

STONYBROOK CAPITAL

Uptick in Coastal Homeowners Deal Activity

2020 was, and 2021 is starting off as, a very active year for the coastal Homeowners market.

Recent Coastal M&A¹

Announcement Date	Buyer / Target	Transaction Value (\$Millions)	Target's Primary State
01/14/21	Porch / Homeowners of America	\$108	Texas
12/17/20	HCI / UPC's Northeast Personal Lines Business	n.a.	n.a.
11/03/20	Hudson Structured / Southern Fidelity	n.a.	Florida
06/23/20	Hudson Structured / Weston	n.a.	Florida
04/03/20	Applied Underwriters / Centauri	n.a.	Florida
01/14/20	Weston / Anchor Specialty	5	Florida
10/03/19	Tokio Marine / PURE	310	Florida
11/05/19	FedNat / Maison	52	Louisiana
08/08/17	Lighthouse / Excalibur	20	Louisiana
08/17/16	Heritage / NBIC	250	New York
05/07/16	UPC / American Coastal	334	Florida
09/29/15	Florida Specialty / Mount Beacon	17	Florida

A continuing trend has been that the larger national carriers are shying away from coastal exposures, particularly in Florida and New England, where smaller, regionally focused carriers have higher market shares.

Top 10 US Home & Farmowners Underwriters and their Coastal Marketshare¹

Company	Total		Non-																		
	US	Coastal	AL	CT	DC	DE	FL	GA	LA	MA	MD	ME	MS	NC	NH	NJ	NY	RI	SC	TX	VA
State Farm	18%	21%	27%	3%	21%	25%	7%	26%	26%	0%	17%	12%	25%	17%	10%	11%	13%	0%	21%	18%	17%
Allstate Corp	9%	8%	12%	4%	7%	7%	2%	13%	11%	2%	11%	9%	8%	6%	10%	13%	17%	13%	10%	13%	9%
USAA	7%	6%	9%	3%	11%	9%	4%	11%	6%	5%	13%	6%	5%	9%	8%	4%	3%	7%	10%	10%	19%
Liberty Mutual	6%	7%	4%	4%	6%	11%	1%	5%	6%	10%	8%	11%	7%	3%	14%	8%	8%	8%	4%	7%	6%
Farmers	5%	7%	4%	1%	0%	1%	1%	5%	2%	0%	1%	3%	3%	2%	3%	2%	1%	1%	3%	9%	2%
Travelers	5%	4%	5%	4%	21%	4%	0%	7%	1%	6%	11%	4%	4%	4%	4%	6%	8%	2%	7%	5%	10%
AmFam	4%	6%	1%	2%	2%	6%	0%	3%	1%	3%	5%	3%	1%	2%	3%	6%	2%	5%	2%	1%	3%
Nationwide	3%	4%	3%	2%	4%	11%	1%	3%	0%	1%	7%	1%	7%	9%	1%	1%	2%	6%	5%	3%	7%
Chubb	3%	2%	1%	4%	13%	3%	3%	2%	1%	7%	3%	5%	1%	1%	3%	6%	12%	4%	1%	2%	2%
Progressive	2%	1%	2%	1%	0%	1%	4%	2%	4%	1%	1%	0%	2%	1%	1%	1%	0%	0%	2%	2%	1%
Top 10 Subtotal	62%	66%	68%	28%	85%	78%	23%	77%	58%	35%	77%	54%	63%	54%	57%	58%	66%	46%	65%	70%	76%

1. Source: SNL Financial

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Major storm losses going back to 1960 have disproportionately impacted Florida (9 of 28 storms = 32%), Texas (29%) and Louisiana (11%). Louisiana also saw a record of five named storm landfalls in 2020. The Florida carriers are particularly challenged as regulators and rating agencies have tightened their standards following several years of poor results. Another notable trend that we have observed is as low-tax states such as FL, TX, and NH continue to grow in both population and home prices, their demand for reinsurance will increase.

