

MARKET PERFORMANCE OF FINANCIAL SERVICES STOCKS

In the first quarter of 2012, the US stock market increased 12.6% as measured by Standard & Poor's 500. Financial services stocks, as measured by the XLF Financial ETF led the market advance with a 21.9% return. Insurance stocks, as measured by the Nasdaq Insurance Index, increased by only 3%. The average return for all 149 companies included in this study was 12.2%.

This return is comparable to the US equity market, and almost exactly the midpoint between the XLF and the Nasdaq Insurance Index. Four categories outperformed the S&P 500 and seven underperformed. All categories, except for one, posted positive returns for the quarter, as shown in Table 1.

Table 1

	Median Average % Increase <u>12/30/11 - 3/31/12</u>
Financial Guarantors	29.7
Title Insurers	26.9
XLF (Financial Sector ETF)	21.9
Life & Annuity Cos.	19.8
Securities Brokers & Asset Management Cos.	18.4
Standard & Poors 500	12.6
Health Insurers	11.4
Finance Cos.	6.2
Property and Casualty Reinsurance Cos.	6.1
Insurance Brokers	5.3
Primary Property Casualty Underwriting Cos.	4.9
Multi-Line Insurers	4.5
Nasdaq Insurance Index*	3.0
Claims Adjusters	-20.1

The momentum from the fourth quarter of 2011 carried into the first quarter of 2012. Top performing categories included Financial Guarantors and Title Insurers. Easing concerns over the European debt crisis and positive US economic growth combining with historically low interest rates created an environment conducive to flows into US equities, but many of the top performers were also rewarded for solid fundamental improvements.

The best performing category was Financial Guarantors, with a 29.7% median average return in the first quarter. Radian Group led the category and was the top performer overall with an 86% return in the first quarter as loan delinquencies continued their trend of improvement, new business written was of higher quality, and risk-to-capital ratio was improved. Radian also announced a three-part transaction on January 24th that was expected to positively

impact their statutory capital by \$100 million in the first quarter, which represents an increase of 4.9%. While Radian experienced an earnings loss of \$0.92/share in the fourth quarter, they posted a \$2.26 / share profit on the year for 2011. MBIA Inc. did not fare as well, reporting further losses in the fourth quarter and the CEO was accused of insider trading. MBIA stock ranked as the 5th worst performer with a loss of 15.4%.

Primary Property & Casualty Underwriting Cos., as a group, did not perform well, but included the next four top performing stocks. GAINSCO Inc., Homeowners Choice, Kingsway Financial Services, and 21st Century Holding rounded out the top five. Net premiums for Moody's rated Property & Casualty insurers were up 6% year over year for 2011. Assurance America, the worst performing stock in this survey, had to delay a planned 10,000-to-1 reverse stock split / going private transaction. In addition, an earnings restatement was announced and two board members resigned. Assurance America stock declined 40.5% in the first quarter.

Title Insurers also did well, ranking 2nd for the quarter with a median average return of 26.9%. All of the Title Insurers stocks were up. Returns ranged from First American Financial at 31.9% to Fidelity National Financial at 14.1%.

Crawford & Co., shares lost 20.1% in the first quarter. Management reduced earning/share guidance from \$0.83 in 2011 to \$0.62 for 2012. Mild winter weather in the U.S. this season is a likely factor in this reduction, since case volume is dependent upon frequency and severity of weather related claims.

Multi-Line insurers were the second worst performing group for the quarter, but still out performed the Nasdaq Insurance Index. Atlantic American Corp, up 47.2%, was the sixth best performing stock as net income more than tripled the \$1 million in 2010 to \$3.3 million in 2011. The Hartford was up 30.4% for the quarter, but most of this increase came prior to the March 21st announcement that the company will focus on Property & Casualty, Group Benefits, and Mutual Funds. The Individual Annuity business will be placed into runoff and sale or other strategic alternatives will be sought for Individual Life, Woodbury Financial Services and Retirement Plans. John Paulson, the often cited instigator of

