

## MARKET PERFORMANCE OF FINANCIAL SERVICES STOCKS FOR THE QUARTER ENDING JUNE 28<sup>TH</sup>, 2013

In the second quarter of 2013, the US stock market increased by 2.9% as measured by Standard & Poor's 500. Financial services stocks, as measured by the XLF Financial ETF increased 4.0%. Insurance stocks, as measured by the Nasdaq Insurance Index, increased by 2.3%. The average total return for all 140 companies included

in this study was 5.3%. Five sub-sectors outperformed the S&P 500 and six underperformed. Eight sub-sectors posted positive returns and only three posted negative return for the quarter, as shown in Table 1. The top performing categories were and Financial Guarantors and Multi-line Insurers.

**Table 1**

	Median Average % Increase <u>3/28/13 - 6/28/13</u>
Financial Guarantors	15.6
Multi-Line Insurers	15.4
Health Insurers	10.8
Life & Annuity Cos.	7.9
<b>XLF (Financial Sector ETF)</b>	<b>4.0</b>
Insurance Brokers	4.0
<b>Standard &amp; Poors 500</b>	<b>2.9</b>
Finance Cos.	2.5
<b>Nasdaq Insurance Index</b>	<b>2.3</b>
Primary Property Casualty Underwriting Cos.	1.5
Property and Casualty Reinsurance Cos.	0.5
Securities Brokers & Asset Management Cos.	-0.9
Title Insurers	-1.1
Claims Adjusters	-25.6

The second quarter performance was mixed across sub-sectors. Concerns over the Federal Reserve easing up on its stimulus program prompted a short-lived sell-off in the stock market overall. Prices for U.S. Bonds fell and interest rates rose affecting consumer products such as mortgages and auto insurance. The timing of the easing remains uncertain and is based on the unemployment rate hitting 7% According to the Feds' projections this target should be met mid-2014. Uncertainty also

remains on whether the Affordable Care Act will have a positive or negative impact on pricing, with wide speculation that the greatest impact will be on medical malpractice liability insurance and workers compensation coverage.

The best performing categories were Financial Guarantors with a 15.6% median average return in the second quarter and no negative performers, followed by Multi-Line Insurers with a median

average return of 15.4%. MBIA, Inc. led the Financial Guarantors category and was the 5<sup>th</sup> top performer overall with a 29.6% return in the second quarter. MBIA's stock saw a rapid increase resulting from a settlement with Bank of America that resolved a number of legacy issues for both institutions.

Health insurers were up 10.8% during the second quarter as compared to a decrease of 8.0% for the second quarter of 2012. Stancorp Financial Group, down 9.2% Q2 2012, was the best performer in this sub-sector for Q2 2013 and was up 15.6%. Stancorp is continuing to make progress on repricing efforts to address the impact of the elevated disability claims and the impact of low interest rate environment on their group insurance business. Aflac, Inc. was the second best performer, up 12.4% for the period, versus a 6.7% decrease for the same time period last year. Aflac has recently reaffirmed its guidance of an increase of 4% to 7% in operating earnings during 2013. The company is also well positioned to continue its share repurchase between the \$400 to \$600 million range for 2013 and anticipate \$600 to \$900 million in 2014, to increase the ROE.

Life and Annuity Companies are up 7.9% versus a decrease of 10.5% for the same period last year. Many of these companies have been making headway despite a slow economic recovery, low interest rate environment and stricter regulations concerning financial disclosure, risk assessment and capital management. Annuity writer American Equity Investment Life was up 29% in the first half of 2013 with a second quarter return of 5.4%. American Equity's growth and gain in market share helped the stock trade up from a deep discount to book value. Citizens, Inc. was the outlier in this category and the worst performing stock with a 28.7% decrease in return. Flat growth in premiums and a slight improvement in net investment income were offset by higher benefits and expenses as well as realized investment losses based on lower yields.

Insurance Brokers were in line with the S&P Financials ETF (XLF) with a median average return of 4.0% for the second quarter. Success in this sector has been three-fold. Strong internal growth, successful acquisitions and economic growth, the latter having measurable impact on insured values and therefore revenues for the brokers as well as the property casualty insurers and reinsurers.

