



SIFM **64** Years of Innovation

December 6, 2023



KEEFE, BRUYETTE & WOODS
A Stifel Company

Today's Presenter



Brian Foley
Vice President

Mr. Foley is responsible for public and private capital raising, mergers and acquisitions, and other investment banking services for the insurance and asset management industry. Mr. Foley rejoined KBW in 2021 following nearly two years at Balyasny Asset Management where he was an equity analyst covering the P&C insurance sector, and responsible for making investment recommendations for a long/short market neutral portfolio. Prior to Balyasny Asset Management Mr. Foley was a member of KBW's Insurance and Asset Management IB team for six years, initially as an analyst and then as an associate. He received a B.S. in Finance and Accounting from the University of Delaware.

Notable Recent Transactions

<p>\$175,375,000</p>  <p>Follow-on Offering Joint Lead Bookrunning Manager November 2023</p>	<p>\$259,000,000</p>  <p>Initial Public Offering November 2023</p>	<p>\$27,000,000</p>  <p>Private Placement Financial Advisor August 2023</p>	<p>\$210,000,000</p>  <p>Initial Public Offering June 2023</p>	<p>\$101,832,500</p>  <p>Follow-on Offering Joint Lead Bookrunning Manager June 2023</p>	 <p>Has Acquired  Premia Solutions Advisor to Buyer February 2023</p>
<p>\$125,000,000</p>  <p>Has Acquired Lloyd's of London Syndicate 1200 from  Advisor to Buyer February 2023</p>	<p>\$154,428,600</p>  <p>Initial Public Offering Joint Bookrunning Manager January 2023</p>	<p> Has Acquired:  from  Advisor to Buyer January 2023</p>	<p>\$1,680,000,000</p>  <p>Initial Public Offering September 2022</p>	<p> Has Been Acquired by  Advisor to Seller July 2022</p>	 <p>Has been acquired by:  Advisor to Seller June 2022</p>

Executive Summary

- **Broader equity markets have surged in 2023 coming off a bad 2022 as the U.S. economy has remained resilient**
- **Bond yields, however, continue to rise as the Fed fights inflation and maintains its “high for longer” posture**
- **Banking crisis appears to be isolated among community banks with deposit concentrations, but largely a non-event for the insurance industry**
- **P&C Commercial, personal lines and reinsurance markets remain broadly in hard market territory**
- **Challenging claims environment driven by economic and social inflation, particularly in personal lines**
- **P&C IPO market a bright spot in 2023 and the pipeline is as robust as it’s been in the last 15 years**
- **M&A continues to be slow as management teams allocate capital to grow organically and take advantage of the favorable P&C rate environment**

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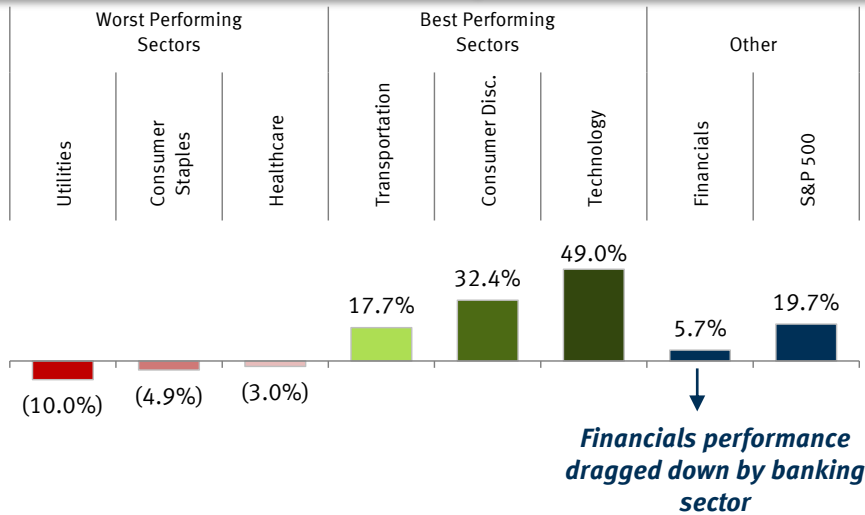


