



Forty-seventh Annual
CONFERENCE

SEPTEMBER 20, 2006

10:40 AM to 11:30 AM

Disney's Yacht and Beach Club Resorts

Lake Buena Vista, Florida

"An Analyst's Perspective on Property & Casualty Insurance Companies"

by

Herbert E. Goodfriend

Senior Vice President

Gill and Roeser, Inc.



Are We Still Having Fun?
("As I Was Saying When Last We Met")

PRESENTATION OUTLINE

- Pertinent Economic Trends and Outlook
 - Global
 - U.S.
- Prospects For Reinsurance and Primary Insurance Sectors
- Capital Markets
 - Financings-IPOS and Existing Companies
 - Valuations
 - Mergers, Acquisitions and Divestitures
- What Lies Ahead? Yogi Berra's Timeless Wisdom
 - Challenges and Opportunities
 - Distribution
 - Regulation and Accounting

- Global Economy
 - China and India dominate, news, but don't ignore Vietnam, Bangladesh & Thailand
- U.S.
- Rest of the Insurance World
- Forecasts
- Interest Rates
- Fixed Income Instruments
- Equity

- Global growth is solid, U.S. slowing close to secular trend
- Inflation concerns are mounting – Fed Funds rate likely to rise to 5.5%, possibly higher later this year
- 10-year Treasury will mostly remain between 4.9% and 5.4% this year – tightening of global liquidity should push rates higher by year-end
- The U.S. dollar will continue to weaken
- The biggest risk to outlook is still oil prices

FOUR SCENARIOS

<u>Description</u>	<u>Prob.</u>	<u>Fed Funds</u>	<u>10-yr Treas.</u>	<u>Comments</u>
1. Growth @ 3%	55%	5.50%	5.40%	
2. Growth @ 2.5% or less	25%	5.50%	<5.00%	Fed funds cut earlier than expected
3. Inflation continues to rise	15%	6.00%	5.00%	Recession likely
4. Inflation drops	5%	5.00%	5.50%	Goldilocks economy

U.S. ECONOMIC OUTLOOK

	2004	2005	2006P	2007P
<u>Annual Averages:</u>				
Consensus	3.9	3.2	3.4	2.7
CPI	2.7	3.4	3.4	2.5
Core CPI	1.8	2.2	2.5	2.4
<u>End-of-Period:</u>				
Fed Funds	2.25	4.25	5.50	5.00
5-yr T-note	3.6	4.4	5.4	5.2
10-yr T-note	4.2	4.4	5.4	5.4
Baa bond	6.1	6.2	7.4	7.5

Sources: Blue Chips Economic Indicators, Moody's, Federal Reserve Board, Swiss Re ER&C

ECONOMIC FORECAST

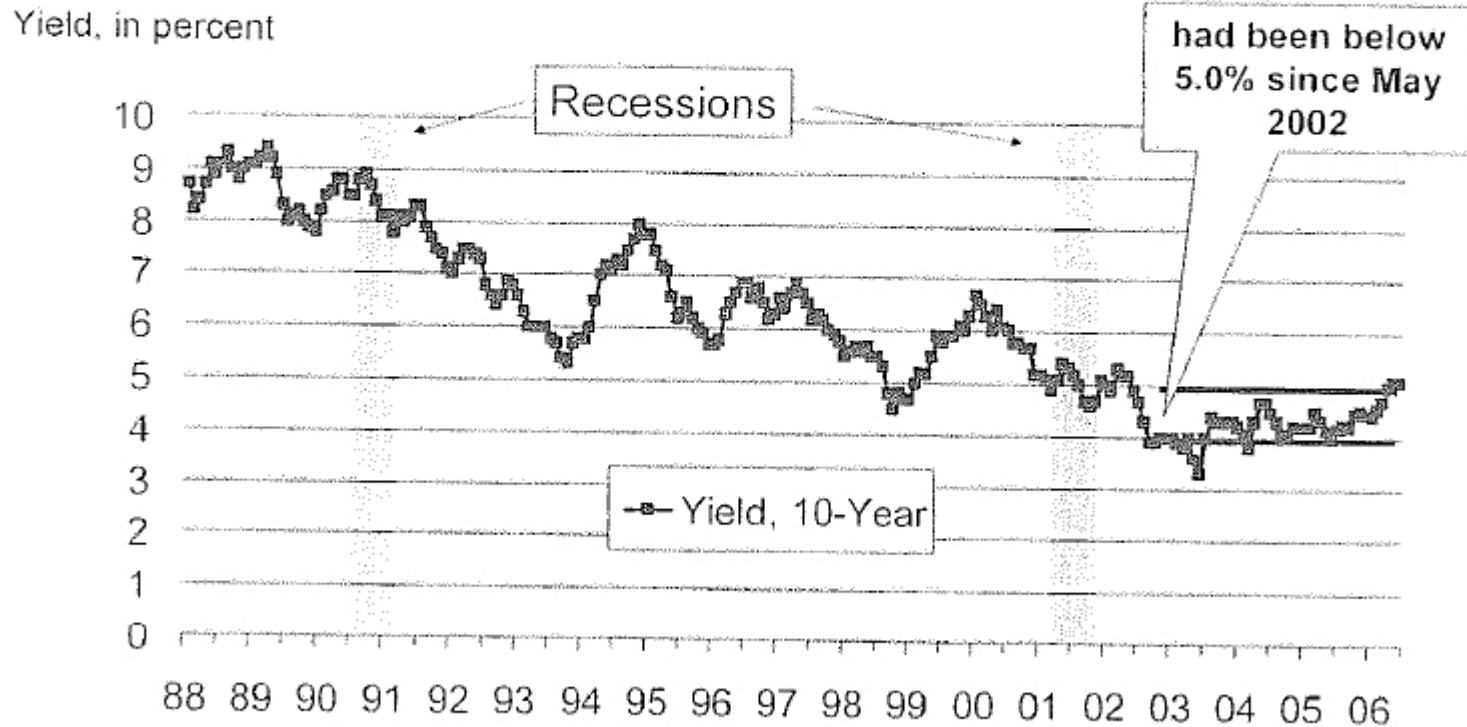
As of August 22, 2006

	2004	2005	Estimated 2006	Projected 2007
Real GDP (Ann. % of Change)	4.2%	3.5%	3.4%	2.9%
Real Consumption Expenditures	3.9%	3.5%	3.2%	2.8%
Business Fixed Investment	9.4%	8.7%	8.1%	6.0%
Inventory Investment (billions)	\$52.0	\$20.3	\$30.0	\$31.0
Residential Construction (billions)	\$561.8	\$601.9	\$605.0	\$595.0
Government Spending (billions)	\$1,952.1	\$1987.0	\$2026.0	\$2075.0
Trade Balance-Goods & Services	(\$617.6)	(\$716.7)	(\$795.0)	(\$840.0)
Federal Budget*: Unified (billions)	(\$412.8)	(\$318.5)	(\$260)	(\$320)
GDP Deflator	2.6%	2.8%	3.2%	2.7%
Producer Price Index	3.6%	4.9%	4.1%	3.4%
Consumer Price Index	2.7%	3.4%	3.7%	3.2%
Industrial Production	4.1%	3.2%	4.3%	4.1%
Real Disposable Income	3.4%	1.4%	2.2%	3.3%
Hourly Compensation	4.6%	5.1%	3.6%	5.0%
Unit Labor Cost (Non-Farm)	1.1%	2.3%	1.2%	2.6%
Productivity Growth (% Change)	3.4%	2.7%	2.5%	2.3%
Personal Savings Rate (% DPI)	1.8%	(0.5%)	(1.4%)	(0.8%)
Capacity Utilization – Total Industry	78.6%	80.0%	81.6%	82.6%
Trade Weighted \$ Exchange Rate	(8.2%)	(1.8%)	(3.0%)	(3.5%)
Vehicle Sales (Million Units)	16.9	16.9	16.6	16.3
Housing Start (Million Units)	1.950	2.073	1.920	1.800
Civilian Employment (Millions)	139.252	141.73	143.80	145.8
Civilian Unemployment Rate	5.5%	5.1%	4.6%	4.6%
Corporate Profits – AT	11.8%	38.8%	16.5%	5.2%
S&P-500 Earnings-Reported	\$58.55	\$69.93	\$78.00	\$84.00
S&P-500 Earnings-Operated	\$66.99	\$76.29	\$83.50	\$90.00
S&P-500 Dividends	\$19.25	\$21.75	\$24.25	\$26.10
90 Day U.S. Treasuries-Yield (%)	0.86-2.25	2.25-4.03	4.08-5.60	4.50-5.60
10-Year U.S. Treasuries-Yield (%)	3.65-4.87	3.89-4.66	4.33-5.80	5.35-5.70

Source: Silvercrest Asset Management

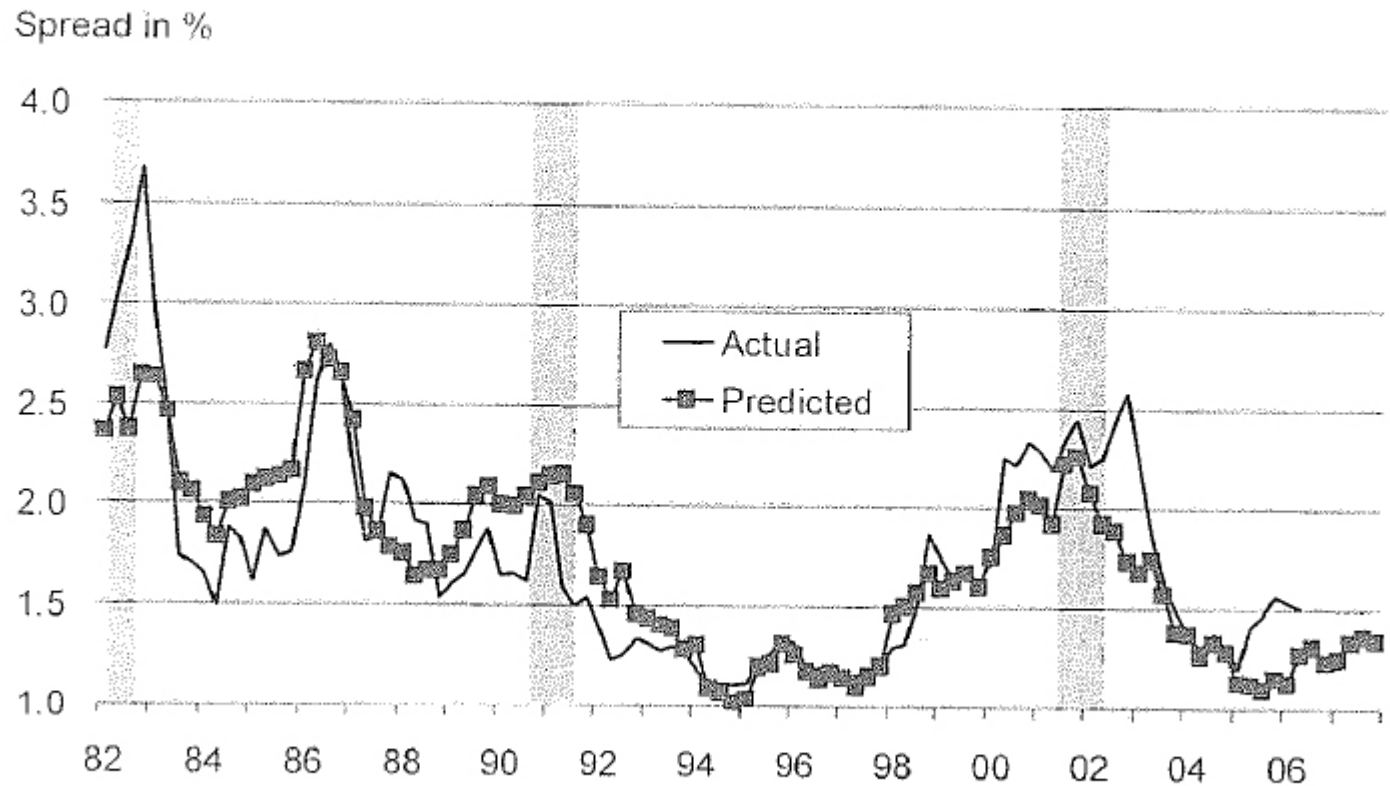


THE 10-YR TREASURY YIELD LIKELY TO RISE ABOVE 5% AGAIN



Sources: Federal Reserve Board, Swiss Re Economic Research & Consulting

CORPORATE BOND SPREADS, BBB – RISK IS RISING



Sources: Federal Reserve Board, Moody's, BEA, BLS, Swiss Re Economic Research & Consulting

SUMMARY

Risks

- Biggest risk: oil prices jump to \$100 bbl or higher, causing a recession; see probability of recession about 25%, but earliest is some time in 2007
- Inflation continues to rise, Fed tightens – 6% or higher?