Property and Casualty Underwriting Companies and Property and Casualty Reinsurance Companies stock prices ticked up slightly throughout the quarter. While there was much talk throughout 2012 of the insurance market hardening to account for natural catastrophic losses such as Hurricane Sandy, price increases did not materialize, with the exception of a few commercial lines undergoing significant price increases, but consistent enough to reflect the compounding effect year over year. For the second quarter the market continued to hold steady with rates up approximately 5%.

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 4:**

<b>Table 2: Ten Best Performing Financial Services Stocks</b>	
	% Total Return Increase <u>3/28/13 - 6/28/13</u>
Affirmative Insurance	127.3
Imperial Holdings Inc	69.1
Universal Insurance Holdings	47.6
Phoenix Companies Inc	39.7
MBIA Inc	29.6
Federated National Insurance	28.6
Prudential Financial	24.5
MGIC Investment Corp	22.6
United Insurance Holdings	22.6
Hilltop Holdings Inc	21.6

<b>Table 3: Ten Worst Performing Financial Services Stocks</b>	
	% Total Return Decrease <u>3/28/13 - 6/28/13</u>
Citizens Inc	28.7
Crawford & Co. (B Shares)	25.6
Fortegra Financial Corp	21.6
Life Partners Holdings	20.2
Security National Financial Corp	17.5
UTG Inc	16.3
Credit Acceptance Corp	14.0
First American Financial	13.3
Kingsway Financial Services	13.0
QC Holdings	10.3

		Market Price 3/28/13	Market Price 6/28/2013	Percent Increase/ - Decrease	Total Return
<b>Financial Guarantors</b>					
MBIA Inc.	MBI	\$10.27	\$13.31	29.60%	29.60%
MGIC Investment Corp	MTG	\$4.95	\$6.07	22.63%	22.63%
Radian Group Inc.	RDN	\$10.71	\$11.62	8.50%	8.52%
Assured Guaranty Ltd	AGO	\$20.61	\$22.06	7.04%	7.48%
<b>Median Average</b>				<b>15.56%</b>	<b>15.57%</b>
<b>Multi-Line Insurers</b>					
Hartford Financial Svcs	HIG	\$25.80	\$30.92	19.84%	20.23%
Atlantic American Corp	AAME	\$3.33	\$3.90	17.12%	17.12%
American National Insurance Co	ANAT	\$86.87	\$99.47	14.50%	15.42%
Assurant Inc.	AIZ	\$45.01	\$50.91	13.11%	13.67%
Kemper	KMPR	\$32.61	\$34.25	5.03%	5.79%
<b>Median Average</b>				<b>14.50%</b>	<b>15.42%</b>
<b>Health Insurers</b>					
StanCorp Financial Group	SFG	\$42.76	\$49.41	15.55%	15.55%
Aflac Inc.	AFL	\$52.02	\$58.12	11.73%	12.43%
Torchmark Corp	TMK	\$59.80	\$65.14	8.93%	9.25%
Unum Group	UNM	\$28.25	\$29.37	3.96%	4.45%
<b>Median Average</b>				<b>10.33%</b>	<b>10.84%</b>
<b>Life &amp; Annuity Cos.</b>					
Phoenix Companies Inc.	PNX	\$30.77	\$43.00	39.75%	39.75%
Prudential Financial	PRU	\$58.99	\$73.03	23.80%	24.55%
Metlife Inc.	MET	\$38.02	\$45.76	20.36%	21.17%
Symetra Financial Corp	SYA	\$13.41	\$15.99	19.24%	19.95%
Primerica Inc.	PRI	\$32.78	\$37.44	14.22%	14.58%
Genworth Financial Inc.	GNW	\$10.00	\$11.41	14.10%	14.10%
Lincoln National Corp	LNC	\$32.61	\$36.47	11.84%	12.27%
FBL Financial Group Inc.	FFG	\$38.86	\$43.51	11.97%	12.26%

