

Insurance Industry Spotlight

May 2008
Volume 4, Issue 5

LMCCapital LLC
INVESTMENT BANKING FOR THE INSURANCE INDUSTRY

SELECTED M&A ANNOUNCEMENTS

Date	Acquirer	Target	Amount
04/30/08	Munich Re	Roanoke Companies Inc.	\$52,500,000
04/29/08	WellPoint, Inc. (NYSE:WLP)	DeCare Dental	Undisclosed
04/23/08	Liberty Mutual Group	Safeco Corporation (NYSE:SAF)	\$6,200,000,000
04/23/08	BB&T Corporation (NYSE:BBT)	UnionBanc Insurance Services	Undisclosed
04/17/08	Life of the South Corporation	Gulfco Insurance Services Inc. and Gulfco Life Insurance Company	Undisclosed
04/17/08	WellPoint, Inc. (NYSE:WLP)	Resolution Health	Undisclosed
04/11/08	RenaissanceRe Holdings Ltd. (NYSE:RNR)	Agro National	Undisclosed
04/10/08	First Financial Holdings, Inc. (Nasdaq:FFCH)	Somers-Pardue Agency, Inc.	\$18,800,000
04/02/08	FMG Acquisition Corporation (OTC:FMGQ)	United Insurance Holdings	\$95,000,000

RATINGS UPGRADES AND DOWNGRADES

Date	Company	Ratings Action
04/24/08	First American Corporation Property Casualty Companies	A.M. Best has downgraded the financial strength rating to A- (Excellent) from A (Excellent) of First American Corporation Property Casualty Companies and its member companies. The outlook for the rating is negative.
04/10/08	Millers Capital Insurance Company	A.M. Best has upgraded the financial strength rating to A- (Excellent) from B++ (Good) of Millers Capital Insurance Company. The outlook for the rating is stable.
04/08/08	Security Life Insurance Company of America	A.M. Best has upgraded the financial strength rating to B++ (Good) from B+ (Good) of Security Life Insurance Company of America. The outlook for the rating is positive.

PUBLIC COMPANIES-SECTOR PERFORMANCES

Sector	Stock Price Change			P/E Multiples		Price/ Book Value
	YTD	1 Month	1 Year	TTM	2008E	
Brokers	-12%	12%	-13%	16.32	15.36	NA
Life Insurers	-3%	3%	-7%	11.93	10.16	1.36
Managed Care	-31%	6%	-24%	10.35	10.07	2.06
Multi-Line	-8%	3%	-16%	10.10	10.49	1.16
P&C Commercial	-6%	5%	-5%	7.49	8.43	1.16
P&C Personal	-1%	13%	-8%	10.52	11.78	1.63
P&C Specialty	-18%	-2%	-10%	9.28	8.61	1.50
Reinsurers	-10%	1%	-4%	5.91	6.88	0.96

TTM=Trailing Twelve Months through December 2007

Current Acquisition Pricing

With M&A activity in the P&C insurance company and insurance brokerage sectors seeing unquestionably robust volume and insurance pricing softening more every day, one may wonder what is happening with acquisition pricing on M&A transactions. Acquirers, for the most part, have not shied away from doing deals, in spite of the lack of stability in the financial markets.

However, in these turbulent times, an astute seller might question how this impacts the psyche of board members and acquirers. Some deals continue to close at excellent multiples and we expect this to continue for strong targets. On the other hand, some deals such as the Deep South acquisition have been terminated and some deals such as National Atlantic have been sold at a price below statutory surplus.

To find out more about how all of this impacts the valuation for your company, you may call Laughton Sherman at (704) 943-2600. We look forward to providing you with a greater perspective of the market.

COMMENTARY

BROKERS: Several large transactions took place in the brokerage sector during April. **Munich Re** acquired **Roanoke Companies Inc.**, the holding company of **Roanoke Trade Services Inc.**, a major marine insurance underwriting agency and broker. Roanoke was established in Chicago in 1935 and operates as an underwriting manager and broker of marine business. The company is represented by 11 branches in nine US states, with approximately 180 employees; its head office is in Schaumburg, Illinois. The company has licenses in all 50 states. In 2007, its income from fees totaled \$22 million and the premium volume it placed as a broker was approximately \$100 million. The purchase price represents 52.5 percent of Roanoke's total premium volume.

BB&T Insurance Services has reached an agreement with **Union Bank of California, N.A.** (NYSE:UB) to purchase its San Diego-based insurance subsidiary, **UnionBanc Insurance Services Inc.** With 369 employees, UnionBanc Insurance Services operates offices in Pleasanton, San Rafael, Stockton, and Roseville in Northern California; San Diego, Irvine, Fullerton and Glendale in Southern California; and Portland, Ore. It is the 31st largest insurance broker in the nation.

