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Outline

- Introduction
- Dividend Discount Model (DDM)
- Companies
- Outsider Information
  - High level graphs for CEOs
  - Detailed statistics for actuaries
- Appendix – Mission Statements (not included in game packs)

Introduction

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Introduction

- **Game.** The following game puts you in the CEO's seat and requires you to make a strategic decision regarding the future of your company. Rather than focusing on everyday actuarial intricacies (i.e., picking loss development factors), we want you to take a step back and think about the bigger picture – what it means to create value for the company you run.
- **What we hope you take away from this exercise...**
  - **Dividend Discount Model (DDM).** The dividend discount model (DDM) is one of the primary tools used to value property & casualty insurance companies. Quite simply we value the company as the present value of future dividends. Because this technique takes a macro view (i.e., it looks at Return-on-Equity, payout ratios) rather than a micro view (i.e., effect of change in distribution on operating profit), it can be more useful from an analysts' or executives' perspective than the Discounted Cash Flow (DCF) Model. However, in all good due diligence, the macro DDM should be supplemented by a micro DCF which considers the firms operations as a means of generating return. Note that it is typically with this later valuation method that we as actuaries can add significant value given our understanding of insurance.
  - **Multiples.** There are a number of key multiples analysts consider when valuing companies and benchmarking performance relative to peers. We include a few graphs which demonstrate some of these key relationships including:
    - Price to Book Value (PBV) vs. Return on Equity (ROE) – Companies are typically rewarded for higher returns
    - Payout Ratio vs. Growth Expectations – The more a company pays in dividends, the less they retain to finance future growth
    - Debt to Equity (DE) Ratio vs. Beta – The more leveraged a company, the more risky
  - **Real World.** Finally, all the examples are based on real-world data as at 31 December 2012. To this extent, the following should be useful from understanding how valuations work and putting some well known companies into context (N.B: the mission statements are not real-world, these are totally imaginary and included to give the game more direction)

Instructions

- **Format.** Each 3 person team represents a real company.
- **Actions.** You can take 1 of 3 actions (but only one action)…
  - Merge – Decide to merge with another company (free, need to agree percentage split)
  - Acquire / Sell – Decide to acquire a company / sell your company (need to decide sale price)
  - Nothing – Do nothing
- **Financing.** Each team is provided with an amount of cash commiserate with its balance sheet. To finance an acquisition however, you might need to borrow from the bank at 3%.
- **Mission.** To help you decide what to do, each company is given a **Mission** and some key information.
- **Information.** There are two types of information…
  - Outsider – Information known to all compiled by actuaries / analysts regarding valuations / future expectations
  - Insider – Information known only to you which others should suss out in negotiations (don't lie or you will go to JAIL)
- **Valuation Packs.** Each team receives a valuation pack (attached) containing relevant outsider information
  - CEO's Dashboard – High-level information ("pictures") necessary to make a dangerously wild-guess
  - Actuary's Dashboard – Excruciatingly boring information regarding relative valuations using dividend discount model
- **Time.** Time, as is the case in M&A, is tight and you have 45 minutes to negotiate an acceptable deal. To make matters worse, the bank only has limited amount of money to lend and once that money has been lent no one else can borrow.
- **Winner.** The winner is the company who adds the most value out of their M&A activity.

Companies

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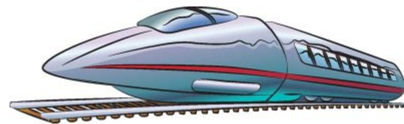
Bullet Fire & Marine (Japan)



- CEO: Aiko Nakata
- Headquarters: Osaka, Japan
- One of Japan's largest, well established non-life companies employs around 19,500 people in 30 countries across the world
- Has a corporate philosophy of: "customers and their trust is at the heart of everything we do"
- Have been involved in M&As frequently over the last 5 years (with the majority as the acquirer)
- In the company's 2014 plan it lists 'Seize new opportunities for growth by expansion' and 'Invest in businesses with efficient capital' as key strategies

Wallaby Group Ltd. (Australia)

- CEO: Neil Johnson
- Headquarters: Melbourne, Australia
- A fine example of a company born out of mergers; the Wallaby group can trace its origins back to four separate entities each set up a minimum of 50 years ago
- No stranger to M&A, its presence in 42 countries leads to regular activity
- Wallaby Insurance Group has delivered more than 100 acquisitions since its first acquisition in 1985
- Has seen strong M&A activity over the last 2 years

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Bengal Insurance Solutions (Cincinnati, US)

- CEO: Michael Lewis
- Headquarters: Cincinnati, USA
- Have big ambitions to be the top motor insurer in the US
- Bengal have 20,000 employees in more than 400 offices throughout the United States
- Began working on a usage based insurance (UBI) device in the late 1990s and today holds 2 patents covering UBI methods and systems with many more pending
- Very limited operations outside the US with only a Argentinian subsidiary to its name
- Historically have focussed more on organic growth

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El Matador SA (Spain)

- CEO: Miguel Costa
- Headquarters: Barcelona, Spain
- Employ around 32,000 people, with over a fifth of these in Spain. El Matador have a presence in 40 countries across 5 continents
- Involved in M&A deals (both as buyer and seller) more than 10 times in the past 2 years
- El Matador announced a strategy to be the "most respected global insurance company" in its 2011 annual report
- One of the objectives for 2013 is to focus on expanding operations in Asia

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National Insurance Corporation of Canada (NICC)

- CEO: Robin Reynolds
- Headquarters: Ottawa, Canada
- One of Canada's largest general insurers has focussed recently on integrating 'Ice Insurance' as part of one of the largest acquisitions in Canadian P&C insurance history (2012)
- Also purchased 'Maple Insurance Company' in 2013
- Employ around 10,000 people in 105 offices, predominantly in Canada
- Overall strategy is to build a "world-renowned P&C insurer"

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Fjord Forsikring (Norway)

- CEO: Anders Hansen
- Headquarters: Bergen, Norway
- Employ over 2,000 people in Norway, Denmark, Sweden and Finland
- Fjord's overall target is to be the most consumer-focused general insurance company in the Nordic region, based on sustainable operations and a market leading position
- Fjord consider acquiring businesses that can contribute to realising the Group's strategy in Scandinavia and further afield
- A precondition for any acquisition is that the business can support the Group's return on equity requirement within two years of the acquisition
- The insurance activity of any acquisition must also be able to deliver results that satisfy the Group's combined ratio target within four years

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Shakespeare Insurance Group (UK)

- CEO: Evan Jones
- Headquarters: Birmingham, UK
- Employ around 21,000 people in 30 countries across the globe, serving customers in 130 countries
- 'Invest in attractive markets with excellent growth outlook' is a key part of the group's strategy
- 'Achieve market leading ratios in mature markets' is another key strategic objective and this led to the acquisition of Bayern Broking Group in Germany in 2012

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Rio de Janeiro SA (Brazil)

- CEO: Rolando da Sousa
- Headquarters: Rio de Janeiro, Brazil
- Mission is 'to take risks and provide solutions through family values that exceed expectations, guaranteeing competitive costs with corporate and social responsibility'
- Surged from 47th to 3rd in the rankings of Brazilian insurers since its inception in 1965
- Brazil projected to be one of the top 10 insurance markets globally by 2020 according to a Munich Re report from May 2013

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Triangle Holdings, Ltd. (Bermuda)

- CEO: Frank Marista
- Headquarters: Hamilton, Bermuda
- A relatively young company, incorporated under the laws of Bermuda on February 2nd 2006
- Seek to establish themselves as one of the leading players in the global insurance and reinsurance markets
- Focus on their own underwriting philosophy and adherence to an group risk management strategy
- Also maintain a "conservative investment approach which focuses on preserving shareholder value"

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Table Mountain Ltd. (South Africa)

- CEO: Richard du Plessis
- Headquarters: Cape Town, South Africa
- A long established insurer with over a third of the South African market
- Have assets totalling around R14 billion and insure more than 450,000 policy holders
- Consider broker relationships and the broker distribution network to be a core strength
- Committed to "growth coupled with diversification" (while traditional broker business remains the core of the group)

Dividend Discount Model (DDM)

