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Insurance Industry Focus
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Indices at January 2, 2009

Index / Metric	Value	LTM Chg
DJIA	9,035	-32%
NASDAQ	1,632	-39%
S&P 500	932	-37%
FTSE 100	4,562	-28%
Nikkei	8,860	-40%
DJ US Select Insurance Index	2,660	-52%
USD per GBP	1.46	26%
USD per Euro	1.39	5%

Inaugural Issue

Welcome to the inaugural issue of the Freeman & Co. Insurance Industry Focus report. For almost ten years, Freeman & Co. has published research on the financial services industry to complement our strategic consulting and M&A advisory services. With this addition, we will focus on those firms that provide life, property & casualty, reinsurance and insurance brokerage services globally, with a particular emphasis on those areas of the industry that are primed for growth, capital raising initiatives, or consolidation plays. We set out to address several issues in this report:

1) The lasting impact of the credit crisis on the insurance industry
2) Credit insurance – where have all the good times gone?
3) Global consolidation potential among insurance brokers
4) Private equity and M&A activity in the insurance sector
5) Public company data and comps

2008 Year in Review: In the Land of the Blind, the One-eyed Man is King!

Finally 2008 has ended and most financial services executives left on the playing field are just happy to be alive. We have witnessed a credit crisis of epic proportions which is often compared to the Great Depression due to its incredible scope and breadth. The current conditions have left many of us hoping that the winds will be at our backs in 2009 long enough for the financial services industry to collectively kick a field goal and simply move on.

The fact remains that the U.S. government has now effectively recapitalized the banking industry, forever transformed the securities industry, refinanced and back-stopped the entire mortgage industry, thrown a life preserver to the auto industry and over the long weekend during which it launched the all-encompassing TARP plan, it doubled down on everything from AIG to the FDIC to the PBGC.

While we are not clear on where the U.S. government will turn its printing press next, we aim to provide some insights on key trends in the insurance sector.

Intervention by the U.S. Treasury in 2008: AIG vs. Banking Sector

	AIG	208 Commercial Banks
Government ownership	79.9% of Common Stock	Preferred Stock w/ Warrants
Cash committed by Treasury Dept.	$112 billion	$172 billion
Curbs on executive compensation?	Yes	No
Elimination of dividends?	Yes	No
Likely outcome of intervention	Divestitures	Sector Consolidation

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