The Hartford's action, supported these moves, but did not believe they would increase Property & Casualty investors' interest in 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>12/30/11 - 3/31/2012</u>
Radian Group Inc	86.0
GAINSCO INC	66.4
Homeowners Choice	60.7
Kingsway Financial Services	53.8
21st Century Holding	52.1
Federated Investors	49.8
Atlantic American Corp	47.2
Phoenix Companies Inc	45.8
Janus	42.1
Imperial Holdings Inc	42.0

Table 3:

Ten Worst Performing Financial Services Stocks	
	% Decrease
	<u>12/30/11 - 3/31/2012</u>
Assurance America	40.5
Life Partners Holdings	37.0
Crawford & Co. (B Shares)	20.5
World Acceptance Corp	16.7
MBIA Inc	15.4
American Safety Insurance	13.3
Meadowbrook Insurance	12.6
United Fire Group	11.3
Kingstone Companies Inc	11.4
Security National Financial Corp	9.2

Note that this report will now rank performance by Total Return as reported by SNL Financial, including dividends issued during the quarter. Previously, all performance was listed by price change only.

**Nasdaq Insurance Index data is not available for Total Return and reflects price change of index only.*

Table 4:

		Market Price <u>12/30/11</u>	Market Price <u>3/31/2012</u>	Percent Increase/ - Decrease	Total Return
Financial Guarantors					
Radian Group Inc.	RDN	\$2.34	\$4.35	85.9%	86.0%
MGIC Investment Corp	MTG	\$3.73	\$4.96	33.0%	33.0%
Assured Guaranty Ltd.	AGO	\$13.14	\$16.52	25.7%	26.4%
MBIA Inc.	MBI	\$11.59	\$9.80	-15.4%	-15.4%
Median Average				29.3%	29.7%
Title					
First American Financial	FAF	\$12.67	\$16.63	31.3%	31.9%
Investors Title Co.	ITIC	\$35.77	\$46.72	30.6%	30.8%
Stewart Info Services	STC	\$11.55	\$14.21	23.0%	23.0%
Fidelity National Financial	FNF	\$15.93	\$18.03	13.2%	14.1%
Median Average				26.8%	26.9%
Life & Annuity Cos					
Phoenix Companies Inc.	PNX	\$1.68	\$2.45	45.8%	45.8%
Lincoln National Corp	LNC	\$19.42	\$26.36	35.7%	36.3%
Protective Life Corp	PL	\$22.56	\$29.62	31.3%	32.1%
Investors Heritage Capital	IHRC	\$16.00	\$20.50	28.1%	29.6%
Symetra Financial Corp	SYA	\$9.07	\$11.53	27.1%	28.0%
Genworth Financial Inc.	GNW	\$6.55	\$8.32	27.0%	27.0%
Prudential Financial	PRU	\$50.12	\$63.39	26.5%	26.5%
American Equity Investment	AEL	\$10.40	\$12.77	22.8%	22.8%
Principal Financial Group Inc.	PFG	\$24.60	\$29.51	20.0%	20.8%
MetLife Inc.	MET	\$31.18	\$37.35	19.8%	19.8%
Presidential Life	PLFE	\$9.99	\$11.43	14.4%	15.1%
American Independence Corp	AMIC	\$3.87	\$4.42	14.1%	14.1%
Primerica Inc.	PRI	\$23.24	\$25.21	8.5%	8.6%
UTG Inc.	UTGN	\$12.00	\$12.50	4.2%	4.2%
Citizens Inc.	CIA	\$9.69	\$9.88	2.0%	2.0%
National Western Life	NWLI	\$136.16	\$136.87	0.5%	0.5%

		Market Price <u>12/30/11</u>	Market Price <u>3/31/2012</u>	Percent Increase/ - Decrease	Total Return
<u>Life & Annuity Cos. (cont'd.)</u>					
FBL Financial Group Inc.	FFG	\$34.02	\$33.70	-0.9%	-0.7%
Kansas City Life Insurance	KCLI	\$32.82	\$32.20	-1.9%	-1.1%
Security National Financial Corp.	SNFCA	\$1.55	\$1.41	-9.2%	-9.2%

