

Insurance Industry Spotlight

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LMCCapital LLC
Specialists in Insurance and Financial Services

Selected M&A Announcements

Date	Acquirer	Target	Amount
09/27/05	National Atlantic Holdings Corporation (Nasdaq:NAHC)	The Hartford's renewal obligations for NJ homeowners, dwelling fire, and personal excess liability policies	Undisclosed
09/27/05	WellPoint, Inc. (NYSE:WLP)	WellChoice, Inc. (NYSE:WC)	\$6,615,500,000
09/22/05	Hicks, Muse, Tate & Furst, Banc of America Capital Investors & Emerald Capital	Swett & Crawford	Undisclosed
09/22/05	Donegal Group Inc. (Nasdaq:DGICA)	Renewal rights to Vesta's automobile, homeowners, and dwelling fire policies in PA, TN, and AL	Undisclosed
09/21/05	IAT Reinsurance Company Ltd.	Transguard Insurance Company of America, Inc.	\$100,000,000
09/15/05	Affiliates of Parthenon Capital, LLC	American Wholesale Insurance Group	Undisclosed
09/15/05	Group of private equity firms led by The Blackstone Group	UICI (NYSE:UCI)	\$1,625,000,000
09/07/05	J.C. Flowers & Co. LLC Affiliate	Crump Group, Inc.	Undisclosed

Commentary

BROKERS: The two largest insurance brokers in the world announced in June that they would sell their wholesale units. Private equity groups emerged victorious. On September 7th, **Marsh & McLennan** announced the signing of a definitive agreement to sell **Crump** to an affiliate of **J.C. Flowers**, a New York-based private equity firm. J.C. Flowers also acquired \$78 million of **Affirmative** stock from **Vesta** in June. On September 22nd, **Aon** agreed to sell **Swett & Crawford** to a group of private equity investors led by **Hicks, Muse, Tate & Furst**. **Willis**, the third largest broker, announced the sale of wholesale unit **Stewart Smith** to **American Wholesale Insurance Group** in February and the transaction has since closed. American Wholesale also announced the signing of a definitive agreement to sell a majority of its ownership to affiliates of **Parthenon Capital**, a Boston and San Francisco-based private equity firm. When the transaction is complete management will continue to own a substantial portion of the company.

PROPERTY & CASUALTY: The end of September marked the beginning of equity issuances to fund losses from Katrina and address rating agency concerns. Two more renewal rights deals were announced during September. On September 22nd, **Vesta** announced that it had sold the renewal rights for its automobile and homeowners insurance business in PA, TN, and AL to the **Donegal Group**. Donegal will pay specified amounts to Vesta based on the direct gross premium written by Donegal Group on policies issued. On September 27th, **National Atlantic** entered into a replacement carrier transaction with the **Hartford**. As part of the transaction, subsidiaries of
(Continued on page 2)

Selected Capital Raising Announcements

Date	Company	Type	Amount
09/28/05	AXIS Capital Holdings Limited (NYSE:AXS)	Preferred Stock Offering	\$250,000,000
09/23/05	North Pointe Holdings Corp. (Nasdaq:NPTE)	IPO	\$42,400,000
09/22/05	Platinum Underwriters Holdings, Ltd. (NYSE:PTP)	Secondary Offering	\$163,500,000
09/16/05	Montpelier Re Holdings Ltd. (NYSE:MRH)	Secondary Offering	\$620,422,224
09/13/05	AmCOMP Inc.	IPO	
09/13/05	Marsh & McLennan Companies, Inc. (NYSE:MMC)	Senior Notes	\$1,300,000,000

Public Companies - Sector Performances

Sector	Stock Price Change			P/E Multiples			Market/Book Value
	YTD	1 Month	1 Year	TTM	2005E	2006E	
Brokers	12.3%	6.0%	4.3%	24.60	16.37	14.52	NM
Life Insurers	15.7%	4.1%	27.6%	12.55	12.74	11.89	1.58
Managed Care	41.6%	6.3%	73.1%	22.47	19.00	16.06	2.91
P&C Commercial	14.5%	4.2%	26.9%	11.95	11.44	9.56	1.27
P&C Personal	8.7%	2.9%	19.1%	13.45	12.17	12.27	1.69

Selected Highs & Lows

(\$ in U.S. millions, except percentages and per share data)

