

Insurance – Cash Flow and Reserve Insight

A Weekly Report Spotlighting Key Issues Driving Insurance Stocks

**Highlighted
Analysis:**

Second-Quarter Cash Flow Update

Featured Stocks: *The Travelers Companies, Inc., HCC Insurance Holdings, RLI Corp., The Chubb Corporation*

Issue Summary: We updated our operating cash flow estimates for Chubb, HCC, RLI, and Travelers, which we initiated coverage on in July. The initial report established cash flow estimates and laid out a historical valuation for commercial insurance stocks based on cash flow levels. It also demonstrated our valuation methodology using operating cash flow, which is a leading indicator for stocks and can be a valuable tool in understanding the current economics of the business.

Conclusion: Our analysis of first half 2011 cash flows shows that the trend toward declining cash flow is continuing. Cash flow can be volatile from quarter to quarter; however, three of the four companies displayed reduced cash flow levels. The three insurers averaged a year-over-year decline of 14.0%. This follows a trend where cash flow for the four commercial insurers has cumulatively declined by an average of 33% from 2008 to 2010. RLI was a bright spot, with strong second-quarter cash flow generation resulting from a very low paid loss ratio of 12% coupled with 13% growth in net written premium.

Stock Implication: Chubb and HCC have price-to-cash-flow ratios of 9.0 and 7.5 times, respectively, which are expensive at 24% and 31% premiums to their respective historical five-year medians. We continue to rate these stocks Underperform. Travelers' price-to-cash-flow ratio is currently 6.8 times and has declined from a 10% premium to the historical mean to a 14% discount in the last several months. Given the lower-than-average valuation and potential for better cash flow in 2012, we view Travelers as a good safety stock if distressed market conditions continue.

**Insurance
Trading Pattern:**

**Correlations Between Financial
Subsectors Surge in the Third Quarter**

Trend to Monitor: The late summer sell-off has continued through the end of the third quarter and nearly all stocks across the marketplace have been affected. As the center of attention has shifted, in recent months, from the sovereign debt crisis in Europe to a potentially full-blown global economic slowdown, the volatility and down-trends observed in the market have become much more pronounced and far reaching. During the first half of 2011, both P&C insurance stocks, and in particular, the brokers, showed good levels of diversification (0.76 and 0.63 correlations, respectively) from the overall stock market and other subsectors of financial services. However, the third quarter's intense volatility and market swings have raised correlations dramatically for both P&C stocks and the brokers to above 0.9. These heightened correlation levels were last seen during the flash crash, and previously, the financial crisis.

**Financial Services and
Technology | Property & Casualty
Insurance**

October 05, 2011

Chubb Corporation (The)

Stock Rating: **Underperform**
Company Profile: **Core Growth**
Symbol: CB (NYSE)
Price: \$58.12 (52-Wk.: \$55-\$66)

HCC Insurance Holdings, Inc.

Stock Rating: **Underperform**
Company Profile: **Core Growth**
Symbol: HCC (NYSE)
Price: \$25.89 (52-Wk.: \$25-\$33)

RLI Corp.

Stock Rating: **Market Perform**
Company Profile: **Core Growth**
Symbol: RLI (NYSE)
Price: \$61.50 (52-Wk.: \$51-\$67)

Travelers Companies, Inc. (The)

Stock Rating: **Market Perform**
Company Profile: **Core Growth**
Symbol: TRV (NYSE)
Price: \$46.80 (52-Wk.: \$47-\$64)

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William Blair & Company, L.L.C. receives or seeks to receive compensation for investment banking services from Chubb Corporation (The) and HCC Insurance Holdings, Inc. and RLI Corp. and Travelers Companies, Inc. (The). Investors should consider this report as a single factor in making an investment decision.

Please consult the last page of this report for all disclosures.

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**Highlighted
Analysis:****Second Quarter Cash Flow Update**

This note updates our July 5, 2011, analysis of cash flow. The initial report established cash flow estimates and laid out a historical valuation for commercial insurance stocks based on cash flow levels. The report demonstrated our valuation methodology using operating cash flow, which is a leading indicator for stocks and can be a valuable tool in understanding the current economics of the business. Cash flow valuations have proved particularly useful in cycle turns, while earnings and ROE measures tend to be lagging indicators of performance.

The report also showed that a high price-to-cash-flow ratio historically translated into below-average stock returns and a low price-to-cash-flow ratio resulted in above-average returns.

