Holdco, LLC	Independent Specialty Insurance Company	Commercial Multi-Peril	Acquisition of Whole Company	NA	265	28	67
06/06/23	Argus Group Holdings Limited	BF&M Limited	Multiline	Acquisition of Minority Stake	100	NA	NA	NA
04/01/23	Continental Casualty Company	21st Century Advantage Insurance Company	Personal Auto	Acquisition of Whole Company	16	NA	NA	12
03/03/23	Harford Mutual Insurance Group Inc.	ClearPath Mutual Insurance Company	Workers' Compensation	Merger	NA	53	48	84
02/09/23	Granada Insurance Company	Topa Insurance Group, Inc.	Commercial Lines	Acquisition of Whole Company	NA	NA	NA	NA
02/08/23	Brookfield Reinsurance Ltd. (NYSE:BNRE)	Argo Group International Holdings, Ltd. (NYSE:ARGO)	Product Liability	Acquisition of Whole Company	1,064	1,946	1,310	1,111
02/01/23	Curi Holdings, Inc.	Constellation, Inc.	Medical Malpractice	Merger	NA	NA	NA	NA

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Sub-Sector Coverage

- Medical Professional Liability
- Workers' Compensation
- Fidelity & Surety
- Personal Lines
- Non-Standard Auto
- Small Commercial
- Commercial Auto
- Title
- Marine Lines
- Warranty/Vehicle Service Contracts

Dedicated Property & Casualty Directors



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Expertise

Our firm's bankers have consummated **25 closed M&A transactions** across **\$6.6 billion** in deal value over the entire property & casualty carrier sector.

Knowledge

Our team understands the evolution of the property & casualty market and leverages our sector expertise to guide our clients.

Relationships

Our firm's bankers have developed deep-rooted relationships with key decision makers across the industry.

Sherman & Company Transaction Experience

Undisclosed

Alfa Insurance
has acquired
Legacy Ins. Services, Arizona
Auto Ins. Co., and Nevada
General Ins. Co.'s book of non-
standard auto business from

WESTERN NATIONAL
INSURANCE
Buy-Side Advisor

\$400.0 Million

State Farm
has acquired
GAINSCO Auto Insurance

Sell-Side Advisor

\$70.0 Million

KEMPER
has acquired
Alliance United Group

Sell-Side Advisor

\$67.7 Million

AAA
has acquired
Fremont Insurance
Michigan Exclusive Since 1876

Buy-Side Advisor

\$45.0 Million

Nodak Insurance Company
has acquired
WESTMINSTER AMERICAN
INSURANCE COMPANY

Buy-Side Advisor

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