Company	Ticker	Closing				Mkt Cap	% Change in Stock Price		
		Price	52-Wk Low	52-Wk High	% 52-Wk High		YTD	1 Month	1 Year
UnitedHealth Group, Inc.	UNH	56.20	29.67	55.99	100%	70,988.3	27.7%	9.1%	52.5%
Progressive Corp.	PGR	104.77	81.38	107.30	98%	20,661.7	23.6%	8.7%	23.7%
Marsh & McLennan Co., Inc.	MMC	30.39	22.75	47.35	64%	16,267.0	-6.0%	8.3%	-31.9%
Aetna Inc.	AET	86.14	41.30	86.47	100%	24,976.5	38.1%	8.1%	72.5%
Ohio Casualty Corp.	OCAS	27.12	19.30	27.79	98%	1,748.9	17.4%	7.4%	30.2%
Willis Group Holdings	WSH	37.55	30.36	42.53	88%	6,035.3	-7.6%	7.3%	2.1%
UnumProvident Corp.	UNM	20.50	11.41	20.91	98%	6,106.7	15.8%	6.1%	33.1%

Company	Ticker	Closing				Mkt Cap	% Change in Stock Price		
		Price	52-Wk Low	52-Wk High	% 52-Wk High		YTD	1 Month	1 Year
Allstate Corp.	ALL	55.29	45.50	63.22	87%	36,313.8	8.7%	-1.6%	17.8%
Humana Inc.	HUM	47.88	17.08	50.91	94%	7,776.6	61.3%	-0.6%	139.6%
Torchmark Corp.	TMK	52.83	49.28	57.57	92%	6,080.0	-7.0%	0.2%	0.2%
Genworth Financial, Inc.	GNW	32.24	22.77	33.50	96%	15,175.5	20.3%	0.2%	39.7%
Arthur J. Gallagher & Co.	AJG	28.81	25.42	34.12	84%	2,725.4	-9.5%	0.9%	-10.6%

TTM=Trailing Twelve Months through June 2005 NM=Not Meaningful

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.

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The Hartford will transfer their renewal obligations for New Jersey homeowners, dwelling fire, and personal excess liability policies sold through independent agents to **Proformance**, a National Atlantic subsidiary. The transfer will involve approximately 8,500 policyholders. September marked the fourth consecutive month in which a renewal rights transaction took place in the P&C sector.

Middle market commercial lines deals continue to occur; the latest of which is **IAT Reinsurance Company Ltd.'s** acquisition of **Transguard Insurance Company of America, Inc.** from **SIRVA, Inc.** for \$100 million. Transguard provides insurance to the moving and storage industry.

MANAGED CARE: Further consolidation continues to occur among managed care companies as medical costs increase and companies try to grow membership. On September 27th, **WellPoint, Inc.** announced the acquisition of **WellChoice, Inc.** from the **New York Public Asset Fund** for approximately \$6.6 billion. The combined company will serve more than 33 million medical members in 14 states. The acquisition will give Indianapolis-based WellPoint increased membership and penetration in the important Northeast market. This deal follows the July announcement by **UnitedHealth Group Inc.** that it would acquire **PacificCare Health Systems Inc.** for approximately \$8.1 billion.


LIFE & HEALTH: The life/health sector has recently attracted the attention of private equity groups. On September 15th, a group of private equity firms led by **The Blackstone Group** acquired **UICI**, a provider of life and health insurance products to consumer and institutional markets. This private equity consortium, which includes **Goldman Sachs Capital Partners** and **DLJ Merchant Banking Partners**, has committed to invest over \$1 billion of equity. Management, current employees and agents are expected to invest over \$125 million in the transaction.

Recent LMC Transactions





Specialists in Insurance and Financial Services

SERVED AS FINANCIAL ADVISOR FOR




\$25,000,000
CREDIT FACILITY FOR PAYMENTS, INC.
(DCAP'S PREMIUM FINANCE SUBSIDIARY)




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ADVISED THE INDIANA DEPARTMENT OF INSURANCE



I.D.O.I.
INDIANA DEPARTMENT OF INSURANCE

ON THE **\$79,500,000**
ACQUISITION OF STANDARD LIFE INSURANCE COMPANY BY CAPITAL ASSURANCE CORPORATION



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INITIATED THE TRANSACTION AND SERVED AS FINANCIAL ADVISOR FOR



Sagikor

FOR ITS **\$57,500,000**
ACQUISITION OF AMERICAN FOUNDERS LIFE INSURANCE COMPANY



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