Major US Hurricanes Since 1960 (Events over 1% of US DWP)

Year	Event	Direct Loss/ US Direct Premium	State with the Highest Loss
1960	Donna	2.6%	NY
1961	Carla	2.2%	TX
1965	Betsy	7.2%	LA
1972	Agnes	5.1%	PA
1979	Frederic	2.2%	AL
1983	Alicia	1.3%	TX
1985	Elena	1.1%	MS
1988	Gilbert	2.8%	TX
1992	Andrew	6.4%	FL
1995	Opal	1.1%	FL
1996	Fran	1.2%	FL
1998	Georges	1.4%	FL
1999	Floyd	1.6%	NC
2001	Allison	1.0%	TX

Year	Event	Direct Loss/ US Direct Premium	State with the Highest Loss
2004	Charley	2.7%	FL
2004	Frances	1.5%	FL
2004	Jeanne	1.1%	FL
2005	Katrina	13.5%	LA
2005	Rita	1.9%	LA
2005	Wilma	3.8%	FL
2008	Gustav	1.4%	TX
2008	Ike	4.1%	TX
2011	Irene	1.3%	NY
2012	Sandy	5.0%	NJ
2016	Harvey	4.6%	TX
2018	Irma	4.6%	FL
2018	Michael	1.3%	FL
2020	Laura	1.1%	LA

Source: SNL Financial, Industry White Papers, Press Releases

How Stonybrook Can Help

Holdco Capital

- Stonybrook has completed five capital raises over the last two years

Surplus Notes

- Surplus notes remain a popular option for carriers due to their rating agency equity treatment
- No other advisor is as active in the surplus note market as Stonybrook

Carrier to MGA Conversion

- Many carriers would benefit from putting their book into runoff and starting a fee-based entity writing on a fronting company's paper
- NewCo avoids underwriting risk while benefiting from material valuation arbitrage

Market Finding

- Stonybrook Risk Management has deep industry relationships with carriers specializing in a range of sectors
- Particular focus on worker's compensation, homeowners, personal auto and general liability.

ILWs

- Stonybrook's ILW platform is data-driven, bringing real time updates to the current market
- Delivers both improved market intelligence, plus better execution of bespoke contracts

Stonybrook Services | Global presence – HQ in NYC and offices in London

Stonybrook Advisory Services | Investment Banking

- **Middle market insurance specialist with a focus on:**
 - M&A, raising capital, mutual insurers, coastal state peril carriers, MGAs, divesting non-core assets, and valuation analyses

Stonybrook Alternative Investments

- **Placement agent for a variety of insurance related Funds:**
 - Insurtech Fund, Lloyd's Capacity, and a Surplus Note Fund

Stonybrook Risk Management | Reinsurance Broking

- **Services provided include:**
 - Prospective carrier/MGA identification, product development, alternative risk, captive services, strategic advisory, and reinsurance placement
 - Fronting expertise

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Notable Stonybrook Transactions

<p>December 2020</p>  <p>Investment by  MILESTONE PARTNERS Exclusive sell-side financial advisor</p>	<p>December 2020</p>  <p>Xchange Group LLC <small>Affinity - Benefits - Consulting - Immediate - Specialty - Travel</small></p> <p>Acquisition Transaction Ambac</p> <p>Exclusive adviser to Xchange</p>	<p>November 2020</p>  <p>Program Agreement With APPLIED UNDERWRITERS </p>	<p>November 2020</p>  <p>Acquired by  Amount undisclosed</p>
<p>May 2020</p>  <p>Acquired by  Amount undisclosed</p>	<p>March 2020</p>  <p>Acquired by  canopus Amount undisclosed</p>	<p>February 2020</p>  <p>\$45,000,000 Capital Raise</p>	<p>February 2020</p>  <p>Acquires the assets of  Amount Undisclosed</p>
<p>August 2019</p>  <p>\$30,000,000 Capital Raise</p>	<p>July 2019</p>  <p>Announced Sale of Sandell Re  Exclusive sell-side financial advisor</p>	<p>May 2019</p>  <p>\$20,000,000 Capital Raise</p>	<p>March 2019</p>  <p>Triangle Surety Agency, Inc. Capital raise amount undisclosed</p>
<p>February 2019</p>  <p>\$10,000,000 Capital Raise</p>	<p>December 2018</p>  <p>\$125,000,000 Capital Raise</p>	<p>October 2018</p>  <p>Sale of Boston Indemnity Company  Exclusive sell-side financial advisor</p>	<p>July 2018</p>  <p>\$12,500,000 Capital Raise</p>
<p>December 2017</p>  <p>\$50,000,000 Capital Raise</p>	<p>December 2017</p>  <p>Sale to  Exclusive sell-side financial advisor</p>	<p>December 2017</p>  <p>Capital raise amount undisclosed</p>	<p>October 2017</p> <p>MARK EDWARD PARTNERS</p> <p>Capital raise amount undisclosed</p>