Midyear 2011 Update:

Our analysis of six-month 2011 cash flows shows that the trend toward declining cash flow is continuing. Cash flow can be volatile from quarter to quarter; however, three of the four companies displayed reduced cash flow levels. The three insurers averaged a year-over-year decline of 14.0%. This follows a trend where cash flow for the four commercial insurers has cumulatively declined by an average of 33% from 2008 to 2010.

Commercial Insurers**Operating Cash Flow**

(dollars in thousands)

	1H 2010	1H 2011	% change
CB	999,000	848,000	(15.1%)
HCC	139,326	121,784	(12.6%)
RLI	35,459	83,866	136.5%
TRV	1,051,000	901,000	(14.3%)

Source: SNL

Cash flow has declined for Chubb, HCC, and Travelers through the first half of 2011 compared with 2010. Chubb's cash flow declined as a result of a change in income tax payable and premiums receivable, but the core operating numbers are up based on robust premium growth in the second quarter and a stable paid loss ratio. Travelers had an increase in paid losses in the second quarter driven by catastrophes, which caused the 14.3% decline in operating cash flow. RLI exhibited a large increase in cash flow attributable to an uncharacteristically low 11.9% paid loss ratio in the second quarter coupled with 13.1% in net written premium growth.

Commercial Insurers**Operating Cash Flow Per Share****Past and Current Projections**

	2011E		% change
	Old	New	
CB	\$6.26	\$6.18	(1.3%)
HCC	\$3.25	\$3.52	8.4%
RLI	\$6.64	\$7.63	14.9%
TRV	\$5.79	\$5.38	(7.1%)

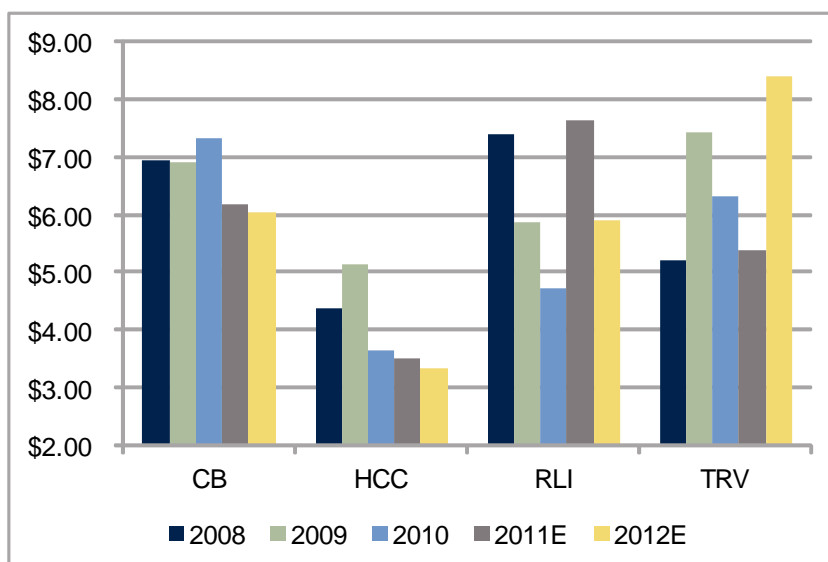
Source: William Blair & Company, L.L.C.

These changes in cash flow as well as updates in premium and expense forecasts have caused our cash flow estimates to decline for Travelers and Chubb and increase for HCC and RLI. Chubb's expected 2011 operating cash flow per share is 1.3% lower as a result of slightly higher paid losses and expenses than initially forecast. HCC's 8.4% increase in expected 2011 operating cash flow per share is mainly the result of higher net written premiums, which is based on premium growth and an increase in the retention ratio of gross written premiums. RLI's main driver was the lower-than-expected paid loss ratio in the second quarter. Travelers' cash flow per share declined moderately because of an increase in paid losses from catastrophes, lower-than-previously-expected net written premiums, and a higher expense ratio.

Expectations for 2012

Chubb and HCC have steady to slightly declining cash flows per share projected for 2012 based on an increasing paid loss ratio and moderate premium growth mostly offsetting each other. RLI's cash flow per share declines in 2012 comparable to 2011 based on a normalized paid loss ratio of 42.0%, compared with 33.5% projected for 2011. Travelers' cash flow per share in 2012 is driven by share buybacks, moderate premium growth, and a lower paid loss ratio resulting from a lower expected amount of catastrophes compared with 2011.

