

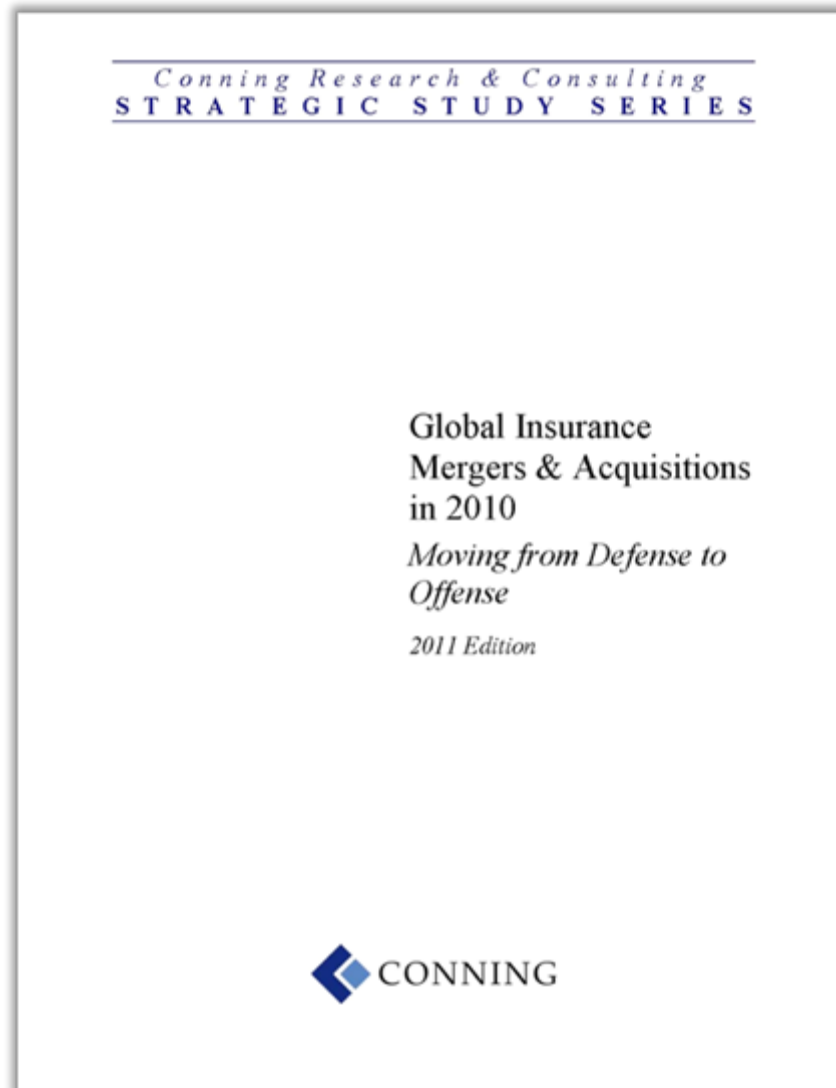


Property-Casualty Insurance Mergers & Acquisitions: Deals and Drivers



Presented by
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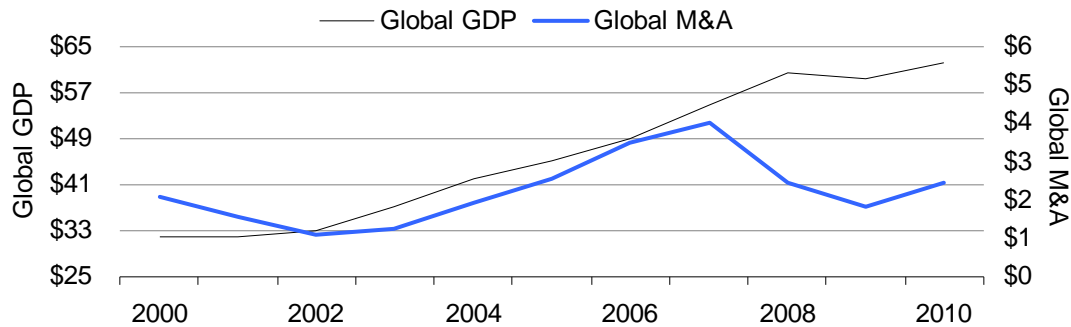


- ◆ About M&A
- ◆ Drivers of Insurance M&A
- ◆ Themes Characterizing Current Insurance M&A
- ◆ Insurance M&A Trends – 2006 - 2010
- ◆ 2011 Activity to Date
- ◆ Where's it Going?