Summary

- Fed likely to tighten to 5.5% Fed funds – further near term?
- Global tightening, inflation and growth prospects imply modest rise in long-term rates
- Credit risk is low, but rising: corporate spreads are widening
- No scenarios producing high investment returns
 - Hence, underwriting discipline all the more necessary!

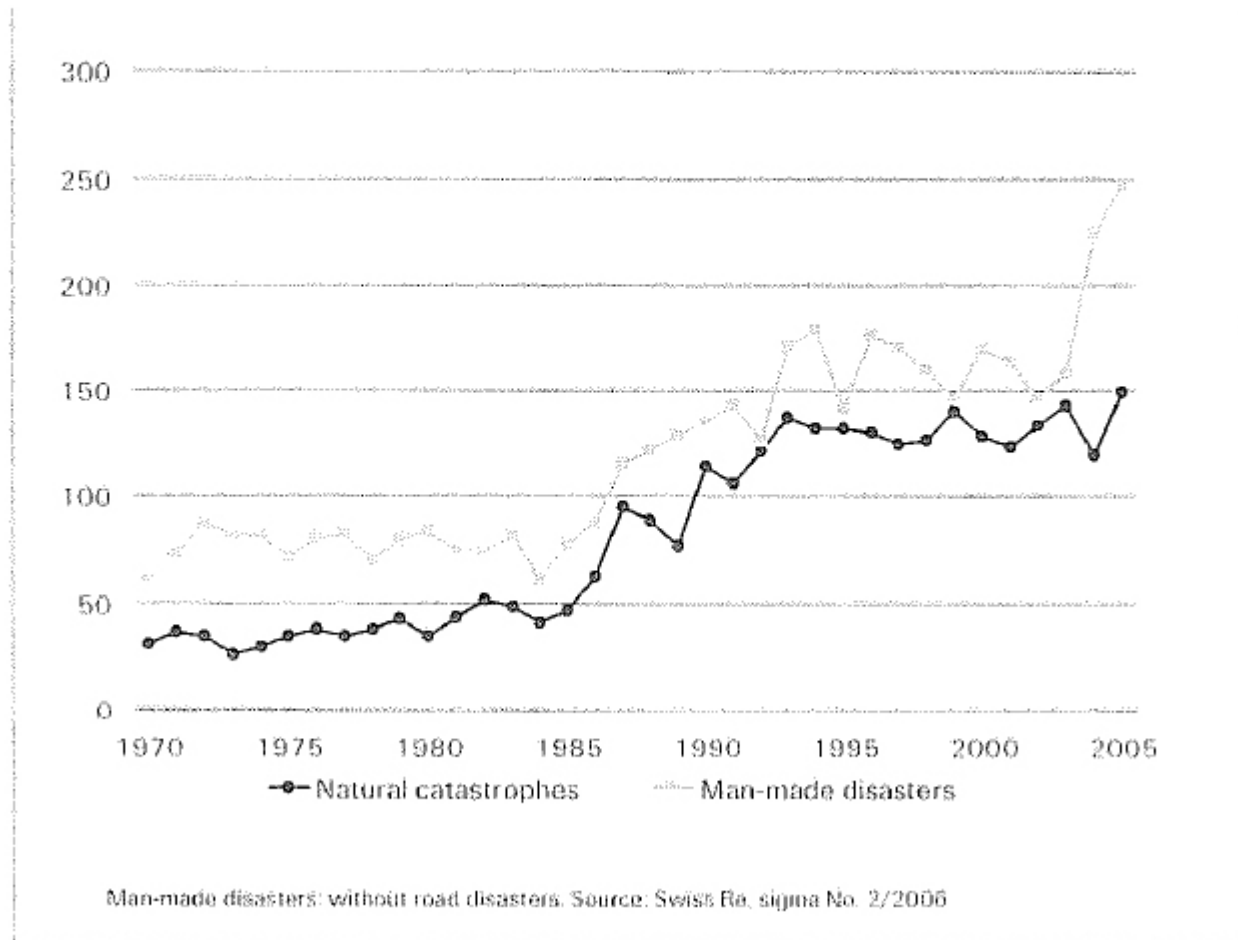
INDUSTRY SECTOR OUTLOOKS

- Reinsurance
- Primary
 - Personal Lines
 - Specialty

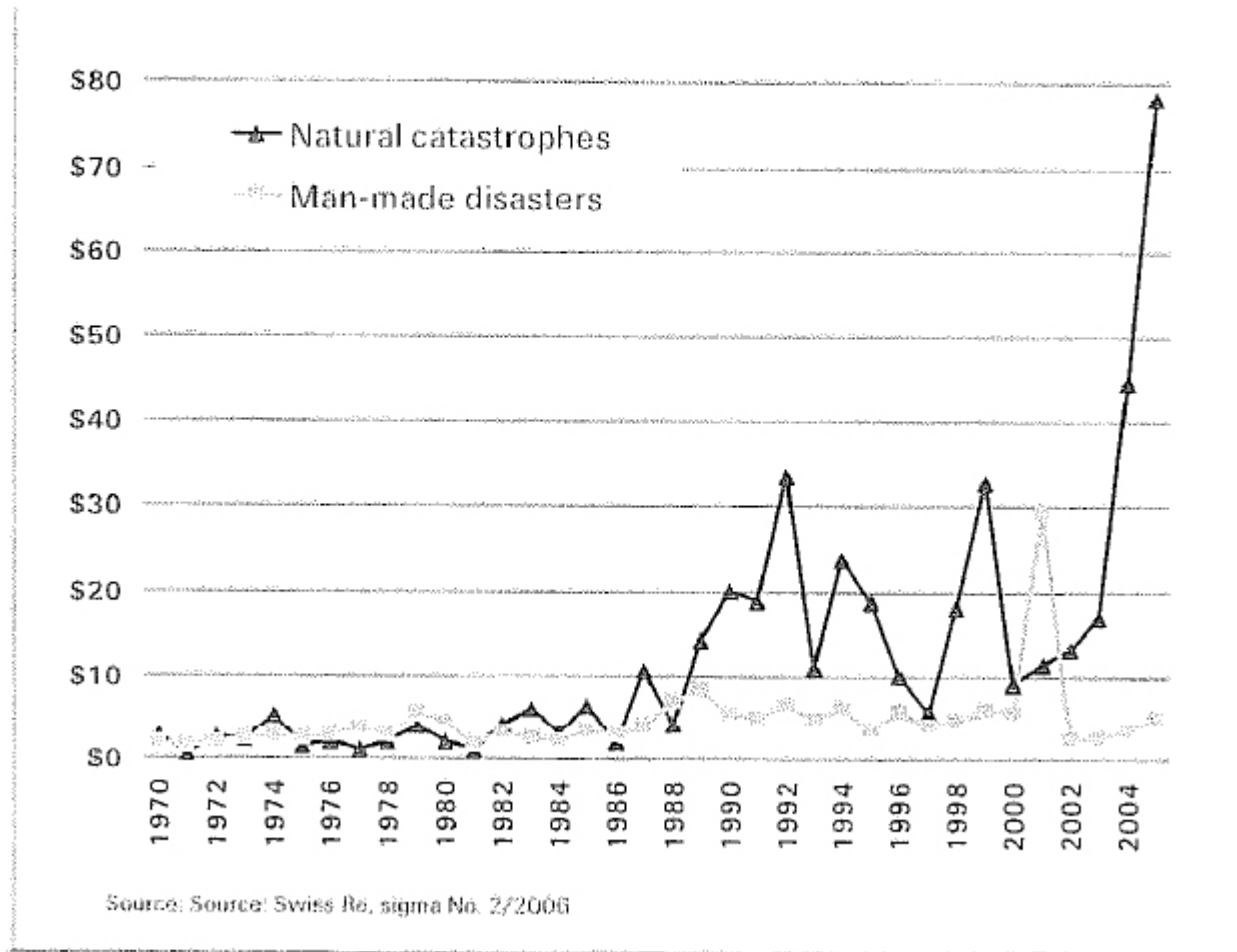
REINSURANCE

- “Cats” -- Not the Broadway Show
- Capacity
- Rates
- Consolidation
 - Number of Reporting Companies
 - Statutory Results
 - Surplus
 - Combined Ratio

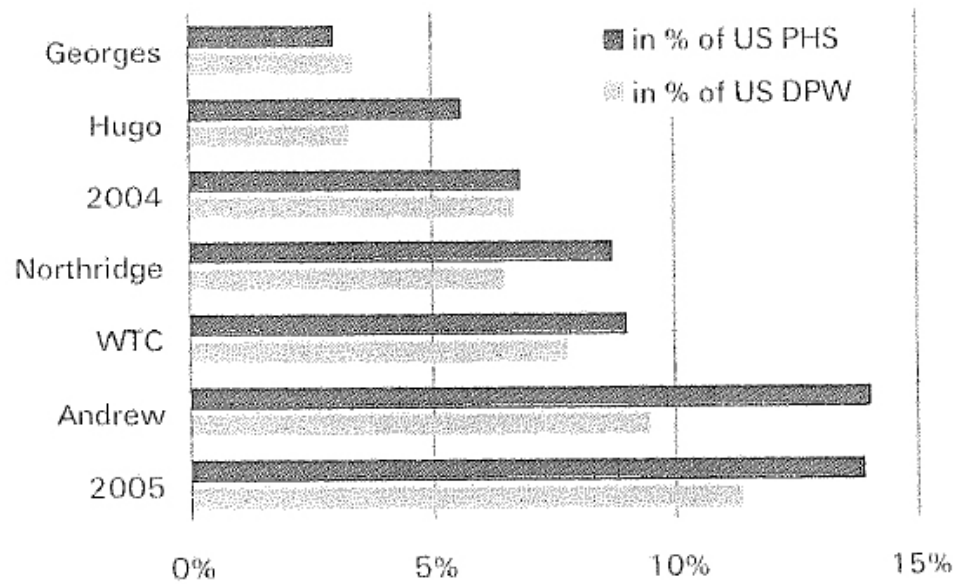
NUMBER OF CATASTROPHIC EVENTS 1970-2005



GLOBAL INSURED CAT LOSSES 1970-2005



2005 HURRICANE SEASON IN COMPARISON



Sources: A.M. Best, PCS

A.M. BEST RATING ACTIONS RELATING TO 2005 HURRICANE LOSSES

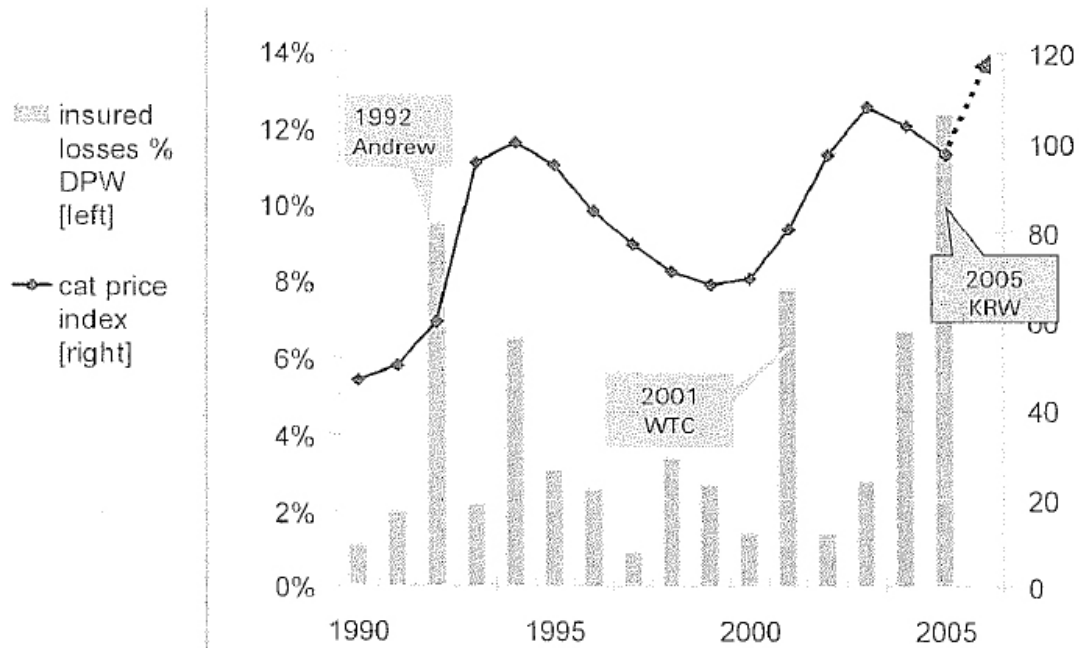
<u>Downgraded</u>	<u>from</u>	<u>to</u>	<u>Under review / negative</u>	
Alea [1]	A-	B++	American Re	A
Allied World	A+	A	DaVinci Re	A
Endurance	A	A-	Imagine Re	A-
IPC Re	A+	A	Transatlantic Re	A+
Montpelier Re	A	A-		
Olympus Re [1]	A-	B-		
OP Cat	A	A-		
PXRE [1]	A	B		
Rosemont Re [1]	A-	B		
Quanta Re	A-	B-		

Note: Reinsurance companies only, as per 3rd May 2006

[1] subsequently withdrawn at the request of the company

Source: A.M. Best, Economic Research & Consulting and Swiss Re

MARKET PRICES INCREASE SHARPLY AFTER EVENTS: US INDUSTRY-CHANGING EVENTS IN COMPARISON



Sources: Paragon (E.W.Blanch) for price data prior to 1994, Camares for price data between 1994 and 2005, A.M.Best for DPW, PCS and Swiss Re Economic Research & Consulting for cat loss data

DEMAND

- Greater existing exposure than was originally believed.
- Period of heightened North American hurricane activity, both frequency and severity.
- Cat modeling agencies to reflect this greater exposure in their models going forward.
- (Re)insurance programs may need to be re-thought leading to an overall increased demand for (re)insurance.