Commercial Insurers Operating Cash Flow Per Share



Source: Company reports and William Blair & Company, L.L.C. estimates

Paid loss ratios have been trending upward for the insurers and we expect—with the exception of Travelers (large amount of catastrophes in 2011)—that paid loss ratios in 2012 will be higher than 2011. The increase in paid loss ratios is a combination of lower than historical premium growth and deteriorating underwriting profitability.

Commercial Insurers Paid Loss Ratios

	2008	2009	2010	2011E	2012E
CB	55.0%	53.0%	56.7%	62.3%	63.8%
HCC	58.1%	55.8%	59.7%	61.8%	62.4%
RLI	40.3%	41.1%	38.8%	33.5%	42.0%
TRV	60.8%	60.3%	63.9%	74.2%	68.3%

Sources: Company Reports and William Blair & Company, L.L.C.

Valuations

Cash flow valuation has declined from an average price-to-cash-flow multiple of 9.4 times to 8.5 times, mostly as a result of a decline in stock prices with the recent downturn. The average valuation relative to the five-year median price-to-cash-flow has declined from 29% to 16%. Travelers has the lowest price-to-cash-flow valuation of the group at 6.8 times, 14% below its five-year price-to-cash-flow median.

In July we recommended caution on Chubb and HCC (both rated Underperform). Our negative investment ratings were based on P/CF ratios of 9.4 times and 9.2 times, respectively, which were 30% and 60% above their respective historical means. In addition, given the companies' trends toward declining cash flow, we expect that forward earnings will be below expectations and that the potential for negative earnings surprises is higher than average.

Since the initial report, HCC's P/CF ratio has fallen from 60% to 31% compared with its historical mean, in part because of a negative earnings surprise related to prior-year adverse reserve development. Chubb's cash valuation has stayed relatively stable, with the current premium to historical P/CF at 24%, compared with 30% in July. Travelers' P/CF ratio is currently 6.8 times; it has declined from 10% above its historical mean to 14% below it in the last several months. Given the lower-than-average valuation and potential for better cash flow in 2012, we view Travelers as a good safety stock if distressed market conditions continue.

**Commercial Insurers
Valuation Table**

Ticker	Current Price	7/5/2011 Price	Current		7/5/2011		Current	
			Price to Cash Flow ¹	P/CF Valuation vs. 5 Year Median (% Difference)	Price to Cash Flow ¹	P/CF Valuation vs. 5 Year Median (% Difference)	Price to Book	Price to Tangible Book
CB	\$59.60	\$62.61	9.0x	24%	9.4x	30%	1.08x	1.11x
HCC	\$26.78	\$31.50	7.5x	31%	9.2x	60%	0.91x	1.22x
RLI	\$65.06	\$61.92	10.6x	21%	10.6x	16%	1.59x	1.70x
TRV	\$47.84	\$58.38	6.8x	-14%	8.6x	10%	0.81x	0.95x
Average			8.5x	16%	9.4x	29%	1.09x	1.25x


Note 1: Price to Cash Flow Based off Current Price Divided by 4 year cash flow: t= -1,0,1,2

Source: William Blair & L.L.C. estimates.

HCC Insurance Holdings, Inc.
Cash Flow Summary
(dollars in thousands, except per share data)

Line Item	2009	2010	2011E	2012E
Net Written Premiums	2,046,289	2,026,197	2,154,605	2,265,984
Paid Loss	1,137,779	1,218,080	1,300,584	1,389,742
<i>Paid Losses as % of Earned Premium</i>	<i>55.8%</i>	<i>59.7%</i>	<i>61.8%</i>	<i>62.4%</i>
Underwriting & Other Expense	568,042	578,050	603,034	651,182
Interest Expense	16,164	21,348	21,708	21,708
Net Investment Income	192,523	203,711	210,693	215,483
Depreciation and Amortization	16,221	17,380	17,380	17,380
Taxes	164,683	144,731	124,863	137,349
Core Operating Cash Flow	451,034	329,911	364,970	331,346
Core Operating Cash Flow Per Share	\$3.99	\$2.89	\$3.27	\$3.09
Total Cash Flow Adjustments	131,763	85,289	27,603	27,603
Total Operating Cash Flow	582,797	415,200	392,573	358,950
Total Operating Cash Flow Per Share	\$5.15	\$3.64	\$3.52	\$3.34
Average Shares Outstanding (thousands)	113,100	114,100	111,482	107,336
Operating ROE	12.3%	10.6%	8.8%	8.4%

Sources: SNL, company reports, and William Blair & Company, L.L.C.

