

U.S. Insurance

Takeaways from the 2024 Bank of America Financials Conference

Industry Overview

32nd Annual BofA Financial Services Conference

Last week on February 20-22, the BofA financials team hosted thought leaders and 100+ public and private companies across banks, asset managers, insurance, specialty finance, digital assets and Fintechs at the 32nd Annual BofA Financial Services Conference at the 1Hotel in Miami. We hosted a well-attended panel with Matthew Eby (founder and CEO of First Street Foundation), Paul Nelson (practice leader in NA P&C insurance at McKinsey), and Paresch Patel (Chairman and CEO of HCI) to discuss the current regulatory environment and the impacts of climate change on personal lines.

26 insurance companies attended

Aflac, Allstate, American Financial Group, Assurant, Brown and Brown, CNA Financial, Core Specialty, Enstar Group, Equitable, Everest Group, Globe Life, HCI/Typ-Tap, Hagerty, the Hartford, Intact Financial, Kinsale, Manulife, MetLife, Principal Financial, RLI Corp, Selective, SiriusPoint, The Hanover, Trupanion, Voya Financial and WR Berkley.

Key takeaways for commercial insurers

Investors continued to be focused on long-tail casualty lines following a handful of companies (Axis Capital, Cincinnati, Everest Group, Markel Corp, Selective) taking reserve charges primarily related to general liability from the 2016-2019 soft market years. Most insurers reiterated a conservative bias to setting their loss picks, investors (us included) continue to be skeptical that the reserve charges are behind us. Short-tail lines, such as property and marine, continue to be attractive. Reinsurance companies highlighted a successful 1/1 renewal season, with property/catastrophe pricing holding firm despite investor concerns following a quiet-catastrophe year and strong ROEs for reinsurers. Similar to the primary insurers, reinsurers continue to lean into short-tail lines while optimizing their casualty books.

Key takeaway for personal lines

Personal lines continue to seek additional rate, but growth priorities have moved back into focus. With that said, relations with state regulators are expected to be tenuous as one company suspected the days of 3% maintenance rate filings are over. The personal auto market continues to be in flux with Progressive expected to turn on the growth spigot, Allstate rolling out its middle market offering in more states, and State Farm seeking additional rate, while GEICO and Kemper remain wildcards.

Key takeaway for life insurers

The key consistent themes discussed with life insurance companies were the macro environment, commercial real estate (CRE), capital structure and return, and investment flows. The higher rate environment caused disruption in both retirement and asset management businesses as companies pivoted into short-term money funds, resulting in outflows. CRE remains on investors' minds, but many companies have been proactive in addressing 2024 loan maturities. Lastly, many life insurers are using captive reinsurers in Bermuda to optimize capital and foster further growth. Investors seek more clarity on company intentions for these structures and the impacts on future growth.

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Refer to important disclosures on page 14 to 17. Analyst Certification on page 13. Price Objective Basis/Risk on page 10.

12663515

Timestamp: 26 February 2024 05:00AM EST

26 February 2024

Equity
United States
Insurance

Joshua Shanker
Research Analyst
BofAS
+1 347 821 9017
joshua.shanker@bofa.com

Grace Carter, CFA
Research Analyst
BofAS
grace.carter@bofa.com

Joseph Tumillo, CFA
Research Analyst
BofAS
joseph.tumillo@bofa.com

Cyril Onyango
Research Analyst
BofAS
cyril.onyango@bofa.com



Company-specific takeaways

Aflac (AFL, Buy)

- **Focused on US business growth:** Aflac remains laser-focused on its future growth opportunity in the United States. With demographic headwinds impacting growth in Japan despite increased efforts to reach younger cohorts, management is focused on growing its nascent dental & vision and group benefits businesses. As these businesses scale in size, we should expect the Aflac US expense ratio to decline, returning the benefits to shareholders or customers in the form of favorable pricing.
- **Capital return/optimization.** Aflac set up Aflac Re, based in Bermuda, in 2022 to reinsure some of the company's Japanese book to optimize its capital. The company has stated a self-imposed limit of 10% limit on reinsurance out of Japan, which is expected to result in \$2-3bn in freed capital to fund growth or return capital back to shareholders via share repurchases and dividends. Following the transactions in 2023, company has estimated that it has only reinsured 4% of its Aflac Japan book, resulting in a high likelihood of more transactions in 2024, thus we expect high level of capital returns to continue.