Median Average**19.8% 19.8%****Securities Brokers & Asset Management Cos**

Federated Investors	FII	\$15.15	\$22.41	47.9%	49.8%
Janus	JNS	\$6.31	\$8.91	41.2%	42.1%
Goldman Sachs	GS	\$90.43	\$124.37	37.5%	37.9%
Jefferies	JEF	\$13.75	\$18.84	37.0%	37.7%
Waddell and Reed	WDR	\$24.77	\$32.41	30.8%	30.8%
Morgan Stanley	MS	\$15.13	\$19.64	29.8%	30.2%
Franklin Resources	BEN	\$96.06	\$124.03	29.1%	29.4%
Eaton Vance	EV	\$23.64	\$28.58	20.9%	21.8%
Raymond James Financial	RJF	\$30.96	\$36.53	18.0%	18.4%
KKR & Co. L.P.	KKR	\$12.83	\$14.83	15.6%	18.1%
Legg Mason	LM	\$24.05	\$27.93	16.1%	16.5%
Ameriprise	AMP	\$49.64	\$57.13	15.1%	15.7%
Blackstone Group L.P.	BX	\$14.01	\$15.94	13.8%	15.4%
T. Rowe Price	TROW	\$56.95	\$65.30	14.7%	15.3%
Och-Ziff Capital	OZM	\$8.41	\$9.28	10.3%	10.8%
Lazard	LAZ	\$26.11	\$28.56	9.4%	10.0%
Knight Capital Group	KCG	\$11.82	\$12.87	8.9%	8.9%

Median Average**18.0% 18.4%****Finance Cos.**

Imperial Holdings Inc.	IFT	\$1.88	\$2.67	42.0%	42.0%
Credit Acceptance Corp.	CACC	\$82.28	\$101.01	22.8%	22.8%
Asset Acceptance Capital Corp.	AACC	\$3.91	\$4.74	21.2%	21.2%
Advance America	AEA	\$8.95	\$10.49	17.2%	17.9%
White River Capital	RVR	\$20.25	\$22.36	10.4%	11.7%

		Market Price <u>12/30/11</u>	Market Price <u>3/31/2012</u>	Percent Increase/ - Decrease	Total Return
Finance Cos. (cont'd.)					
Portfolio Recovery Associates	PRAA	\$67.52	\$71.72	6.2%	6.2%
Encore Capital Group	ECPG	\$21.26	\$22.55	6.1%	6.1%
QC Holdings	QCCO	\$4.02	\$4.16	3.5%	4.9%
Nicholas Financial	NICK	\$12.82	\$13.19	2.9%	3.6%
Asta Funding	ASFI	\$7.98	\$8.17	2.4%	2.6%
World Acceptance Corp.	WRLD	\$73.50	\$61.25	-16.7%	-16.7%
Median Average				6.2%	6.2%

		Market Price <u>12/30/11</u>	Market Price <u>3/31/2012</u>	Percent Increase/ - Decrease	Total Return
Property Casualty Reinsurance Cos.					
Transatlantic Holdings Inc.	TRH	\$54.73	\$61.14	11.7%	11.7%
Everest Reinsurance Group Ltd.	RE	\$84.09	\$92.52	10.0%	10.6%
XL Group plc	XL	\$19.77	\$21.69	9.7%	10.3%
Montpelier Re	MRH	\$17.75	\$19.32	8.8%	9.4%
Platinum	PTP	\$34.11	\$36.50	7.0%	7.2%
Endurance Specialty	ENH	\$38.25	\$40.66	6.3%	7.1%
PartnerRe Ltd	PRE	\$64.21	\$67.89	5.7%	6.7%
Berkshire Hathaway	BRK.A	\$114,755.00	\$121,900.00	6.2%	6.2%
Aspen Insurance Holdings	AHL	\$26.50	\$27.94	5.4%	6.0%
Axis Capital Holdings Ltd.	AXS	\$31.96	\$33.17	3.8%	4.5%
Greenlight Capital Re	GLRE	\$23.67	\$24.63	4.1%	4.1%
Maiden Holdings Ltd.	MHLD	\$8.76	\$9.00	2.7%	3.6%
RenaissanceRe	RNR	\$74.37	\$75.73	1.8%	2.2%
Enstar Group Ltd.	ESGR	\$98.20	\$98.99	0.8%	0.8%
Validus Holdings Ltd.	VR	\$31.50	\$30.95	-1.7%	-1.0%
Flagstone Reinsurance Holdings	FSR	\$8.29	\$7.87	-5.1%	-4.6%
Median Average				5.6%	6.1%