Source: Swiss Re

U.S. PROPERTY AND CASUALTY RE

- Consolidation
 - 23 companies reporting results to RAA 6/30/06
 - 29 in 2001
 - 74 in 1989
 - 149 in 1982
- Statutory Results
- Policyholder Surplus \$63 + bills
- Combined Ratio (P&C)
 - 124% in 2005
 - 96.5% in 2Q 2006

Source: RAA

- Primary
 - Rates
 - Capacity
 - Combined Ratios
 - Investment Income
 - 2006 YTD
 - Reserves
 - ROE's

INDUSTRY CURRENT TRENDS AND CONDITIONS

- 2Q Inflection Points
 - More positive-commercial property
 - Less negative-workers' compensation and umbrella
 - Commercial lines rates-soft market 16 months old and counting
- Three storms in 2005 accounted for \$80 bills. losses, biggest cat loss year ever
 - “KRW” (Katrina, Rita and Wilma)
- Mid-year renewal rates:
 - Commercial Property: flat
 - D&O – 3.5%
 - GL – 1.2%
 - WC – unchanged
- Record profits 1st half 2006; surplus & capacity up despite torpid equity markets

UNDERWRITING TRENDS, PROPERTY/CASUALTY BY BUSINESS LINE

Product Line	2005 Net Net Premiums		Combined Ratio					
	Share	Growth	Actual			Estimates		
			2001	2002	2003	2004	2005	2006
Personal Auto	36.9%	2.5%	107.9	104.2	98.4	94.3	95.0	96.0
Homeowners	11.8	4.2	121.7	109.3	98.2	94.4	102.9	93.5
Workers' Compensation	10.8	3.0	120.7	112.5	108.6	105.1	105.0	105.5
General & Product Liability	9.9	1.0	130.6	137.3	115.8	117.3	118.8	120.0
Commercial Multiple Peril	6.3	(5.0)	118.7	104.9	99.9	100.6	112.0	103.0
Commercial Auto	6.1	1.0	116.2	102.7	95.2	92.9	94.4	97.0
Fired & Allied Lines	4.1	2.8	123.8	88.7	79.2	86.5	110.0	95.0
Medical Malpractice	2.0	5.0	154.4	142.1	137.9	111.0	110.0	109.0
Inland Marine	1.8	1.0	100.2	83.8	80.8	82.5	96.0	85.0
All Other Lines	11.3	(8.9)	118.6	103.0	96.3	101.0	103.2	90.5
Total All Lines	100.0%	0.7%	115.7	107.3	100.2	98.1	102.0	98.7

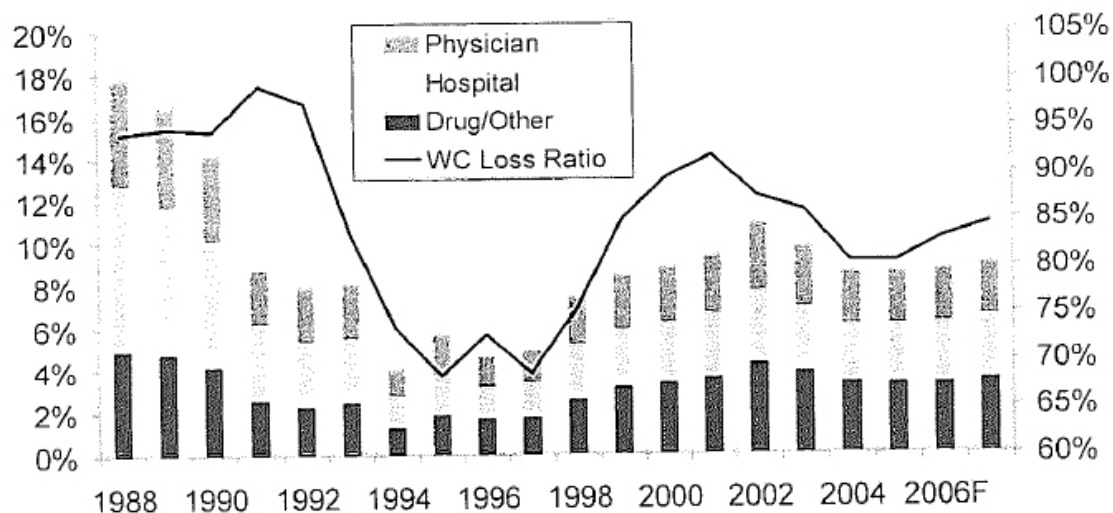
Source: A.M. Best Co.

PRICING

- Despite “KRW”, pricing relatively unchanged after 3 consecutive strong years (ex-cats)
- Major exception: Gulf property and energy lines risks; capital quite strong (1:1 P/S ratio)
- Personal Lines keenly competitive, especially auto and homeowners
- Reserves from 2002-2005 redundant? Releases to bolster reported results?

WORKERS' COMPENSATION MEDICAL COSTS: CHALLENGE OF MEDICAL INFLATION

Workers' Compensation Loss Ratio vs. Health Expenditure Components

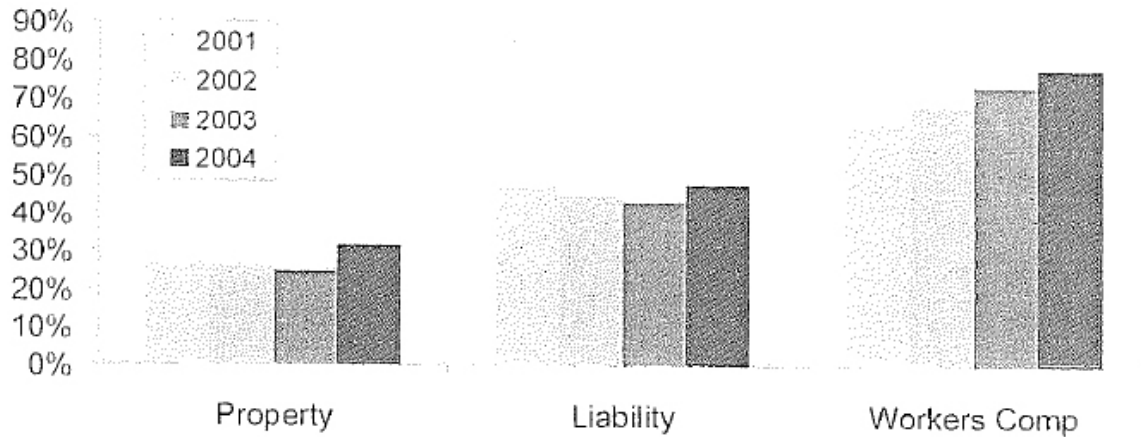


Source: CMS, company statutory filings, Conning Research & Consulting, Inc. analysis

Hypothesis: Growth in medical inflation has been a key driver in casualty loss ratios and loss reserve growth

CUSTOMERS ARE RETAINING MORE RISK

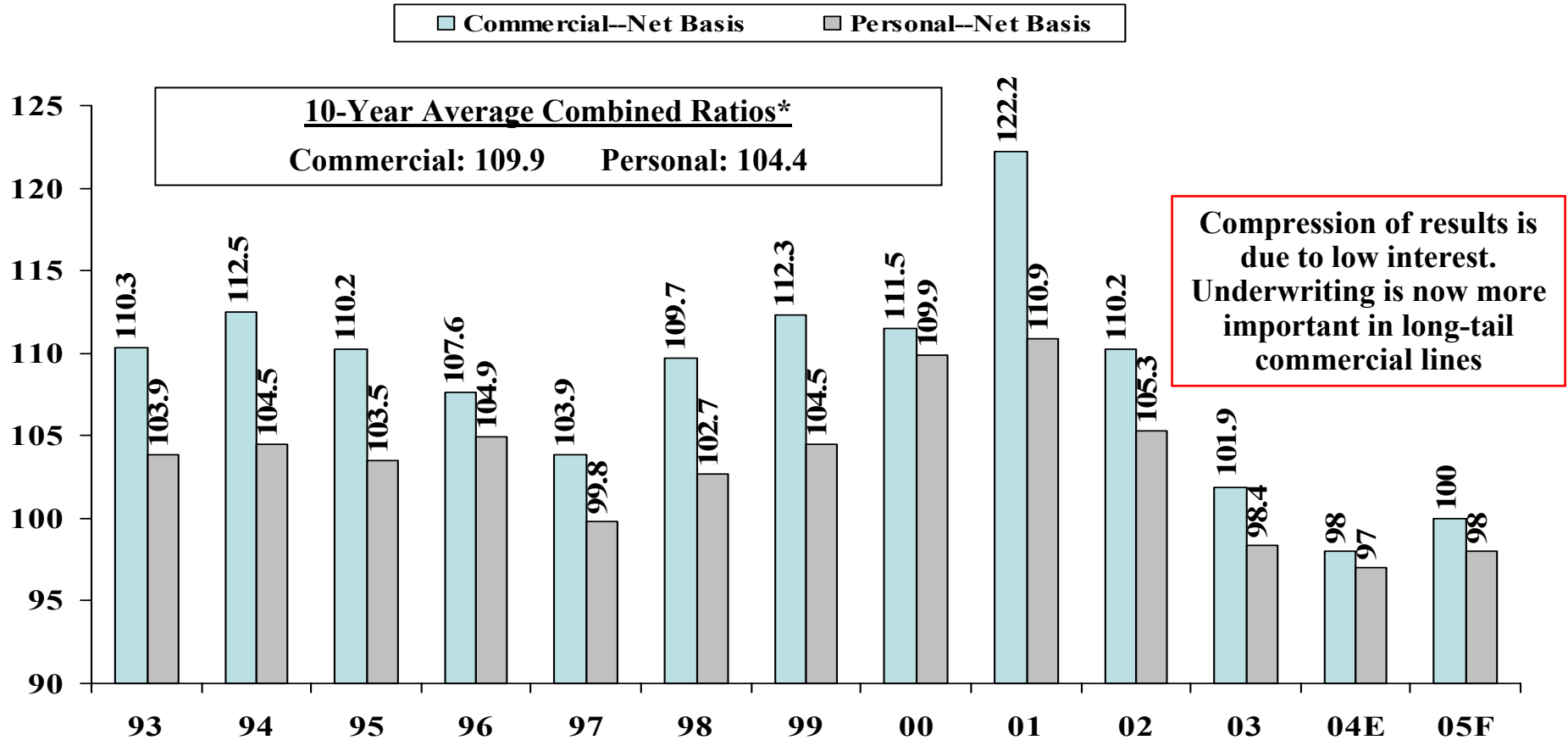
Fraction of Risk Retained by Line of Coverage, Large Commercial Accounts



Source: MarketStance

- Market share being lost? Total ART market now at \$60-80 billion
- Up to 50% of the workers' compensation market is outside traditional premium
- Perhaps 65% of medical malpractice

COMMERCIAL VS. PERSONAL LINES COMBINED RATIOS



Source: A.M. Best; Insurance Information Institute

*1994-2003 average

“WHAT DO I DO NOW, COACH?”

- Geographic/demographic diversification
- Focus on behavior
- Capital markets: competitor and collaborator
- Risk measurement
 - Exposure measurement-predictive models
 - Stochastic tools
 - Environment and competitive information

Source: Swiss Re

HOW WILL INSURANCE AND ITS ENVIRONMENT REACT?