A brief introduction to the dividend discount model

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Dividend Discount Model (DDM)

- Overview – The DDM values a company as the present value of all future dividends
- Key assumptions –
  - *n* – Extraordinary growth period (typically, we value the company as the sum of (i) the present value of dividends over the next *n* years reflecting extraordinary or reasonably predictable growth in dividends and (ii) the present value of dividends subsequent to *n* years reflecting steady state growth assumptions)
  - D_0 – Current dividend
  - $D_1, D_2, \ldots, D_n$ – Projected dividends over extraordinary growth period
  - *g* – Steady-state growth rate of dividends for years *n*+1 and subsequent
  - *p* – Payout ratio or the percentage of earnings which are paid as dividends
  - ROE – Return on equity (typically expressed as net income divided by book value of equity)
  - *k* – Risk adjusted discount rate (or cost of capital)
  - *β* – Beta of the company describing volatility (typically, we assume it tends to 1.00 in the steady state)
  - r_f – Risk-free rate of return
  - $E(r_m) - r_f$ – Market risk premium (expected market return in excess of risk-free rate)
- Intermediate Steps – Based on the above, we compute the cost of capital and growth rate as:

$$k = r_f + \beta\left(\mathrm{E}[r_m] - r_f\right)$$

$$g = (1 - p)\mathrm{ROE}$$

- Valuation – Mathematically, this model is expressed as:

$$\begin{aligned} V_0 &= \sum_{i=1}^{n} \frac{D_i}{(1+k)^i} + \frac{D_n}{(1+k)^n} \sum_{i=1}^{\infty} \left(\frac{1+g}{1+k}\right)^i \\ &= \sum_{i=1}^{n} \frac{D_i}{(1+k)^i} + \frac{D_n}{k-g} \end{aligned}$$

Valuation

The CEO's Dashboard

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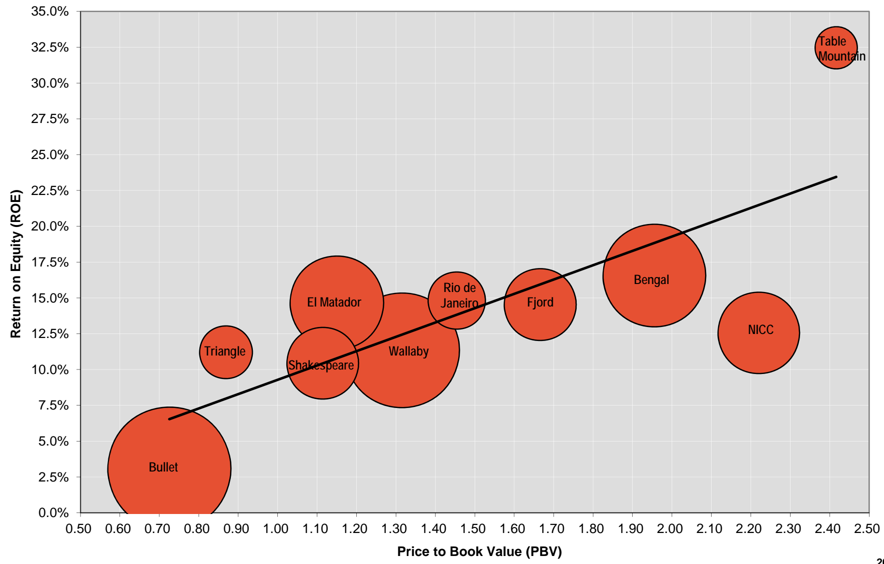
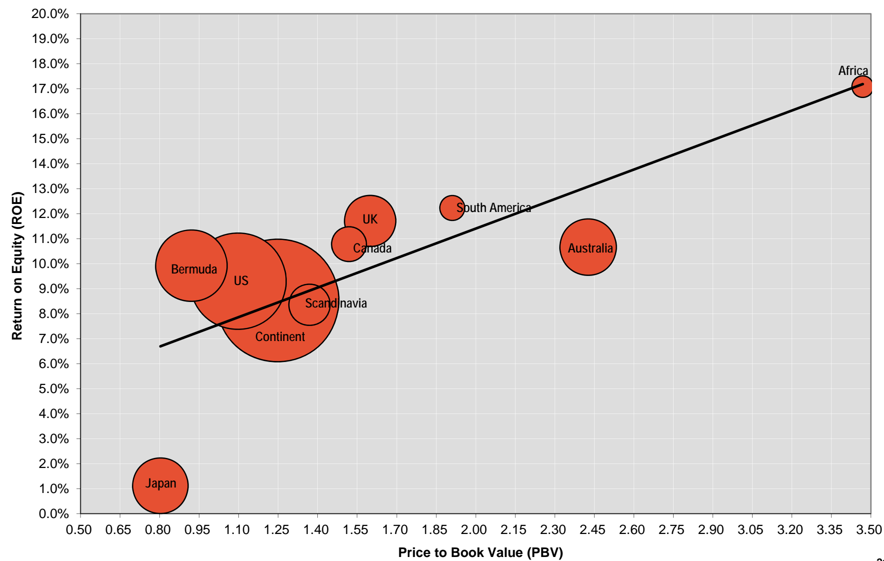
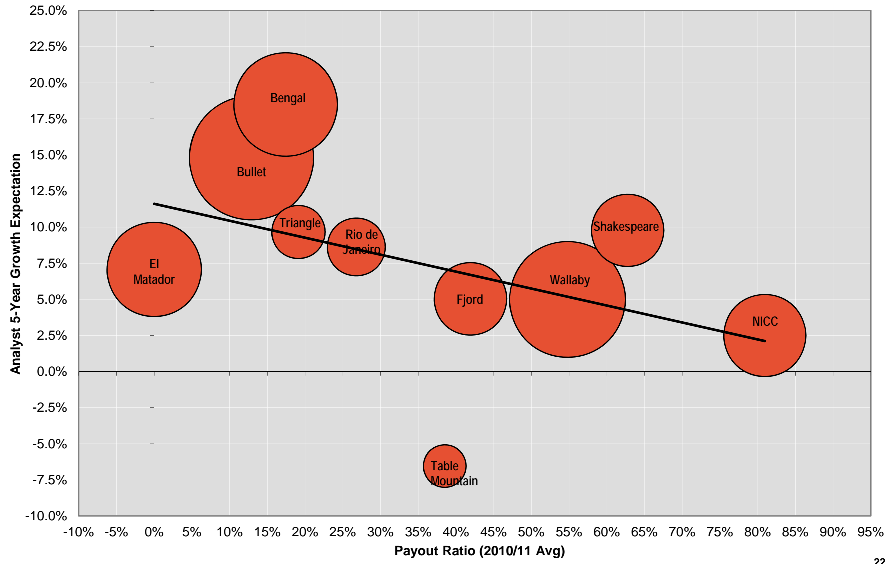
Price to Book Value (PBV) vs. Return on Equity (ROE) – Company



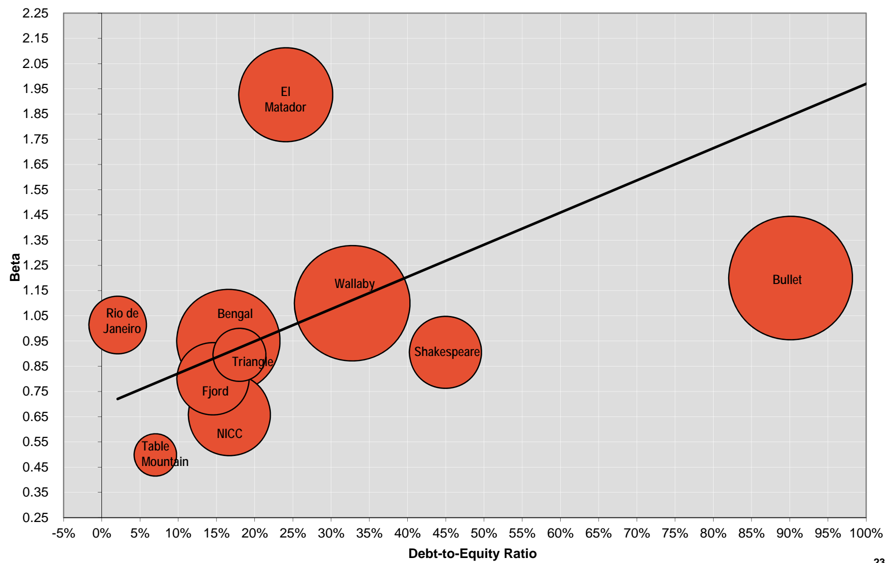
Price to Book Value (PBV) vs. Return on Equity (ROE) – Region