		Market Price 3/28/13	Market Price 6/28/2013	Percent Increase/ - Decrease	Total Return
<b>Life &amp; Annuity Cos. Continued</b>					
Principal Financial Group Inc.	PFG	\$34.03	\$37.45	10.05%	10.71%
National Western Life	NWLI	\$176.00	\$189.85	7.87%	7.87%
Protective Life Corp	PL	\$35.80	\$38.41	7.29%	7.85%
American Equity Investment	AEL	\$14.89	\$15.70	5.44%	5.44%
Investors Heritage Capital	IHRC	\$22.75	\$22.85	0.44%	0.44%
American Independence Corp	AMIC	\$7.01	\$6.94	-1.00%	-1.00%
Kansas City Life Insurance	KCLI	\$39.13	\$38.27	-2.20%	-1.47%
UTG Inc.	UTGN	\$15.50	\$12.98	-16.26%	-16.26%
Security National Financial Corp	SNFCA	\$7.18	\$5.92	-17.55%	-17.55%
Citizens Inc.	CIA	\$8.39	\$5.98	-28.72%	-28.72%
<b>Median Average</b>				<b>7.87%</b>	<b>7.87%</b>
<b>Insurance Brokers</b>					
National Financial Partners	NFP	\$22.43	\$25.31	12.84%	12.84%
Arthur J Gallagher	AJG	\$41.31	\$43.69	5.76%	6.61%
Marsh & McLennan	MMC	\$37.97	\$39.92	5.14%	5.78%
Aon Corp	AON	\$61.50	\$64.35	4.63%	4.94%
Willis Group Holdings	WSH	\$39.49	\$40.78	3.27%	3.97%
Brown & Brown Inc.	BRO	\$32.04	\$32.24	0.62%	0.92%
Life Partners Holdings	LPHI	\$3.91	\$3.07	-21.48%	-20.19%
Fortegra Financial Corp	FRF	\$8.76	\$6.87	-21.58%	-21.58%
<b>Median Average</b>				<b>3.95%</b>	<b>4.46%</b>
<b>Finance Cos.</b>					
Imperial Holdings Inc.	IFT	\$4.05	\$6.85	69.14%	69.14%
Portfolio Recovery Associates	PRAA	\$126.92	\$153.63	21.04%	21.04%
Encore Capital Group	ECPG	\$30.10	\$33.11	10.00%	10.00%
Nicholas Financial	NICK	\$14.70	\$15.12	2.86%	3.67%
World Acceptance Corp	WRLD	\$85.87	\$86.94	1.25%	1.25%
Asta Funding	ASFI	\$9.60	\$8.65	-9.90%	-9.90%
QC Holdings	QCCO	\$3.23	\$2.85	-11.76%	-10.29%
Credit Acceptance Corp	CACC	\$122.14	\$105.05	-13.99%	-13.99%
<b>Median Average</b>				<b>2.05%</b>	<b>2.46%</b>