M Market Background

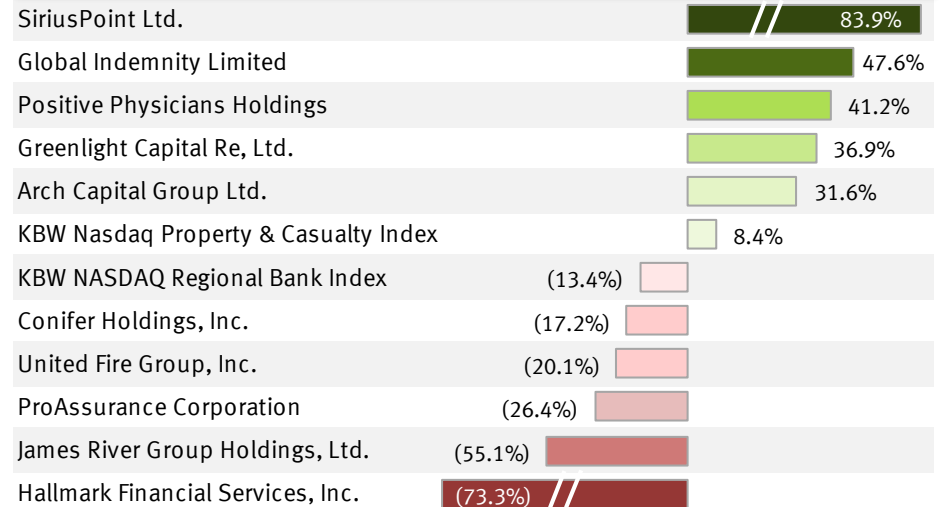


Public Market Analysis: Financials Negative but Outperform the Broader Market

Best / Worst Performers by Sector in 2023 YTD



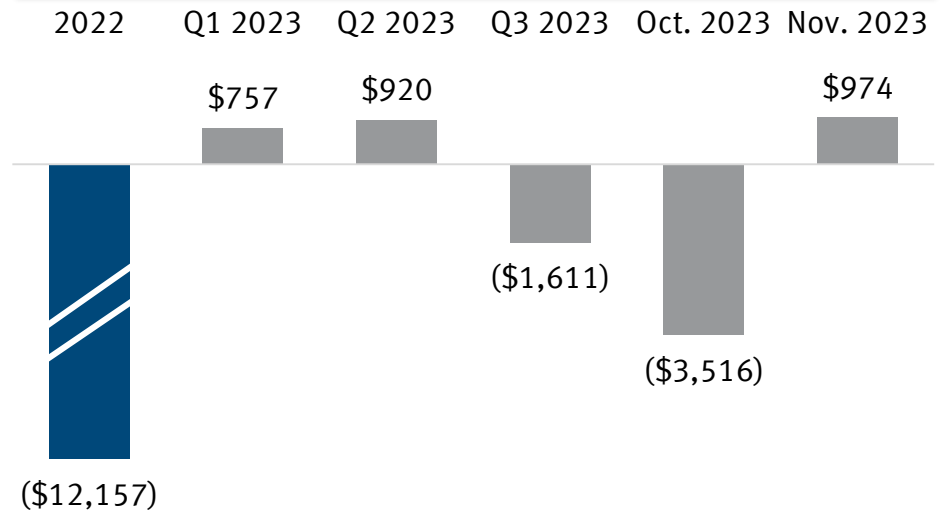
Best / Worst Insurance Performers in 2023 YTD⁽¹⁾



CBOE Volatility Index (VIX)



2023 YTD Financials ETF Flows (\$mm)



Source: S&P Global Market Intelligence, Bloomberg and FactSet Research Systems. Market data as of 12/1/2023.
 Note: Sector performance measured using SPDR ETFs.
 (1) Represents best and worst performers (total return) among selected P&C insurers.

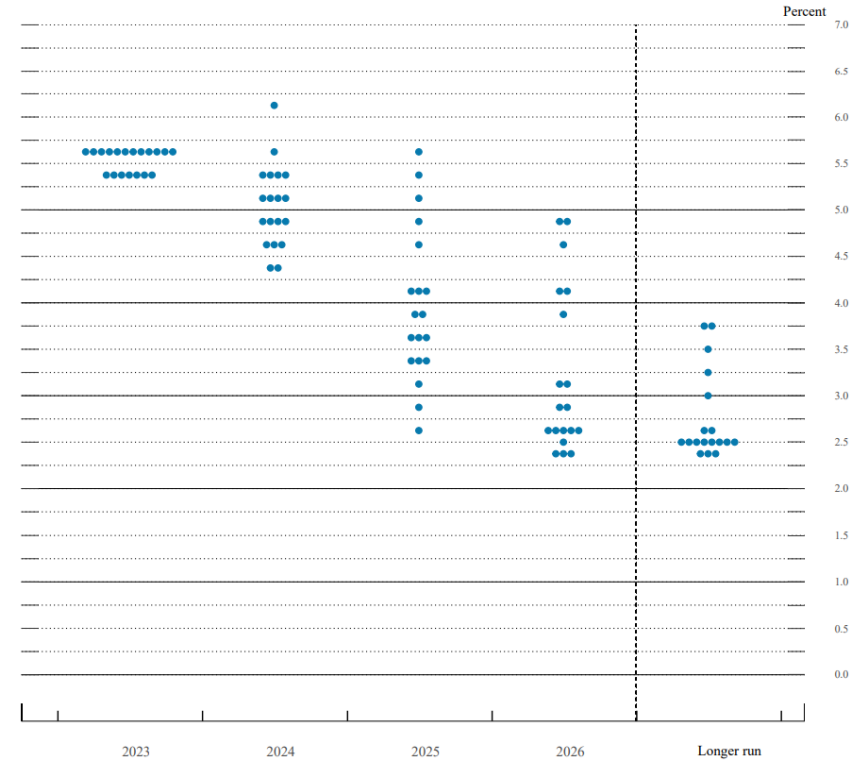


Interest Rate Environment

Historical U.S. 10 year Treasury Rate



Federal Reserve Dot Plot



Relevant Statistics¹

U.S Unemployment Rate	3.9%
Interest Expense as % of Federal Budget	~15.6%
US Total Debt Outstanding	\$33.9 T
Total Debt Outstanding as a % of GDP	~123%

Global 10 Year Treasury Rates (%)²

United States	4.21
Germany	2.36
Japan	0.69
United Kingdom	4.13

Source: Federal Reserve, "Summary of Economic Projections, September 20, 2023," Congressional Budget Office, "The Budget and Economic Outlook: 2022 to 2032" February 15, 2023, Bureau of Economic Analysis, US Treasury, Wall Street Journal, Fed Economic Research.

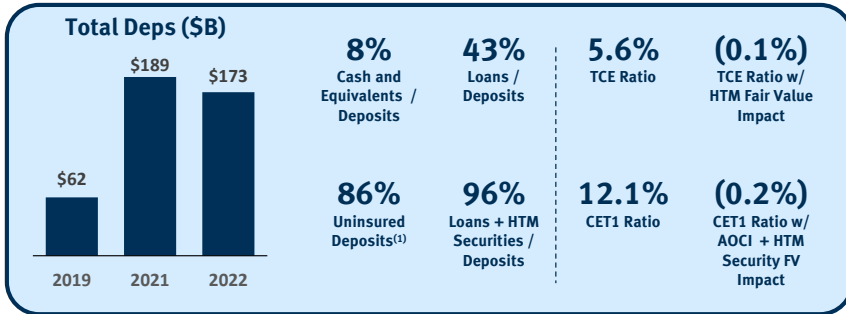
(1) Q3 2023.
(2) As of 12/1/2023.



March 2023 Regional Banking Crisis – What Happened?