	Ticker	Rating	Price	2011 EPS Estimate	2012 EPS Estimate	2011 P/E	2012 P/E
	HCC	Underperform	\$26.78	\$2.63	\$2.78	10.2x	9.6x
Investment Summary: Despite the stock being down, we recommend that investors steer clear. Pressure from the professional liability book and a higher level of catastrophe-oriented business suggest that return on equity will be lower and potentially more volatile. The stock looks inexpensive at just below book value, but actually remains expensive at roughly 8 times cash flow.							

The Chubb Corporation
Cash Flow Summary
(dollars in thousands except per share data and share count)

Line Item	2009	2010	2011E	2012E
Net Written Premiums	11,077,000	11,236,000	11,634,380	11,841,997
Paid Loss	6,006,000	6,354,000	7,154,161	7,555,293
<i>Paid Losses as % of Earned Premium</i>	<i>53.0%</i>	<i>56.7%</i>	<i>62.3%</i>	<i>63.8%</i>
Underwriting & Other Expense	3,499,000	3,549,000	3,703,755	3,787,856
Interest Expense	248,000	248,000	246,000	250,000
Net Investment Income	1,549,000	1,558,000	1,558,206	1,592,392
Depreciation and Amortization	69,000	63,000	63,000	63,000
Other Revenues	13,000	13,000	13,390	13,792
Taxes	779,000	814,000	608,580	527,714
Core Operating Cash Flow	2,176,000	1,905,000	1,556,480	1,390,318
Core Operating Cash Flow Per Share	\$6.16	\$5.92	\$5.38	\$5.19
Total Cash Flow Adjustments	259,000	447,000	231,400	231,400
Total Cash Flow	2,435,000	2,352,000	1,787,880	1,621,718
Total Cash Flow Per Share	\$6.90	\$7.31	\$6.18	\$6.05
Average Shares Outstanding (millions)	353	322	289	268
Average Operating ROE	14%	12%	11%	9%

Sources: SNL, company reports, and William Blair & Company, L.L.C.


	Ticker	Rating	Price	2011 EPS Estimate	2012 EPS Estimate	2011 P/E	2012 P/E
	CB	Underperform	\$59.60	\$5.64	\$5.42	10.6x	11.0x
	Investment Summary: Declining operating cash flow trends provide an early indication of deteriorating fundamentals, which we believe should begin to manifest in reported results during the latter half of 2011 and into 2012. We continue to believe Chubb will underperform the group as we do not see a reason for additional multiple expansion given deteriorating fundamentals and tough market conditions.						



The Travelers Companies, Inc.
Cash Flow Summary
(dollars in thousands, except per share data)

Line Item	2009	2010	2011E	2012E
Net Written Premiums	21,336,000	21,635,000	22,236,602	22,974,714
Paid Loss	12,918,000	13,697,000	16,271,572	15,440,417
<i>Paid Losses as % of Earned Premium</i>	<i>60.3%</i>	<i>63.9%</i>	<i>74.2%</i>	<i>68.3%</i>
Underwriting & Other Expense	7,179,000	7,208,000	7,456,195	7,642,160
Interest Expense	382,000	388,000	387,000	388,000
Net Investment Income	2,776,000	3,059,000	3,106,271	3,250,420
Depreciation and Amortization	797,000	812,000	812,000	812,000
Other Revenues	469,000	417,000	413,008	419,537
Taxes	1,089,000	1,090,000	186,124	769,362
Core Operating Cash Flow	3,810,000	3,540,000	2,266,990	3,216,732
Core Operating Cash Flow Per Share	\$6.70	\$7.34	\$5.41	\$8.49
Total Cash Flow Adjustments	421,000	-486,000	-92,333	-167,467
Total Operating Cash Flow	4,231,000	3,054,000	2,174,657	3,049,266
Total Operating Cash Flow Per Share	\$7.44	\$6.33	\$5.19	\$8.05
Average Shares Outstanding (thousands)	568,600	482,500	418,846	378,808
Operating ROE	13.4%	11.4%	6.8%	9.4%


Sources: SNL, company reports, and William Blair & Company, L.L.C.