First Financial Holdings, Inc. (Nasdaq:FFCH) announced that its subsidiary, **First Southeast Insurance Services, Inc.**, acquired the operations of **The Somers-Pardue Agency, Inc.**, a Burlington, NC-based independent insurance agency. Established in 1946, Somers-Pardue is one of the largest independent agencies in the Carolinas. The initial purchase price is \$18.8 million, with contingent earn-out provisions over the next three years. Somers-Pardue is a multi-line agency that writes both business and personal insurance. Its areas of specialization include property management and employee benefits.

Continued P.2

LMC Capital LLC is a national investment banking firm focused exclusively on the insurance industry.

Our services include: Mergers & Acquisitions, Capital Formation, Valuations, Strategic Advisory, and Regulatory Services.

LMC Capital LLC
6525 Morrison Blvd., Suite 350
Charlotte, North Carolina 28211
Phone: (704) 943-2600
Fax: (704) 943-2666

PROPERTY & CASUALTY: In the largest deal of 2008, **Liberty Mutual Group** and **Safeco Corporation** (NYSE:SAF) announced that they have entered into a definitive agreement pursuant to which Liberty Mutual will acquire the outstanding shares of common stock of Safeco for \$68.25 per share in cash. The price per share paid by Liberty represents a 50 percent premium from Safeco's previous day stock price close of \$45.23. Also, the purchase price represents 1.8 times GAAP equity. Upon completion of the transaction, Liberty Mutual will become the fifth largest property and casualty insurer in the United States. Currently, Liberty Mutual Group is the sixth largest property and casualty insurer in the United States based on the company's 2007 direct written premium of \$20.2 billion. Safeco had 2007 direct written premium of \$5.9 billion.

FMG Acquisition Corp. (OTC:FMCO) and privately-held **United Insurance Holdings LC** announced that the companies have entered into a merger agreement whereby United will merge with a wholly-owned subsidiary of FMG. United, through its three wholly-owned subsidiaries, is a provider of property and casualty insurance products and services in Florida. The Company is predominantly a provider of homeowners insurance and presently services approximately 73,000 policies which represented \$145 million in annual gross premiums and \$85.4 million in net premiums earned in 2007. Under the terms of the transaction, United's

shareholders will receive \$25 million in cash, financed by FMG's cash on hand, and 8.75 million newly issued, registered shares of FMG at closing, representing approximately 60 percent ownership in the combined entity.

MANAGED CARE: **WellPoint, Inc.** (NYSE:WLP) announced the acquisition of **DeCare Dental**, one of the country's largest administrators of dental benefit plans. DeCare, a Minneapolis-based company, manages four million members representing 21,000 group customers. Upon the completion of the acquisition, WellPoint's dental company will provide and administer dental benefits to 9 million members and have one of the nation's largest dental PPO networks.

LIFE & HEALTH: **Life of the South Corporation** acquired **Gulfcro Insurance Services Inc.** and **Gulfcro Life Insurance Company** from two subsidiaries of **Protective Life Insurance Company** (NYSE:PL). Gulfcro is expected to contribute significant scale to the company's largest business unit, the Consumer Finance/Retail Division of Life of the South. With this acquisition, Louisiana becomes Life of the South's second largest state in terms of credit insurance premium volume.

SELECTED LMC TRANSACTIONS



HAS AGREED TO ACQUIRE



LMC INITIATED THE TRANSACTION AND IS SERVING AS FINANCIAL ADVISOR TO HAULERS INSURANCE COMPANY, INC.



HAS ACQUIRED



LMC INITIATED THE TRANSACTION AND SERVED AS FINANCIAL ADVISOR TO LEICHT GENERAL AGENCY, INC.



BRITT PAULK INSURANCE AGENCY, INC.

HAS ACQUIRED



LMC INITIATED THE TRANSACTION AND SERVED AS FINANCIAL ADVISOR TO BRITT PAULK INSURANCE AGENCY, INC.

ABILITY RESOURCES

HAS ACQUIRED

MEDICO LIFE INSURANCE COMPANY

AND ITS \$100 MILLION LTC BLOCK

FROM



LMC SERVED AS FINANCIAL ADVISOR FOR MEDICO GROUP

CONTACTS

F. Laughton Sherman
Managing Director
LSherman@LMCCapital.com

Patrick E. Vaughn
Managing Director
P Vaughn@LMCCapital.com

Matthew D. Hutton
Senior Associate
MHutton@LMCCapital.com

Walter B. Sherman
Managing Director
WSherman@LMCCapital.com

Pamela B. Carico
Senior Vice President
PCarico@LMCCapital.com

Laura Close Nestico
Director of Communications
LClose@LMCCapital.com

Disclaimer: This information has been obtained from publicly available sources we consider to be reliable. While we take reasonable care in preparation and editing, we do not represent that it is accurate or complete, nor does it constitute legal, accounting, or investment advice and should not be relied upon as such. LMC, its officers, directors, and employees may from time to time own the securities mentioned. As of the date of this report, LMC Capital LLC does not function and has no plans to function as a market maker in any of the companies mentioned within this report. During the past 12 months, LMC may have received compensation for investment banking services from one or more companies mentioned herein.