

MARKET PERFORMANCE OF FINANCIAL SERVICES STOCKS

In the first six months of 2011, the US stock market rose 5% as measured by Standard & Poor's 500. Insurance stocks, as measured by the Nasdaq Insurance Index, and financial industry stocks, as measured by the XLF Financial ETF, underperformed the market with respective returns of -1.2% and

-3.8%. The average return for all 151 companies included in this study was a decline of 1.2%, consistent with the Nasdaq Insurance Index and below the US equity market. While the majority of insurance and financial sector segments lagged the market, three categories were able to outpace the S&P 500, as shown in Table 1.

Table 1

	Median Average % Increase <u>12/31/10 - 6/30/11</u>
Claims Adjusters	108.5
Finance Cos.	16.0
Title Insurers	9.9
Standard & Poors 500	5.0
Health Insurers	1.3
Multi-Line Insurers	-0.5
Nasdaq Insurance Index	-1.2
Insurance Brokers	-1.9
Primary Property Casualty Underwriting Cos.	-2.6
Life & Annuity Cos.	-2.7
XLF (Financial Sector ETF)	-3.8
Property and Casualty Reinsurance Cos.	-4.3
Securities Brokers & Asset Management Cos.	-6.5
Financial Gaurantors	-34.6

Tornadoes, other severe storms, and flooding from the Mississippi River struck the US in April and May. Estimated weather related insured losses in the US now top \$15 billion for 2011. Flooding in Australia (\$10 Billion) and severe earthquakes in New Zealand (\$1.5 - \$4 Billion) and Japan (\$12-\$25 Billion) caused further insured losses. While these catastrophes have slumped returns for many insurance companies, one category of the industry has experienced significant financial benefit from these events. Claims adjusters, such as Crawford & Co., have seen substantial growth in demand for their services resulting in the companies

ranking as the top performer in this study. Crawford experienced case growth of 10.5% in the first quarter, while also benefiting from a significant special project providing legal settlement administration for class action settlements and bankruptcy matters that should drive strong revenues throughout 2011. As a result, Crawford shares have seen a 108.5% increase since the beginning of the year.

The finance company category was a top performer in the beginning of 2011, driven by stabilization of consumer loan defaults. Distressed debt purchaser, Encore Capital, returned 31% and

automobile loan maker, Credit Acceptance Capital Corp, returned 34.6%. Credit Acceptance found that while loans assigned in 2006 and 2007 yielded losses significantly higher than expected, loans assigned in 2002-2005 and from 2008-on have yielded at or better than expected. Title insurers returned 9.9% with Investors Title Co leading the pack to return 30.7% on positive earnings news. Investors Title's revenues increased 46.2% in the first quarter versus the prior year period, primarily due to a 51.6% increase in net premiums written. The premium growth is mainly attributable to the company's recent expansion into Texas, as well as an overall increase in home sales.

Low returns on capital caused by our current low interest rate environment combined with significant catastrophe loss have taken a toll on P&C insurers' earnings. Upward adjustment of estimated losses for first and second quarters could result in companies revising earnings estimates downward. As would be expected, the segment was a poor performer so far this year with a -2.6% return.

Reinsurers Transatlantic and Allied World announced merger plans on June, 12th with an expected closing in the fourth quarter of 2011. Under the merger agreement, Transatlantic shareholders will receive 0.88 Allied World common shares for each share of Transatlantic held. Ownership of the new company will result in Transatlantic shareholders holding about 58% of the new company and Allied World shareholders holding the remainder. Both stocks are slightly in the red for the year.

Health insurers lagged the market primarily due to continued concerns and uncertainty surrounding the rollout of national healthcare in the US. Aflac, with their largest operating segment in Japan, completed significant derisking activities resulting in unusually high realized investment losses in the first quarter. Investors did not find steady operational improvement reassuring. Aflac stock decline 17.3%.