Allstate (ALL, Buy)

- **Growth through all distribution channels:** Allstate has pursued aggressive rate actions over the last 18 months at the expense of growth. With management comfortable where margins are heading, leadership has shifted focus to growing policy count. Management feels the company is best place to grow policy count with Allstate paper now available in all distribution channels (exclusive agency, independent agency, direct) as well as targeting non-standard and middle market customers following the National General acquisition. The company expects its new middle market product offering through National General to be available nationwide by the end of 2024. Furthermore, the competitive dynamics remain in flux in the personal auto market, providing Allstate an opportunity to grow. We came away leaving the meeting with management confident the company will begin to grow policy count with the only uncertainty if it will be a 2024 or 2025 event.
- **Regulatory and litigation environment.** The company expects mid-to-high digits rate filings every six months to stay ahead of loss costs. As a result, management wouldn't be surprised by further pushback in certain states as constituents experience rate fatigue. The need for higher rates appears to be in response to aggressive plaintiff bar who has now developed a large advertising acquisition funnel. Management acknowledged some states are worse than others but more reforms, similar to what occurred in Florida in the homeowner's market, will be needed. Allstate is also focusing on supervision of this network body shops as another method to control expenses and cited the changing incentives via the marketplace structure could encourage higher repaid costs.

American Financial Group (AFG, Not covered)

- **More time needed for 2016-19 accident year reserves:** 2016-2019 accident year reserves have long been an industry concern given the soft pricing during that period and higher bouts of inflation in conjunction with case backlogs following court closures during then pandemic. Many companies have argued that enough time has passed since 2016-2019 to have clarity on those year loss emergence, AFG's management argues it is too early to be confident in the loss emergence patterns and the company will continue to act in a conservative manner regarding those loss picks.
- **2023 guidance was too aggressive:** The company acknowledges that its guidance for 2023 was too aggressive and should have been more conservative.



By definition, 87% combined ratio is super-low in cyclical terms and probably not sustainable. With that being said, management points out that the ROEs for 2023 were still attractive, even if management had promised too much. In response 2023, management has changed the approach to guidance going forward.

Assurant (AIZ, Buy)

- **New clients to drive increased investments:** While the company expects investments into the business to be elevated in 2024E, the additional spend relates to integrating new client wins rather than operational restructuring. In the Global Lifestyle business, management still sees long-term upside to expand relationships with even the most seasoned clients. On the Housing side, since lender-placed insurance is more core to Assurant's operations vs those of peers, it has invested more in the business, resulting in a technology advantage.
- **2024E Housing EBITDA can surpass favorable 2023 results:** The company expects Global Housing adj. EBITDA (excl. cats) to grow in 2024E, overcoming >\$50mn in favorable reserve development in 2023. The top line should continue to benefit from rate increases and insured value adjustments to reflect higher inflation. All-in, when the company adjusts insured home values, it takes around 24 months to fully impact results. Management expects the core loss ratio to remain near 40%, supplemented by better expense leverage and lower reinsurance costs.

Brown and Brown (BRO)

- **Rate is not the only organic growth driver:** While property catastrophe rates should moderate in 2024, for the most part, management expects fairly consistent market conditions and macro conditions. However, rate does not always translate directly to organic growth; for example, customers might purchase less coverage when rates are increasing. Brown & Brown has been increasingly focused on harvesting the "Power of We" to drive growth, combining capabilities from different parts of the company.
- **Careful management key to best-in-class results:** The company has historically delivered margins and free cash flow conversion above those of peers. Management believes that continuous careful expense management allows these results, while avoiding the major restructuring overhauls that other brokers often employ. Margins are currently running near ~34%, close to the historical "ceiling" of 35%. While it is feasible that margins could breach 35%, sustainably landing in the high-30% is unlikely due to necessary investments in the business.

CNA Financial (CNA, Underperform)

- **Distribution network concentration:** New business growth appears to be healthy, with about \$2bn in 2023. However, it is becoming increasingly difficult to source business from smaller distribution networks. Of course, MarshMac and Aon are the dominant players, but the industry has broadly consolidated. 10-15 years ago, there were 25+ meaningful distribution partners. It is now down to 14.
- **Special dividends to continue:** As of 12/31/23, Loews Corp (ticker: L; not covered), owned 92% of CNA's outstanding shares. Loews as a parent is "happier" owning CNA today than at any point in its history. The prospect that Loews might tender some shares to CNA in order to facilitate a buyback seems low. This means the special dividend strategy is likely to persist.

Core Specialty (Private company)

- **Zigging while other zag:** Management stated "we were created by our competitors" highlighting it believes the company's success was in part from

looking at opportunities its competitors are exiting. The company was shocked at the exodus in nursing care and trucking. Core says it was able to come in at much higher prices and tighter terms, and the pandemic loss trends super-charged results. Per mgmt, the same is true for the pullback on limits in the directors & officers liability (D&O) market where competitors slashed limits.