\$212B Total Assets

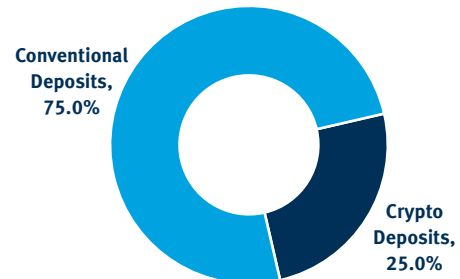
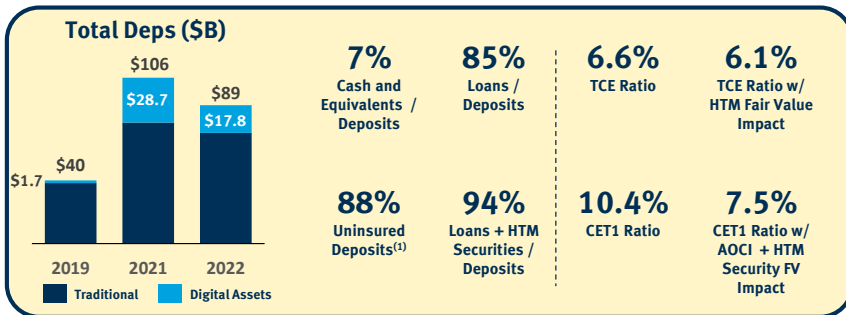


- **Monday (3/6):**
 - Moody's Downgrade?
- **Wednesday (3/8):**
 - Securities Loss
- **Thursday (3/9):**
 - Failed Capital Raise
 - \$42B outflows
- **Friday (3/10):**
 - \$100B outflows
 - Bridge bank established

- **Bank**
 - Assumed by First Citizens (3/26)
 - \$35B 5-year note from FDIC
 - Deposits - \$57B
 - Loans - \$72B
- **Weighted-avg. duration of fixed income investment securities portfolio was 5.7 years as of 12/31**



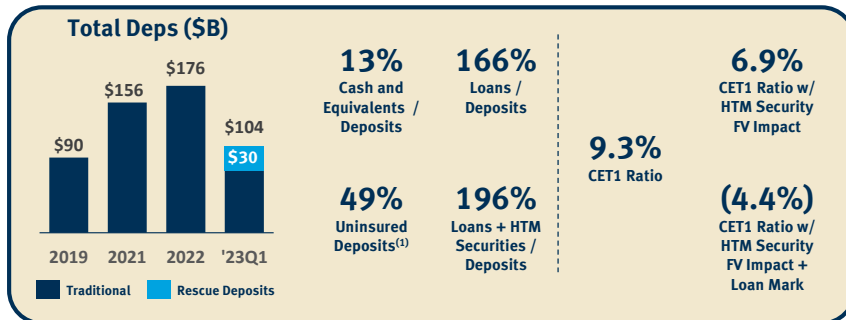
\$110B Total Assets



- **Bank**
 - Assumed by NYCB/Flagstar (3/19)
 - Deposits - \$34B
 - Loans - \$13B



\$233B Total Assets



- **Catered to wealthy clients with low rate mortgages**
- **~\$100B of deposits left in Q1 plus another ~\$12B in the 5 days following the Q1 earnings release**
- **11 banks provided \$30bn in deposits to First Republic Bank led by J.P. Morgan (3/16)**

- **Bank**
 - Assumed by JPMorgan Chase (5/1)
 - Deposits - \$92B
 - Loans - \$173B



Source: S&P Capital IQ Pro; Financial data as of most recent quarter available

(1) Uninsured deposits per bank's estimate of uninsured deposits on call report schedule RC-O less collateralized muni. deposits as reported on schedule RC-E.

P&C Operating Environment



General P&C Market Trends

There are four major social and economic trends currently impacting the P&C industry

Climate Change¹

- Total U.S. direct economic losses from natural catastrophes through the first nine months of the year totaled \$99B with **\$68B of those losses insured**
- Severe convective storm events in the U.S. have resulted in **\$54B+ of preliminary insured losses**, marking the first time the U.S. has surpassed \$50B from the peril
- **2023 is on track to** be the 6th year since 2017 to **exceed \$100B in annual insured losses**
- There were at least **52 natural catastrophe events which topped \$1B in direct economic damage, 28 of which were in the U.S.**
- A \$1 billion environmental disaster now happens every three weeks, compared to once every four months in the 1980s. This year alone, the US has suffered through 25 such emergencies, most of them due to the warming climate

Financial Inflation and Supply Chain

- **Wage growth** from a continued tight labor market fueling consumer spending
- The **September 2023 auto CPI was 30.4%**, above its August 2019 equivalent and the **21st consecutive month of increases**
- Investment yields **continue to benefit** from the surge in interest rates, however **book value suffers in the near term**
- Inflationary pressures are moderating however investors believe higher for longer is here to stay
- Unemployment remains near **50-year low in unemployment** with the highest **labor participation** rate since 2007

Social Inflation

- U.S. **liability claim costs have risen** by an annual average of **16%** over the last five years, well above average rates of economic inflation at around 4%²
- **Growing availability of third-party litigation funding** allows plaintiffs to pursue better-funded cases for longer
- The U.S. litigation funding market **grew by 44%** between 2019 and 2022²

Rising Reinsurance Cost

- **Reinsurance pricing has increased significantly**, driven by CAT activity, inflationary and climate change concerns, and increasing demand
- Over 70% of reinsurance buyers **expect further price increases** across P&C lines in 2024, with over 60% citing **lower reinsurance capacity** as a contributing factor³

Source: FactSet, KBW Research, Public Filings.

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(1) Arthur J. Gallagher natural catastrophe report.

(2) Swiss Re financial and social inflation reports.


(3) Moody's Reinsurance Buyer Survey 2024. Based on an annual survey of 42 global property and casualty reinsurance buyers.




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Specialty Market Organic Growth Trends


What is Driving Growth in the Specialty Market?




