



HOULIHAN LOKEY

INSURANCE INDUSTRY

MARKET UPDATE | COVID-19

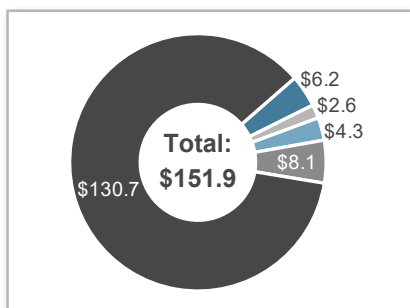


Insurance Industry Update

The significant market volatility brought about by COVID-19 (better known as coronavirus) is expected to continue in the near term. While equity markets are significantly off their February highs, the fixed income markets have also adjusted, with sectors overly impacted by COVID-19 and the below investment grade securities seeing the biggest impact on their values. Concurrently, oil prices are at levels not seen since 1998, calling into question the serviceability of fixed income securities issued by the sector.

The following charts examine statutory insurance information to better understand U.S. insurance carriers' exposure to sectors, which are believed to be disproportionately affected by current market conditions—namely airlines, casinos, hotels and cruises, oil and gas, and restaurants.

Distressed Sector Exposure (\$ in billions)



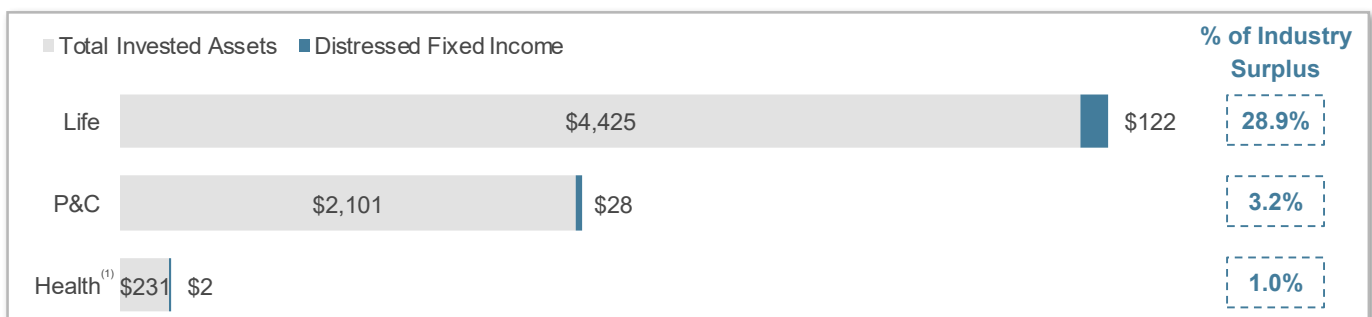
- The insurance industry holds more than \$150 billion of distressed sector fixed income
- This exposure equates to approximately 17% of total fixed income issuance by these sectors, with the heaviest concentration in the airline industry (22%) and the lowest concentration in the casino industry (5%)
- Life insurers (with longer term claim obligations) have the largest portfolios on an absolute and relative basis

NAIC Rating Migration



- Since the onset of COVID-19, the NAIC ratings of distressed sector fixed income securities have deteriorated somewhat
- While the industry remains exposed to these sectors, they represent a small portion of total invested assets

Distressed Securities Exposure (\$ in billions)



Source: S&P Global, Bloomberg.

Note: Distressed sectors include airlines, casinos, hotels and cruises, oil and gas, and restaurants.

(1) Data as of Q3 2019.

How Houlihan Lokey Can Help

Our firm is extremely well equipped to help our clients navigate uncertain times. We respond quickly to challenging situations and are constantly helping clients analyze, structure, negotiate, and execute the best possible solutions from both a strategic and a financial perspective.