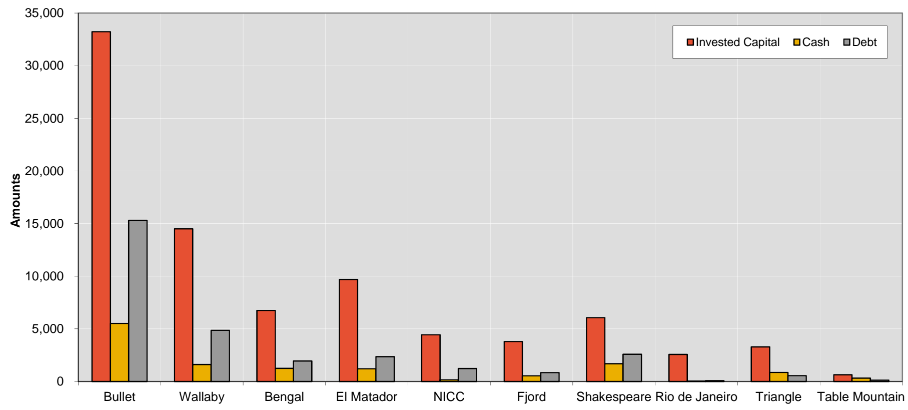
Payout Ratio vs. Growth Expectations



Debt to Equity (DE) Ratio vs. Beta



Book Value = Invested Capital + Cash – Debt



Valuation

The Actuary’s Projections

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Company #1 – Bullet Fire & Marine (Japan)

Table **(a) Summary**

Row	Measure	Bid	Current	Multiple
(1)	Price	22.8	22.2	1.03
(2)	Book Value of Equity	17,476	23,426	0.75

Table **(b) Valuation Model**

		Valuation Period		Total
Row	Statistic	Growth	Terminal	Value
(1)	Expected 2012 Dividend	500.0		
(2)	Growth Period	2.0		
(3)	Payout Ratio	25.0%	40.0%	
(4)	Return-on-Equity	3.5%	3.5%	
(5)	Growth Rate	2.6%	2.1%	
(6)	Risk-Adjusted Discount Rate	1.6%	5.0%	
(7)	Valuation	1,005	16,470	**17,476**

Table **(c) Dividend Payout Ratio**

		Net	Payout Ratio	
Year	Dividend	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002				
2003	139	478	47.7%	29.0%
2004	169	1,018	17.2%	16.6%
2005	168	576	25.5%	29.1%
2006	159	757	23.5%	21.0%
2007	310	766	34.9%	40.5%
2008	365	489	90.0%	74.7%
2009	424	853	344.9%	49.7%
2010	471	1,824	40.1%	25.8%
2011	0	723	N/A	0.0%
2000-06	159	708	28.5%	23.9%
2007-11	314	931	127.5%	38.1%
2010-11	235	1,274	40.1%	12.9%
Growth	**500**			**25.0%**
Terminal				**40.0%**

Table **(d) Return-on-Equity (ROE)**

	Book	Net	ROE	
Year	Value	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002				
2003	15,254	478	1.7%	3.1%
2004	21,118	1,018	5.2%	4.8%
2005	19,639	576	3.8%	2.9%
2006	27,026	757	3.2%	2.8%
2007	27,987	766	2.9%	2.7%
2008	20,692	489	2.0%	2.4%
2009	22,498	853	0.7%	3.8%
2010	24,101	1,824	3.6%	7.6%
2011	23,426	723	-1.0%	3.1%
2000-06	20,759	708	3.5%	3.4%
2007-11	23,741	931	1.7%	3.9%
2010-11	23,763	1,274	1.3%	5.4%
Growth				**3.5%**
Terminal				**3.5%**

Table **(e) Risk-Adjusted Discount Rate**

	Risk Free	Market	Beta		Risk Adj Disc
Year	Rate	Return	Bench.	Co.	Rate
(1)	(2)	(3)	(4)	(5)	(6)
2000					
2001					
2002					
2003	1.0%	1.7%	0.95	1.00	1.7%
2004	1.5%	5.2%	1.14	1.26	6.2%
2005	1.4%	3.8%	1.94	2.11	6.4%
2006	1.7%	3.2%	1.92	1.83	4.4%
2007	1.7%	2.9%	1.69	1.61	3.7%
2008	1.5%	2.0%	1.01	0.96	2.0%
2009	1.4%	0.7%	1.04	1.11	0.6%
2010	1.2%	3.6%	1.12	1.02	3.7%
2011	1.2%	-1.0%	1.03	1.20	-1.4%
2000-06	1.4%	3.5%	1.49	1.55	4.6%
2007-11	1.4%	1.7%	1.18	1.18	1.7%
2010-11	1.2%	1.3%	1.07	1.11	1.3%
Growth	**1.0%**	**1.5%**		**1.10**	1.6%
Terminal	**1.5%**	**5.0%**		**1.00**	5.0%

Company #2 – Wallaby Group Ltd. (Australia)

Table **(a) Summary**

Row	Measure	Bid	Current	Multiple
(1)	Price	12.8	13.3	0.96
(2)	Book Value of Equity	14,255	11,266	1.27

Table **(b) Valuation Model**

		Valuation Period		Total
Row	Statistic	Growth	Terminal	Value
(1)	Expected 2012 Dividend	800.0		
(2)	Growth Period	3.0		
(3)	Payout Ratio	60.0%	60.0%	
(4)	Return-on-Equity	15.0%	10.0%	
(5)	Growth Rate	6.0%	4.0%	
(6)	Risk-Adjusted Discount Rate	9.5%	10.0%	
(7)	Valuation	2,324	11,931	**14,255**

Table **(c) Dividend Payout Ratio**

		Net	Payout Ratio	
Year	Dividend	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002				
2003	86	210	34.7%	41.2%
2004	133	446	34.2%	29.8%
2005	106	614	38.0%	17.2%
2006	177	860	47.0%	20.5%
2007	436	1,301	47.7%	33.5%
2008	558	1,781	261.3%	31.3%
2009	819	1,296	107.8%	63.2%
2010	880	1,767	60.6%	49.8%
2011	764	1,278	73.0%	59.8%
2000-06	125	532	38.5%	27.2%
2007-11	691	1,485	110.1%	47.5%
2010-11	822	1,523	66.8%	54.8%
Growth	**800**			**60.0%**
Terminal				**60.0%**

Table **(d) Return-on-Equity (ROE)**

	Book	Net	ROE	
Year	Value	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002				
2003	2,015	210	8.7%	10.4%
2004	2,586	446	19.6%	17.3%
2005	3,307	614	19.7%	18.6%
2006	4,015	860	21.2%	21.4%
2007	5,514	1,301	17.9%	23.6%
2008	8,426	1,781	8.2%	21.1%
2009	8,255	1,296	10.1%	15.7%
2010	8,921	1,767	13.4%	19.8%
2011	11,266	1,278	8.4%	11.3%
2000-06	2,981	532	17.3%	17.9%
2007-11	8,476	1,485	11.6%	17.5%
2010-11	10,094	1,523	10.9%	15.1%
Growth				**15.0%**
Terminal				**10.0%**