Increasing jury verdicts and social inflation




Cyber risks increase as digitalization continues




Increasing CAT losses and risks from climate change




Prolonged conflicts in Europe and the Middle East




Creative and adaptive solutions to new risks



Emergence of novel health risks



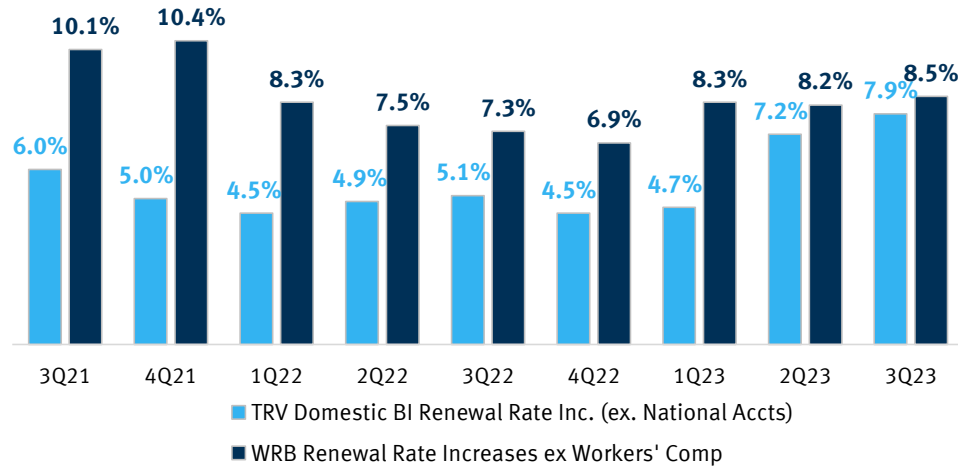
Inflation and supply chain constraints pressuring loss costs



Hard property cat reinsurance market exacerbating the need to push primary property rates

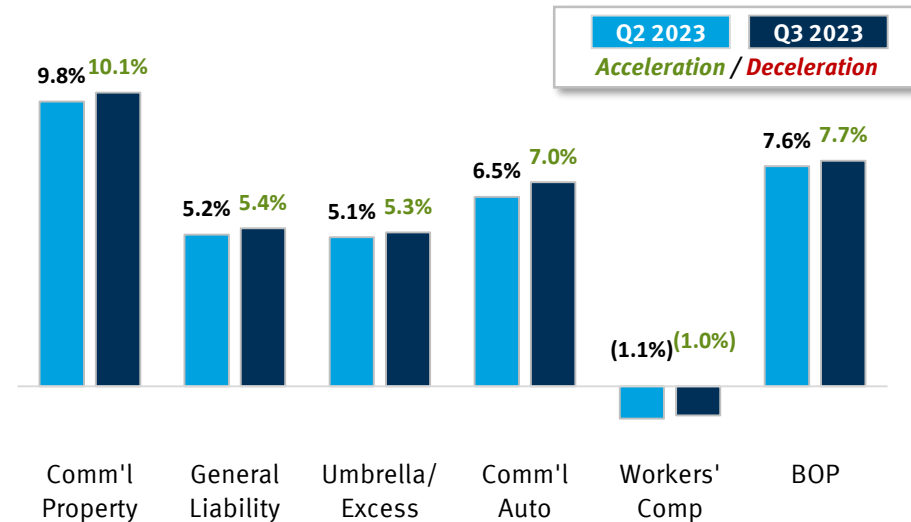
Standard Commercial vs. Specialty P&C Renewal Rates¹

Specialty and standard rates have begun to re-accelerate



Average Commercial Premium Renewal Rate Changes for Select Coverage Classes per Quarter²

Average premium renewal rate changes for all major commercial lines of business were up in Q3 '23 from Q2 '23



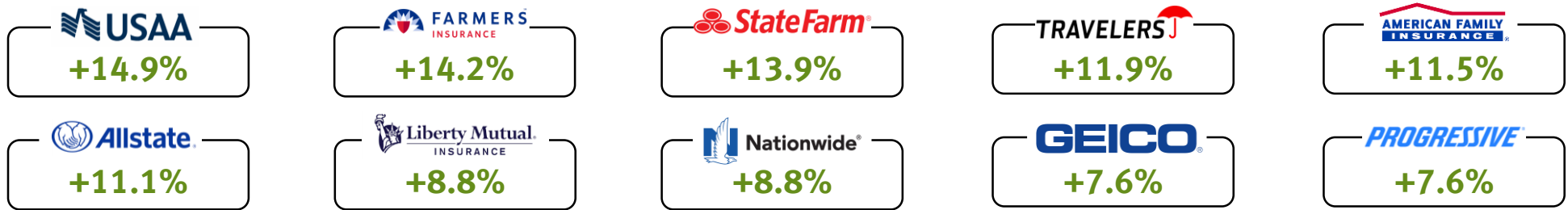
(1) Source: Company Reports.
 (2) Source: IVANS Index.



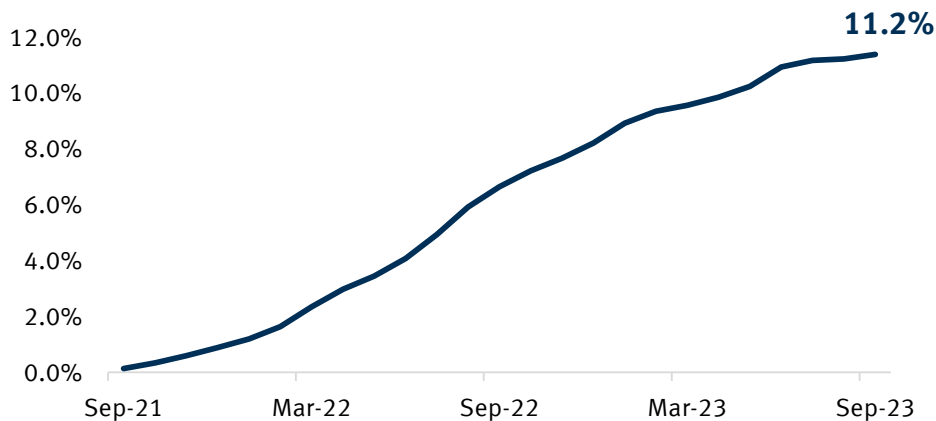
Personal Lines Pricing Trends

- Home and auto insurers are aggressively raising insurance rates due to the confluence of climate change, financial inflation, supply chain constraints (particularly used cars and building materials), social inflation and rising reinsurance costs
- Personal lines rate increases and exposure unit growth accrues to the benefit of insurance brokers/agents
- United Auto Workers strike will add fuel to already high loss cost inflation in personal auto, likely adding momentum to current hard market conditions