	Ticker	Rating	Price	2011 EPS Estimate	2012 EPS Estimate	2011 P/E	2012 P/E
	TRV	Market Perform	\$47.84	\$4.07	\$6.10	11.8x	7.8x
	Investment Summary: On a valuation basis, Travelers remains attractive, but we do not see sufficient positive catalysts to drive the stock higher in the near term. Travelers has the lowest price-to-book value of our commercial group and second lowest price-to-cash-flow. The company remains attractive at a 14% discount to its historical five-year median price-to-cash-flow.						

RLI Corp.
Cash Flow Model 2009-2012
(dollars in thousands except per share data)

Line Item	2009	2010	2011E	2012E
Net Written Premiums	469,916	485,140	543,109	585,136
Paid Loss	202,347	191,620	170,793	238,828
<i>Paid Losses as % of Earned Premium</i>	<i>41.1%</i>	<i>38.8%</i>	<i>33.5%</i>	<i>42.0%</i>
Underwriting & Other Expense	209,729	204,653	221,698	244,529
Interest Expense	6,050	6,050	6,049	6,049
Net Investment Income	67,346	66,799	64,408	75,350
Depreciation and Amortization	3,284	3,037	3,037	3,037
Taxes	38,592	51,058	59,518	58,067
Core Operating Cash Flow	83,828	101,595	152,495	116,049
Core Operating Cash Flow Per Share	\$3.94	\$4.85	\$7.15	\$5.44
Total Cash Flow Adjustments	43,931	-1,360	10,158	10,158
Total Cash Flow	127,759	100,235	162,653	126,207
Total Cash Flow Per Share	\$6.01	\$4.78	\$7.63	\$5.92
Average Shares Outstanding (thousands)	21,265	20,965	21,320	21,332
Average Operating ROE	13%	14%	11%	11%

Sources: SNL, company reports, and William Blair & Company, L.L.C.

	Ticker	Rating	Price	2011 EPS Estimate	2012 EPS Estimate	2011 P/E	2012 P/E
	RLI	Market Perform	\$65.06	\$5.01	\$5.02	13.0x	13.0x
	Investment Summary: We continue to believe that RLI is one of the better-positioned commercial insurers in the current cycle. However, the company is currently trading at 10.6 times P/CF and 1.6 times current book value due to the recent appreciation in the stock YTD. We believe the company is fairly valued at these levels given the strong 2nd quarter and future growth expectations.						

Insurance Trading Pattern:

Correlations Between Financial Subsectors Surge in the Third Quarter

As the third quarter comes to a close, we wanted to take a look back at market correlations during the course of 2011 between different subsectors within financial services. The charts below show the correlations between the S&P P&C insurance index and the S&P Insurance Brokers Index versus other financial subsectors and the broader market. We examined two different periods: the first half of 2011 and the third quarter by itself, as that marked the beginning of the latest market pullback.

Financial Sector Stock Performance Correlation Charts For 2011

Correlation of Stock Performance During Q3 2011

	P&C Insurance Index	Insurance Brokers Index
S&P 500	0.96	0.91
Financials	0.97	0.94
Capital Markets	0.95	0.92
Banks Index	0.95	0.86
Investment Banks Index	0.92	0.89
Specialty Finance Index	0.93	0.84
REIT Index	0.92	0.92
Asset Managers Index	0.96	0.93
Insurance	0.99	0.94
Multi-Line Insurance Index	0.97	0.94
Life Insurance Index	0.96	0.92
P&C Insurance Index	1.00	0.93
Insurance Brokers Index	0.93	1.00