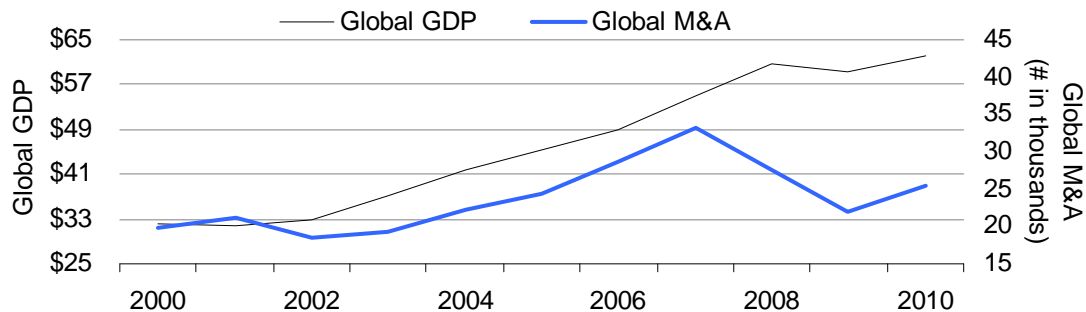
M&A and GDP are Usually Correlated

Global GDP and Global Mergers & Acquisitions – All Industries (Post-2007 M&A Collapse caused by credit markets seizing up)

Global GDP vs. M&A Reported Dollar Value (\$ in trillions)



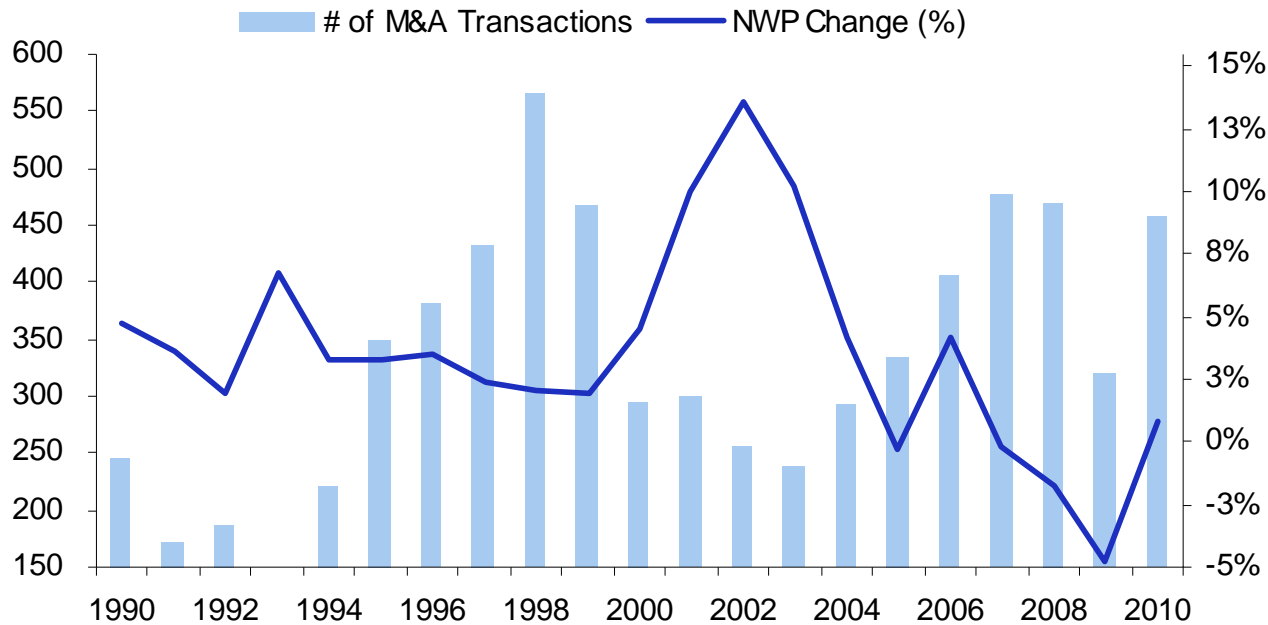
Global GDP vs. M&A Reported Number of Transactions (\$ in trillions)



Source: Mergerstat, Bloomberg

Insurance M&A is a Soft Market Creature

U.S. Insurance M&A Higher in Soft Market Phases of the Cycle



Source: Conning Research & Consulting analysis

- ◆ Modest U.S. economic growth
- ◆ Modest exposure growth
- ◆ Depressed insurance rates
- ◆ Low investment yields
- ◆ M&A as response to growth imperative in soft market
- ◆ Release of pent up demand from aberration of low 2009 M&A
- ◆ Stronger economic growth in world's developing markets