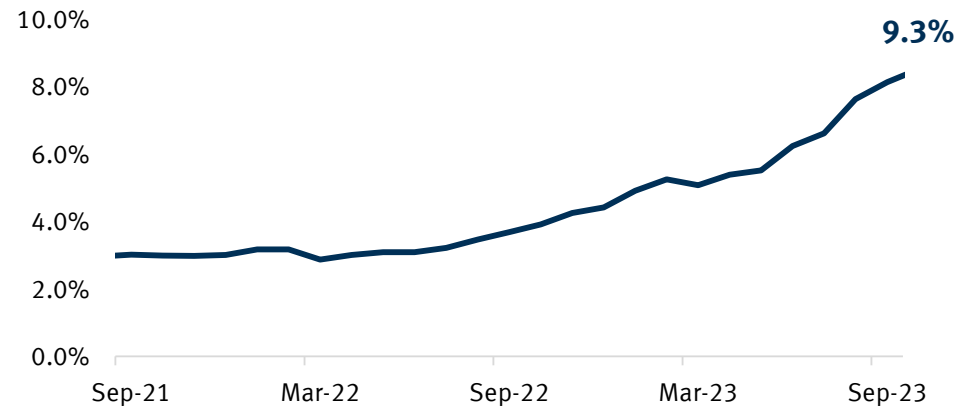
Private Auto Rate Change Across the U.S. 2023 YTD¹



Motor Vehicular CPI²



Estimated Homeowners Renewal Rate Changes²



Source: SNL CapIQ and KBW Research.

(1) Represent weighted average rate change by state YTD based on disposed rate filings as of August 19, 2023.

(2) As of August 31, 2023.



Industry Valuation and Capital Position

Selected Market Statistics of Industry Bellwethers

Company	Market Cap (\$M)	'23 YTD Total Return	Price / '23E EPS	Price / Book	Dividend Yield
	\$2,947,308	47.9%	31.2x	NM	0.5%
	\$783,484	15.7%	20.7x	1.49x	0.0%
	\$95,033	25.6%	30.0x	5.63x	0.2%
	\$93,291	4.8%	11.9x	1.78x	1.5%
	\$46,314	6.0%	9.9x	1.18x	2.2%
	\$41,564	(1.4%)	16.3x	2.08x	2.2%
	\$36,029	4.2%	NM	2.87x	2.6%
	\$30,656	31.6%	10.4x	2.14x	0.0%
	\$23,406	4.9%	9.5x	1.77x	2.4%
	\$17,687	25.1%	7.4x	1.58x	1.7%

Industry Capital (\$B)

Public P&C Carriers

Total Equity: \$811 billion⁽¹⁾ **Market Cap:** \$1.3 trillion⁽¹⁾

Mutual and Private P&C Carriers

Private P&C Surplus: \$428.5 billion⁽²⁾

Insurtech P&C Carriers

Total Equity: \$1.7 billion⁽³⁾ **Market Cap:** \$2.5 billion⁽⁴⁾

Source: S&P Global Market Intelligence, FactSet, Company Filings. Market data as of 12/1/2023.

(1) 2023Q3 GAAP Equity and Market Cap as of 12/1/2023 of publicly traded P&C and multiline carriers trading on a major exchange in the US or Canada.

(2) 2023Q3 Statutory Surplus of all non-public U.S. P&C carriers.

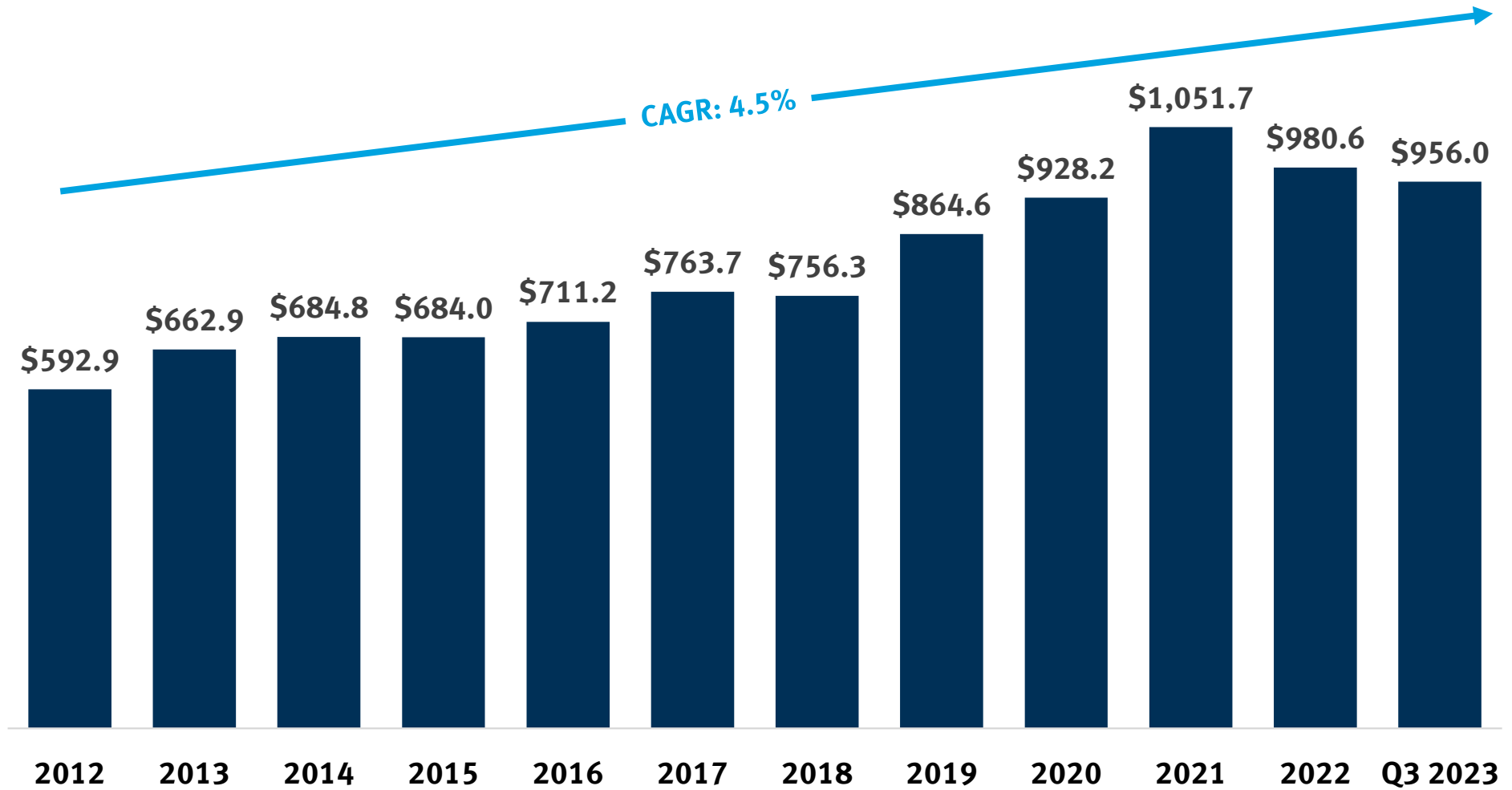
(3) 2023Q3 GAAP Equity of ROOT, HIPO, LMND, PRCH, and HGTY.