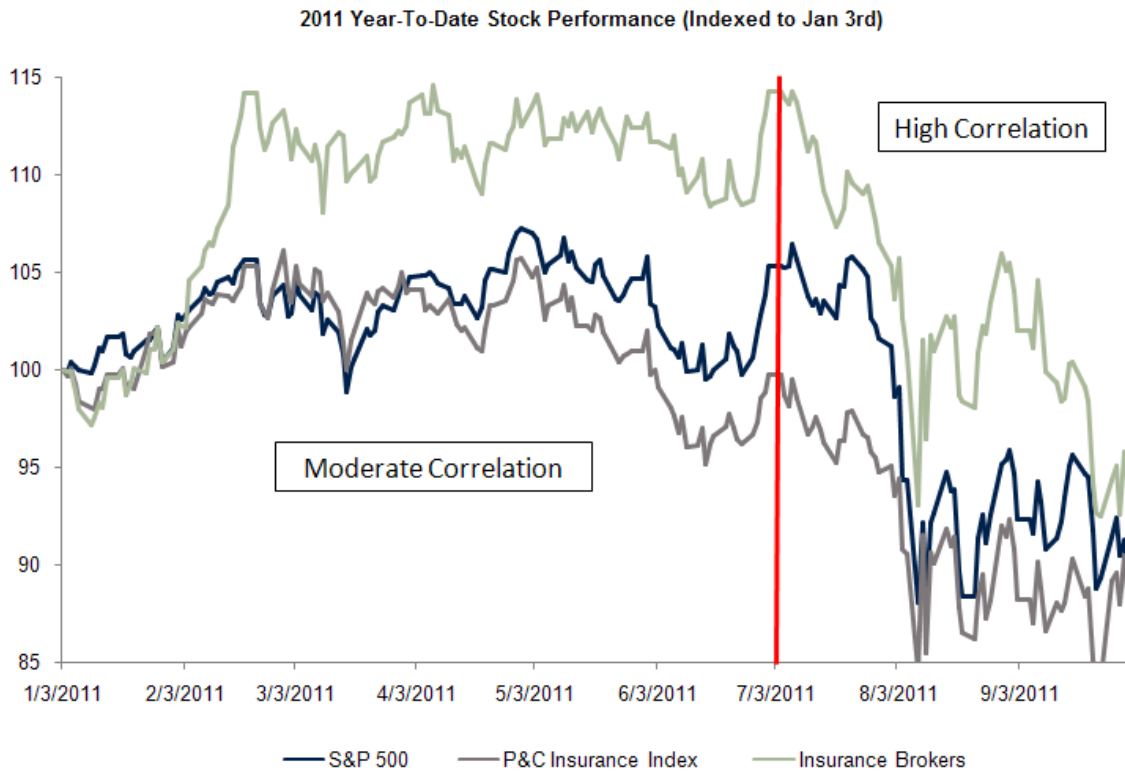
Correlation of Stock Performance During First Half 2011

	P&C Insurance Index	Insurance Brokers Index
S&P 500	0.76	0.63
Financials	0.76	-0.16
Capital Markets	0.58	-0.38
Banks Index	0.57	-0.34
Investment Banks Index	0.53	-0.42
Specialty Finance Index	0.74	0.66
REIT Index	0.00	0.61
Asset Managers Index	0.64	-0.28
Insurance	0.95	0.21
Multi-Line Insurance Index	0.58	-0.36
Life Insurance Index	0.78	-0.11
P&C Insurance Index	1.00	0.42
Insurance Brokers Index	0.42	1.00

Source: Thomson One, William Blair & Company LLC.

During the first half of 2011, when the economic outlook was more bullish, both insurance brokers and P&C stocks exhibited somewhat differentiated behavior from the market overall and the rest of the financial sector, providing some diversification benefits. The brokers in particular had negative correlations with several of the other financial subsectors, like the banks, as the stocks preformed well through the first half of the year despite the troubles in Europe. As we moved into the third quarter of 2011, the entire stock market began to suffer from signs of a global economic slowdown, turmoil in Europe, and bearish forecasts for 2012. During the course of the quarter, both the brokers and the P&C carriers have basically moved in lockstep with the rest of the financials and the broader market. We believe this can be partly explained by the enormous level of volatility we have seen in the marketplace, but also is a result of recent news focusing more on a macroeconomic slowdown, which hurts nearly all facets of the financial sector, including insurance.

As we look at year-to-date performance for the insurance subsectors, the shift in correlation activity helps explain the huge downdrafts seen over the last few months. The brokers were up nearly 15% through the first half of the year, but are down nearly 20% on average during the third quarter and are down slightly for the year. P&C stocks, on the other hand, have been underperforming the market for nearly the entire year, and they have continued to do so through the end of September.



Source: Thomson One, William Blair & Company LLC.