Financial Guarantors struggled as losses are expected to continue for the foreseeable future. The group had a median average decline of 34.6% in the first half of 2011, primarily due to continued losses related to private mortgage insurance and other private debt defaults. While the loss trends are moderating, losses will most likely continue for some time. Three of the ten worst performing stocks fell in this segment. Radian Group leads the

decline with a 47.6% loss in share price this year caused by continued mortgage insurance defaults. MGIC, also suffering from mortgage insurance defaults, has reported an annual net loss for the past four years and expects that will continue. MGIC stock declined 41.6%. MBIA's share price declined 27.5% as the company fell victim to a net loss on credit derivatives caused by an improvement in market perception of MBIA's credit quality.

AIG, the worst performing stock, pulled down the Multi-Line insurer category as the U.S. Treasury sold off 200 million shares at \$29 each. The U.S. Treasury still hold 77% of the company.

The 10 best performing and worst performing financial services stocks are given in Tables 2 and 3, respectively. The performance of other individual stocks and categories is given in Table 4.

Table 2:

Ten Best Performing Financial Services Stocks

	% Increase <u>12/31/10 - 6/30/11</u>
Crawford & Co. (B Shares)	108.5
United Insurance Holdings	37.1
Credit Acceptance Corp	34.6
Encore Capital Group	31.0
Investors Title Co	30.7
AmTrust Financial Services	30.2
Penn Millers Holding	27.8
Fremont Michigan InsuraCorp Inc	26.0
White Mountains	25.2
World Acceptance Corp	24.2

Table 3:

Ten Worst Performing Financial Services Stocks

	% Decrease <u>12/31/10 - 6/30/11</u>
American International Group Inc	49.1
Radian Group Inc	47.6
AssuranceAmerica	45.0
MGIC Investment Corp	41.6
Flagstone Reinsurance Holdings	33.1
Asset Acceptance Capital Corp	31.9
Fortegra Financial Corp	29.0
Kingsway Financial Services	28.2
MBIA Inc	27.5
Janus	27.2

Table 4:

			Market Price <u>12/31/10</u>	Market Price <u>6/30/11</u>	Percent Increase/ - Decrease
<u>Claims Adjusters</u>					
Crawford & Co. (B Shares)	CRDB		\$3.40	\$7.09	108.53%
Median Average					108.53%
<u>Finance Cos.</u>					
Credit Acceptance Corp	CACC		\$62.77	\$84.47	34.57%
Encore Capital Group	ECPG		\$23.45	\$30.72	31.00%
World Acceptance Corp	WRLD		\$52.80	\$65.57	24.19%
Advance America	AEA		\$5.64	\$6.89	22.16%
White River Capital	RVR		\$16.32	\$19.25	17.95%
Nicholas Financial	NICK		\$10.24	\$11.88	16.02%
Portfolio Recovery Associates	PRAA		\$75.20	\$84.79	12.75%
QC Holdings	QCCO		\$3.74	\$4.00	6.95%
Asta Funding	ASFI		\$8.10	\$8.39	3.58%
Imperial Holdings Inc	IFT	2/7/2011	\$10.81	\$10.16	-6.01%
Asset Acceptance Capital Corp	AACC		\$5.93	\$4.04	-31.87%
Median Average					16.02%
<u>Title</u>					
Investors Title Co	ITIC		\$30.50	\$39.86	30.69%
Fidelity National Financial	FNF		\$13.68	\$15.74	15.06%
First American Financial	FAF		\$14.94	\$15.65	4.75%
Stewart Info Services	STC		\$11.53	\$10.03	-13.01%
Median Average					9.91%

Table 4 (cont'd.)