		<u>Market Price 12/30/11</u>	<u>Market Price 3/31/2012</u>	<u>Percent Increase/ - Decrease</u>	<u>Total Return</u>
<u>Insurance Brokers</u>					
Fortegra Financial Corp.	FRF	\$6.68	\$8.36	25.1%	25.1%
National Financial Partners	NFP	\$13.52	\$15.14	12.0%	12.0%
Arthur J Gallagher	AJG	\$33.44	\$35.74	6.9%	7.9%
Brown & Brown Inc.	BRO	\$22.63	\$23.78	5.1%	5.5%
Aon Corp	AON	\$46.80	\$49.06	4.8%	5.2%
Marsh & McLennan	MMC	\$31.62	\$32.79	3.7%	4.4%
Willis Group Holdings	WSH	\$38.80	\$34.98	-9.8%	-9.2%
Life Partners Holdings	LPHI	\$6.46	\$4.07	-37.0%	-35.6%
Median Average				5.0%	5.3%
<u>Primary P/C Underwriting Cos.</u>					
GAINSCO Inc.	GANS	\$5.41	\$9.00	66.4%	66.4%
Homeowners Choice	HCII	\$8.01	\$12.70	58.6%	60.7%
Kingsway Financial Services	KFS	\$0.52	\$0.80	53.8%	53.8%
21st Century Holding	TCHC	\$2.96	\$4.50	52.1%	52.1%
United Insurance Holdings	UIHC	\$4.40	\$5.95	35.2%	36.4%
American International Group Inc.	AIG	\$23.20	\$30.83	32.9%	32.9%
Horace Mann	HMN	\$13.71	\$17.62	28.5%	29.5%
Progressive Corp.	PGR	\$19.51	\$23.18	18.8%	21.2%
Allstate Corp.	ALL	\$27.41	\$32.92	20.1%	20.9%
SeaBright Holdings	SBX	\$7.65	\$9.09	18.8%	19.5%
Hanover Insurance Group	THG	\$34.95	\$41.12	17.7%	18.5%
Old Republic International Corp.	ORI	\$9.27	\$10.55	13.8%	15.7%
Alleghany Corp.	Y	\$285.29	\$329.10	15.4%	15.4%
Cincinnati Financial	CINF	\$30.46	\$34.51	13.3%	14.6%
HCC Insurance Holdings Inc.	HCC	\$27.50	\$31.17	13.3%	13.9%
AmTrust Financial Services	AFSI	\$23.75	\$26.88	13.2%	13.6%
Hallmark Financial Services	HALL	\$6.99	\$7.89	12.9%	12.9%
Tower Group Inc.	TWGP	\$20.17	\$22.43	11.2%	12.2%
Universal Insurance Holdings	UVE	\$3.58	\$3.89	8.7%	11.4%
White Mountains	WTM	\$453.46	\$501.72	10.6%	10.9%
ProAssurance Corp.	PRA	\$79.82	\$88.11	10.4%	10.7%
CNA Financial Corp.	CNA	\$26.75	\$29.33	9.6%	10.2%
Allied World Assurance	AWH	\$62.93	\$68.67	9.1%	9.7%