Table **(e) Risk-Adjusted Discount Rate**

	Risk Free	Market	Beta		Risk Adj Disc
Year	Rate	Return	Bench.	Co.	Rate
(1)	(2)	(3)	(4)	(5)	(6)
2000					
2001					
2002					
2003	5.4%	8.7%	0.72	0.86	8.3%
2004	5.6%	19.6%	0.77	1.01	19.7%
2005	5.3%	19.7%	1.47	1.69	29.5%
2006	5.6%	21.2%	1.02	1.51	29.1%
2007	6.0%	17.9%	1.08	1.52	24.1%
2008	5.8%	8.2%	0.85	0.74	7.6%
2009	5.0%	10.1%	0.61	0.64	8.3%
2010	5.4%	13.4%	0.63	0.77	11.6%
2011	4.9%	8.4%	0.78	1.10	8.8%
2000-06	5.5%	17.3%	0.99	1.27	20.4%
2007-11	5.4%	11.6%	0.79	0.95	11.3%
2010-11	5.1%	10.9%	0.71	0.93	10.5%
Growth	**5.0%**	**10.0%**		**0.90**	9.5%
Terminal	**5.5%**	**10.0%**		**1.00**	10.0%

Company #3 – Bengal Insurance Solutions (United States)

Table (a) Summary

Row	Measure	Bid	Current	Multiple
(1)	Price	27.1	17.9	1.52
(2)	Book Value of Equity	17,971	6,049	2.97

Table (b) Valuation Model

		Valuation Period		Total
Row	Statistic	Growth	Terminal	Value
(1)	Expected 2012 Dividend	150.0		
(2)	Growth Period	10.0		
(3)	Payout Ratio	7.5%	20.0%	
(4)	Return-on-Equity	20.0%	10.0%	
(5)	Growth Rate	18.5%	8.0%	
(6)	Risk-Adjusted Discount Rate	9.6%	10.0%	
(7)	Valuation	2,183	15,788	17,971

Table (c) Dividend Payout Ratio

		Net	Payout Ratio	
Year	Dividend	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000	21	297	28.6%	6.9%
2001	21	66	32.7%	31.1%
2002	22	411	55.1%	5.4%
2003	26	718	37.0%	3.6%
2004	28	1,245	22.7%	2.2%
2005	26	1,597	22.9%	1.6%
2006	34	1,394	27.3%	2.4%
2007	0	1,648	17.9%	0.0%
2008	0	1,183	18.4%	0.0%
2009	15	-70	7.3%	-21.1%
2010	106	1,058	23.1%	10.1%
2011	248	1,002	26.5%	24.8%
2000-06	25	819	32.3%	7.6%
2007-11	74	964	18.6%	2.8%
2010-11	177	1,030	24.8%	17.4%
Growth	150			7.5%
Terminal				20.0%

Table (d) Return-on-Equity (ROE)

	Book	Net	ROE	
Year	Value	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000	2,753	297	9.6%	10.8%
2001	2,870	66	7.8%	2.3%
2002	3,251	411	4.6%	12.7%
2003	3,768	718	7.4%	19.1%
2004	5,031	1,245	11.5%	24.8%
2005	5,155	1,597	12.1%	31.0%
2006	6,108	1,394	10.5%	22.8%
2007	6,847	1,648	16.4%	24.1%
2008	4,936	1,183	14.6%	24.0%
2009	4,215	-70	8.3%	-1.7%
2010	5,749	1,058	10.3%	18.4%
2011	6,049	1,002	9.3%	16.6%
2000-06	4,134	819	9.1%	19.8%
2007-11	5,559	964	11.8%	17.3%
2010-11	5,899	1,030	9.8%	17.5%
Growth				20.0%
Terminal				10.0%

Table (e) Risk-Adjusted Discount Rate

	Risk Free	Market	Beta		Risk Adj Disc
Year	Rate	Return	Bench.	Co.	Rate
(1)	(2)	(3)	(4)	(5)	(6)
2000	6.0%	9.6%	0.79	1.30	10.7%
2001	5.0%	7.8%	0.81	1.25	8.5%
2002	4.6%	4.6%	0.60	0.89	4.6%
2003	4.0%	7.4%	0.62	0.75	6.5%
2004	4.3%	11.5%	0.77	0.90	10.8%
2005	4.3%	12.1%	1.47	0.88	11.1%
2006	4.8%	10.5%	1.02	0.13	5.5%
2007	4.6%	16.4%	1.08	0.08	5.6%
2008	3.7%	14.6%	0.85	0.61	10.3%
2009	3.3%	8.3%	0.61	0.94	8.0%
2010	3.2%	10.3%	0.63	0.94	9.9%
2011	2.8%	9.3%	0.78	0.95	9.0%
2000-06	4.7%	9.1%	0.87	0.87	8.5%
2007-11	3.5%	11.8%	0.79	0.70	9.3%
2010-11	3.0%	9.8%	0.71	0.95	9.4%
Growth	2.5%	10.0%		0.95	9.6%
Terminal	3.5%	10.0%		1.00	10.0%

Company #4 – El Matador SA (Spain)

Table (a) Summary

Row	Measure	Bid	Current	Multiple
(1)	Price	3.0	3.2	0.94
(2)	Book Value of Equity	9,277	8,537	1.09

Table (b) Valuation Model

		Valuation Period		Total
Row	Statistic	Growth	Terminal	Value
(1)	Expected 2012 Dividend	260.0		
(2)	Growth Period	10.0		
(3)	Payout Ratio	20.0%	45.0%	
(4)	Return-on-Equity	15.0%	10.0%	
(5)	Growth Rate	12.0%	5.5%	
(6)	Risk-Adjusted Discount Rate	14.5%	10.0%	
(7)	Valuation	2,359	6,919	9,277

Table (c) Dividend Payout Ratio

		Net	Payout Ratio	
Year	Dividend	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002	36	96	N/A	37.3%
2003	0	134	62.9%	0.0%
2004	0	167	23.8%	0.0%
2005	0	217	24.3%	0.0%
2006	210	325	27.6%	64.7%
2007	267	489	37.3%	54.7%
2008	0	1,325	78.9%	0.0%
2009	0	1,259	31.9%	0.0%
2010	0	1,328	36.1%	0.0%
2011	0	1,252	49.0%	0.0%
2000-06	49	188	34.7%	20.4%
2007-11	53	1,130	46.6%	10.9%
2010-11	0	1,290	42.6%	0.0%
Growth	260			20.0%
Terminal				45.0%

Table (d) Return-on-Equity (ROE)

	Book	Net	ROE	
Year	Value	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002	1,811	96	-6.5%	5.3%
2003	1,275	134	7.2%	10.5%
2004	1,288	167	10.1%	13.0%
2005	1,978	217	12.5%	10.9%
2006	2,844	325	13.5%	11.4%
2007	3,463	489	14.7%	14.1%
2008	7,139	1,325	4.0%	18.6%
2009	6,285	1,259	11.6%	20.0%
2010	6,357	1,328	10.0%	20.9%
2011	8,537	1,252	8.5%	14.7%
2000-06	1,839	188	7.4%	10.2%
2007-11	6,356	1,130	9.8%	17.8%
2010-11	7,447	1,290	9.3%	17.3%
Growth				15.0%
Terminal				10.0%

Table (e) Risk-Adjusted Discount Rate

	Risk Free	Market	Beta		Risk Adj Disc
Year	Rate	Return	Bench.	Co.	Rate
(1)	(2)	(3)	(4)	(5)	(6)
2000					
2001					
2002	5.0%	-6.5%	0.68	0.67	-2.7%
2003	4.1%	7.2%	0.68	0.50	5.7%
2004	4.1%	10.1%	1.07	0.97	9.9%
2005	3.4%	12.5%	0.87	1.51	17.1%
2006	3.8%	13.5%	0.94	1.29	16.3%
2007	4.3%	14.7%	1.14	1.19	16.7%
2008	4.4%	4.0%	0.97	0.96	4.0%
2009	4.0%	11.6%	0.97	1.23	13.3%
2010	4.3%	10.0%	1.02	1.46	12.6%
2011	5.4%	8.5%	1.29	1.93	11.4%
2000-06	4.1%	7.4%	0.85	0.99	7.3%
2007-11	4.5%	9.8%	1.08	1.35	11.6%
2010-11	4.8%	9.3%	1.15	1.69	12.3%
Growth	5.5%	10.0%		2.00	14.5%
Terminal	3.5%	10.0%		1.00	10.0%

Company #5 – NICC (Canada)

Table **(a) Summary**

Row	Measure	Bid	Current	Multiple
(1)	Price	33.1	57.6	0.57
(2)	Book Value of Equity	4,287	3,360	1.28