		Market Price <u>12/31/10</u>	Market Price <u>6/30/11</u>	Percent Increase/ - Decrease
Health Insurers				
Torchmark Corp	TMK	\$59.74	\$64.14	7.37%
Unum Group	UNM	\$24.22	\$25.48	5.20%
Delphi Financial Group	DFG	\$28.84	\$29.21	1.28%
StanCorp Financial Group	SFG	\$45.14	\$42.19	-6.54%
Aflac Inc	AFL	\$56.43	\$46.68	-17.28%
Median Average				1.28%
Multi-Line Insurers				
Unitrin Inc	UTR	\$24.54	\$29.67	20.90%
Alterra Cap Holdings	ALTE	\$21.64	\$22.30	3.05%
Atlantic American Corp	AAME	\$2.03	\$2.05	0.99%
Hartford Financial Svcs	HIG	\$26.49	\$26.37	-0.45%
Assurant Inc	AIZ	\$38.52	\$36.27	-5.84%
American National Insurance Co	ANAT	\$85.62	\$77.50	-9.48%
American International Group Inc	AIG	\$57.62	\$29.32	-49.11%
Median Average				-0.45%
Insurance Brokers				
Willis Group Holdings	WSH	\$34.63	\$41.11	18.71%
Marsh & McLennan	MMC	\$27.34	\$31.19	14.08%
Aon Corp	AON	\$46.01	\$51.30	11.50%
Brown & Brown Inc	BRO	\$23.94	\$25.66	7.18%
Arthur J Gallagher	AJG	\$29.08	\$28.54	-1.86%
Life Partners Holdings	LPHI	\$3.83	\$3.43	-10.35%
InsWeb Corp	INSW	\$8.18	\$7.15	-12.59%
National Financial Partners	NFP	\$13.40	\$11.54	-13.88%
Fortegra Financial Corp	FRF	\$11.05	\$7.84	-29.05%
Median Average				-1.86%

Table 4 (cont'd.)

		Market Price 12/31/10	Market Price 6/30/11	Percent Increase/ - Decrease
Primary Property Casualty Underwriting Cos				
United Insurance Holdings	UIHC	\$3.10	\$4.25	37.10%
AmTrust Financial Services	AFSI	\$17.50	\$22.78	30.17%
Penn Millers Holding	PMIC	\$13.23	\$16.91	27.82%
Fremont Michigan InsuraCorp Inc	FMMH	\$28.50	\$35.90	25.96%
WR Berkley Corp	WRB	\$27.38	\$32.44	18.48%
RLI Corp	RLI	\$52.57	\$61.92	17.79%
ProAssurance Corp	PRA	\$60.60	\$70.00	15.51%
FPIC Insurance Group Inc	FPIC	\$36.96	\$41.68	12.77%
Eastern Insurance Holdings	EIHI	\$11.90	\$13.22	11.09%
American Financial Group Inc	AFG	\$32.29	\$35.69	10.53%
Unico American Corp	UNAM	\$9.14	\$9.96	8.97%
HCC Insurance Holdings Inc	HCC	\$28.94	\$31.50	8.85%
Alleghany Corp	Y	\$306.37	\$333.11	8.73%
Global Indemnity plc	GBLI	\$20.45	\$22.18	8.46%
Loews Corp	L	\$38.91	\$42.09	8.17%
Erie Indemnity Co	ERIE	\$65.47	\$70.72	8.02%
Progressive Corp	PGR	\$19.87	\$21.38	7.60%
CNA Financial Corp	CNA	\$27.05	\$29.05	7.39%
SeaBright Holdings	SBX	\$9.22	\$9.90	7.38%
National Interstate Corp	NATL	\$21.41	\$22.90	6.96%
ACE Ltd	ACE	\$62.25	\$65.82	5.73%
Chubb Corp	CB	\$59.64	\$62.61	4.98%
Markel Corp	MKL	\$378.13	\$396.81	4.94%
Travelers Companies Inc	TRV	\$55.71	\$58.38	4.79%
First Acceptance Corp	FAC	\$1.78	\$1.85	3.93%
State Auto Financial	STFC	\$17.42	\$17.43	0.06%
National Security Group Inc	NSEC	\$12.25	\$12.25	0.00%
Baldwin & Lyons	BWINB	\$23.53	\$23.17	-1.53%
Greenlight Capital Re	GLRE	\$26.81	\$26.29	-1.94%
Meadowbrook Insurance	MIG	\$10.25	\$9.91	-3.32%
Everest Reinsurance Group Ltd	RE	\$84.82	\$81.75	-3.62%
Employers Holdings	EIG	\$17.48	\$16.77	-4.06%
Universal Insurance Holdings	UVE	\$4.87	\$4.67	-4.11%

Table 4 (cont'd.)