What We Offer

- 1 Corporate Finance**
 - Mergers and Acquisitions
 - Capital Markets
 - Private Funds Advisory
 - Board Advisory Services
- 2 Financial Restructuring**
 - Company Advisory
 - Financial Restructuring
 - Distressed M&A
 - Liability Management
 - Creditor Advisory
- 3 Financial and Valuation Advisory**
 - Portfolio Valuation and Fund Advisory
 - Transaction Opinions
 - Corporate Valuation Advisory Services
 - Transaction Advisory Services
 - Real Estate Valuation and Advisory
 - Dispute Resolution Consulting

Corporate Finance
 We are widely recognized as a leading M&A advisor to the middle market and have long-standing relationships with capital providers, including commercial banks and other senior credit providers, insurance funds, asset managers, and mezzanine fund investors. Few other investment banks maintain the breadth of relationships and capital markets intelligence that we do.

Financial Restructuring
 We have the largest restructuring practice of any global investment bank. Since 1988, we have advised on more than 1,000 restructuring transactions (with aggregate debt claims in excess of \$2.5 trillion). We served as an advisor in 12 of the largest 15 bankruptcies from 2000 to 2019.

Financial and Valuation Advisory
 For nearly four decades, we have established ourselves as one of the largest financial and valuation advisory firms. Our transaction expertise and leadership in the field of valuation helps inspire confidence in financial executives, boards of directors, special committees, investors, and business owners we serve.

Why We're Different

- ✓ **No. 1 M&A Advisor by Number of Deals**
- ✓ **Senior-Level Commitment and Dedication**
- ✓ **Deep, Industry-Specific Expertise**
- ✓ **Significant Experience With Financing Markets**
- ✓ **Dominant in Special Situations and Restructuring**
- ✓ **Superior Work Product/Technical Abilities**
- ✓ **Creativity, Imagination, Tenacity, and Positivity**

Houlihan Lokey Insurance Leadership

NEW YORK

- **Arik Rashkes** – *Managing Director and Head of Insurance*
- **Jeff Bollerman** – *Managing Director*
- **Craig Tessimond** – *Managing Director*
- **Juan Guzman** – *Director*
- **Sam Kramer** – *Senior Vice President*
- **Faiz Vahidy** – *Senior Vice President*
- **Matt Cornish** – *Vice President*
- **Aaron Solomon** – *Vice President*

FINANCIAL INSTITUTIONS GROUP

LONDON

- **Lawrence Guthrie** – *Managing Director*
- **Christian Kent** – *Managing Director*
- **Paul Tracey** – *Director*
- **Sam Ward** – *Vice President*

INSURTECH SECTOR COVERAGE

SAN FRANCISCO

- **Kegan Greene** – *Director*

ADDITIONAL FIRM RESOURCES

SPONSORS COVERAGE

- **Pat Collins** – *Managing Director*










CAPITAL MARKETS

- **Chris Dunlop** – *Managing Director, Co-Head of the Capital Markets Group*
- **Sean Fitzgerald** – *Managing Director*
- **Brent Surber** – *Director*

RESTRUCTURING

- **Bradley C. Geer** – *Managing Director*

Recent Representative Transactions

<p>Transaction Pending</p>  <p>has agreed to a minority growth capital investment in</p>  <p>Buy-side & Financing Advisor</p> <p>Feb. 2020</p>	<p>AAGI</p> <p>has been acquired by</p>  <p>Sell-side Advisor</p> <p>Jan. 2020</p>	<p><i>Scarfelle</i></p> <p>has been acquired by</p>  <p>Sell-side Advisor</p> <p>Dec. 2019</p>	<p>SUCSEZGRØEP</p> <p>has been acquired by</p>  <p>Sell-side Advisor</p> <p>Sept. 2019</p>	<p>annexus[®]</p> <p>has received a preferred equity investment from</p>  <p>Exclusive Placement Agent</p> <p>Dec. 2018</p>	<p>210</p> <p>has been acquired by</p>  <p>Sell-side Advisor</p> <p>Oct. 2018</p>	<p>ROBIDUS</p> <p>has been acquired by</p>  <p>Sell-side Advisor</p> <p>Sept. 2018</p>	<p>BIK BROKERS</p> <p>has been acquired by</p>  <p>Sell-side Advisor</p> <p>Jul. 2018</p>
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