(4) Market Cap of ROOT, HIPO, LMND, PRCH, and HGTY as of 12/1/2023.



Historical P&C Industry Surplus

(\$ in Billions)



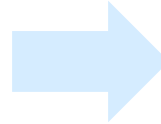
Source: S&P Global Market Intelligence.



The Insurtech Revolution

Insurtech 1.0: Disrupt the Insurance Industry

Forbes
2019
**Four Insurtech Startups
Shaking Up The Insurance
Industry**



Insurtech 2.0: Enable the Insurance Industry

Forbes
2023
**You Can't Take The Insurance
Out Of Insurtech**

Key Principles of Insurtech 1.0

- Insurtechs are a near-term threat to traditional insurers
- Expected to disrupt industry (“Uber of insurance”)
- Growth is #1 priority
- Direct distribution will replace brokers and agents
- Traditional carriers burdened by high overhead costs
- Heavy focus on distribution, digitalization and blockchain
- Personal lines writers are typically more algorithmic, model-driven and individual data set dependent

Lessons Learned

- Growth \leftarrow Profitability
- Insurance is cyclical
- Data (quality and quantity) is important
- Brands matter to consumers
- 50 state regulatory environment can't be “disrupted”
- Brokers are a crucial part of the market
- Technology-savings are limited
- Full stack insurance is capital and operationally intensive
- Reinsurance capacity should not be taken for granted
- Most products are not suitable for DTC distribution
- Personal lines incumbents are massive and entrenched

Key Principles of Insurtech 2.0

- Insurtech is an opportunity rather than a threat
- Profitability is key
- Partnerships with traditional carriers are key to survival
- Omni-channel distribution is the future
- Focus is on cyber, distribution and small business

Vesttoo Situation Overview

The unraveling of the Vesttoo situation is only adding fuel to the already negative press and investor sentiment on the Insurtech sector

Company Overview

- Vesttoo is a digital insurance capital markets platform founded in 2018 and transacting since 2020, headquartered in Israel and operating globally
 - The Company is positioned as a source of capital for primary insurers and an alternative investing platform for institutional investors
 - Casualty focused with primary LOBs being GL, D&O, motor liabilities, mortality and longevity, cyber, homeowners, workers' compensation, professional liability and product liability
 - Multiple product offerings for investors including ILPs, ILNs, ETNs, agency rated notes, an ILS fund in Bermuda, and others
- Underwrites using a machine learning algorithm - Vesttoo collects historical loss data from cedents, calculates expected losses and structures reinsurance
- In mid-July, Vesttoo was accused of falsifying up to \$4 billion in letters of credit provided by banks to insurers to collateralize reinsurance transactions
 - An investigation began into all of Vesttoo's lines of credit after one LOC was found to be fake
 - Most of the allegedly forged letters were from a leading Chinese bank
 - Vesttoo has confirmed that "procedures were circumvented", commenced a 3rd party audit, fired 75% of its employees and closed its offices in Asia
 - On August 15th, Vesttoo announced that its U.S. operations commenced Chapter 11 bankruptcy proceedings, with the stated goal of protecting Vesttoo's assets and allowing the company to time and a forum to pursue legal action against parties it believes are responsible for the LOC fraud
 - Vesttoo's CEO and CFO have been fired by the Board after a conclusion of the internal investigation
- Fronting and Florida HO companies appear to have the most exposure

Summary Fundraising History

Stage	Date	Amount Raised	Post-Money Valuation	Lead Investor
Series A	Aug. 2021	\$6M	\$16M	
Series B	Nov. 2021	\$17M	\$123M	
Series C	Oct. 2022	\$80M	\$1,000M	
Series D	May 2023 (Announced)	NA	\$1,500-\$2,000M ¹	NA

Notable U.S. Insurance Companies with Exposure



Source: S&P Global Market Intelligence, Pitchbook, Calcalistech, Insurance Insider and Artemis.

(1) Represents target valuation range.








(2) Per PRCH Q2'23 earnings release, have a \$48M net receivable related to its Vesttoo relationship; PRCH wrote off the balance in its Q2'23 financials but intends to pursue recovery. Porch has since replaced a portion of its Vesttoo reinsurance.

Trends in Public and Private Capital Markets



P&C IPO Market Trends - Post 9/11 vs. Now

The current property-casualty operating environment and IPO pipeline has similarities to those following the 9/11 attacks