- **Compensation strategy limits attrition:** The company expects a healthy compensation plan should reasonably pay highly profitable producers 2-4x in the good years vs the less profitable years. This includes multi-year lockup. Per mgmt, the two combine for attractive compensation and minimizes attritions among underwriters.

Enstar Group (ESGR, Not covered)

- **LPT appetite:** Management shared that deal sizes are getting bigger, and that there is a broadening out of the appetite for loss portfolio transfers not simply as a tool for managing problems, but increasingly as a tool for managing capital creating a win-win for Enstar and buyers.
- **Third party capital business:** If demand were high enough, the company would look into raising third party capital to manage reserve books on behalf of other investors, similar to what RenaissanceRe does in a number of reinsurance markets. There are already a couple structures in the market today run by competitors, but they are small.

Equitable (EQH, Not covered)

- **CRE exposure:** Similar to peers, Equitable has CRE exposure, which is big focal point from investors broadly across the financial sector spectrum. The company's footprint to the office sector is roughly 5% of the portfolio which consists of Class A building. The debt-to-service coverage ratio improved from 2.1 to 2.3 in the quarter, per the company, reflecting improved operating income from property, which should help alleviate investor concerns.
- **Wealth management:** The wealth management division is the fastest-growing segment and key tenet of the company's strategy to diversify away from its insurance-related businesses. Management discussed that the pipeline skews toward private alts which have a higher embedded fee (about 3x the underlying channel fee), further reflecting more embedded revenue in the pipeline.

Everest Group (EG, Buy)

- **Healthy 1/1 renewals:** Management noted it grew property catastrophe close to 25% on a gross basis, as the company continues to lean into attractive rates. Management noted the company grew in many specialty lines and specifically highlighted aviation, political violence, marine lines remain attractive while underwriters continue to keep covers tight on cyber. Management also reduced the casualty book modestly at 1/1 renewals. Management remained confident Everest is a share gainer in addition to benefiting from a growing market.
- **Insurance growth opportunities:** Everest's insurance operations predominantly focus on upper-middle market and lower-end of the large account where clients value expertise. Similar to the Reinsurance business, Everest sees growth opportunities in short-tail lines in the US like property, marine and trade credit. On the international front, management highlights the same opportunities as US but are focusing on markets where competition has been more limited. Management also cited Latin American as a growth opportunity for the Insurance business, which is already a very profitable market for the company.

Globe Life (GL, Not covered)

- **Agent count growth:** Management says a successful rebranding effort is largely responsible for the surge in agent count, which is likely to be a best indicator of future production. Per mgmt, the pandemic contributed to a trough in new appointment, but the current growth is not merely a correction and is quite possibly sustainable.
- **Mortality tables:** No changes to mortality tables post-COVID19. If there are changes in trends, Globe, which uses its own mortality tables, believes it will be ahead of the broader industry, where it takes 10-15 years for changes in mortality to be recognized in the tables. No impact from GLP-1 drugs, which should not really change life expectancy for low face value policy buyers, but if there were an impact, per the company it would only be positive.

HCI / TypTap (HCI / private company, Not covered)

- **Catastrophe risk a positive for homeowners' insurance:** In a panel environment HCI/TypTap CEO Paresh Patel said that, in the long run, catastrophe risk was almost certainly a positive for the homeowners' insurance industry. While regulatory logjam is currently preventing insurance companies from charging an adequate price for insurance, it believes it will be unsustainable, particularly as climate change weather events become more common in states outside of Florida.
- **Public to private carriers should continue:** The growth of the state-controlled Citizens of Florida has become too big of a burden, per the company. Taxpayers should expect to see Florida working to depopulate the Citizens book with transfers to private homeowners' carriers. TypTap will be assuming and repricing thousands of policies formerly under Citizens' protection.

The Hartford (HIG, Buy)

- **Group Benefits:** The company delivered outstanding results in the Group Benefits segment in its 4Q23 results, well ahead of its 6-7% long-term margin target. Management continued to reiterate its long-term target margin of 6-7% but doesn't expect a step function down from the recent quarter's 8.1% segment margin to the long-term target and indicated a gradual convergence.
- **Commercial Lines' margins:** The company had previously guided for margins in Commercial Lines to be consistent with 2023, with potential headwinds from the company's large workers' comp business. While management sounded comfortable with reserves, the company has released a lot of favorable development from the workers' comp line of business. Management reiterated they will look to offset pressure in workers' comp lines by potential margin expansion in others.

Intact Financial (IFC / IFCZF, Buy)

- **Top-line tailwinds in place for 2024E:** The company expects continued firm market conditions in most lines in 2024E, and higher pricing should support top line growth. While personal auto unit growth has lagged in recent quarters due to rate increases ahead of the industry, management has observed increasing shopping activity among potential customers as competitor rate actions "catch up".
- **Margin guides remain constant:** The 2024E margin outlook remains consistent with prior guidance across each segment. However, following elevated catastrophe losses in 2023, the company increased expected cat losses to C\$900mn from prior C\$700mn with 4Q23 results. Management believes that it can offset higher cats via higher pricing, allowing margin expectations to remain constant.