Rating agencies

- Looking at total exposure in addition to PML and simulation of multiple catastrophes increases the need for capital in P&C insurance
- Wave of downgrades hit the industry after Katrina

Modeling firms

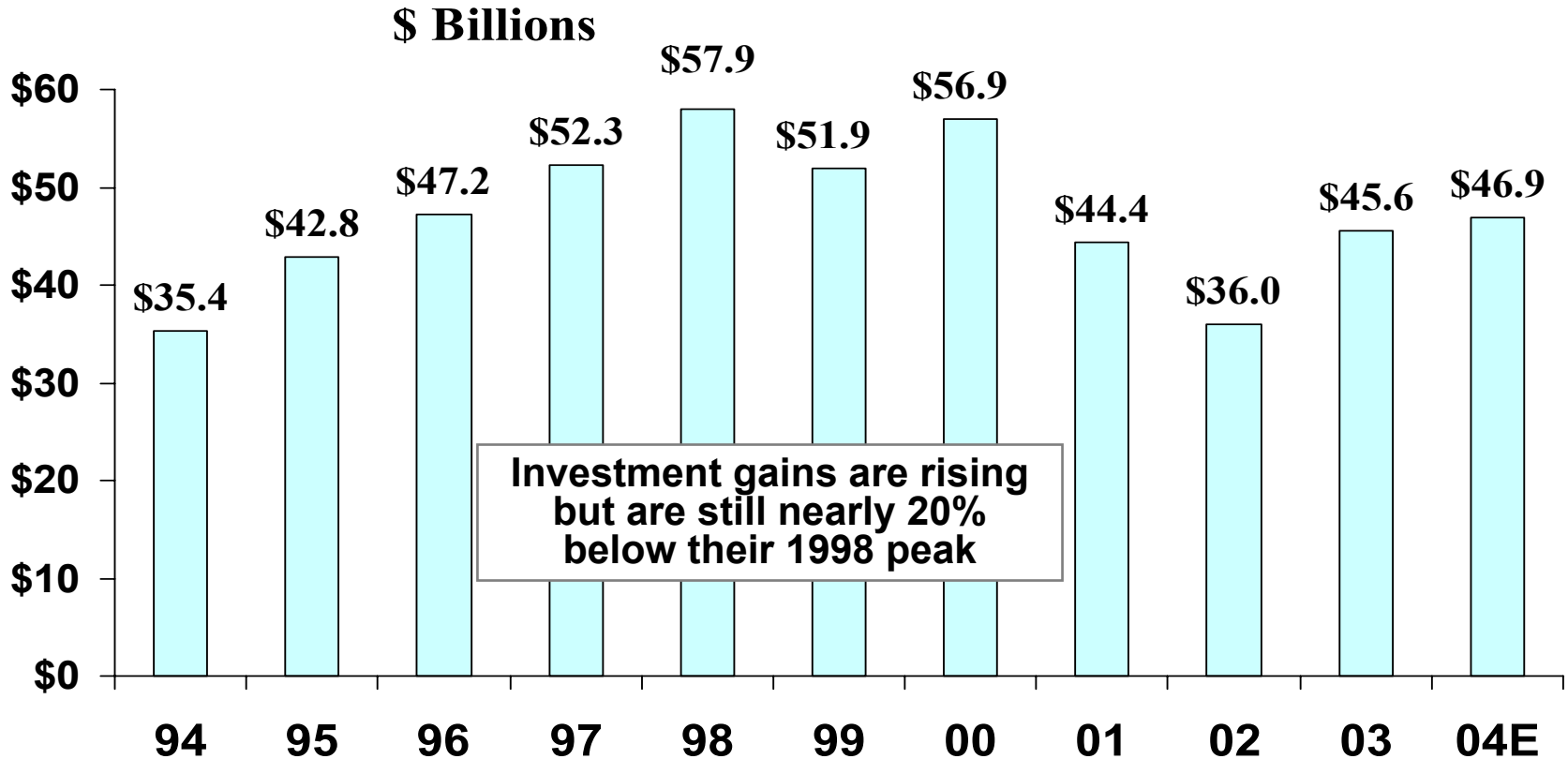
- Models published and announced will show both higher frequencies and higher severity
 - **The industry will charge higher prices and tighten conditions for hurricane exposed risks**

Source: Swiss Re

INVESTMENT INCOME STRATEGIES AND TRENDS

- Trends: Higher interest rates hitting fixed instrument market values and hence realizable book values
- Use of alternative investments, modest in relative proportions, had been on the rise but have stalled of late
- Hedge fund incidence co-mingled with pure equity commitments and derivatives
- Capital gains realizations few and far between
- Excess capital and cash flows applied to stock buy-back plans and cash dividends liberalizations

PROPERTY/CASUALTY INSURANCE INDUSTRY INVESTMENT GAIN*

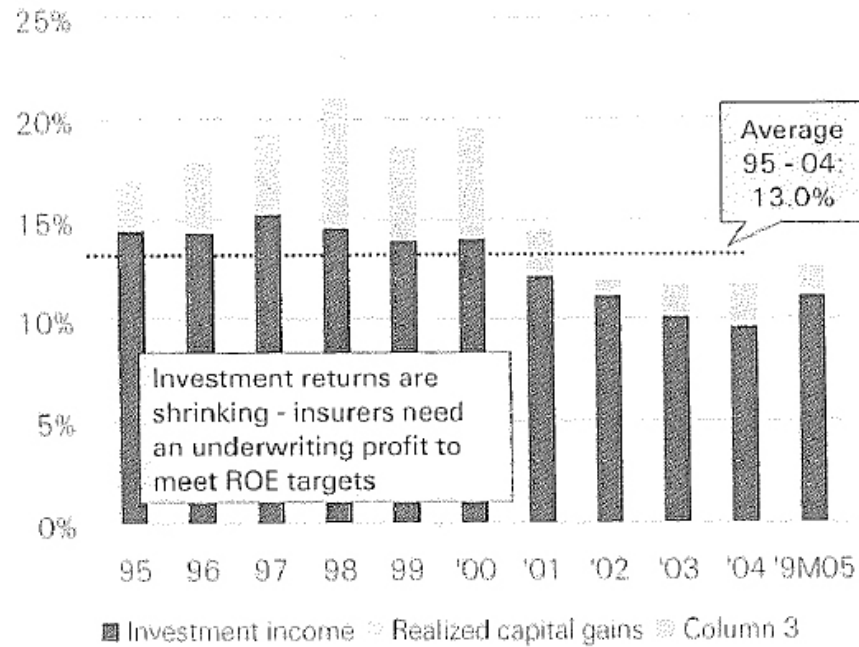


*Investment gains consist primarily of interest, stock dividends and realized capital gains and losses.

2004 estimate is annualized figure based on first 9-months results.

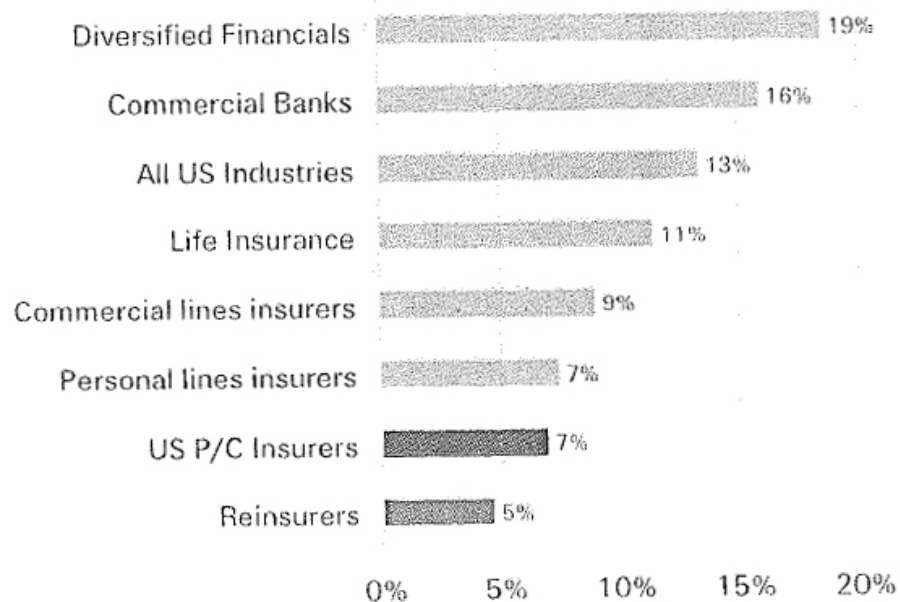
Source: Insurance Services Office; Insurance Information Institute.

INVESTMENT RETURNS 1995-2005



Sources: A.M.Best, Economic Research & Consulting
 [1] adjusted for 2.3 billion one-time special dividend from subsidiary

AVERAGE ROEs 1995-2004



Sources: A.M. Best, III, Swiss Re Economic Research & Consulting

RATING DISTRIBUTION, PROPERTY/CASUALTY INDUSTRY-2005

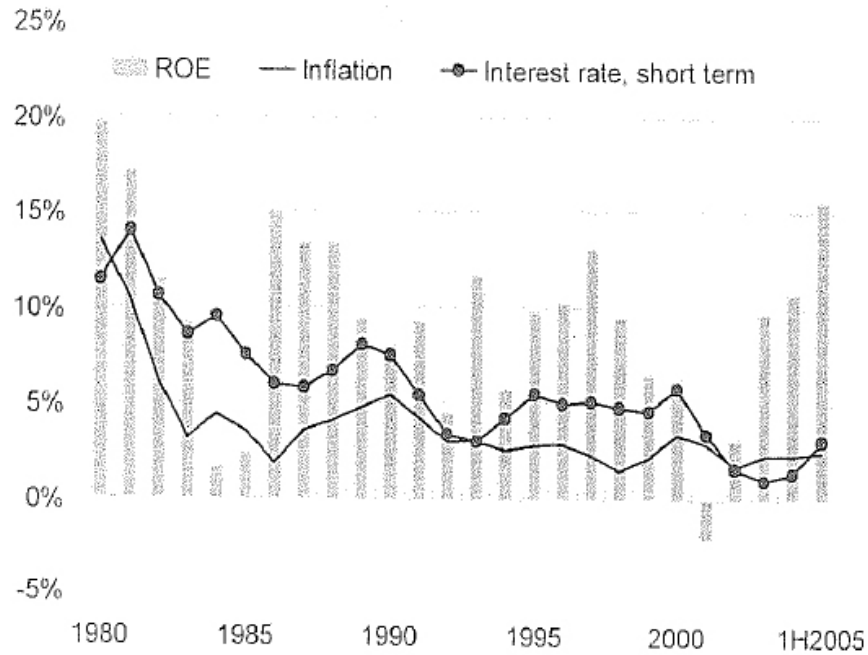
Based on rating units.

Rating Category	Personal	Commercial	Reinsurers	Total P/C Industry
A++, A+	9.8%	7.5%	23.7%	9.2%
A, A-	43.2	60.8	57.9	52.3
B++, B+	30.3	23.4	15.8	26.4
Secure	83.3	91.7	97.4	87.9
Vulnerable	16.7	8.3	2.6	12.1
Total Category	100%	100%	100%	100%
Total Ratings	509	518	38	1,065
Rating Outlook	Stable	Negative	Negative	Negative

Note: Includes U.S., Canadian and Bermudian companies.