Table **(b) Valuation Model**

		Valuation Period		Total
Row	Statistic	Growth	Terminal	Value
(1)	Expected 2012 Dividend	160.0		
(2)	Growth Period	7.0		
(3)	Payout Ratio	35.0%	35.0%	
(4)	Return-on-Equity	7.5%	10.0%	
(5)	Growth Rate	4.9%	6.5%	
(6)	Risk-Adjusted Discount Rate	8.5%	10.0%	
(7)	Valuation	1,013	3,273	**4,287**

Table **(c) Dividend Payout Ratio**

		Net	Payout Ratio	
Year	Dividend	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002				
2003				
2004	0	125	7.4%	0.0%
2005	0	539	9.7%	0.0%
2006	75	671	13.1%	11.1%
2007	132	651	12.6%	20.3%
2008	137	378	10.0%	36.3%
2009	142	105	19.6%	136.2%
2010	152	121	15.3%	125.5%
2011	154	422	8.1%	36.4%
2000-06	25	445	10.1%	3.7%
2007-11	143	335	13.1%	70.9%
2010-11	153	272	11.7%	80.9%
Growth	**160**			**35.0%**
Terminal				**35.0%**

Table **(d) Return-on-Equity (ROE)**

	Book	Net	ROE	
Year	Value	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002				
2003				
2004	822	125	11.0%	15.2%
2005	1,779	539	10.9%	30.3%
2006	2,483	671	12.6%	27.0%
2007	3,384	651	12.2%	19.2%
2008	2,962	378	14.3%	12.8%
2009	2,539	105	8.6%	4.1%
2010	2,750	121	8.7%	4.4%
2011	3,360	422	15.1%	12.6%
2000-06	1,694	445	11.5%	26.3%
2007-11	2,999	335	11.8%	11.2%
2010-11	3,055	272	11.9%	8.9%
Growth				**7.5%**
Terminal				**10.0%**

Table **(e) Risk-Adjusted Discount Rate**

	Risk				Risk Adj
	Free	Market	Beta		Disc
Year	Rate	Return	Bench.	Co.	Rate
(1)	(2)	(3)	(4)	(5)	(6)
2000					
2001					
2002					
2003					
2004	4.6%	11.0%	0.78	0.90	10.4%
2005	4.1%	10.9%	0.96	1.00	10.9%
2006	4.2%	12.6%	0.71	1.01	12.6%
2007	4.3%	12.2%	0.90	1.24	14.1%
2008	3.6%	14.3%	0.81	0.98	14.1%
2009	3.3%	8.6%	0.57	0.73	7.2%
2010	3.2%	8.7%	0.72	0.62	6.6%
2011	2.8%	15.1%	0.77	0.66	10.9%
2000-06	4.3%	11.5%	0.82	0.97	11.3%
2007-11	3.4%	11.8%	0.75	0.85	10.5%
2010-11	3.0%	11.9%	0.74	0.64	8.7%
Growth	**3.0%**	**11.5%**		**0.65**	8.5%
Terminal	**4.5%**	**10.0%**		**1.00**	10.0%

Company #6 – Fjord Forsikring (Norway)

Table **(a) Summary**

Row	Measure	Bid	Current	Multiple
(1)	Price	11.4	11.6	0.98
(2)	Book Value of Equity	5,681	3,489	1.63

Table **(b) Valuation Model**

		Valuation Period		Total
Row	Statistic	Growth	Terminal	Value
(1)	Expected 2012 Dividend	300.0		
(2)	Growth Period	10.0		
(3)	Payout Ratio	75.0%	50.0%	
(4)	Return-on-Equity	15.0%	10.0%	
(5)	Growth Rate	3.8%	5.0%	
(6)	Risk-Adjusted Discount Rate	10.0%	10.0%	
(7)	Valuation	2,338	3,343	**5,681**

Table **(c) Dividend Payout Ratio**

		Net	Payout Ratio	
Year	Dividend	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002			N/A	
2003			N/A	
2004			15.3%	
2005			23.7%	
2006			39.1%	
2007			33.4%	
2008			85.1%	
2009			100.3%	
2010			71.4%	
2011	425	507	53.6%	83.8%
2000-06			26.0%	
2007-11	425	507	68.8%	83.8%
2010-11	425	507	62.5%	83.8%
Growth	**300**			**75.0%**
Terminal				**50.0%**

Table **(d) Return-on-Equity (ROE)**

	Book	Net	ROE	
Year	Value	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002			-2.3%	
2003			-1.5%	
2004			10.0%	
2005			15.6%	
2006			18.0%	
2007			25.9%	
2008			9.6%	
2009			4.7%	
2010			8.0%	
2011	3,489	507	12.4%	14.5%
2000-06			8.0%	
2007-11	3,489	507	12.1%	14.5%
2010-11	3,489	507	10.2%	14.5%
Growth				**15.0%**
Terminal				**10.0%**

Table **(e) Risk-Adjusted Discount Rate**

	Risk				Risk Adj
	Free	Market	Beta		Disc
Year	Rate	Return	Bench.	Co.	Rate
(1)	(2)	(3)	(4)	(5)	(6)
2000					
2001					
2002	6.5%	-2.3%	0.83		
2003	5.0%	-1.5%	0.95		
2004	4.5%	10.0%	1.25		
2005	3.9%	15.6%	0.69		
2006	4.1%	18.0%	0.84		
2007	4.8%	25.9%	0.88		
2008	4.3%	9.6%	1.14		
2009	4.1%	4.7%	0.91		
2010	3.8%	8.0%	0.76		
2011	2.4%	12.4%	1.05	1.00	12.4%
2000-06	4.8%	8.0%	0.91		
2007-11	3.9%	12.1%	0.95	1.00	12.1%
2010-11	3.1%	10.2%	0.91	1.00	10.2%
Growth	**5.5%**	**10.0%**		**1.00**	10.0%
Terminal	**3.5%**	**10.0%**		**1.00**	10.0%

Company #7 – Shakespeare Insurance Group (United Kingdom)

Table (a) Summary

Row	Measure	Bid	Current	Multiple
(1)	Price	2.1	1.6	1.29
(2)	Book Value of Equity	7,444	5,172	1.44

Table (b) Valuation Model

		Valuation Period		Total
Row	Statistic	Growth	Terminal	Value
(1)	Expected 2012 Dividend	350.0		
(2)	Growth Period	5.0		
(3)	Payout Ratio	50.0%	50.0%	
(4)	Return-on-Equity	12.5%	10.0%	
(5)	Growth Rate	6.3%	5.0%	
(6)	Risk-Adjusted Discount Rate	12.8%	10.0%	
(7)	Valuation	1,558	5,885	7,444

Table (c) Dividend Payout Ratio

		Net	Payout Ratio	
Year	Dividend	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002	0	-1,237	N/A	0.0%
2003	0	-526	N/A	0.0%
2004	0	-56	41.2%	0.0%
2005	184	165	32.9%	111.5%
2006	242	1,076	32.6%	22.5%
2007	0	940	22.3%	0.0%
2008	237	1,343	81.7%	17.6%
2009	374	836	358.7%	44.7%
2010	366	675	36.7%	54.2%
2011	385	540	45.0%	71.3%
2000-06	85	-116	35.6%	26.8%
2007-11	272	867	108.9%	37.6%
2010-11	376	608	40.9%	62.8%
Growth	350			50.0%
Terminal				50.0%

Table (d) Return-on-Equity (ROE)

	Book	Net	ROE	
Year	Value	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002	5,169	-1,237	-8.5%	-23.9%
2003	2,976	-526	-8.7%	-17.7%
2004	3,940	-56	17.9%	-1.4%
2005	4,382	165	19.6%	3.8%
2006	5,074	1,076	18.7%	21.2%
2007	4,782	940	19.5%	19.7%
2008	6,407	1,343	5.6%	21.0%
2009	5,771	836	0.8%	14.5%
2010	4,329	675	19.4%	15.6%
2011	5,172	540	14.9%	10.4%
2000-06	4,308	-116	7.8%	-2.7%
2007-11	5,292	867	12.0%	16.4%
2010-11	4,750	608	17.2%	12.8%
Growth				12.5%
Terminal				10.0%