Kinsale Capital Group (KNSL, Not covered)

- **Following Progressive's and GEICO's footsteps in E&S:** Kinsale's total direct written premiums in 2022 reflected 1.1% market share of the E&S space. Management highlighted its goal for the company to follow in the steps of auto insurance companies Progressive and GEICO, which grew their market share from ~3% each in 1996 to 14% and 13.75%, respectively in 2022. Kinsale expects the E&S market to grow faster than the broader P&C market and Kinsale should grow faster than the E&S market.
- **Continued investment in the technology stack:** Management believes the company's technology stack provides a competitive moat vs competitors. The company has begun to rewrite the ERP system, which is expected to be a 5-year project. Per the company, the end state is expected to dramatically improve architecture and allow productivity gains going forward, furthering Kinsale's advantage over peers.

MetLife (MET, Buy)

- **Variable investment income drag continues into 2024E:** MetLife expects continued pressure on variable investment income (VII) with 1Q24E results, incl. real estate investments. The company lowered the annual VII guide to \$1.5bn from \$2.0bn for 2024E to better reflect the current environment. MetLife has also been making fewer commitments to VII assets given the relative attractiveness of the current fixed income yield environment.
- **Upside vs ROE guidance:** Management acknowledges that 2024E adj. return on equity could land at the top end or exceed the guided range of 13-15%. The higher interest rate environment, an increasing internal rate of return, and the run-off of the low-ROE Holdings business all contribute to this outlook. The company also reiterates its 2-year free cash flow ratio guide of 65-75% moving forward; the 2-year average as of YE23 was 74%, at the upper end of the range.

Principal Financial (PFG, Neutral)

- **SMB market as a source of growth:** Management views the small and medium-sized business (SMB) market as a strong contributor to growth for Principal within both the retirement and benefits businesses. Management acknowledged that the SMB segment is where majority of employment growth occurs in the US; believing that the current US economy is "resilient" despite challenges. Stabilization of employment contributes to increased flows and growth in both benefits and retirement businesses. Additionally, management perceives cross-selling between disability, group life, supplemental benefits, voluntary benefits, etc. to be an additional source of growth for Principal going forward.
- **Opportunities in the heightened interest rate environment:** Management sees opportunities in certain sectors of commercial real-estate (CRE), despite the challenges that have arisen due to heightened interest rates. Areas of CRE that have seen positive fund flows include life sciences, warehousing and data centers. Management contends that Principal's international presence benefits the company by having "people on the ground identifying the right opportunities." With higher rates, the company has also seen heightened flows towards money market which have impacted fund flows, however we would note this not a Principal-only issue.

RLI Corp (RLI, Not covered)

- **Caution on the 2016-19 accident year reserves:** Concerning the 2016-19 soft market developments, management struck a cautious note, maintaining that the company is exercising a degree of caution when making decisions on



specific lines. Overall, it views conservatism in the industry as a net positive, since when rates increase, all companies benefit, including those that have not reported reserve charges.

- **E&S markets remain attractive:** Management noted that excess and surplus (E&S) lines are becoming more acceptable for clients as the admitted market faces increasing regulatory hurdles. Management noted it continues to see runway for growth, including opportunities in some casualty lines.

Selective (SIGI, Underperform)

- **ROE likely to exceed target in 2024E:** The company expects to exceed its long-term 12% ROE objective in 2024E. Although the guided combined ratio of 95.5% is modestly above the long-term goal of 95.0%, strong investment income in the favorable yield environment should contribute ~12pts of ROE, similar to 2023 results. All-in, 2024E ROE is likely to land in the 14-15% range, notably above the target.
- **Reserving methodology remains consistent:** The company took a charge in the general liability (GL) line with 4Q23 results; however, the GL book still delivered an accident year combined ratio of ~90% for 2023. The company's reserving methodology has remained consistent, reviewing each line on a quarterly basis. Slower reporting patterns first emerged during the pandemic and have persisted, contributing to higher liability loss costs. The company has incorporated these new patterns into forward loss trend expectations. While the casualty loss cost environment remains dynamic, most of the pandemic-driven case backlog has been resolved.