		Market Price 3/28/13	Market Price 6/28/2013	Percent Increase/ - Decrease	Total Return
<b>Primary Property Casualty Underwriting Cos.</b>					
Affirmative Insurance	AFFM	\$0.33	\$0.75	127.27%	127.27%
Universal Insurance Holdings	UVE	\$4.85	\$7.08	45.98%	47.62%
Federated National Insurance	FNHC	\$7.61	\$9.75	28.12%	28.61%
United Insurance Holdings	UIHC	\$5.73	\$6.99	21.99%	22.56%
Hilltop Holdings Inc.	HTH	\$13.49	\$16.40	21.57%	21.57%
First Acceptance Corp	FAC	\$1.35	\$1.64	21.48%	21.48%
Horace Mann	HMN	\$20.85	\$24.38	16.93%	17.86%
American Safety Insurance	ASI	\$24.96	\$28.95	15.99%	15.99%
American International Group Inc.	AIG	\$38.82	\$44.70	15.15%	15.15%
Meadowbrook Insurance	MIG	\$7.05	\$8.03	13.90%	14.18%
Homeowners Choice	HCI	\$27.25	\$30.72	12.73%	13.52%
Argo Group International	AGII	\$41.38	\$42.39	2.44%	13.11%
Tower Group Inc.	TWGP	\$18.45	\$20.51	11.17%	12.11%
ProAssurance Corp	PRA	\$47.33	\$52.16	10.20%	10.75%
OneBeacon Insurance Group	OB	\$13.52	\$14.48	7.10%	8.59%
Infinity P&C Corp	IPCC	\$56.20	\$59.76	6.33%	6.89%
RLI Corp	RLI	\$71.85	\$76.41	6.35%	6.83%
Erie Indemnity Co	ERIE	\$75.53	\$79.69	5.51%	6.35%
GAINSCO INC	GANS	\$7.60	\$8.00	5.26%	5.26%
State Auto Financial	STFC	\$17.42	\$18.17	4.31%	4.85%
Markel Corp	MKL	\$503.50	\$526.95	4.66%	4.66%
Employers Holdings	EIG	\$23.45	\$24.45	4.26%	4.51%
American Financial Group Inc.	AFG	\$47.38	\$48.91	3.23%	3.65%
AmTrust Financial Services	AFSI	\$34.65	\$35.70	3.03%	3.44%
Baldwin & Lyons	BWINB	\$23.79	\$24.28	2.06%	3.11%
HCC Insurance Holdings Inc.	HCC	\$42.03	\$43.11	2.57%	2.97%
Old Republic International Corp	ORI	\$12.71	\$12.87	1.26%	2.60%
Hallmark Financial Services	HALL	\$9.00	\$9.14	1.56%	1.56%
Global Indemnity plc	GBLI	\$23.20	\$23.55	1.51%	1.51%
White Mountains	WTM	\$567.12	\$574.94	1.38%	1.38%
Loews Corp	L	\$44.07	\$44.40	0.75%	0.89%
Progressive Corp	PGR	\$25.27	\$25.42	0.59%	0.59%
ACE Ltd	ACE	\$88.97	\$89.48	0.57%	0.57%
Eastern Insurance Holdings	EIHI	\$18.76	\$18.75	-0.05%	0.54%
EMC Insurance Group Inc.	EMCI	\$26.33	\$26.26	-0.27%	0.49%
CNA Financial Corp	CNA	\$32.69	\$32.62	-0.21%	0.37%
Safety Insurance Group Inc.	SAFT	\$49.16	\$48.51	-1.32%	-0.20%

		Market Price 3/28/13	Market Price 6/28/13	Percent Increase/ -Decrease	Total Return
<b>Primary Property Casualty Underwriting Cos. Continued</b>					
Allied World Assr	AWH	\$92.72	\$91.51	-1.31%	-0.76%
Hanover Insurance Group	THG	\$49.68	\$48.93	-1.51%	-0.84%
Allstate Corp	ALL	\$49.07	\$48.12	-1.94%	-1.43%
United Fire Group	UFCS	\$25.47	\$24.83	-2.51%	-1.88%
Cincinnati Financial	CINF	\$47.22	\$45.92	-2.75%	-1.91%
National Interstate Corp	NATL	\$29.98	\$29.25	-2.43%	-2.06%
Arch Capital Group Ltd	ACGL	\$52.57	\$51.41	-2.21%	-2.21%
Chubb Corp	CB	\$87.53	\$84.65	-3.29%	-2.79%
Navigators Group Inc.	NAVG	\$58.75	\$57.04	-2.91%	-2.91%
Alleghany Corp	Y	\$395.92	\$383.31	-3.18%	-3.18%
Selective Insurance Group	SIGI	\$24.01	\$23.02	-4.12%	-3.60%
Travelers Companies Inc.	TRV	\$84.19	\$79.92	-5.07%	-4.49%
National Security Group Inc.	NSEC	\$8.24	\$7.70	-6.55%	-6.27%
WR Berkley Corp	WRB	\$44.37	\$40.86	-7.91%	-7.69%
Kingstone Companies Inc.	KINS	\$5.70	\$5.22	-8.42%	-7.71%
Donegal Group Inc.	DGICA	\$15.27	\$13.97	-8.51%	-7.72%
Unico American Corp	UNAM	\$14.05	\$12.89	-8.26%	-8.26%
Assurance America	ASAM	\$0.05	\$0.04	-8.70%	-8.70%
Kingsway Financial Services	KFS	\$4.15	\$3.61	-13.01%	-13.01%
<b>Median Average</b>				<b>1.44%</b>	<b>1.53%</b>