		Market Price <u>12/30/11</u>	Market Price <u>3/31/2012</u>	Percent Increase/ - Decrease	Total Return
Primary P/C Underwriting Cos. (cont'd.)					
State Auto Financial	STFC	\$13.59	\$14.61	7.5%	8.7%
Markel Corp.	MKL	\$414.67	\$448.94	8.3%	8.3%
Loews Corp.	L	\$37.65	\$39.87	5.9%	6.1%
ACE Ltd.	ACE	\$70.12	\$73.20	4.4%	5.8%
WR Berkley Corp.	WRB	\$34.39	\$36.12	5.0%	5.3%
American Financial Group Inc.	AFG	\$36.89	\$38.58	4.6%	5.1%
Eastern Insurance Holdings	EIHI	\$13.98	\$14.60	4.4%	4.9%
National Interstate Corp.	NATL	\$24.67	\$25.58	3.7%	4.2%
Safety Insurance Group Inc.	SAFT	\$40.48	\$41.64	2.9%	4.0%
Baldwin & Lyons	BWINB	\$21.80	\$22.38	2.7%	3.8%
Argo Group International	AGII	\$28.96	\$29.87	3.1%	3.6%
First Acceptance Corp.	FAC	\$1.36	\$1.39	2.2%	2.2%
Harleysville Group	HGIC	\$56.57	\$57.70	2.0%	2.0%
OneBeacon Insurance Group	OB	\$15.39	\$15.41	0.1%	1.5%
Travelers Companies Inc.	TRV	\$59.17	\$59.20	0.1%	0.8%
Chubb Corp.	CB	\$69.22	\$69.11	-0.2%	0.4%
Erie Indemnity Co.	ERIE	\$78.16	\$77.94	-0.3%	0.4%
Selective Insurance Group	SIGI	\$17.73	\$17.61	-0.7%	0.0%
Arch Capital Group Ltd.	ACGL	\$37.23	\$37.24	0.0%	0.0%
Affirmative Insurance	AFFM	\$0.53	\$0.53	0.0%	0.0%
National Security Group Inc.	NSEC	\$8.75	\$8.63	-1.4%	-0.4%
Hilltop Holdings Inc.	HTH	\$8.45	\$8.39	-0.7%	-0.7%
Navigators Group Inc.	NAVIG	\$47.68	\$47.24	-0.9%	-0.9%
RLI Corp.	RLI	\$72.86	\$71.64	-1.7%	-1.3%
EMC Insurance Group Inc.	EMCI	\$20.57	\$20.09	-2.3%	-1.3%
Global Indemnity plc	GBLI	\$19.83	\$19.49	-1.7%	-1.7%
Employers Holdings	EIG	\$18.09	\$17.71	-2.1%	-1.7%
Alterra Cap Holdings	ALTE	\$23.63	\$22.98	-2.8%	-2.2%
Donegal Group Inc.	DGICA	\$14.16	\$13.67	-3.5%	-2.7%
Unico American Corp.	UNAM	\$12.05	\$11.20	-7.1%	-7.1%
Infinity P&C Corp.	IPCC	\$56.74	\$52.33	-7.8%	-7.4%
Kingstone Companies Inc.	KINS	\$3.59	\$3.18	-11.4%	-10.6%
United Fire Group	UFCS	\$20.18	\$17.89	-11.3%	-10.7%
Meadowbrook Insurance	MIG	\$10.68	\$9.33	-12.6%	-12.2%
American Safety Insurance	ASI	\$21.75	\$18.85	-13.3%	-13.3%
Assurance America	ASAM	\$0.21	\$0.13	-40.5%	-40.5%
Median Average				4.4%	4.9%

		Market Price <u>12/30/11</u>	Market Price <u>3/31/2012</u>	Percent Increase/ - Decrease	Total Return
<u>Multi-Line Insurers</u>					
Atlantic American Corp.	AAME	\$1.97	\$2.88	46.2%	47.2%
Hartford Financial Svcs.	HIG	\$16.25	\$21.08	29.7%	30.4%
Kemper	KMPR	\$29.21	\$30.28	3.7%	4.5%
American National Insurance Co.	ANAT	\$73.03	\$72.52	-0.7%	0.4%
Assurant Inc.	AIZ	\$41.06	\$40.50	-1.4%	-1.0%
Median Average				3.7%	4.5%
<u>Claims Adjusters</u>					
Crawford & Co. (B Shares)	CRDB	\$6.16	\$4.90	-20.5%	-20.1%
Median Average				-20.5%	-20.1%