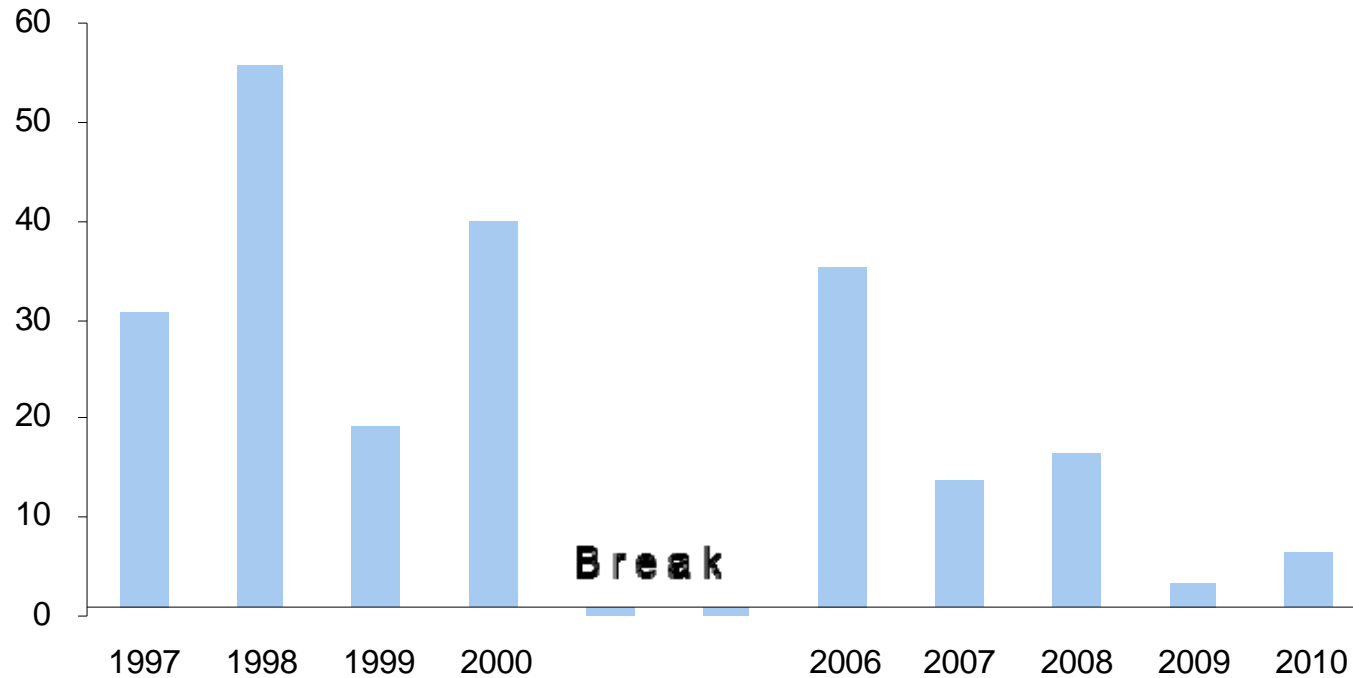
Themes in 2010 Insurance M&A

- ◆ Carriers and Brokers Focus on Specialty Lines
- ◆ Alternatives to M&A
- ◆ Private Equity Active
- ◆ Distress Continues for Some
- ◆ Uncertainty regarding Impact of Solvency II
- ◆ Global Expansion
- ◆ Lively Lloyd's Market



Current P-C M&A Levels Below Earlier Peaks

Reported Value of U.S. Property-Casualty Insurance M&A* (in \$billions)



Source: Conning Research & Consulting analysis

***where a U.S. entity is buyer or seller**



Largest 2010 Property-Casualty M&A Transactions

Five Largest Insurance-Related Mergers & Acquisitions, 2010 Property-Casualty Sector (*\$ in millions*)

Buyer	Target	Transaction Value
Fairfax Financial Holdings Ltd. (Canada)	Zenith National Insurance Corp.	\$1,439
QBE Insurance Group Ltd. (Australia)	NAU Country Insurance Co.	565
The Doctors Co.	American Physicians Capital, Inc.	386
CNA Financial Corp.	CNA Surety Corp.	375
The Travelers Cos.	J. Malucelli Participaceos em Seguros e Resseguros (Brazil)	370

Source: Public announcements, Conning Research & Consulting analysis



Largest P-C M&A Transactions – 2006 - 2009

Five Largest P-C M&A Transactions

2006 – 2009 (\$ in Billions)