The Hanover Group (THG, Neutral)

- **Confidence in reunderwriting progress:** While reunderwriting actions will have a near-term impact on the top line, the company is hoping that healthy premium growth will reemerge in 2H24E. The most profitable segments of the business, including specialty and small commercial, should see more persistent strong growth. The company also remains confident in the 14% ROE target, with a path to achieve it in 2025E vs original plans for 2026E. While the expected catastrophe load has risen over time, it should be offset by stronger investment income.
- **Carefully growing casualty business:** Following recently elevated catastrophe losses, the company has indicated plans to increase the casualty vs property component of the book. Reserving prudence following a 2016 detailed review, a lower limit profile, and lower reinsurance attachment points give management confidence in the casualty book despite industrywide concerns regarding liability loss trends and reserve adequacy. The company has taken care to avoid growing in more litigious parts of the market.

Trupanion (TRUP, Neutral)

- **Pricing ahead of loss trend:** Pricing going through the book is currently 26% (and could increase with additional rate approvals, particularly in California), while loss cost trend is 15%. Management acknowledges that the 170bps margin improvement measuring 4Q23 medical loss ratio (72.7%) against exit-year 2024 guidance (71%) could be overly conservative. Additionally, guidance for a seasonally higher 1Q loss ratio was framed as a 50bps.
- **Other Pets segment:** Countering confusion during the 4Q23 conference call, the company clarified that the increase in "Other" revenue despite the decrease in "Other" pets (units) is purely ARPU-driven as rate increases get translated into real impacts on renewal pricing. Expect this trend to continue in both reporting segments.

Voya Financial (VOYA, Buy)

- **M&A unlikely:** Regarding M&A, the acquisitions of BenefitFocus and AGI filled a preexisting, defined need at the firm. It had been searching for a benefits administration platform and international distribution in investment management. While the company might look at what opportunities are presented to it, there are no holes in the fabric of the company, and M&A is, more than not, unlikely.
- **Potential disclosure around cash conversion:** The company believes that its 90-100% cash conversion is overlooked by the investment community. Management might seek out incremental disclosure to help investors arrive at better acknowledgment and understanding.

W.R. Berkley (WRB, Buy)

- **Consistent combined ratio results in the recent past:** With Berkley experiencing relatively consistent combined ratio results in the recent past, management highlighted two contributing factors: the company's cautious approach in setting loss picks; coupled with constant refinement in the face of emerging loss experience. With that being said, management rejects the notion of cash flow underwriting despite the ability to earn greater income from the company's investment portfolio due to more attractive fixed income yields.
- **"The pig is further down the python":** With the average life of the company's reserves being 4 years, management believes that majority claims from the 2016-2019 accident years have been processed, and that as a result of the company taking early corrective actions, "the pig is further down the python than many peers". Management is still taking a cautious approach on medical inflation compared to peers, with following impacts likely to have adverse impacts on worker's comp lines. With that being said, management conceded its call to warning regarding medical inflation may be early.

Exhibit 1: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AFL	AFL US	Aflac	US\$ 80.41	B-1-7
ALL	ALL US	Allstate Corp.	US\$ 159.13	B-1-7
AIZ	AIZ US	Assurant	US\$ 178.37	B-1-7
CNA	CNA US	CNA Financial	US\$ 44.5	B-3-8
EG	EG US	Everest Group Ltd	US\$ 370.88	B-1-7
MET	MET US	MetLife	US\$ 69.33	B-1-7
PFG	PFG US	Principal	US\$ 80.24	B-2-7
SIGI	SIGI US	Selective	US\$ 102.78	B-3-7
THG	THG US	The Hanover	US\$ 135.56	B-2-7
HIG	HIG US	The Hartford	US\$ 95.88	B-1-7
TRUP	TRUP US	Trupanion	US\$ 23	C-2-9
VOYA	VOYA US	Voya	US\$ 68.25	B-1-7
WRB	WRB US	W.R. Berkley	US\$ 85.31	B-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH



Price objective basis & risk

Aflac (AFL)

Our \$92 price objective for AFL is based on 70% of the year-ahead S&P 500 P/E multiple (18.2x). Aflac had historically traded in parity with the market multiple multiple but experienced a downward revaluation of 20-40% following the financial crises from 2008-2012. Our discount of 30% is at the mid-point of the range, reflecting the company's defensive business model, robust capital management and a potential inflection to revenue growth.

Downside risks to the achievement of our PO are a deterioration in margins, lower-than-expected sales and premium growth, lower-than-projected capital management, and a weaker Japanese yen.

Allstate Corp. (ALL)

Our \$189 PO is based on parity with the peer group 2025E P/E multiple of 10.6x. The life insurance divestiture from two years prior and upcoming announced health divestiture should drive a higher relative valuation compared to the past, and, given our view that personal lines is a better business, there could be upside potential should the market shift to valuing personal lines at a premium. We believe this valuation is supported by our forecast for a 20%+ ROE (on tangible and stated).