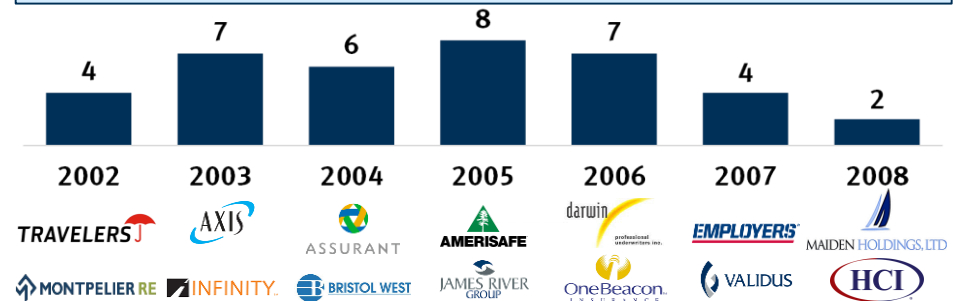
Market Conditions Pre-Catalytic Event	Catalytic Event	Market Conditions Post-Catalytic Event	Notable Company Failures	Insurance Related Fraud	Macroeconomic Indicators
Post 9/11 Market					
Showing signs of stress from prior year reserve development related to casualty claims (including commercial auto and professional liability)	9/11	Severe industry capital shortage drives hard market conditions across entire P&C industry (primary, reinsurance, property, casualty, personal and commercial)	 Reliance Frontier Insurance Company  Kemper Insurance Companies  LEGION INSURANCE	Unicover Managers Inc.	2002 Avg. 10-yr US Treasury Yield: 4.61% US Debt as % of GDP: 57% ¹ 2002 S&P 500 and \$/% decrease: \$1,148.08 ¹ / (\$268.26) / (23.4%) 2002 Cultural Happenings: Queen Mother Elizabeth passes Mets last world series win: 1986 Brazil wins the Men's World Cup
Current Market					
Showing signs of stress from prior year reserve development related to casualty claims (including commercial auto and professional liability)	COVID-19	Dynamic operating environment with hard reinsurance market and elevated claims across entire P&C industry	 FEDSTAR  NAT  FLORIDA SPECIALTY INSURANCE COMPANY  UPC INSURANCE TBD?	VESTTOO	Current 10-yr US Treasury Yield: 4.21% ² US Debt as % of GDP: 121% ³ 2022 S&P 500 and \$/% decrease: \$4,766.18 ³ / (\$926.68) / (19.4%) 2022 Cultural Happenings: Queen Elizabeth passes Mets last world series win: 1986 (still) Argentina wins the Men's World Cup

Market conditions after the 9/11 attacks sustained 7 years of elevated IPO activity in the property-casualty sector

IPOs Post 9/11 through 2008

- 38 P&C Related IPOs with \$12.4B in capital raised in total
 - ~ 80% primary companies and 20% reinsurance companies
 - 10 of the companies are still public today, 27 have been acquired and one has been delisted

of IPOs per Year⁴



Source: SNL Financial, FRED Economic Data.

(1) As of January 1, 2002.

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(2) As of 12/1/2023.

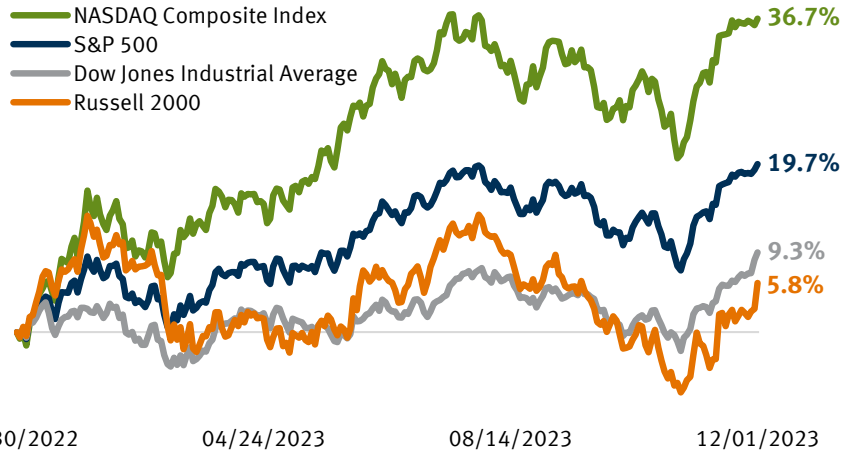
(3) As of January 1, 2022.

(4) Note: Company logos represent notable IPOs in that year.

Public Equity Markets Overview

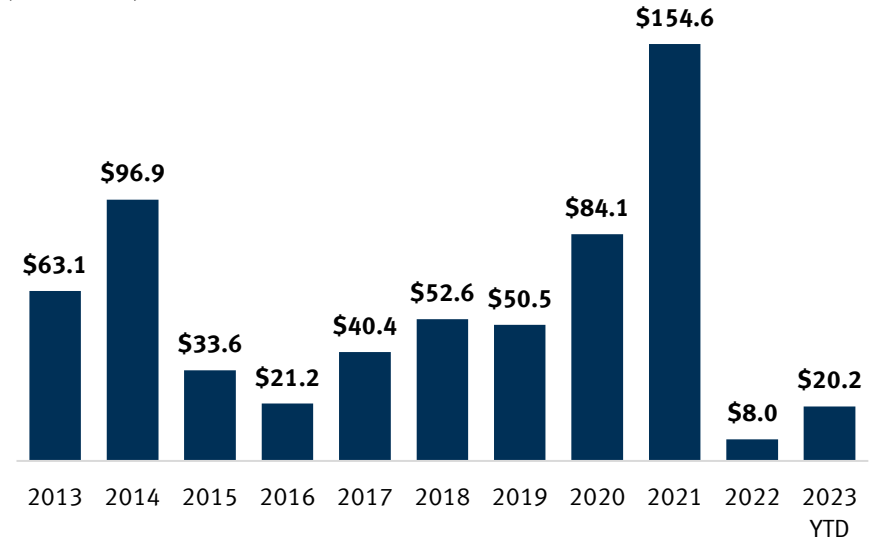
Major Indices Performance

Last Week's Performance			
S&P 500	Nasdaq	Russell 2000	Dow Jones
0.8%	0.4%	3.1%	2.4%



IPO Volume Over the Last 10 Years

(\$ in Billions)