	Announced value
2006	
Cerberus/GMAC	14.0
Berkshire/Equitas	7.0
QBE/Praetorian	0.8
TWG/Aon Warranty	0.7
Elara/Direct Holdings	0.6
2007	
Liberty Mutual/Ohio Casualty	2.7
MAPFRE/Commerce	2.2
Munich Re/Midland	1.3
QBE//Winterthur	1.2
Alfa Mutual/Alfa	0.8

	Announced value
2008	
Liberty Mutual/Safeco	6.2
Tokio/Philadelphia	4.7
Gen Re/Comm Casualty	0.8
Munich Re/HSB	0.7
Assured Guar/Fin. Security	0.7
2009	
Zurich/21st Cent	1.9
Fairfax/Odyssey Re	1.0
Med Prof/FinCor	0.2
Tower/Sp UW Alliance	0.1
Emerging Cap/Nouvelle	0.05

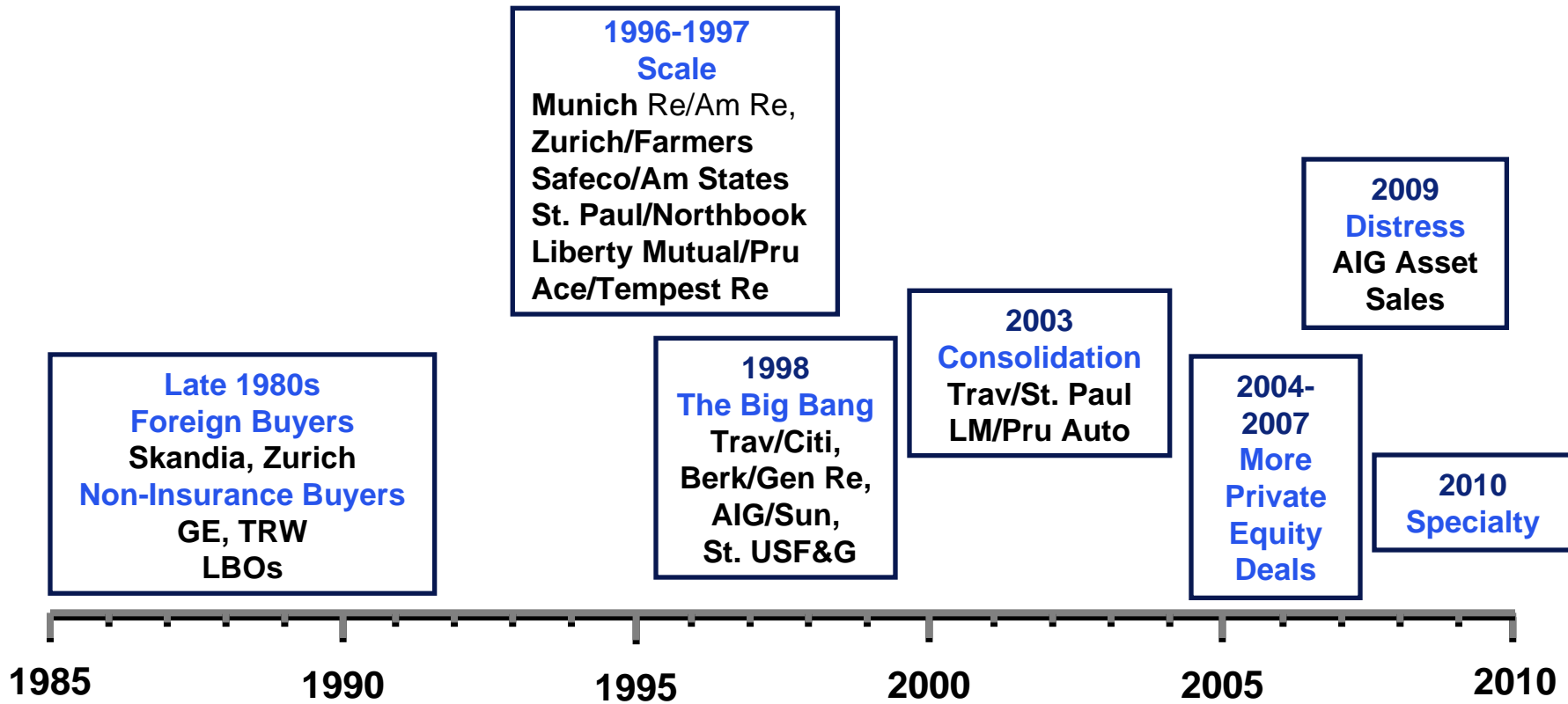
Source: Public announcements, Conning Research & Consulting analysis