		Market Price <u>12/31/10</u>	Market Price <u>6/30/11</u>	Percent Increase/ - Decrease
Primary Property Casualty Underwriting Cos (cont'd.)				
Allstate Corp	ALL	\$31.88	\$30.53	-4.23%
Navigators Group Inc	NAVG	\$50.35	\$47.00	-6.65%
Tower Group Inc	TWGP	\$25.60	\$23.82	-6.95%
Cincinnati Financial	CINF	\$31.69	\$29.18	-7.92%
Selective Insurance Group	SIGI	\$18.15	\$16.27	-10.36%
American Safety Insurance	ASI	\$21.38	\$19.14	-10.48%
Hilltop Holdings Inc	HTH	\$9.92	\$8.84	-10.89%
GAINSCO INC	GANS	\$9.00	\$8.00	-11.11%
Infinity P&C Corp	IPCC	\$61.80	\$54.66	-11.55%
Donegal Group Inc	DGICA	\$14.48	\$12.80	-11.60%
OneBeacon Insurance Group	OB	\$15.16	\$13.39	-11.68%
Safety Insurance Group Inc	SAFT	\$47.72	\$42.04	-11.90%
Affirmative Insurance	AFFM	\$2.67	\$2.35	-11.99%
Horace Mann	HMN	\$18.04	\$15.61	-13.47%
Hallmark Financial Services	HALL	\$9.10	\$7.87	-13.52%
Old Republic International Corp	ORI	\$13.63	\$11.75	-13.79%
21st Century Holding	TCHC	\$3.18	\$2.72	-14.47%
Kingstone Companies Inc	KINS	\$3.50	\$2.99	-14.63%
Harleysville Group	HGIC	\$36.74	\$31.17	-15.16%
EMC Insurance Group Inc	EMCI	\$22.64	\$19.10	-15.64%
Homeowners Choice	HCII	\$8.08	\$6.66	-17.57%
Hanover Insurance Group	THG	\$46.72	\$37.71	-19.29%
United F&C Co	UFCS	\$22.32	\$17.37	-22.18%
Kingsway Financial Services	KFS	\$1.42	\$1.02	-28.17%
Assurance America	ASAM	\$0.30	\$0.17	-45.00%
Median Average				-2.63%

Table 4 (cont'd.)

		<u>Market Price 12/31/10</u>	<u>Market Price 6/30/11</u>	<u>Percent Increase/ - Decrease</u>
<u>Life & Annuity Cos</u>				
American Independence Corp	AMIC	\$4.85	\$5.80	19.59%
FBL Financial Group Inc	FFG	\$28.67	\$32.15	12.14%
UTG Inc	UTGN	\$10.20	\$11.40	11.76%
Prudential Financial	PRU	\$58.71	\$63.59	8.31%
Presidential Life	PLFE	\$9.93	\$10.44	5.14%
Lincoln National Corp	LNC	\$27.81	\$28.49	2.45%
American Equity Investment	AEL	\$12.55	\$12.71	1.27%
Metlife Inc	MET	\$44.44	\$43.87	-1.28%
Symetra Financial Corp	SYA	\$13.70	\$13.43	-1.97%
Investors Heritage Capital	IHRC	\$18.50	\$18.00	-2.70%
Phoenix Companies Inc	PNX	\$2.54	\$2.46	-3.15%
National Western Life	NWLI	\$166.72	\$159.47	-4.35%
Kansas City Life Insurance	KCLI	\$33.03	\$31.15	-5.69%
Principal Financial Group Inc	PFG	\$32.56	\$30.42	-6.57%
Citizens Inc	CIA	\$7.45	\$6.82	-8.46%
Primerica Inc	PRI	\$24.25	\$21.97	-9.40%
Protective Life Corp	PL	\$26.64	\$23.13	-13.18%
Genworth Financial Inc	GNW	\$13.14	\$10.28	-21.77%
Security National Financial Corp	SNFCA	\$2.00	\$1.53	-23.50%
Median Average				-2.70%
<u>Property Casualty Reinsurance Cos.</u>				
White Mountains	WTM	\$335.60	\$420.16	25.20%
Enstar Group Ltd	ESGR	\$84.58	\$104.49	23.54%
Maiden Holdings Ltd	MHLD	\$7.86	\$9.10	15.78%
RenaissanceRe	RNR	\$63.69	\$69.95	9.83%
Arch Capital Group Ltd	ACGL	\$29.35	\$31.92	8.76%
Validus Holdings Ltd	VR	\$30.61	\$30.95	1.11%