Table (e) Risk-Adjusted Discount Rate

	Risk Free	Market	Beta		Risk Adj Disc
Year	Rate	Return	Bench.	Co.	Rate
(1)	(2)	(3)	(4)	(5)	(6)
2000					
2001					
2002	4.9%	-8.5%	0.84	1.11	-9.9%
2003	4.6%	-8.7%	0.57	1.40	-14.0%
2004	4.9%	17.9%	0.93	2.49	37.2%
2005	4.5%	19.6%	0.57	2.11	36.5%
2006	4.4%	18.7%	0.65	1.87	31.3%
2007	5.0%	19.5%	0.86	2.15	36.0%
2008	4.6%	5.6%	0.81	0.84	5.4%
2009	3.6%	0.8%	0.44	0.72	1.6%
2010	3.6%	19.4%	0.42	0.52	11.8%
2011	3.1%	14.9%	0.83	0.91	13.8%
2000-06	4.7%	7.8%	0.71	1.80	10.3%
2007-11	4.0%	12.0%	0.67	1.02	12.2%
2010-11	3.4%	17.2%	0.62	0.71	13.2%
Growth	2.0%	14.0%		0.90	12.8%
Terminal	5.0%	10.0%		1.00	10.0%

Company #8 – Rio de Janeiro SA (Brazil)

Table (a) Summary

Row	Measure	Bid	Current	Multiple
(1)	Price	12.6	11.3	1.11
(2)	Book Value of Equity	4,106	2,533	1.62

Table (b) Valuation Model

		Valuation Period		Total
Row	Statistic	Growth	Terminal	Value
(1)	Expected 2012 Dividend	130.0		
(2)	Growth Period	15.0		
(3)	Payout Ratio	35.0%	50.0%	
(4)	Return-on-Equity	15.0%	10.0%	
(5)	Growth Rate	9.8%	5.0%	
(6)	Risk-Adjusted Discount Rate	13.1%	10.0%	
(7)	Valuation	1,593	2,513	4,106

Table (c) Dividend Payout Ratio

		Net	Payout Ratio	
Year	Dividend	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002				
2003				
2004	0	55	8.0%	0.0%
2005	0	66	1.4%	0.0%
2006	0	215	0.3%	0.0%
2007	0	265	0.6%	0.0%
2008	16	148	37.2%	10.9%
2009	58	125	34.1%	46.0%
2010	40	188	28.1%	21.1%
2011	122	375	27.1%	32.5%
2000-06	0	112	3.2%	0.0%
2007-11	47	220	25.4%	22.1%
2010-11	81	282	27.6%	26.8%
Growth	130			35.0%
Terminal				50.0%

Table (d) Return-on-Equity (ROE)

	Book	Net	ROE	
Year	Value	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002				
2003				
2004	259	55	13.8%	21.2%
2005	413	66	14.5%	15.9%
2006	946	215	20.9%	22.7%
2007	882	265	17.7%	30.1%
2008	1,049	148	14.4%	14.1%
2009	1,220	125	9.0%	10.3%
2010	2,119	188	13.0%	8.9%
2011	2,533	375	14.7%	14.8%
2000-06	540	112	16.4%	20.7%
2007-11	1,561	220	13.8%	14.1%
2010-11	2,326	282	13.8%	12.1%
Growth				15.0%
Terminal				10.0%

Table (e) Risk-Adjusted Discount Rate

	Risk Free	Market	Beta		Risk Adj Disc
Year	Rate	Return	Bench.	Co.	Rate
(1)	(2)	(3)	(4)	(5)	(6)
2000					
2001					
2002					
2003					
2004	17.1%	13.8%	1.00	1.00	13.8%
2005	18.8%	14.5%	0.06	0.00	18.8%
2006	14.4%	20.9%	0.35	0.65	18.6%
2007	11.5%	17.7%	0.30	1.01	17.8%
2008	13.7%	14.4%	0.66	1.00	14.4%
2009	9.7%	9.0%	0.43	0.72	9.2%
2010	10.9%	13.0%	0.57	0.78	12.5%
2011	11.7%	14.7%	0.46	1.01	14.7%
2000-06	16.8%	16.4%	0.47	0.55	16.6%
2007-11	11.5%	13.8%	0.49	0.91	13.5%
2010-11	11.3%	13.8%	0.52	0.90	13.6%
Growth	11.5%	13.5%		0.80	13.1%
Terminal	7.5%	10.0%		1.00	10.0%

Company #9 – Triangle Holdings, Ltd. (Bermuda)

Table (a) Summary

Row	Measure	Bid	Current	Multiple
(1)	Price	39.1	31.5	1.24
(2)	Book Value of Equity	3,869	3,590	1.08

Table (b) Valuation Model

		Valuation Period		Total
Row	Statistic	Growth	Terminal	Value
(1)	Expected 2012 Dividend	115.0		
(2)	Growth Period	5.0		
(3)	Payout Ratio	20.0%	35.0%	
(4)	Return-on-Equity	12.5%	10.0%	
(5)	Growth Rate	10.0%	6.5%	
(6)	Risk-Adjusted Discount Rate	9.3%	10.0%	
(7)	Valuation	583	3,286	**3,869**

Table (c) Dividend Payout Ratio

		Net	Payout Ratio	
Year	Dividend	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000			42.4%	
2001			34.0%	
2002			N/A	
2003			26.3%	
2004			19.1%	
2005			22.5%	
2006			N/A	
2007			14.6%	
2008	44	160	20.2%	27.6%
2009	68	53	10.6%	128.6%
2010	109	897	14.3%	12.2%
2011	105	403	17.8%	26.1%
2000-06			28.8%	
2007-11	82	378	15.5%	48.6%
2010-11	107	650	16.0%	19.1%
Growth	**115**			**20.0%**
Terminal				**35.0%**

Table (d) Return-on-Equity (ROE)

	Book	Net	ROE	
Year	Value	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000			7.3%	
2001			8.8%	
2002			-3.8%	
2003			9.8%	
2004			11.8%	
2005			9.7%	
2006			-5.7%	
2007			17.4%	
2008	1,992	160	10.2%	8.0%
2009	3,966	53	5.6%	1.3%
2010	3,761	897	13.1%	23.9%
2011	3,590	403	11.0%	11.2%
2000-06			5.4%	
2007-11	3,327	378	11.5%	11.4%
2010-11	3,676	650	12.1%	17.7%
Growth				**12.5%**
Terminal				**10.0%**

Table (e) Risk-Adjusted Discount Rate

	Risk Free	Market	Beta		Risk Adj Disc
Year	Rate	Return	Bench.	Co.	Rate
(1)	(2)	(3)	(4)	(5)	(6)
2000	6.0%	7.3%	0.83		
2001	5.0%	8.8%	0.91		
2002	4.6%	-3.8%	0.71		
2003	4.0%	9.8%	0.52		
2004	4.3%	11.8%	0.72		
2005	4.3%	9.7%	0.55		
2006	4.8%	-5.7%	0.92		
2007	4.6%	17.4%	0.92		
2008	3.7%	10.2%	0.92	0.59	7.6%
2009	3.3%	5.6%	0.91	0.41	4.2%
2010	3.2%	13.1%	0.82	0.45	7.7%
2011	2.8%	11.0%	0.87	0.90	10.2%
2000-06	4.7%	5.4%	0.73		
2007-11	3.5%	11.5%	0.89	0.59	8.2%
2010-11	3.0%	12.1%	0.85	0.67	9.1%
Growth	**2.5%**	**11.5%**		**0.75**	9.3%
Terminal	**3.5%**	**10.0%**		**1.00**	10.0%

Company #10 – Table Mountain Ltd. (South Africa)

Table (a) Summary

Row	Measure	Bid	Current	Multiple
(1)	Price	20.4	17.6	1.16
(2)	Book Value of Equity	2,309	824	2.80

Table (b) Valuation Model

		Valuation Period		Total
Row	Statistic	Growth	Terminal	Value
(1)	Expected 2012 Dividend	85.0		
(2)	Growth Period	5.0		
(3)	Payout Ratio	30.0%	55.0%	
(4)	Return-on-Equity	25.0%	15.0%	
(5)	Growth Rate	17.5%	6.8%	
(6)	Risk-Adjusted Discount Rate	11.7%	12.5%	
(7)	Valuation	472	1,837	**2,309**