U.S. Insurance-Related Mergers & Acquisitions Announced in 2010
Announced Value > \$100 Million, Property-Casualty Sector
(\$ in millions)

Acquirer	Target	Announced Value
Fairfax Financial Holdings Ltd. (Canada)	Zenith National Insurance Corp.	\$1,440
QBE Insurance Group Ltd. (Australia)	NAU Country Insurance Co.	565
The Doctors Co.	American Physicians Capital, Inc.	386
CNA Financial Corp.	CNA Surety Corp.	375
The Travelers Cos.	J. Malucelli	370
Old Republic International Corp.	PMA Capital Corp.	365
TIG Insurance Co.	General Fidelity Insurance Co.	350
Fairfax Financial Holdings Ltd.	First Mercury Financial Corp.	294
QBE Insurance Group Ltd. (Australia)	RenRe U.S. operations, incl Agro National	275
ProSight Specialty Insurance Holdings, Inc.	NYMAGIC, Inc.	230
ProAssurance Corp.	American Physicians Service Group, Inc.	220
United Fire & Casualty	Mercer Insurance Group	191
Tower Group, Inc.	OneBeacon personal lines division	180
RLI Corp.	Contractors Bonding Insurance Co.	137
Chartis	Fuji Fire and Marine Insurance Co., Ltd.	147
Markel Corp.	FirstComp Insurance Co.	135
National Interstate Insurance Co.	Vanliner Insurance Co.	130

Source: Public announcements, Conning Research & Consulting analysis

Salient P-C M&A Themes Observed in Recent Years



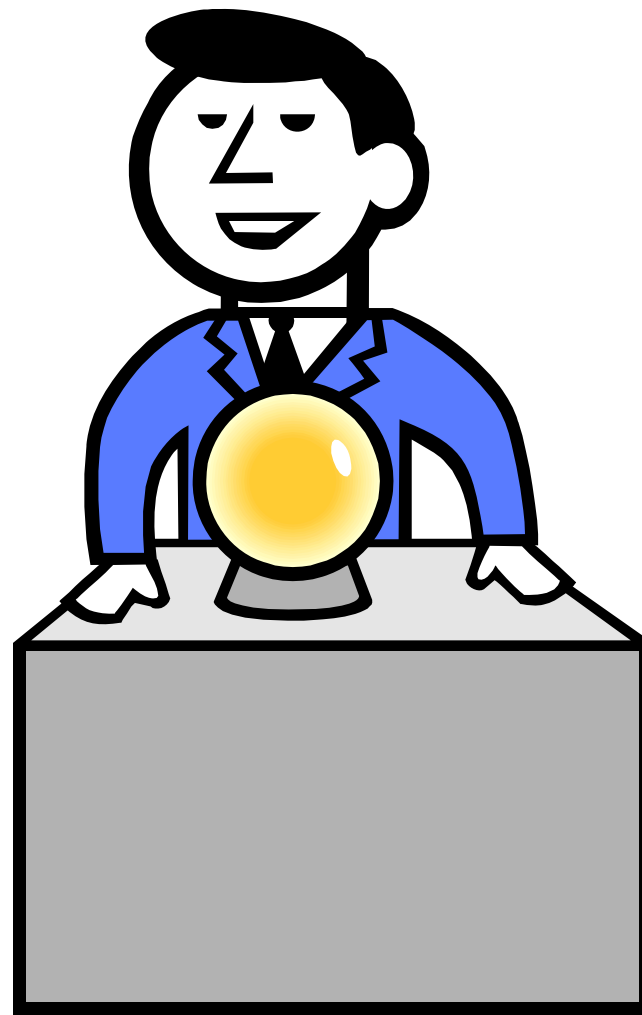
Q1–Q3 2011 P-C Insurance M&A (deals over \$100m)

(\$ in millions)

Acquirer	Target	Amount
Nationwide	Harleysville	\$760
QBE	Balboa Insurance Group	700
MidOcean Partners	Pre-Paid Legal Services	652
AIG	Fuji Fire & Marine	551
Hanover	Chaucer	474
Berkshire Hathaway	Wesco Financial	385
The Doctors Company	FPIC	362
Cowen Group	Bel Re	293
WRM America	Fidelity National Flood business	210
Tokio Marine	First Insurance Hawaii	165
CIGNA	FirstAssist Insurance Services	110
Syndicate Holdings	HSBC runoff	110
ACE	Penn Millers	107

Source: Company announcements, Conning Research & Consulting Analysis

- ◆ Weak Economy, Low Interest Rates and Soft Market will Drive Increased M&A
- ◆ Solvency II's Influence will Drive Increased M&A





Thank you

For comments or questions,

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