Source: A.M. Best Co., as of Dec. 31, 2005

US P&C INDUSTRY ROE'S



Sources: ISO, Swiss Re Economic Research & Consulting

RATING AGENCY CONCERNS

- Enterprise Risk Management (ERM) What are your top 5 capital exposure risks?
- New Standard and Poor's criteria for use oriented to stock companies in 2007
- Negative? Time consuming costly to implement and maintain?
 - Greater near term stress than at A.M. Best
- Fitch Re-enters the fray with its new "Prism" – A variation on a Mozart theme?
- Broader dynamic global spectrum risk integration
- Best: Stress Tests vs. BCAR vs. RBC
- Holding company and subsidiary – issues
 - Stacking-counterparty risk
 - Capital
 - Primary and reinsurance risk aggregation
 - Debt-equity ratios-use of hybrids
 - Interest rate risk
- Use of stochastic models to be launched in 1Q 2007, e.g., hurricanes and equity market crashes

RATINGS NEW WRINKLES

- S&P: 1-250 year all perils aggregate loss
- Best: Second event stress scenario but BCAR to continue as standard but more use of company models
- Fitch: Cat model
- Moodys: New cat risk questionnaire - regionality (risk-adjusted) probabilities
- ERM's major impact to date has been easier and more evident in non-financial business

SUMMARY

- Primary company downgrades
- Negative outlooks to be followed by upgrades and positive ones later this year
- Major reason: reserve strengthening needs
- Reinsurance-frequency of downgrades has risen-use of RDCs not new but more focused – nonetheless, these rationales challenged
- Start-ups rated earlier than previously if meet new criteria, e.g., Aix; Montpellier

STRESS TEST CATASTROPHE EXPOSURE

- Why Stress Test?
 - Rapid Escalation of Insured Exposures
 - Increased Frequency & Severity
 - Variance between Modeled & Actual Losses
- Best's Requirements for Loss Estimate
 - Demand Surge
 - Storm Surge
 - Fire Following Earthquakes
 - Secondary Uncertainty

Source: A.M. Best

STRESS TEST PML – BCAR IMPACT

1 st Event – larger of 1/100 Wind or 1/250 EQ or actual event	
<u>Adjustment</u>	<u>Impact</u>
Subtract after-tax net pml from surplus	Lowers adjusted surplus
Add 80% of pre-tax net pml to loss reserves	Increases required capital
Add 80% of reinsurance recoverables	Increases required capital
Raise credit risk factors and reinsurance dependence	Increases required capital
2 nd Event – larger of 1/100 Wind or 1/100 EQ or actual event	
Reduce surplus by after-tax net pml	Lowers adjusted surplus
Source: A.M. Best	

MINIMUM CAPITAL REQUIREMENTS

<u>Rating Level</u>	<u>Minimum BCAR Score</u>	<u>Median BCAR Score</u>	<u>No. of Rating Units</u>
A++	175	230	21
A+	160	240	71
A	145	228	224
A-	130	200	283
B++	115	160	129
B+	100	141	96
Vulnerable	- - - -	103	112

Source: A.M. Best

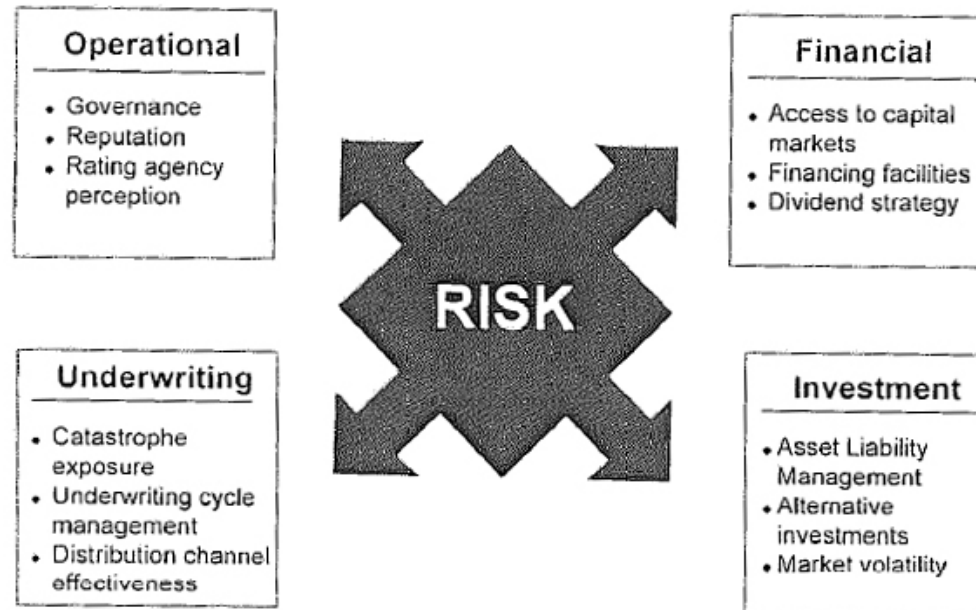
LOSS & ALAE RESERVE ADEQUACY

<u>Product Line</u>	<u>Estimated Reserve Deficiency @ 12/04 (\$B)</u>	<u>Estimated Reserve Deficiency @ 12/05 (\$B)</u>
Workers' Compensation	9.1	6.5
Reins – Nonprop Assumed	7.4	4.0
Other/Products Liability	4.3	2.1
Commercial Multiple Peril	1.5	1.0
Medical Malpractice	1.4	0.4
Commercial Auto Liability	0.8	0.5
Homeowners	0.4	0.5
Personal Auto Liability	-1.5	-1.0
All Other Lines	1.6	0.0
Total Core Reserves	25.0	14.0
Asbestos & Environmental	34.1	30.0
Total	59.1	44.0

Source: A.M. Best



ERM FRAMEWORK



HOT TOPICS

- Sarbanes-Oxley-size of company needed to report; cost
- Risk-based capital hybrid charges review by NAIC-Subgroup
- Workers' Compensation turmoil. California wants to pull it under its insurance department

CONCLUSION

- Stress Test
 - Conservatism of Highly-Rated Companies leads to Strong Risk Adjusted Capitalization Post Stress Test
- Catastrophe Risk Management
 - Cannot Rely on One Tool Only
 - Clearly Defined Risk Tolerance & Strategic Objectives
 - Exposure Management – Continually Monitor Exposure
- ERM
 - Strong Momentum of Acceptance
 - Current Application Limited
 - Highly Rated Companies Employ Dedicated Approach

Source: A.M. Best

CAPITAL

CAPITAL MARKETS

- Hybrids – Define Them – S.E.C., Rating Agency and Accounting Professionals
 - Fitch vs. NAIC SVO PFD. Debt or Equity?
 - S & P views closer to those of Fitch
- CDOs – collateral debt obligations-poolings \$5 bills. last 4 years
- Trust preferreds – smaller sized demand \$3-5 mill?
- Surplus notes for mutuals -- \$25 mill
- RRGs and Captives
- Other than distress sales of some reinsurers (mostly Life-Health) non-U.S. Insurers not deep-sea fishing in our waters, despite U.S. \$ under continuing pressure vis-à-vis Euro and other leading currencies.

CAPITAL RAISED AND USES

- Reinsurance – new funds raised for start-up or existing enterprises
 - \$23 bills. since Hurricane Katrina
 - Of this sum \$12 bills. were for existing reinsurers
- Investors included hedge funds and private equity firms \$7.3 bills.
 - 10 Reinsurance companies founded plus
 - 10 “Sidecars” Special purpose vehicles
- vs -0- in prior 12 months

HEDGE FUND INVESTORS INCLUDE

Insurance Company

- Citadel of Chicago
- Magnastar (a Citadel Alumnus)
- Highfields Capital Management & XL Capital
- Eton Park Capital Management, Don Kramer, Blackstone et al

Sponsor

- New Castle Re \$500 mills
- Pulsar Re
- Cyrus Re \$525 mills
- Ariel Re \$1.0000 bills.

Other Financings for New Companies

- Harbor Point \$1.300 bills
- Validus Holdings \$1.0000 bills
- Flagstone Re \$540 mills

- Lancashire Holdings (Capital Z Partners) \$1.000 bills
- Amlin Bermuda 1.000 bills
- Hiscox 500 mills
- Blue Ocean Re (Sidecar) 300 mills

Hedge Funds are also the number 1 buyers of cat bonds, issued by primary and reinsurance companies

Interest paid as earned but principal only if no losses

2005 \$1.8 bills issued

2006 \$2.5 bills issued thru mid-year

“SIDE CARS”

Niche	Insurer	Sponsors	\$
Higher layer, shore tail and fixed income arbitrage	Rockridge Reinsurance	Montpelier Re & West End Capital	91 mill
Quota Share	Cyrus Re	XL & Highfields Management Capital	
Cat protection using modeled market loss triggers	Champlain Ltd.	Montpelier	
Investment grade assets with collateral trust	Flatiron Reinsurance	Arch Re	520 mill
Fully-collateralized property cat cover retrocessional coverages	Blue Ocean Reinsurance	Montpelier	
Quota Share marine and offshore energy	Petrol Re	Validus	
Limited life; Bermuda	Starbound Reinsurance	Renaissance Re	125 mill
Quota Share	Bay Point Re	Harbor Point Re	
“Sister” sidecard	Helicon Reinsurance	Olympus Re	

RECENT PERFORMANCE

- Reception poor and outlook clouded
Ex PXRE Bermuda financing flotation in 2 pieces but importantly by D.E. Shaw and Eton Park, totaling \$656 mills
- Private equity buyers: only 4% of all financial deals
- Mostly reinsurers, start-ups and E & S

PENDING IPOs

- First Mercury \$189.7 mills
- Castle Point Holdings \$220 mills
- Safe Auto Group \$115 mills
- Dehania Co \$97 mills
- Hallmark Financial Services \$80.5 mills

RECENT IPOs

- Allied World Assurance
- Security Capital Assurance \$440 mills

2005

MOST NOTABLE TRANSACTIONS-PROPERTY- CASUALTY

- General Electric sold med mal company to Berkshire Hathaway
- General Electric sold reinsurance company to Swiss Re \$6.8 bills
- All insurance deals in 2005: 224 totaling \$50.8 bills
- Property-Casualty deals: 58 totaling \$10.8 bills (of which General Electric – Swiss Re represented \$7.8)
- Cat deals new and old financings: 21 totaling \$22 bills but two accounted for 90%

BIGGEST DEALS, YEAR-END 2005

Ranked by deal value

Rank	Buyer	Target	Seller (if different)	Announce Date	Deal Value (\$M)
1	Swiss Reinsurance Co.	P&C business of GE Insurance Solutions Corp.	General Electric Co.	11/18/05	6,800.0
2	Investor Group	Universal Underwriters Insurance Co.	Zurich Financial Services AG	04/04/05	1,100.0
3	Berkshire Hathaway Inc.	Medical Protective Corp.	General Electric Co.	05/05/05	825.0
4	General Motors Corp.	MEEMIC Insurance Co.	ProAssurance Corp.	11/04/05	327.0
5	Sentry Insurance a Mutual Co.	Viking Insurance Holdings Inc.	Royal & Sun Alliance Ins. Group Plc	07/29/05	200.0
6	Catalina Holdings Ltd.	Overseas Partners Re Ltd.	Overseas Partners Ltd	09/03/05	170.5
7	QBE Ins. Group Ltd. of Sydney Australia	National Farmers Union P&C Co.	White Mountains Group Ltd	07/27/05	142.0
8	Enstar, Group Inc.	ALOL Insurance Co. of Europe Ltd.	Aioi Insurance Co. Ltd.	12/30/05	107.4
9	IAT Reinsurance Co. Ltd.	Transguard Insurance Cos.	Clayton Dubilliers & Rice Inc.	09/21/05	100.0
10	ProAssurance Corp.	Physicians Insurance Co. of Wisconsin Inc.		12/08/05	98.7
11	New Affirmative LLC	Affirmative Insurance Holdings Inc.	Vesta Insurance Group Inc.	06/14/05	96.9
12	ProAssurance Corp.	NCRIC Group Inc.		02/28/05	70.1
13	Educators Mutual Life Insurance Co.	Eastern Holding Co.		03/17/05	53.4
14	AmTrust Financial Services Inc.	Renewal rights of Alea	Kohlberg Kravis Roberts & Co.	11/22/05	52.0
15	Randall & Quilter Investment Holdings Ltd.	ACE American/Brandywine Re UK	ACE Ltd.	01/05/05	40.8
16	Mercer Insurance Group Inc	Financial Pacific Insurance Group Inc.		04/29/05	40.4
17	Stewart Information Services Corp	Monroe Title Insurance Corp		07/27/05	26.0
18	Alleghany Corp	Ullico Indemnity Co.	ULLICO Inc.	05/07/05	25.2
19	Kingsway Financial Services Inc	HI Holdings, Inc.		09/12/05	25.0
20	Beezley Group	Omaha Property and Casualty Insurance Co.	Mutual of Omaha Insurance Co	03/23/05	21.0
21	Hendricks Holding Co. Inc.	Gateway Insurance Co.	Camelot Services Inc.	11/17/05	20.0
22	American Financial Group Inc.	Farmers Crop Insurance Alliance Inc.	Farmers Alliance Mutual Insurance Co.	07/28/05	17.5
23	Canopus Holdings UK Ltd.	Renewal rights of Alea	Kohlberg Kravis Roberts & Co.	12/05/05	12.0
24	Direct General Corp.	National Insurance Underwriters	HCC Insurance Holdings Inc.	04/30/05	10.3
25	Tower Group Inc.	MIIX Insurance Co. of New York		08/08/05	8.0
26	Rockhill Holding Co.	United Coastal Insurance Co.	AGMAT Corp	11/22/05	7.5
27	Investor Group led by Don Kramer	Rosemont Re renewal rights and assets	Goshawk Insurance Holdings Plc	10/24/05	7.0
28	Ecoban Finance Ltd. LLC	EIC Corp. Ltd.	Radian Group Inc.	01/05/05	4.0
29	Jacobs Financial Group, Inc.	West Virginia Fire and Casualty Co.	Celina Mutual Insurance Co	12/30/05	2.9
30	Tower Group Inc.	North American Lumber Insurance Co.		01/18/05	1.2
31	Investor Group	MMO UK Ltd.	NYMAGIC Inc.	08/31/05	0.4
32	ProCentury Corp.	Fireman's Fund Insurance Co. of Texas	Allianz Aktiengesellschaft Holding	06/01/05	0.3