<b>Property Casualty Reinsurance Cos.</b>					
Axis Capital Holdings Ltd	AXS	\$41.62	\$45.78	10.00%	10.60%
Endurance Specialty	ENH	\$47.81	\$51.45	7.61%	8.30%
Berkshire Hathaway	BRK.A	\$156,280	\$168,600	7.88%	7.88%
Enstar Group Ltd	ESGR	\$124.29	\$132.98	6.99%	6.99%
Maiden Holdings Ltd	MHLD	\$10.59	\$11.22	5.95%	6.80%
Platinum	PTP	\$55.81	\$57.22	2.53%	2.67%
Flagstone Reinsurance Holdings	FSR*	\$8.59	\$8.74	1.75%	1.98%
XL Group plc	XL	\$30.30	\$30.32	0.07%	0.52%
Greenlight Capital Re	GLRE	\$24.45	\$24.53	0.33%	0.33%
Everest Reinsurance Group Ltd	RE	\$129.86	\$128.26	-1.23%	-0.86%
PartnerRe Ltd	PRE	\$93.11	\$90.56	-2.74%	-2.05%
Validus Holdings Ltd	VR	\$37.37	\$36.12	-3.34%	-2.55%
Aspen Insurance Holdings	AHL	\$38.58	\$37.09	-3.86%	-3.42%

		Market Price 3/28/13	Market Price 6/28/13	Percent Increase/ -Decrease	Total Return
<b>Property Casualty Reinsurance Cos. Continued</b>					
Montpelier Re	MRH	\$26.05	\$25.01	-3.99%	-3.54%
RenaissanceRe	RNR	\$91.99	\$86.79	-5.65%	-5.34%
<b>Median Average</b>				<b>0.33%</b>	<b>0.52%</b>

<b>Securities Brokers &amp; Asset Management Cos.</b>					
Federated Investors	FII	\$23.67	\$27.41	15.80%	17.02%
Och-Ziff Capital	OZM	\$9.35	\$10.44	11.66%	14.45%
Morgan Stanley	MS	\$21.98	\$24.43	11.15%	11.41%
Ameriprise	AMP	\$73.65	\$80.88	9.82%	10.59%
Blackstone Group L.P.	BX	\$19.78	\$21.06	6.47%	8.02%
Goldman Sachs	GS	\$147.15	\$151.25	2.79%	3.11%
KKR & Co. L.P.	KKR	\$19.32	\$19.66	1.76%	3.10%
Waddell and Reed	WDR	\$43.78	\$43.50	-0.64%	0.02%
T. Rowe Price	TROW	\$74.87	\$73.20	-2.23%	-1.73%
Legg Mason	LM	\$32.15	\$31.01	-3.55%	-3.18%
Knight Capital group	KCG	\$3.72	\$3.59	-3.49%	-3.49%
Lazard	LAZ	\$34.13	\$32.15	-5.80%	-5.08%
Raymond James Financial	RJF	\$46.10	\$42.98	-6.77%	-6.47%
Janus	JNS	\$9.40	\$8.51	-9.47%	-8.76%
Franklin Resources	BEN	\$150.81	\$136.02	-9.81%	-9.62%
Eaton Vance	EV	\$41.83	\$37.59	-10.14%	-9.67%
<b>Median Average</b>				<b>-1.44%</b>	<b>-0.86%</b>

<b>Title</b>					
Stewart Info Services	STC	\$25.47	\$26.19	2.83%	2.83%
Investors Title Co	ITIC	\$69.07	\$70.94	2.71%	2.82%
Fidelity National Financial	FNF	\$25.23	\$23.81	-5.63%	-5.00%
First American Financial	FAF	\$25.57	\$22.04	-13.81%	-13.35%
<b>Median Average</b>				<b>-1.46%</b>	<b>-1.09%</b>

<b>Claims Adjusters</b>					
Crawford & Co. (B Shares)	CRD.B	\$7.59	\$5.62	-25.96%	-25.64%
<b>Median Average</b>				<b>-25.96%</b>	<b>-25.64%</b>