Downside risk is presented by the pressure from lower interest rates causing a decline in earnings power and potentially leading the company to miss our EPS expectations. The race to reprice business following the new wave of auto accident frequency and severity could take longer than we forecast. The volatility associated with catastrophes also creates the risk of missing or exceeding our EPS outlook. Another risk: revenue and earnings uncertainty looms in the distance with the eventual adoption of autonomous vehicles.

Assurant (AIZ)

Our price objective of \$215 is based on 75% of the S&P 500 year-ahead P/E multiple of 18x on our 2024E EPS forecast including amortization expense. This is an increase compared to the historical valuation vs the S&P 500 (70%), which we believe is merited given a) Assurant's increasingly capital-light business mix and b) the relative defensiveness of its businesses.

Downside risks to our price objective are a slowdown in capital returns to shareholders, outsized catastrophe losses, loss of a major distribution partnership, and a deceleration in top line growth for the Connected World businesses.

CNA Financial (CNA)

Our price objective of \$43 is based on 80% of the average consensus large-cap P&C peer P/E multiple (10.7x), compared with a 75-100% range where it has traded in the past. We think the discount is appropriate given the overhang associated with its closed-block long-term care book and its general inability/aversion to repurchasing its own shares, even when trading at a discount to perceived fair value. Trading history around a range validates this relative multiple.

Upside risks include sustained higher interest rates which ameliorate the reserve pressures on the LTCi book and allow the company to earn more income on its investment float. Additional upside risk could come from majority owner Loews buying the remaining limited float trading today. Downside risk is presented by a return to the low interest rate environment, causing a decline in earnings power and potentially leading the company to miss our EPS expectations. The volatility associated with

catastrophes also created the risk of missing and exceeding our EPS outlook. The company's recent premium growth could be indicative of adding less/unprofitable clients to its book of business, thus adversely impacting future earnings and increasing the probability of a future reserve charge serves as an additional downside risk. We believe underwriting margins for CNA and the commercial P&C group more broadly have peaked, which has the potential for downside versus our forecasts.

Everest Group Ltd (EG)

Our price objective of \$446 is based on 65% of the year-ahead multiple for large cap property and casualty (P&C) peers (10.6x). The 35% discount is based a modestly lower relative compared with where RE has traded in the past, which we also find likely/appropriate given the greater earnings volatility associated with the reinsurance subsector. It is also exacerbated by reserve insecurities following several 4Q23 loss reserve fortifications in the peer group. While there is no impact from a Bermudian income tax in 2024, we are also reducing the multiple by the impact we expect such a tax to have in 2025.

Downside risks are pressure from lower interest rates causing a decline in earnings power and potentially leading the company to miss our EPS expectations, volatility associated with catastrophes also creates the risk of missing or exceeding our EPS outlook, and lawmakers enacting what the industry sees as a retrospective change in coverage to insurance contracts, enfranchising virus-triggered business interruption.

MetLife (MET)

Considering our 2025E EPS forecast, we arrive at a price objective of \$88, based on 110% of the U.S. large-cap life peer year-ahead P/E multiple of 8.3x. The premium reflects a transformation at MetLife away from capital intensive businesses and increasing focus on core capabilities by selling the P&C business.

Downside risks to achieving our PO are weaker equity markets and persistent low interest rates, additional charges or reserve issues, failure to achieve net expense initiatives, and lower-than-expected capital deployment.

Principal Financial Group (PFG)

Our price objective of \$86 is based on 130% of the U.S. large-cap life peer year-ahead (2025) P/E multiple of 7.8x applied to our 2024E EPS forecast. The premium multiple reflects PFG's higher free cash flow generating business mix and lower exposure to long-dated guaranteed policies.

Downside risks to our PO are an equity market decline, a decline in core business margins, a deterioration in fund flows, and inefficient deployment of capital (i.e., unprofitable M&A). Upside risks to our PO are stronger than expected equity market returns, better than projected core business margins, stronger fund flows, and higher-than-anticipated capital deployment.

Selective (SIGI)

Our price objective of \$101 reflects 110% of the 2025E peer group P/E multiple (10x) applied to our corresponding EPS forecast. This reflects the historical trading range. The stock has historically commanded a premium given its higher return profile.

Bi-directional risks to our PO are the magnitude of catastrophic losses, prior year reserve development, investment yield trajectory, P&C (property and casualty) pricing trajectory, and changes in loss cost trends. An increase in capital returns to shareholders could also present upside risk.

The Hanover (THG)



Our price objective of \$137 reflects 100% of the P&C group forward P/E multiple (10.4x) applied to our 2025E EPS forecast. We assign a relative valuation near historical averages. We believe the stock will have difficulty capturing the premium valuation implied by the company's business mix while it executes its margin remediation plan.