Table (c) Dividend Payout Ratio

		Net	Payout Ratio	
Year	Dividend	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002	15	36	43.1%	40.9%
2003	25	61	43.0%	40.9%
2004	31	188	23.8%	16.4%
2005	49	398	39.4%	12.3%
2006	61	312	20.6%	19.7%
2007	173	273	70.9%	63.2%
2008	5	34	80.4%	13.6%
2009	63	77	47.6%	81.5%
2010	69	147	45.9%	46.9%
2011	81	267	25.2%	30.1%
2000-06			34.0%	
2007-11	78	160	54.0%	47.1%
2010-11	75	207	35.5%	38.5%
Growth	**85**			**30.0%**
Terminal				**55.0%**

Table (d) Return-on-Equity (ROE)

	Book	Net	ROE	
Year	Value	Income	Bench.	Co.
(1)	(2)	(3)	(4)	(5)
2000				
2001				
2002	281	36	12.0%	12.9%
2003	477	61	12.9%	12.9%
2004	608	188	21.6%	30.9%
2005	897	398	32.4%	44.4%
2006	1,006	312	34.8%	31.0%
2007	982	273	36.4%	27.8%
2008	602	34	7.1%	5.6%
2009	553	77	16.8%	14.0%
2010	656	147	17.9%	22.3%
2011	824	267	16.6%	32.5%
2000-06			22.8%	
2007-11	723	160	18.9%	22.1%
2010-11	740	207	17.2%	28.0%
Growth				**25.0%**
Terminal				**15.0%**

Table (e) Risk-Adjusted Discount Rate

	Risk Free	Market	Beta		Risk Adj Disc
Year	Rate	Return	Bench.	Co.	Rate
(1)	(2)	(3)	(4)	(5)	(6)
2000					
2001					
2002	11.5%	12.0%	0.67	0.64	11.8%
2003	9.6%	12.9%	0.56	0.56	11.4%
2004	7.0%	21.6%	0.73	0.57	15.3%
2005	8.1%	32.4%	0.43	0.78	27.1%
2006	7.9%	34.8%	0.43	0.68	26.3%
2007	8.0%	36.4%	0.67	0.32	17.2%
2008	7.4%	7.1%	0.80	0.71	7.2%
2009	8.7%	16.8%	0.36	0.46	12.4%
2010	8.6%	17.9%	0.29	0.26	11.0%
2011	8.5%	16.6%	0.14	0.50	12.6%
2000-06	8.8%	22.8%	0.56		
2007-11	8.3%	18.9%	0.45	0.45	13.1%
2010-11	8.6%	17.2%	0.22	0.38	11.8%
Growth	**8.5%**	**17.5%**		**0.35**	11.7%
Terminal	**5.0%**	**12.5%**		**1.00**	12.5%

Appendix – Mission Statements

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Company – Bullet Fire & Marine

Your mission, should you choose to accept it…
Scenario 1 (Bad)

- After surviving the acquisition whirlwind of the last five years, your outlook does not look great
- You are overburdened with debt, the analysts' 10% growth estimate is looking very optimistic and reserves are depleted as a result of the 2011 Japan Earthquake
- And your estimates of the Thai loss keep growing
- You desperately need to merge with a large company with growth prospects over the near-run to replenish your everything

Scenario 2 (Good)

- Outperforming the analysts is becoming your favourite sport
- You're cash rich, the recent catastrophe losses are now a mere speck in your rear view mirror and you'll easily beat the analysts' 10% growth estimates
- Things are going well and you have plenty of cash so stick to what you do best and look to buy a business with strong growth prospects and an efficient capital base

Scenario 3 (Neutral)

- The acquisitions you've made over the last five years are all integrating nicely
- Debt levels are manageable, the analysts' projection of 10% looks very achievable and your estimates of the recent catastrophe losses can't get much worse
- You're in a precarious situation though; sure, you have plenty of cash for an acquisition, but one false move and all the good work of the past five years is undone. Look carefully at your options, whilst a sale might be ill-advised, a merger should not be out of the question – but, as always, it all depends on the price…

Company – Wallaby Group Ltd.

Your mission, should you choose to accept it…

Scenario 1 (Good)

- The last few years have seen your share price take a hit, but that is all in the past and things are really looking promising
- Some might say that the Australian market is getting a little bit too consolidated, but you're still one of the largest players and that doesn't look like changing any time soon
- The analysts are predicting 4% dividend growth next year, but the signs are good that you'll easily beat that
- A lot of your business might already be outside Australia, but you can always take on more, have a think about acquiring someone

Scenario 2 (Neutral)

- Sure the last few years have seen your share price take a hit, but shareholders seem to be happy with your current dividend policy; and even paying out such a large amount, your growth prospects are still looking up
- The analysts are predicting 4% dividend growth next year, which should be ok
- The Australian market, however, is getting a little bit too consolidated and you're worried that you won't be able to sustain the current dividend policy given current earnings growth prospects
- As such, you better merge with or acquire someone with serious growth outlook and earnings potential

Scenario 3 (Bad)

- You've been loading up on debt lately and there's little chance of you continuing your current dividend policy
- The Australian market is a bit too consolidated and your operations overseas are not faring as well as you'd like
- The analysts are predicting 4% dividend growth next year, but it really doesn't look like you'll make that
- You're probably a bit too big to think about selling, but, hey, for the right buyer at the right price you never know. Maybe a merger might be a better tactic, but try to maximise value to your shareholders either way

Company – Bengal Insurance Solutions

Your mission, should you choose to accept it…

Scenario 1 (Neutral)

- You're on the cusp of something potentially great, but telematics is becoming far too fashionable
- Share price is rebounding and your telematics product was ahead of the game, but the others have nearly caught up
- Growth should still be healthy in the short term which gives you a good chance of meeting or exceeding those analysts' expectations
- What might save you in the long term is expansion into another market. Acquire a platform to launch your telematics product abroad, maybe in a country where no motor insurer is that big in telematics already

Scenario 2 (Bad)

- Yes, your share price is rebounding and your telematics product is about to revolutionise motor insurance, but those patents aren't as water tight as you hoped
- It's really only a matter of time before the big players of the motor insurance world launch their own telematics product and you lose your market edge
- If that happens then you'll struggle to come close to those analysts' expectations
- Maybe you can look to sell before the rug is pulled from under you? Perhaps merging with a big company might give access to a better legal department and the opportunity to enforce those telematics patents
- But be careful, nobody likes anything more than a company that feels it has to sell now

Scenario 3 (Good)

- Growth is going to be huge and far exceed the analysts' expectations
- The big players are going to want to merge with you (or worse, acquire you) to get a piece of that sweet, sweet pie
- But this is Cincinnati, baby, middle-America, you aren't going to let them, are you?
- Well, maybe if the price is right.
- What you really need to do now is break into foreign markets. Acquire a platform to launch your telematics product abroad. Because after all, it won't be long before the big players of the motor insurance world launch their own telematics product and you lose your market edge

Company – El Matador SA

Your mission, should you choose to accept it…
Scenario 1 (Bad)

- Spain really isn't doing that well
- Gone are the days when you couldn't pay a dividend, but last year hardly had your shareholders cheering for more. Your balance sheet doesn't look that healthy and so it may be wise to keep those dividends low
- Is there anyone out there who would look to buy a large company in Spain? Possibly not, but you never know. You could still consider buying someone – the money's there and some more operations outside Spain would really help right now

Scenario 2 (Neutral)

- Everyone knows Spain is not doing that well, but your operations in Latin America and elsewhere look to be doing ok
- You've returned to paying dividends after a short absence and the analysts are even giving you a bit of a break
- You have to believe you can hold on and ride this one out. What would really help in the meantime however is some more operations overseas, see if you can't expand into a nice new market

Scenario 3 (Good)