PROPERTY & CASUALTY DEALS

Rank	Buyer	Target	Seller (if different)	Deal Value (\$M)	P/B (%)
1	Educators Mutual Life Insurance Co.	Eastern Holding Co.		53.4	128.1
2	Mercer Insurance Group Inc.	Financial Pacific Insurance Group Inc.		40.4	114.1
3	Berkshire Hathaway Inc.	Medical Protective Corp.	General Electric Co.	825.0	111.9
4	ProAssurance Corp.	NCRIC Group Inc.		70.1	96.7
5	New Affirmative LLC	Affirmative Insurance Holdings Inc.	Vesta Insurance Group Inc.	96.9	86.6
6	Swiss Reinsurance Co.	P&C bus. of GE Ins. Solutions Corp.	General Electric Co.	6,800.0	76.4

MOST EXPENSIVE DEALS, YEAR-END 2005

Ranked by deal value/GAAP book value

All insurance and managed care deals

Rank	Buyer	Target	Seller (if different)	Sector	Deal Value (\$M)	P/B (%)
1	WellPoint Inc.	WellChoice Inc.	New York Public Asset Fund	MC	6,618.4	353.9
2	UnitedHealth Group Inc.	PacifiCare Health Systems Inc.		MC	7,996.5	306.4
3	Investor Consortium	UICI		L&H	1,715.3	212.1
4	Lincoln National Corp.	Jefferson-Pilot Corp.		L&H	7,556.3	184.1
5	MetLife Inc.	Travelers Life/CitlinInsurance	Citigroup Inc.	L&H	11,500.0	132.6
6	Educators Mutual Life Insurance Co.	Eastern Holding Co.		P&C	53.4	128.1
7	Mercer Insurance Group Inc.	Financial Pacific Insurance Group Inc.		P&C	40.4	114.1
8	Berkshire Hathaway Inc.	Medical Protective Corp.	General Electric Co.	P&C	825.0	111.9
9	ProAssurance Corp.	NCRIC Group Inc.		P&C	70.1	96.7
10	New Affirmative LLC	Affirmative Insurance Holdings Inc.	Vesta Insurance Group Inc.	P&C	96.9	86.6
11	Swiss Reinsurance Co.	P&C bus. of GE Ins. Solutions Corp.	General Electric Co.	P&C	6,800.0	76.4

2006 PROPERTY-CASUALTY DEALS COMPLETED

Buyer	Target	Deal Value
American International Group	Central Insurance	\$184 mills
Investor Group	Sirius America Insurance (White Mountains)	139 mills
Pro Assurance	Physicians Insurance of Wisc.	98.7 mills
HCC (Health)	Novia Holdings and Alliance	

ABORTED, BORN OR STILLBORN

Zurich Financial

St. Paul Travelers

Is the major part of P-C consolidation behind us? Unlike Life and Health sectors.

Year to Date (8/8)

Deals Announced

29

Total Deal Value

\$1979.1 bills

Med-Mal start-ups declining – a positive trend – 105 since 2002 but only 9 in 2005 after 44 in 2003 and 39 in 2004.

VALUATIONS

All Deals	Deals over \$100 mills
GAAP P/E 7.3X	N.A.
GAAP P/B 102.3%	92.2%
Statutory P/B 149.1%	223.8%

BROKERS

Macro Pressures = Modest revenue growth
Keep lids on profit margins and returns Intensified pricing competition in large corporate market
Continued clouded visibility on operating improvements,

Goodbye “MSAs”?
Market service agreements for contingent commissions

BROKER AGENCY DEALS IN 2006

Hub International

Fortune Insurance Agency

\$27 mills.

Year to Date (8/8)

117 Deals announced totaling \$344.3 mills value

- Cat deals – new and old financings: 21 totaling \$22 bills but two accounted for 90%
- Broker agency deals: 202 totaling \$1.2 bills

Conning differs with Fitch and Standard & Poor's; it sees more consolidation ahead

BROKERAGE INDUSTRY CONSOLIDATION

- Are Benefits Over-Hyped?
- Analogous Service Business Examples
 - Investment Banking
 - Retail Banking
 - Other Brokerage Deals

SPITZER

- Brokers Lose Substantial Income in Short-Run
- Brokers Look to Replace Revenue, Reduce Expenses
- Distribution System Not Fundamentally Changed
- Look for:
 - Shareholder (D&O) suits; E&O suits
 - Massive Fines, Penalties, Disgorgement of Profits
- Contingent Commissions Gone For Now At Large Brokers But Need Some Form of Incentive Compensation

REGULATION AND ACCOUNTING

- More limitations at State and Federal levels as to lawsuits (quasi-tort reform)
- More voluntary arbitration and administered proceedings
- Disclosure: “Transparency”
 - TRIA
 - Malpractice issues
- RRG-GAO and NAIC recommend more oversight
- IASB projects: Aim at convergence
- Mergers and acquisitions: more charges to be taken for investment banking, restructuring and R & D costs by buyers perhaps inhibiting deal premiums

CHALLENGES & OPPORTUNITIES

- Spitzer
- Feds vs. States
- Distribution
- Claims-outsourcing
- Regulation – Whose ox gets gored in Katrina losses? Customers or carriers – e.g., Mississippi – Nationwide.

OPPORTUNITIES

- Broadening Hispanic, Asian American and other minority markets
- Technology boost to cost savings
- More enlightened regulators
- Access to capital markets

DISTRIBUTION

- Outlook for Brokers
 - Demand Patterns Profoundly Changed
 - Because Broker Commissions Mirror Industry's Premium Growth, Revenues and Earnings Are Growing Slower Than Economy
 - Biggest Brokers Offer Global Expertise
 - Commercial Buyers Are Increasingly Self-Insuring
 - Corporate Buyers Expect Higher Levels of Service
 - Clients Prefer Paying Fees Rather Than Commissions

Gill & Roeser Holdings, Inc.
Current Relative Valuation Summary
As of 8/1/06

<i>Insurance Sector</i>	<i>12 Month Change (%)</i>	<i>2005E P/E</i>	<i>2006E P/E</i>	<i>2007E P/E</i>	<i>2005E Relative P/E</i>	<i>2006E Relative P/E</i>	<i>2007E Relative P/E</i>	<i>Yield (%)</i>	<i>Price / BV</i>	<i>2005E ROE (%)</i>	<i>2006E ROE (%)</i>
Life		14.7	12.9	11.7	0.81	0.79	0.79	1.4	1.94	13.2	14.6
Property / Casualty		14.3	10.1	9.9	0.79	0.62	0.61	2.0	1.48	11.1	14.8
Specialty & Regional		15.8	12.0	11.3	0.87	0.74	0.74	1.7	1.87	12.5	16.2
Mortgage		10.6	10.0	8.9	0.58	0.62	0.59	0.8	1.30	12.4	13.1
Special Risk & Reinsurance		12.6	7.7	7.4	0.69	0.47	0.48	2.0	1.26	-14.0	17.2
Brokerage		18.9	15.7	14.4	1.04	0.97	1.03	2.4	5.18	25.3	24.9
Health / HMOs		20.9	17.1	13.8	1.15	1.05	1.03	0.0	3.20	17.9	20.4
Medical Malpractice		11.2	12.4	10.8	0.62	0.76	0.71	0.0	1.69	13.3	15.3
S & P 500		18.2	16.3	15.1	-	-	-	1.9	2.89	15.9	17.7

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Table 1

Company	Where Traded	Shares Outst. (mill.)	R/I/2006 Price	12 Month Range		Market Cap. (\$ mill.)	Earnings Per Share			P/E Multiple			2005 Relative P/E	2006 Relative P/E	BV / Share	Price / BV	Div. / Share	Yield (%)	2005 ROE (%)	2006 ROE (%)		
				High	Low		2005	2006E	2007E	2005E	2006E	2007E										
Life																						
AFLAC Inc.	AFL	NYSE	599.4	44	50	-	42	22,018	2.55	2.90	3.20	12.3	15.7	13.8	0.95	0.96	12.91	3.41	0.44	1.6	19.8	21.7
American Financial Inc.	AMP	NYSE	250.7	45	50	-	22	11,194	2.86	3.10	3.45	15.6	14.4	12.9	0.86	0.88	32.00	1.40	0.46	1.0	8.9	9.7
AXA Financial, Inc.	AXA	NYSE	441.4	34	39	-	26	15,149	1.85	NA	NA	18.6	NM	NM	1.02	NM	15.66	2.19	0.36	1.0	11.8	NA
Lincoln Financial Group	LNC	NYSE	272.9	56	61	-	47	15,416	4.55	4.80	5.40	12.4	11.8	10.5	0.68	0.72	34.37	1.64	1.52	2.7	13.2	14.0
MetLife Corp. (1)	MET	NYSE	757.3	53	53	-	46	39,879	4.33	4.90	5.10	12.2	10.7	10.3	0.67	0.66	37.17	1.42	0.60	1.1	11.6	12.2
Nationwide Fin. Svcs.	NFS	NYSE	152.9	46	46	-	38	6,971	3.85	3.90	4.25	11.8	11.7	10.7	0.65	0.72	18.82	2.42	0.92	2.0	20.5	20.7
Prudential Financial Group	PRU	NYSE	282.9	53	56	-	43	14,968	2.85	3.40	3.75	18.6	15.6	14.1	1.02	0.96	23.12	2.29	0.65	1.2	12.3	14.7
Prudential Financial (2)	PRU	NYSE	504.1	78	80	-	62	39,532	4.65	5.60	6.40	16.9	14.0	12.3	0.93	0.86	41.41	1.89	0.90	1.1	11.2	13.5
Torchmark Corp.	TMK	NYSE	104.7	60	63	-	51	6,326	4.60	5.00	5.40	12.1	12.1	11.2	0.72	0.74	21.20	1.94	0.52	0.9	14.7	16.0
UNUM/Provident	UNM	NYSE	302.2	17	24	-	16	5,010	1.64	1.60	1.80	10.1	10.4	9.2	0.56	0.64	20.40	0.81	0.30	1.8	8.0	7.8
<i>Average</i>				5.49					\$3.37	\$3.50	\$4.31	\$14.63	\$12.93	\$12.66	0.81	0.79	\$26.71	1.94	\$0.67	1.4	13.2	14.6
Property / Casualty																						
Chubb Corp. (3)	CB	NYSE	414.8	5.49	5.53	-	5.42	\$20,325	\$3.86	\$4.85	\$5.00	12.7	10.1	9.8	0.70	0.62	\$30.39	1.61	\$1.00	2.0	12.7	16.0
Hartford Financial	HFG	NYSE	300.4	85	94	-	72	25,441	5.45	8.50	9.30	15.5	10.0	9.1	0.86	0.61	51.35	1.65	1.60	1.9	10.6	16.6
Ohio Casualty	OCAS	NASD	62.5	26	33	-	24	1,631	3.19	2.40	NA	8.1	10.7	NM	0.44	0.66	22.71	1.13	0.36	1.4	14.0	18.6
SAFECO Corp. (4)	SATC	NASD	140.1	53	59	-	49	7,448	2.33	5.00	4.50	22.8	10.6	11.8	1.26	0.65	32.31	1.65	1.20	2.3	7.2	15.5
St. Paul Travelers	STA	NYSE	696.2	45	48	-	40	31,453	3.80	5.10	5.20	12.5	8.9	8.7	0.69	0.54	32.99	1.39	1.04	2.3	11.0	15.6
<i>Average</i>				5.52					\$3.69	\$5.17	\$6.09	\$14.33	\$10.05	\$9.83	0.79	0.62	\$33.87	1.48	\$1.01	2.0	11.1	14.5
S&P 500				1,270.92	1,327	-	1,168	-	\$70.00	\$78.00	\$84.00	18.2	16.3	15.1	-	-	440	2.89	24.25	1.9	15.9	17.7
S&P Industrials				1,464.18	1,467	-	1,315	-	\$88.00	\$88.00	\$62.00	25.2	25.2	23.6	-	-	400	3.65	18.00	1.2	14.5	14.5

Earnings exclude capital gains or losses.