Bi-directional risks to our PO are catastrophic losses, reserve development, investment yields, changes in P&C pricing trajectory, evolving loss cost trends, and changes in the competitive environment.

The Hartford (HIG)

Our price objective of \$107 is based on 85% of the large-cap P&C peers' multiple (10.6x) on our 2025E EPS estimate. Historically, Hartford has traded at a 10-30% discount to the peer group, likely due to its sub-scale personal lines business and mix of business including group benefits and mutual fund distribution. That said, we believe Hartford's business quality has improved dramatically over the past decade. Offsetting this is potentially, peak underwriting margins, but this is an issue facing all the peers, and we value Hartford relative to their multiple.

Risk to our PO comes from the risk of loss cost inflation in years to come. Further, given many claims against it for COVID19, Hartford seeks greater clarity as to whether or not the industry receives court assurance that it is not responsible for many categories of virus claims. Additionally, catastrophe losses remain a key factor in earnings volatility and, in a low catastrophe year, could cause the EPS results to exceed our forecasts. Prior year reserve adequacy risk is also bidirectional. Currently, spiking auto accident frequency and broad personal lines severity could put pressure on this segment.

Trupanion (TRUP)

Our \$38 price objective is based on summing the value of future and legacy pets' earnings. Legacy business is valued at 1x the runoff discounted cash flow (DCF) valuation of the current economics. Future value is based on putting a multiple on the long-term value added by next year's new pets and putting a multiple on that. We value the Trupanion businesses at a 8x 2024 P/E multiple. The Pets Best business, which will be in a form of run-off, we value at 3x. The non-subscription businesses (Pets best/other) make up less than \$100mn of the equity valuation. We believe the subscription business could trade at a premium-to-market multiple given its higher revenue growth rate, currently 20% in 2023-2024 in our model. However, inflationary pressures on the unit economics currently suggest that future earnings are less predictable, auguring for a discount.

Downside risks to our PO are 1) the company misses on execution of its five-year growth plan, 2) the revenue growth rate deteriorates to at-or-below that of the broader pet insurance market, 3) pet owners show higher price sensitivity to Trupanion's high-ticket product vs cheaper competitor products and 4) Trupanion fails to improve penetration rates in current markets. Upside risks recognize the very high retail short interest in the stock where a low bar where favorable news could have an outsized impact. Two current inquiries into weakness in controls can weigh on the stock.

Voya (VOYA)

Our price objective of \$81 is based on a mixed-multiple sum-of-the-parts methodology consistent with the differentiated businesses in which Voya operates. We use a 2025E P/E multiple of 9x for the Retirement business, 8x for the Investment Management business, and 10x for Employee Benefits. These are equal to the average P/E multiples of appropriate peer groups equivalent to the values of Voya's businesses. Additionally, Voya's notable excess capital position, high free cash flow conversion (90%+) and its sizable deferred tax asset combine for material upside potential compared with the current stock price.

Risks to our price objective are lower capital returns to shareholders than we expect and capital markets volatility weighing on AUM levels and fund flows.

W.R. Berkley (WRB)

Our price objective of \$90 is based on 10.4x our 2025E EPS estimate. Our multiple represents a 30% premium to large-cap P&C peers. Berkley has traditionally enjoyed a sizable premium to peer multiple valuation likely due to its long-term compounding of equity in excess of other best-in-class peers.

Upside risk comes from recent price gains manifesting themselves as widening underwriting margins in excess of our expectations.

Downside risks are pressure from lower interest rates causing a decline in earnings power and potentially leading the company to miss our EPS expectations, volatility associated with catastrophes creating the risk of missing (or exceeding) our EPS outlook. Additionally, the state of Berkley's loss reserves, be they deficient or redundant, creates a bi-directional risk for the stock.

Analyst Certification

We, Joshua Shanker and Grace Carter, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

BofA Securities is currently acting as Financial Advisor to MetLife Inc in connection with its proposed disposal by AMAB Holdings Sdn Bhd and MetLife International Holdings, LLC of their entire equity stake in AmMetLife Insurance Berhad ("AML") and AmMetLife Takaful Berhad ("AMT") to Great Eastern Life Assurance (Malaysia) Berhad ("GELM") and Great Eastern Takaful Berhad ("GETB") respectively, which was announced on October 2, 2023.