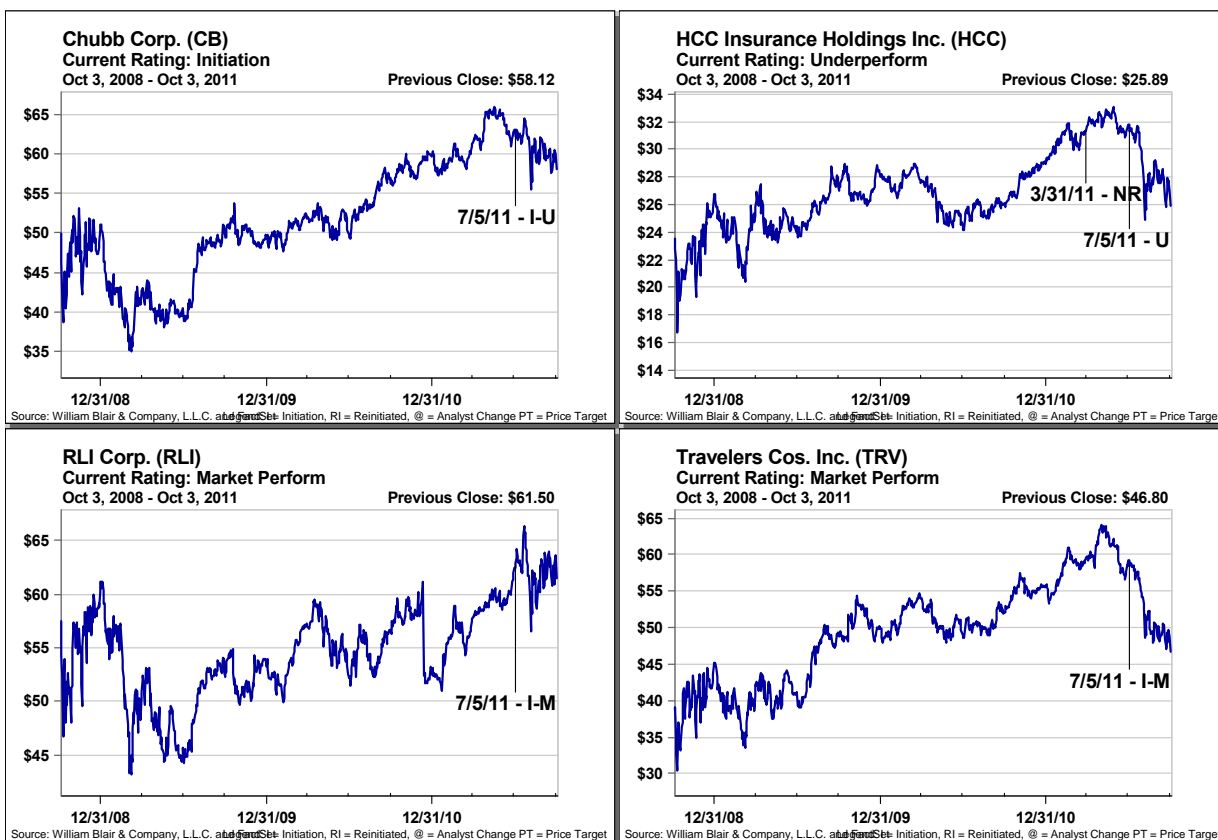
Insurance Industry: Cash Flow and Reserve Insight
 William Blair Insurance Universe Performance
 (Week of 10/3/2011-10/7/2011)

PERFORMANCE UPDATE:

Stock Fundamentals			Stock Performance											Estimates					
Ticker	Market Cap (\$BN)	Rating	Current Price 10/5/11	52-Week Range		Week Ending 9/30/2011	MTD	QTD	YTD	March 9, 2009 ¹ to Date	P/E 2011E	P/E 2012E	Price to Book	William Blair 2011 EPS Estimate	Consensus 2011 EPS Estimate	William Blair 2012 EPS Estimate	Consensus 2012 EPS Estimate		
S&P 500 Index			\$1,123.95	\$1,074.77	-	\$1,370.58	-3%	-1%	-1%	-11%	66%								
S&P Financials Index			\$156.22	\$147.66	-	\$231.20	-3%	-2%	-2%	-27%	86%								
S&P Insurance Index			\$152.68	\$144.05	-	\$202.30	-1%	0%	0%	-19%	99%								
Insurance Brokers																			
AON Corporation	AON	\$13,270	Outperform	\$42.15	\$38.82	-	\$54.58	3%	0%	0%	-8%	9%	12.5x	11.2x	1.6x	\$3.37	\$3.39	\$3.77	\$3.82
Arthur J. Gallagher & Co.	AJG	\$2,879	Market Perform	\$26.47	\$24.29	-	\$31.92	-3%	1%	1%	-9%	71%	19.7x	16.0x	2.5x	\$1.35	\$1.36	\$1.65	\$1.75
Brown & Brown, Inc.	BRO	\$2,430	Market Perform	\$17.72	\$16.77	-	\$27.07	-2%	0%	0%	-26%	13%	16.5x	16.1x	1.6x	\$1.07	\$1.11	\$1.10	\$1.24
Marsh & McLennan Companies, Inc.	MMC	\$13,926	Market Perform	\$26.65	\$23.40	-	\$31.57	-3%	0%	0%	-3%	48%	14.7x	12.4x	2.1x	\$1.81	\$1.81	\$2.14	\$2.17
Willis Group Holdings PLC	WSH	\$5,996	Outperform	\$34.65	\$30.91	-	\$42.42	1%	1%	1%	0%	84%	12.4x	10.1x	2.2x	\$2.80	\$2.88	\$3.45	\$3.32
Average Insurance Broker							-1%	0%	0%	-9%	45%	15.2x	13.1x	2.0x					
Commercial Insurers																			
AmTrust Financial Services, Inc.	AFSI	\$1,290	Outperform	\$22.58	\$14.84	-	\$24.74	2%	1%	1%	29%	227%	8.1x	7.8x	1.6x	\$2.78	\$2.83	\$2.91	\$2.87
The Chubb Corporation	CB	\$16,618	Underperform	\$59.55	\$55.39	-	\$66.00	1%	-1%	-1%	0%	70%	10.6x	11.0x	1.1x	\$5.64	\$5.15	\$5.42	\$6.04
HCC Insurance Holdings, Inc.	HCC	\$2,848	Underperform	\$26.88	\$24.66	-	\$33.12	0%	-1%	-1%	-7%	32%	10.2x	9.7x	0.9x	\$2.63	\$2.55	\$2.78	\$3.01
National Interstate Corporation	NATL	\$428	Market Perform	\$22.61	\$18.66	-	\$24.36	-2%	3%	3%	6%	55%	11.5x	10.3x	1.3x	\$1.97	\$1.85	\$2.19	\$2.08
RLI Corp.	RLI	\$1,326	Market Perform	\$65.14	\$50.86	-	\$66.53	3%	2%	2%	24%	51%	13.0x	13.0x	1.6x	\$5.01	\$5.09	\$5.02	\$4.29
The Travelers Companies, Inc.	TRV	\$21,397	Market Perform	\$48.08	\$45.97	-	\$64.17	1%	-1%	-1%	-14%	43%	11.8x	7.9x	0.8x	\$4.07	\$3.75	\$6.10	\$5.96
Tower Group, Inc.	TWGP	\$959	Market Perform	\$22.43	\$20.00	-	\$27.86	4%	-2%	-2%	-12%	2%	8.5x	7.4x	0.9x	\$2.65	\$2.45	\$3.03	\$3.08
Average Commercial Insurer							1%	0%	0%	4%	69%	10.5x	9.6x	1.2x					
Insurance Services																			
The Crawford Company	CRDB	\$215	Outperform	\$5.33	\$2.48	-	\$8.39	-7%	-1%	-1%	57%	-21%	7.7x	7.0x	NA	\$0.69	\$0.72	\$0.76	\$0.65
Fortegra Financial Corporation	FRF	\$105	Market Perform	\$5.27	\$4.81	-	\$12.20	0%	0%	0%	-52%	NA	8.4x	6.8x	0.9x	\$0.63	\$0.67	\$0.77	\$0.90
Average Insurance Services							-4%	0%	0%	2%	-21%	8.0x	6.9x	0.9x					

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Additional information is available upon request.



Current Rating Distribution (as of 09/30/11)

Coverage Universe	Percent	Inv. Banking Relationships*	Percent
Outperform (Buy)	59	Outperform (Buy)	8
Market Perform (Hold)	31	Market Perform (Hold)	2
Underperform (Sell)	1	Underperform (Sell)	0

*Percentage of companies in each rating category that are investment banking clients, defined as companies for which William Blair has received compensation for investment banking services within the past 12 months.

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earnings multiple (P/E), relative P/E (compared with the relevant market), P/E-to-growth-rate (PEG) ratio, market capitalization/revenue multiple, enterprise value/EBITDA ratio, discounted cash flow, and others.

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