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- (1) Plans to sell 53% stake in Reinsurance Group of America (RGA).
 (2) Buying variable annuities business from Allstate for \$380.5 million.
 (3) Proposed to sell Omni Insurance for \$100 million.
 (4) Plans to sell life insurance for \$1.35 billion; selling Transamerica unit's Maritime container leasing and European trailer leasing businesses; under investigation in California, North Carolina and Illinois as to pricing.

Table 2

	Company Symbol	Where Traded	Shares Outst. (mill)	8/1/2006 Price	12 Month Range		Market Cap. (\$ mill.)	Earnings Per share			P/E Multiple			2005 Relative P/E	2006 Relative P/E	BV / Share	Price / BV	Div. / Share	Yield (%)	2005 ROE (%)	2006 ROE (%)
					High	Low		2005	2006E	2007E	2005E	2006E	2007E								
Multiline																					
American International Group (1)	AI	NYSE	2624.0	60	71 - 55	158,358	3.33	5.50	6.30	18.1	11.0	9.6	1.60	0.67	35.24	1.71	\$0.60	1.0	9.4	15.6	
Aon Corporation	AOC	NYSE	318.7	34	45 - 25	10,692	1.89	2.40	2.80	17.8	14.0	12.0	0.98	0.86	13.02	2.59	0.60	1.8	14.5	18.4	
Berkshire Hathaway / A (2)	BRK/A	NYSE	1.5	91,301	91,000 - 77000	137,252	3.200	4,200	4,660	28.6	21.8	19.9	1.57	1.34	57,400	1.59	-	-	5.6	7.3	
Genworth Financial Inc. (3)	GNW	NYSE	468.3	34	35 - 29	16,016	2.52	2.75	3.05	13.6	12.4	11.2	0.75	0.76	26.84	1.27	0.39	1.1	9.4	10.2	
Old Republic International	ORI	NYSE	229.3	21	23 - 20	4,859	2.19	2.05	2.20	9.7	10.3	9.6	0.53	0.63	16.38	1.29	0.60	2.8	9.8	12.5	
Specialty & Regional																					
Allstate Corp. (4)	ALL	NYSE	648.6	536	\$ 62 - \$ 50	\$36,159	3.37	7.20	6.93	23.3	7.7	8.0	1.30	0.48	\$30.00	1.86	\$1.40	2.5	7.9	24.0	
W.R. Berkley Corp. (5)	BER	NYSE	192.3	33	41 - 23	6,813	2.56	3.25	3.30	13.8	10.9	10.7	0.76	0.67	13.42	2.64	0.14	0.4	19.1	24.2	
Cincinnati Financial	CINF	NASD	173.0	47	48 - 40	8,134	3.17	3.00	3.00	14.8	15.7	15.7	0.82	0.96	35.85	1.31	1.24	2.8	8.8	8.4	
Harleysville Group	HGIC	NASD	30.0	32	34 - 20	954	1.85	2.60	2.70	17.2	12.2	11.8	0.95	0.75	20.00	1.59	0.70	2.2	9.3	13.0	
Market	MKL	NYSE	9.7	337	362 - 307	3,264	14.80	25.00	29.50	22.7	13.5	11.4	1.25	0.83	174.04	1.93	2.28	0.7	8.3	14.4	
Mercury General	MCY	NYSE	54.6	55	60 - 52	2,982	4.44	4.70	5.00	12.3	11.6	10.9	0.68	0.71	29.84	1.83	1.92	3.5	14.0	15.8	
Progressive Corp. (6)	PGR	NYSE	783.6	24	31 - 23	18,705	1.59	1.85	2.00	15.0	12.9	11.9	0.83	0.79	9.25	2.58	0.05	0.2	17.2	20.0	
Selective Insurance	SIGI	NYSE	27.7	51	59 - 46	1,417	4.20	4.45	NA	12.2	11.5	NM	0.67	0.71	34.00	1.30	0.88	1.7	12.4	13.1	
State Auto Financial	STFC	NASD	39.6	30	40 - 28	1,203	2.80	2.45	3.15	10.9	12.4	9.6	0.60	0.76	19.00	1.60	0.36	1.2	14.7	12.9	
<i>Average</i>				<i>\$ 74</i>			<i>\$4.20</i>	<i>\$6.06</i>	<i>\$6.95</i>	<i>\$13.83</i>	<i>\$12.05</i>	<i>\$11.27</i>	<i>0.87</i>	<i>0.74</i>	<i>\$40.80</i>	<i>1.87</i>	<i>\$1.01</i>	<i>1.7</i>	<i>12.5</i>	<i>16.2</i>	
Mortgage Insurers																					
Assured Guaranty Ltd.	AGO	NYSE	75.9	525	527 - 521	\$1,928	2.05	2.00	NA	12.4	12.7	NM	0.68	0.78	\$19.87	1.28	\$0.14	0.6	10.3	10.1	
MBIA Inc.	MBI	NYSE	144.4	558	564 - 554	8,440	5.50	5.80	6.20	10.6	10.1	9.4	0.89	0.62	71.70	0.82	1.12	1.9	7.7	8.1	
MGIC Investment Corp.	MTG	NYSE	98.8	56	73 - 56	5,549	6.75	6.60	7.25	8.3	8.5	7.7	0.46	0.52	48.90	1.15	1.00	1.8	13.8	12.5	
The PMI Group, Inc.	PMI	NYSE	95.7	42	47 - 37	4,052	4.05	4.70	NA	10.5	9.0	NM	0.58	0.55	35.29	1.20	0.15	0.4	11.5	13.3	
Radian Group Inc.	RDN	NYSE	94.0	61	66 - 47	5,743	5.50	6.05	6.55	11.1	10.1	9.3	0.61	0.62	39.89	1.53	0.08	0.1	13.8	15.2	
Trind Guaranty Inc.	TGIC	NASD	14.5	49	58 - 35	716	4.65	5.00	5.50	10.6	9.9	9.0	0.59	0.61	26.68	1.85	-	-	17.4	18.7	
<i>Average</i>				<i>\$ 49</i>			<i>\$4.75</i>	<i>\$5.03</i>	<i>\$6.38</i>	<i>\$10.59</i>	<i>\$10.05</i>	<i>\$8.87</i>	<i>0.58</i>	<i>0.62</i>	<i>\$40.39</i>	<i>1.30</i>	<i>\$0.42</i>	<i>0.8</i>	<i>12.4</i>	<i>13.1</i>	
S&P 500					1,270.92	1,327 - 1,168	-	\$70.00	\$78.00	\$84.00	18.2	16.3	15.1	-	-	440	2.89	24.25	1.9	15.9	17.7
S&P Industrials					1,461.18	1,467 - 1,325	-	\$58.00	\$58.00	\$62.00	25.2	25.2	23.6	-	-	400	3.65	18.00	1.2	14.5	14.5

Earnings exclude capital gains or losses.

(1) Acquired Travel Guard International from Noel Group LLC.

(2) Warren Buffet converted sizable portions of Class A shares to B as a step to charity transaction with Gate group; plans to acquire Acacia Pacific workers comp unit.

(3) Agreed to acquire Continental Life of Tennessee for \$145 million, estimated close 2Q 2006, acquired Vero Lenders Mortgage Insurance Ltd. of Australia for \$80 million; agreed to acquire Pleasant Hill Asset/Mark Investment Services of California for \$230 million now and \$110 million more over next 5 years.

(4) Selling variable annuity business to Prudential for \$380.5 million.

(5) Adjusted for 3-2 split.

(6) Adjusted for 4-1 split.

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GILL AND
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Table 3

Company	Where Traded	Shares Outst. (mill.)	R1/2006 Price	12 Month Range		Market Cap. (\$ mill.)	Earnings Per Share			P/E Multiple			2005 Relative P/E	2006 Relative P/E	BV / Share	Price / BV	Div. / Share	Yield (%)	2005 ROE (%)	2006 ROE (%)	
				High	Low		2005	2006E	2007E	2005E	2006E	2007E									
Special Risk & Reinsurance																					
ACE Ltd. (1)	ACE	NYSE	326.2	\$ 51	5.57	- 5.43	\$16,701	\$3.06	\$6.40	\$7.00	16.7	8.0	7.3	0.92	0.49	\$34.91	1.47	\$1.60	2.0	8.8	18.3
AXIS Capital	ANS	NYSE	149.8	29	32	- 25	4,364	0.00	4.00	4.10	NM	7.3	7.1	NM	0.45	20.56	1.42	-	-	0.0	19.5
Everest Reinsurance	RE	NYSE	64.9	93	108	- 86	6,045	(4.08)	10.65	11.00	NM	8.7	8.5	NM	0.54	63.13	1.48	0.48	0.5	-6.5	16.9
Montpelier Reinsurance HBds	MRII	NYSE	89.2	18	35	- 14	1,609	(9.94)	2.50	2.95	NM	7.2	6.1	NM	0.44	12.27	1.47	0.30	1.7	-81.0	20.4
Platinum Underwriters	PTP	NYSE	66.2	28	35	- 26	1,853	(1.00)	4.10	4.15	NM	6.8	6.7	NM	0.47	24.75	1.13	0.32	1.1	-4.0	16.6
PXRE Group (2)	PNT	NYSE	24.0	4	26	- 3	94	(6.00)	2.05	NA	NM	1.9	NM	NM	0.12	11.00	0.36	0.24	6.1	-54.5	18.6
Reinsurance Group of America (1)	RGIA	NYSE	60.4	50	50	- 41	3,038	3.54	4.25	NA	14.2	11.8	NM	0.78	0.73	32.58	1.54	0.36	0.7	10.9	13.0
Transatlantic Holdings	TRI	NYSE	66.2	59	71	- 53	3,885	8.57	6.00	6.35	6.8	9.8	9.2	0.38	0.60	40.01	1.47	0.53	0.9	21.4	15.0
XL Capital Ltd. (4)	XL	NYSE	180.3	63	74	- 60	11,285	(10.86)	3.40	3.85	NM	7.5	7.1	NM	0.46	51.93	1.20	1.06	3.1	-20.9	16.2
<i>Average</i>				<i>\$ 46</i>				<i>(\$1.86)</i>	<i>\$5.37</i>	<i>\$6.34</i>	<i>\$12.60</i>	<i>\$7.67</i>	<i>\$7.44</i>	<i>0.69</i>	<i>0.47</i>	<i>\$33.83</i>	<i>1.26</i>	<i>\$0.65</i>	<i>2.0</i>	<i>-14.0</i>	<i>17.2</i>
Brokerage																					
Arthur J. Gallagher & Co.	AJG	NYSE	96.7	27	32	- 24	\$2,633	\$0.80	\$1.50	\$1.70	34.0	18.2	16.0	1.87	1.31	58.24	3.30	\$1.20	4.4	9.7	18.2
Brook Corp.	BXXX	NASD	12.4	11	15	- 10	142	0.82	1.15	1.30	14.0	10.0	8.8	0.77	0.61	3.30	3.48	0.72	6.3	24.9	34.9
Brown & Brown, Inc.	BRO	NYSE	138.0	31	35	- 21	4,324	1.00	1.20	1.40	31.3	26.1	22.4	1.73	1.60	4.00	7.82	0.40	1.3	25.0	30.0
Clark, Inc.	CLK	NYSE	12.7	12	17	- 10	148	1.40	1.40	NA	8.3	8.3	NM	0.46	0.51	1.00	11.65	0.24	2.1	NM	NM
Hib Rogg & Hamilton (5)	HRH	NYSE	35.9	40	42	- 32	1,429	1.55	2.30	2.55	25.7	17.3	15.6	1.41	1.06	14.40	2.76	0.48	1.2	10.8	16.0
IRUB International Ltd.* (6)	IRBG	NYSE	30.6	26	29	- 20	797	1.50	1.50	1.90	17.4	17.4	13.7	1.0	1.1	6.45	4.04	0.28	1.1	23.3	23.3
Marsh & McLennan Cos.	MNC	NYSE	555.0	27	33	- 25	14,880	2.05	1.80	2.15	13.1	14.9	12.5	0.72	0.91	10.20	2.63	0.68	2.5	20.1	17.6
U.S.I. Holdings	USH	NASD	44.6	12	16	- 11	554	1.15	NA	NA	10.8	NM	NM	0.59	NM	2.00	6.21	-	-	57.5	NA
Wallis Group Holdings	WSH	NYSE	156.6	32	39	- 31	5,008	2.15	2.35	2.70	15.1	13.8	12.0	0.83	0.85	6.90	4.71	0.94	2.9	31.2	34.1
<i>Average</i>				<i>\$ 24</i>				<i>\$1.85</i>	<i>\$1.65</i>	<i>\$1.96</i>	<i>\$18.86</i>	<i>\$15.75</i>	<i>\$14.44</i>	<i>1.04</i>	<i>0.97</i>	<i>26.28</i>	<i>\$5.18</i>	<i>\$0.55</i>	<i>2.4</i>	<i>25.3</i>	<i>24.9</i>
S&P 500				1,270.92	1327	- 1168	-	\$70.00	\$78.00	\$84.00	18.2	16.3	15.1	-	-	440.00	2.89	24.25	1.9	15.9	17.7
S&P Industrials				1,461.18	1467	- 1335	-	\$58.00	\$58.00	\$62.00	25.2	25.2	23.6	-	-	400	3.65	18.00	1.2	14.5	14.5

Earnings exclude capital gains or losses.