- Spain has to turn at some point and boy will you be well placed to take advantage
- You're paying dividends to shareholders (albeit modest ones) and Latin America is looking like a good growth area going forward
- There's a 9% dividend growth forecast next year by the analysts – who would have predicted that a year ago?
- Maybe the time is right to buy someone? What better time to negotiate a low price than when the rest of the market (wrongly) thinks you're not in good shape

Company – NICC

Your mission, should you choose to accept it…
Scenario 1 (Good)

- The only way is up!
- Dividends have been increasing steadily for years and the analysts only see that trend continuing – 10% dividend growth next year looks pretty nice considering they're already at healthy levels
- You are one of the largest providers of home, auto and business insurance in Canada and that doesn't look like it is in threat any time soon
- To really be a 'world-renowned' insurer though you surely need more of a presence outside Canada – the only question is where do you want to buy? Maybe somewhere warm and sunny…

Scenario 2 (Bad)

- How have you been doing it all these years?
- Year on year dividend growth and the analysts think that is going to continue? Surely not…
- You might be one of the largest providers of home, auto and business insurance in Canada but that can't last forever, particularly when others realise how well you're doing
- The time might be right to sell while the going is good

Scenario 3 (Neutral)

- Ok, so things have been going well for a few years now
- Dividends have continued to grow and that trend is projected to continue
- But you had ambitions to be a truly 'world-renowned' insurer, surely that means expansion around the world?
- Maybe you could look to merge with/acquire another company in an overseas market and increase your global reach?

Company – Fjord Forsikring

Your mission, should you choose to accept it…
Scenario 1 (Neutral)

- It was not too long ago that you went public and the first couple of years since have gone quite well. You're not far off those 100 year anniversary celebrations, which should be nice
- The new brand platform for 2013, aimed at repositioning you as the most customer-focused company in the Scandinavian insurance industry, has received mixed responses at present, but the signs are encouraging
- Dividends are likely to remain stable for the next few years so long as you don't do anything drastic
- Is doing nothing ever really an option? Stand still and you might get overtaken. Maybe a merger shouldn't be out of the question, but make sure the synergies are worth it

Scenario 2 (Good)

- It was not too long ago that you went public and the first couple of years since have gone quite well. At this rate your 100th birthday celebrations should be something special
- The new brand platform for 2013, aimed at repositioning you as the most customer-focused company in the Scandinavian insurance industry, has proven to be a very shrewd move
- So the analysts may not be projecting future dividend growth at present, but your dividends still look very healthy
- Who knows maybe it's good you hold something back – use that equity muscle and look to acquire someone

Scenario 3 (Bad)

- The celebratory days of your successful IPO seem like a distant memory
- Those pesky analysts have you paying out less of a dividend next year than you did this – the shareholders will not like that
- What happened? The first couple of years post-IPO went so well. You're still one of the biggest players in the Nordic region, when did that become not enough?
- Maybe the Nordics aren't the safe haven they once were. You could try a tactful sale, but those shareholders haven't had their money invested that long – keeping their investment in a nice new merged entity might be an easier pill to swallow

Company – Shakespeare Insurance Group

Your mission, should you choose to accept it…
Scenario 1 (Bad)

- You're cutting back on motor insurance, which is a good thing, I suppose
- But I don't know if you can keep going like this. Investment income has sustained you for far too long and now it is time to get down to good old fashioned solid underwriting
- You just took a look at your books and there is still some value there. Certainly more than the equity markets are giving you. Maybe things are right for a not-so-hostile takeover
- See if you can find a buyer…but do it subtly otherwise people will sniff out what you are after and you won't get a fair price

Scenario 2 (Good)

- You've held on long enough and the motor market in the UK is finally turning – rates have gone up in recent years and the consensus seems to be that LASPO should help profitability not hinder it
- The rest of your book looks good too – focussing on good solid underwriting has paid dividends
- Speaking of dividends, did I mention that you're paying modest amounts and the analysts see that trend continuing
- For a company of your size, you are pretty cash rich – are you holding something back? Maybe think about spending a little piece of that something something?

Scenario 3 (Neutral)

- Things could be better, but then again, looking around the market, they could be a ***lot*** worse
- UK motor is not the drain on resources it once was and the rest of the book looks ok
- Dividends can probably continue at modest levels for a few years yet, but you need to give your shareholders something to hold on for
- You can see where this is going… either buy someone with nice growth prospects (there's money there if you need it) or merge with someone to create a super-entity capable of insurance domination

Company – Rio de Janeiro SA

Your mission, should you choose to accept it…
Scenario 1 (Good)

- You are not blessed with large amounts of spare cash so making an acquisition could be a silly move
- But your results are pretty stable, especially relative to some other South American insurers
- Returns aren't like they used to be, but dividends are going out the door at an ever increasing rate and premiums are coming in
- You hear rumours that the Europeans might be looking to diversify into the Americas
- I got to think someone is going to want to buy you, expansion into Brazil seems like a smart move
- See if you can't swing something nice

Scenario 2 (Neutral)

- You are not blessed with large amounts of spare cash so making an acquisition is almost certainly out of the question
- But your results are pretty stable, especially relative to some other South American insurers
- Returns aren't like they used to be, but dividends are going out the door and premiums are coming in
- I'm sure you could sell Brazil as a proposition to someone, but make sure you don't oversell, you don't want to seem desperate now

Scenario 3 (Bad)

- Things don't look too good when you really look deep at the levels of cash on the books, so unfortunately you're not going to buy someone
- But your results are pretty stable, especially relative to some other South American insurers
- Shareholder returns really aren't what they used to be, all you can say is that dividends are being paid and premiums are being received
- Finding a buyer has to be your sole aim – make sure you tell them that Brazil is projected to be one of the top 10 insurance markets within 10 years

Company – Triangle Holdings, Ltd.

Your mission, should you choose to accept it…
Scenario 1 (Neutral)

- Things are going ok, so you didn't buy that company you really wanted, but that hasn't affected results too much and it's not like the acquisitions have dried up
- The analysts like what they see, but they aren't always right
- Dividends remain stable and you should be able to continue that trend. Bermuda is still the place to be
- If you want to preserve that capital and liquidity position then you could think about buying someone (what other way do you know?) – just make sure it is the right deal at the right price

Scenario 2 (Bad)

- If only that deal had gone through, why did it have to turn hostile…
- The analysts have you down to experience a bumper year, but have they missed a trick?
- Haven't we just gone through the worst period for catastrophe losses for some time? Aren't we told climate change is only going to make matters worse?
- Ruthless acquisitions might be your usual game, but maybe it is time to change tack. There is cash on hand, yes, but others might like to get their hands on that. Maybe it is time the hunter became the hunted…

Scenario 3 (Good)

- Wow, those analysts really have you down to do well!
- Dividends have been relatively stable, but this year you could really set the market alight
- Bermuda remains the ideal place for (re)insurers to base themselves and that can only continue as other regions look to bolster their capital regimes
- You look to have some fairly decent cash on hand and, if I were you, I'd think about acquiring someone – let's face it you're more ruthless than Jack Bauer and you have prior experience of making purchases work

Company – Table Mountain Ltd.

Your mission, should you choose to accept it…

Scenario 1 (Bad)

- You have been growing like a springbok in spring these last few years
- The market has been looking at your return and man is your share price hot trading at around 4x book value
- But no good thing can last forever, certainly the analysts don't think so. They show you losing some money over the next few years (and maybe that is not even harsh enough)
- Better find a buyer quick to capitalise on your inflated share price before something goes horribly wrong
- But remember, you can't lie when talking to potential investors, but you can of course present a creative version of the truth…

Scenario 2 (Neutral)

- You have been growing like a springbok in spring these last few years
- The market has been looking at your return and man is your share price hot trading at around 4x book value
- But no good thing can last forever, can it?
- Let's look at things logically; you're share price looks great and there's a possibility of rainy days ahead over Table Mountain – there's surely one option that outweighs the others, might it be time to look for a friendly buyer?

Scenario 3 (Good)

- You have been growing like a springbok in spring these last few years
- The market has been looking at your return and man is your share price hot trading at around 4x book value
- They say no good thing can last forever, but why not? Results are on the up, what do those analysts know
- You could go for broke, borrow some money and make an acquisition, but a merger might be the better long term option