Notable 2023 Insurance IPOs

SKYWARD
SPECIALTY INSURANCE

FIDELIS

corebridge
financial

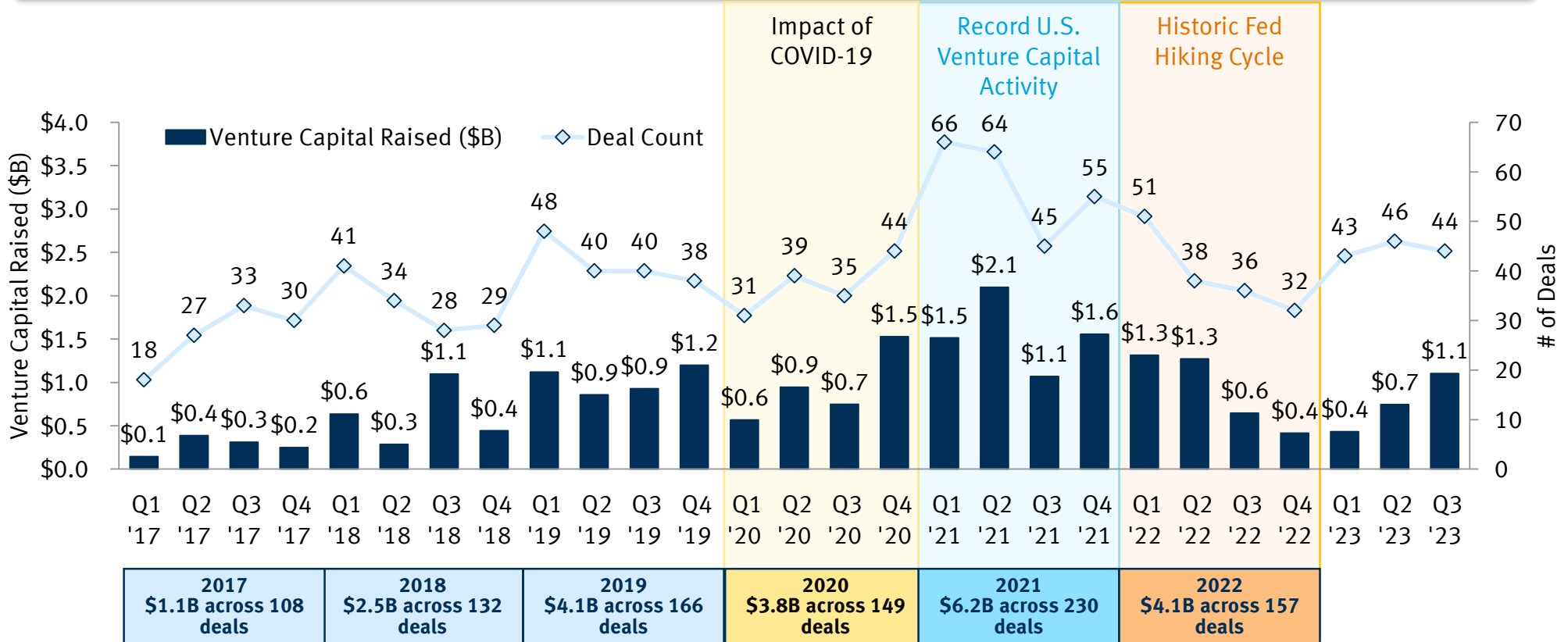
HAMILTON
INSURANCE GROUP



Q3 2023 U.S. Insurtech Venture Capital Fundraising

- U.S. Insurtech venture capital deal volume increased YoY in Q3'23 from 36 deals to 44 deals, with total capital invested increasing more than 70% YoY
 - Following a drop off in deal volume and funding in the back half of 2022, fundraising has seen levels return to pre-2021, potentially reflecting expected interest rate decreases and more reasonable valuations in 2024
 - Over 50% of total Q3 VC capital raised was attributable to four transactions, with the largest being a \$246M Series B round by Bolttech (~22% of U.S. Q2's total) led by Tokio Marine
- Year to date, there was expansion in mid-stage investments (Series B/C) moving from ~19% of total investments in FY '22 to around 23% through Q3' 23¹
- It is imperative early stage insurtechs raise additional rounds due to a limited cash runway as they continue to face the insurance industry's hyper-extended sales cycle, a recent pull back in underwriting capacity from carriers, and competing demands for capital

Historical Insurtech VC Funding in the U.S. by Quarter



M&A Trends



Why Are There So Few Carrier Deals in Insurance M&A?

P&C Carrier M&A Remains Limited in 2023, with 7 Announced Transactions

Last 5 P&C M&A Deals Announced >\$1 billion¹

ZURICH
Acquisition of:
MetLife P&C
\$3.9 B
December 11, 2020

Brookfield
Acquisition of:
AMERICAN NATIONAL
\$5.1 B
August 9, 2021

BERKSHIRE HATHAWAY INC.
Acquisition of:
Alleghany
\$11.6 B
March 21, 2022

Brookfield
Acquisition of:
ARGO GROUP
\$1.1 B
February 8, 2023

RenaissanceRe
Acquisition of:
VALIDUS
\$3.0 B
May 22, 2023

On average from 2012–YTD '23², ~14¹ P&C carrier deals a year have been announced. Many years there are more failed M&A processes than successful announcements as insurance company M&A is **challenging for a variety of reasons:**

- Many buyers of in favor lines of business with low supply; many sellers of out of favor lines of business with low demand
- Insurers are historically conservative organizations, particularly mutual companies
- Reserve issues, real and imagined, are a key area of due diligence focus and often lead to price disagreement
- Corporate structures (i.e. mutual, MHCs, RRGs, reciprocals, etc.) often present challenges
- Heterogeneity of industry players makes synergies more difficult to realize
- Integration of clunky legacy systems often makes the juice not worth the squeeze
- Currently, carriers are more focused on organic growth during a prolonged hard market



Source: Company filings, SNL Financial, A.M. Best. Note: As of 12/1/2023.

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(1) Source: SNL Financial. Based on the following criteria: (1) Target company is domiciled in U.S. or Bermuda; and (2) excludes non-primary P&C transactions (i.e. run-off, financial guaranty, etc.) unless target company is publicly-traded.
(2) Calculated on an annualized basis.



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Notable 2023 P&C Transactions

Constellation
Together for the common good.®

Has Merged with

Curi.®

Value Not Disclosed
February 1, 2023

Brookfield

Acquisition of:

ARGO
GROUP

\$1,064,529,000
February 8, 2023

RenaissanceRe

Acquisition of:

VALIDUS

\$2,985,000,000
May 22, 2023

CORE
SPECIALTY

*Acquisition of the
MGU/Stop-Loss business of:*

AMERICAN
NATIONAL

Value Not Disclosed
June 12, 2023

CORE
SPECIALTY

Acquisition of:

American
Surety
Company®

Value Not Disclosed
November 1, 2023

TRAVELERS

Acquisition of:

CORVUS®

\$435,000,000
November 3, 2023

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Independence of Research

KBW prohibits its employees from directly or indirectly offering a favorable research rating or specific price target, or offering to change a rating or price target, as consideration or inducement for the receipt of business or for compensation.

Basis of Presentation

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