US - Insurance Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Aflac	AFL	AFL US	Joshua Shanker
	Allstate Corp.	ALL	ALL US	Joshua Shanker
	Arch Capital	ACGL	ACGL US	Joshua Shanker
	Assurant	AIZ	AIZ US	Grace Carter, CFA
	Axis Capital	AXS	AXS US	Joshua Shanker
	BRP Group, Inc.	BRP	BRP US	Joshua Shanker
	Cincinnati Financial Corporation	CINF	CINF US	Grace Carter, CFA
	Corebridge Financial	CRBG	CRBG US	Joshua Shanker
	Everest Group Ltd	EG	EG US	Joshua Shanker
	Intact Financial	YIFC	IFC CN	Grace Carter, CFA
	Intact Financial	IFCZF	IFCZF US	Grace Carter, CFA
	MetLife	MET	MET US	Joshua Shanker
	Progressive	PGR	PGR US	Joshua Shanker
	RenaissanceRe	RNR	RNR US	Joshua Shanker
	The Hartford	HIG	HIG US	Joshua Shanker
	Voya	VOYA	VOYA US	Joshua Shanker
	W.R. Berkley	WRB	WRB US	Joshua Shanker
NEUTRAL				
	American International Group	AIG	AIG US	Joshua Shanker
	Aon	AON	AON US	Joshua Shanker
	Brown & Brown	BRO	BRO US	Grace Carter, CFA
	Lincoln National	LNC	LNC US	Joshua Shanker
	Marsh McLennan	MMC	MMC US	Joshua Shanker
	Principal Financial Group	PFG	PFG US	Joshua Shanker
	Prudential Financial	PRU	PRU US	Joshua Shanker
	The Hanover	THG	THG US	Grace Carter, CFA
	Trupanion	TRUP	TRUP US	Joshua Shanker
	Unum	UNM	UNM US	Joshua Shanker
UNDERPERFORM				
	Arthur J. Gallagher & Co.	AJG	AJG US	Joshua Shanker
	Chubb Ltd	CB	CB US	Joshua Shanker
	CNA Financial	CNA	CNA US	Joshua Shanker
	Goosehead Insurance Inc.	GSHD	GSHD US	Joshua Shanker
	Selective	SIGI	SIGI US	Grace Carter, CFA
	Travelers Cos	TRV	TRV US	Joshua Shanker
	Willis Towers Watson	WTW	WTW US	Joshua Shanker

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Aflac, Allstate Corp., Assurant, CNA Financial, Everest Group Ltd, MetLife, Principal, Selective, The Hanover, The Hartford, Trupanion, Voya, W.R. Berkley.

BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: Allstate Corp., CNA Financial, MetLife, Principal.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Allstate Corp., Berkley (W.R.), CNA Financial, MetLife, Principal, Selective, The Hartford, Voya.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Aflac Inc, Allstate Corp., Assurant, Inc., Berkley (W.R.), CNA Financial, Everest Group, Hanover Insurance, MetLife, Principal, Selective, The Hartford, Voya.

The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Aflac Inc, Allstate Corp., Assurant, Inc., Berkley (W.R.), CNA Financial, Everest Group, Hanover Insurance, MetLife, Principal, Selective, The Hartford, Voya.

BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Allstate Corp., CNA Financial, MetLife, Principal, The Hartford, Voya.

BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: Allstate Corp., Berkley (W.R.), MetLife, Principal, Selective, The Hartford, Voya.

BofAS together with its affiliates beneficially owns one percent or more of the common stock of this issuer. If this report was issued on or after the 9th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 9th day of a month reflect the ownership position at the end of the second month preceding the date of the report: Allstate Corp., Assurant, Inc., Berkley (W.R.), MetLife, Principal, The Hartford, Trupanion, Voya.

BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: Aflac, Allstate Corp., Assurant, CNA Financial, Everest Group Ltd, MetLife, Principal, Selective, The Hanover, The Hartford, Trupanion, Voya, W.R. Berkley.

The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Aflac Inc, Allstate Corp., Berkley (W.R.), CNA Financial, Everest Group, Hanover Insurance, MetLife, Principal, Selective, The Hartford, Voya.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.

Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofam.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSCFC); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa



de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofA Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofA India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofA Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofA India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

BofA ESGMeter Methodology:

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's Environmental, Social and Governance-related attributes. The ESGMeter is intended to indicate a company's likelihood of experiencing stronger financial stability (higher return on equity and lower earnings and price volatility) over the next three years relative to peer group. There are three ESGMeter levels - Low, Medium, and High - which indicate whether a company has attributes most likely to translate into superior financial stability (in the case of a High level) or weaker financial stability (in the case of a Low level) over the next three years relative to its peer group. A Medium level suggests that a company exhibits ESG characteristics that are likely associated with financial stability results in line with its peer group over the next three years. Full details of our methodology, financial stability definition and disclaimers are available at [BofA ESGMeter methodology](#). ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of the BofA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.

Copyright and General Information:

Copyright 2024 Bank of America Corporation. All rights reserved. iQDatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global

Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BofA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.