* all \$'s Canadian dollars

- (1) Sold three run-off subsidiaries of Brandywine Holdings, reducing liabilities by \$400 million.
- (2) Considering restructuring or sale to buoy reserves as well as Welch Co. of Texas.
- (3) MetLife considering sale of its 53% stake in RGA.
- (4) Proposed purchase of GE Life (UK) for estimated \$555 + million.
- (5) Agreed to acquire Chubb Corp.'s personal lines brokerage business and Tholman & Filippi LLC of Chicago.
- (6) Buying three insurance brokers from Royal Bank of Scotland Plc. For \$83.0 million.

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Table 4

Company	Where Traded	Shares Outst. (mill.)	8/1/2006 Price	12 Month Range		Market Cap. (\$ mill.)	Earnings Per Share			P/E Multiple			2005 Relative P/E	2006 Relative P/E	BV / Share	Price / BV	Div. / Share	Yield (%)	2005 ROE (%)	2006 ROE (%)
				High	Low		2005E	2004E	2007E	2005E	2004E	2007E								
Health / HMOs																				
Aetna, Inc. (1)	AET	NYSE	594.0	5.31	\$ 52 - \$ 31	\$18,408	\$2.70	2.75	3.15	11.5	11.2	9.8	0.63	0.69	\$18.20	1.70	\$0.02	0.1	14.8	15.1
AMERIGROUP Corp. (2)	AGP	NYSE	21.7	20	36 - 15	641	0.90	1.10	1.50	32.8	26.8	19.7	1.81	1.65	12.31	2.40	-	-	7.3	8.9
CENTENE Corp. (3)	CNC	NASD	43.4	16	31 - 13	689	1.25	1.60	2.00	12.7	9.9	7.9	0.70	0.61	7.07	2.25	-	-	17.7	22.6
CIGNA Corp.	CJ	NYSE	116.5	93	114 - 88	12,648	8.03	8.30	9.25	11.5	11.2	9.9	0.64	0.69	40.56	2.38	0.10	0.1	19.8	20.5
Health Net Inc.	HNT	NYSE	112.4	42	54 - 37	4,771	2.40	3.60	3.50	17.7	14.2	12.1	0.97	0.87	11.32	3.75	-	-	21.2	36.5
Humana, Inc. (4)	HUM	NYSE	164.4	56	58 - 41	9,248	2.00	2.80	3.35	28.1	20.1	16.8	1.55	1.23	13.40	4.20	-	-	14.9	20.9
Molina Healthcare (6)	MOH	NYSE	26.5	14	40 - 20	905	0.95	1.60	2.00	36.0	21.4	17.1	1.98	1.31	12.97	2.63	-	-	7.3	12.3
Sierra Health Services	SIE	NYSE	58.2	43	48 - 31	2,516	1.75	2.05	NA	24.7	21.1	NM	1.36	1.29	4.89	8.84	-	-	35.8	41.9
Tenet Healthcare Corp.	THC	NYSE	466.6	6	13 - 6	2,711	5.60	NA	NA	1.0	NM	NM	0.06	NM	15.24	0.38	-	-	36.7	NA
The Healthcare Co.	HCA	NYSE	452.0	49	53 - 42	22,220	3.15	3.60	NA	15.6	13.7	NM	0.86	0.84	13.53	3.63	0.08	0.2	23.3	26.6
United Health Group (6)	UNH	NYSE	1350.0	48	65 - 41	64,557	2.88	2.90	3.40	16.6	16.5	14.1	0.91	1.01	13.14	3.64	0.03	0.1	21.9	22.1
WebMD	HLTH	NASD	355.6	12	13 - 7	4,203	0.50	0.60	NA	23.6	19.7	NM	1.30	1.21	20.73	0.57	-	-	2.4	2.9
WellCare Group	WCG	NYSE	39.5	50	55 - 39	1,989	1.20	2.50	3.15	42.0	20.1	16.0	2.31	1.24	8.10	6.22	-	-	14.8	30.0
Wellpoint Inc.	WLP	NYSE	624.8	75	80 - 66	46,891	3.94	4.60	5.30	19.0	16.3	14.2	1.05	1.00	32.97	2.28	-	-	12.0	14.0
<i>Average</i>				5.42			\$2.66	\$2.83	\$3.67	\$20.92	\$17.09	\$12.76	1.15	1.03	\$16.03	3.20	\$0.02	0.0	17.9	20.4
Medical Malpractice																				
American Physicians Cap Inc. (7)	ACAP	NASD	11.6	5.46	\$ 53 - \$ 39	\$528	\$8.29	\$3.80	\$4.60	5.5	12.0	11.4	0.30	0.73	\$30.12	1.51	-	-	27.5	12.6
EPIC Insurance Group	EPIC	NASD	9.4	38	40 - 31	355	3.06	3.40	3.70	12.3	11.1	10.2	0.68	0.68	18.39	2.05	-	-	16.6	18.5
ProAssurance Inc.	PRA	NYSE	29.2	50	53 - 42	1,453	3.15	3.55	NA	15.8	14.0	NM	0.87	0.86	23.76	2.09	-	-	13.3	14.9
SCPIE Holdings Inc. (8)	SKP	NYSE	9.3	23	26 - 13	212	(0.84)	NA	NA	NM	NM	NM	NM	NM	20.82	1.10	-	-	-4.0	NA
<i>Average</i>				5.39			\$3.42	\$3.58	\$3.85	\$11.21	\$12.36	\$10.79	0.62	0.76	\$REF ¹	1.69	\$9.60	0.00	18.3	15.3
S&P 500				1,270.92	1,327 - 1,168	-	\$70.00	\$78.00	\$84.00	18.2	16.3	15.1	-	-	440	2.89	24.25	1.9	18.9	17.7
S&P Industrials				1,461.18	1,467 - 1,335	-	\$58.00	\$58.00	\$62.00	25.2	25.2	23.6	-	-	400	3.65	18.00	1.2	14.5	14.8

Earnings exclude capital gains or losses.

- (1) Agreed to acquire privately held disability business of Hroodspire, a Florida firm, for \$160 million.
- (2) Plans to acquire CardPlus Health Plan Inc. from CarePlus LLC for \$107 million.
- (3) Acquiring MediPlan Corp for \$5.5 million in cash.
- (4) Buying CNA HMO Inc. of Kentucky.
- (5) Buying HCLB Inc. of Michigan.
- (6) UNH signed a definitive agreement to acquire John Deere Health Plans Inc. for \$50 million in stock; PHS transaction completed.
- (7) Purchased a 10% stake in Physicians Insurance Co. in Wisconsin. Open to being acquired or acquiring.
- (8) Board nominees re-elected, adversary defeated.

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Property / Casualty Industry Capacity Measures

(\$ amounts in millions)

12 Months Ending	Premiums Written (\$ mill.)	Policyholders Surplus (\$ mill.)	Premiums/ Surplus Ratio	Combined Ratio (%)	Total Admitted Assets (\$ mill.)	Common Stock Holdings* (\$ mill.)	Common Stocks		Loss Reserves (incl. LAE) (\$ mill.)	Loss Reserves Relative to		
							As % Of Surplus	As % Of Total Assets		Total Assets	Surplus	Written Premiums
2006E	457,080	455,280	1.00	98.7	2,039,060	315,000	69.2	15.45	1,543,000	75.67	3.39	3.38
2005	439,500	433,600	1.01	101.8	1,866,617	300,000	69.2	16.07	1,289,000	69.06	2.97	2.93
2004	434,700	401,500	1.08	97.9	1,708,758	275,000	68.5	16.09	1,077,000	63.03	2.68	2.48
2003	412,800	353,800	1.17	99.6	1,564,248	241,000	68.1	15.41	900,000	57.54	2.54	2.18
2002	371,000	285,200	1.30	105.2	1,431,960	250,000	87.7	17.46	752,000	52.52	2.64	2.03
2001	323,977	289,600	1.12	116.0	1,310,859	287,105	99.1	21.90	542,640	41.40	1.87	1.67
2000	299,652	317,400	0.94	110.1	1,200,000	300,000	94.5	25.00	420,000	35.00	1.32	1.40
1999	286,934	360,526	0.80	107.8	1,098,516	263,685	73.1	24.00	400,000	36.41	1.11	1.39
1998	280,552	333,500	0.84	105.6	989,358	200,000	60.0	20.22	370,000	37.40	1.11	1.32
1997	276,568	308,500	0.90	101.6	908,868	185,800	60.2	20.44	364,477	40.10	1.18	1.32
1996	268,700	255,527	1.05	105.8	834,926	143,584	56.2	17.20	365,319	43.75	1.43	1.36
1995	258,880	231,728	1.12	106.6	767,000	120,000	51.8	15.65	359,533	46.88	1.55	1.39
1994	250,402	190,600	1.31	108.0	704,600	100,290	52.6	14.23	348,408	49.45	1.83	1.39
1993	240,584	182,275	1.32	106.9	763,636	84,000	46.1	11.00	336,316	44.04	1.85	1.40
1992	227,708	163,100	1.40	115.7	649,500	64,950	39.8	10.00	326,607	50.29	2.00	1.43
1991	223,243	158,658	1.41	108.8	601,400	58,000	36.6	9.64	307,141	51.07	1.94	1.38
1990	218,591	138,401	1.58	109.3	556,300	46,400	33.5	8.34	289,878	52.11	2.09	1.33
1989	208,834	133,700	1.56	108.9	527,000	52,000	38.9	9.87	266,188	50.51	1.99	1.27
1988	202,285	118,200	1.71	105.5	476,979	61,353	51.0	12.86	243,382	51.03	2.06	1.20
1987	193,689	103,996	1.86	104.6	426,711	55,443	53.3	12.99	217,645	51.01	2.09	1.12
1986	176,993	91,900	1.93	108.0	374,088	45,066	49.0	12.05	184,577	49.34	2.01	1.04
1985	143,882	74,878	1.92	116.5	311,365	44,014	58.8	14.14	154,425	49.60	2.06	1.07
1984	118,591	63,398	1.87	117.7	264,735	38,437	60.6	14.52	134,926	50.97	2.13	1.14

Sources: A.M. Best Co., Insurance Information Institute, and ISO. Projections by Herbert E. Goodfriend (212) 972-4880

Property / Casualty Industry Income Statement

(\$ amounts in millions)

	2003	% Change	2004	% Change	2005	% Change	2006E	% Change	2007E	% Change
Written Premiums	415,300	11.9	434,700	4.7	439,500	1.1	457,080	4.0	465,000	1.7
Earned Premiums	397,100	16.8	423,800	6.7	425,400	0.4	450,924	6.0	460,000	2.0
Incurred Losses (incl. LAE)	295,700	9.9	307,600	4.0	323,500	5.2	328,676	1.6	331,000	0.7
Other Underwriting Expenses	102,500	7.1	108,000	5.4	112,000	3.7	116,480	4.0	128,000	9.9
Policyholder Dividends	2,000	81.5	1,922	(3.9)	1,250	(35.0)	1,500	20.0	2,200	46.7
Underwriting Gain (Loss)	(3,100)	87.9	6,278	(302.5)	(11,350)	(280.8)	4,268	(137.6)	(1,200)	(128.1)
Investment Income	40,300	15.1	41,000	1.7	50,800	23.9	45,800	(9.8)	45,000	(1.7)
Pretax Operating Income	37,200	299.9	47,278	27.1	39,450	(16.6)	50,068	26.9	43,800	(12.5)
Ratios (%)										
Loss & LAE Ratio	74.5		72.6		76.0		72.9		72.0	
Underwriting Expense Ratio	24.7		24.8		25.5		25.5		27.5	
Policyholder Dividends	0.5		0.5		0.3		0.3		0.5	
Combined Ratio	99.6		97.9		101.8		98.7		100.0	

Sources: A.M. Best Co., Insurance Information Institute, and ISO. Projections by Herbert E. Goodfriend (212) 972-4880 .

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