Table 4 (cont'd.)

		Market Price <u>12/31/10</u>	Market Price <u>6/30/11</u>	Percent Increase/ - Decrease
Property Casualty Reinsurance Cos. (cont'd.)				
XL Group plc	XL	\$21.82	\$21.98	0.73%
Allied World Assr	AWH	\$59.44	\$57.58	-3.13%
Berkshire Hathaway	BRK.A	\$120,450.00	\$116,105.00	-3.61%
Transatlantic Holdings Inc	TRH	\$51.62	\$49.01	-5.06%
Montpelier Re	MRH	\$19.94	\$18.00	-9.73%
Aspen Insurance Holdings	AHL	\$28.62	\$25.73	-10.10%
Endurance Specialty	ENH	\$46.07	\$41.33	-10.29%
Axis Capital Holdings Ltd	AXS	\$35.88	\$30.96	-13.71%
PartnerRe Ltd	PRE	\$80.35	\$68.85	-14.31%
Argo Group International	AGII	\$37.45	\$29.72	-20.64%
Platinum	PTP	\$44.97	\$33.24	-26.08%
Flagstone Reinsurance Holdings	FSR	\$12.60	\$8.43	-33.10%
Median Average				-4.33%

Securities Brokers & Asset Management Cos

Franklin Resources	BEN	\$111.21	\$131.29	18.06%
KKR & Co. L.P.	KKR	\$14.20	\$16.32	14.93%
Blackstone Group L.P.	BX	\$14.51	\$16.56	14.13%
Waddell and Reed	WDR	\$35.29	\$36.35	3.00%
Ameriprise	AMP	\$57.55	\$57.68	0.23%
Eaton Vance	EV	\$30.23	\$30.23	0.00%
Raymond James Financial	RJF	\$32.70	\$32.15	-1.68%
Lazard	LAZ	\$39.49	\$37.10	-6.05%
T. Rowe Price	TROW	\$64.54	\$60.34	-6.51%
Federated Investors	FII	\$26.17	\$23.84	-8.90%
Legg Mason	LM	\$36.27	\$32.76	-9.68%
Och-Ziff Capital	OZM	\$15.58	\$13.87	-10.98%
Morgan Stanley	MS	\$27.21	\$23.01	-15.44%
Knight Capital group	KCG	\$13.79	\$11.02	-20.09%

Table 4 (cont'd.)

		Market Price <u>12/31/10</u>	Market Price <u>6/30/11</u>	Percent Increase/ - Decrease
Securities Brokers & Asset Management Cos (cont'd.)				
Goldman Sachs	GS	\$168.16	\$133.09	-20.86%
Jefferies	JEF	\$26.63	\$20.40	-23.39%
Janus	JNS	\$12.97	\$9.44	-27.22%
Median Average				-6.51%
Financial Guarantors				
Assured Guaranty Ltd	AGO	\$17.70	\$16.31	-7.85%
MBIA Inc	MBI	\$11.99	\$8.69	-27.52%
MGIC Investment Corp	MTG	\$10.19	\$5.95	-41.61%
Radian Group Inc	RDN	\$8.07	\$4.23	-47.58%
Median Average				-34.57%