BofA SECURITIES

U.S. Insurance

3Q23 Earnings Preview: below average hurricane quarter drives EPS ests. up

Price Objective Change

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Equity
United States
Insurance

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P&C: multi-decade hard market in auto and prop-cat

We continue to believe personal auto and reinsurers highlight the most attractive opportunities within our coverage. Personal lines are expected to begin to show signs of improvement on their core loss ratios following rapid rate filings over the past two years as higher rate is earned off the balance sheet. Buy-rated Progressive remains the only private auto insurer in our coverage that is profitable from underwriting while we would not be surprised to see Allstate bend the curve on its core loss ratio. Investor focus has shifted to 1/1 reinsurance renewals which are predominantly focused on global property catastrophe reinsurance. Following material price increases and improved terms and conditions for reinsurers in the beginning of 2023, some market participants are concerned reinsurance pricing could decline, potentially dampening market sentiment. We believe pricing will be higher upon renewals, a sentiment that was echoed at a recent industry event in Monte Carlo. We have Buy recommendations on all reinsurers, but we believe RenaissanceRe is the most levered to this theme.

Expect catastrophe losses despite no major events

Domestic insurers are expected to have some exposure to losses related to Hurricanes Idalia and Hillary, homeowners and business losses from the Maui wildfires, and auto and home losses related to heavy rainfall and flooding from Tropical Storm Ophelia late in the quarter. Global names may report losses related to flooding in Hong Kong, various typhoons impacting Asia, Moroccan earthquakes and various flood and convective storm events in Europe. Overall, we have modestly reduced our forecasts for catastrophe losses given we modelled larger catastrophe losses in the event of major hurricanes(s) were to occur during the typical wind season.

Life: Higher rates = higher lapses

Life insurers' earnings power continues to benefit from higher rates as the 10-year rose ~75bps to 4.57% at the end of the quarter and surged above 4.8% shortly after quarter-end. Higher rates should serve as a tailwind for fixed annuity products while lapse rates are expected to remain elevated as investors seek higher yielding products. The more capital-light group benefits products continue to be a focus among life insurers with strong results YTD on the back of robust labor markets. We continue to expect commercial real estate exposure, credit concerns and overall macro outlook to be topics of great interest on earnings calls.

Brokers: Can above-trend organic growth continue?

Historically, insurance brokers have experienced organic growth of 3-5% but have reported growth at rates nearly twice as fast in the post-pandemic environment. AJ Gallagher maintained their continued optimism around its growth outlook at its September Investor Day, guiding towards the top-end of growth and margin ranges in most categories. We expect growth to remain above historical trend but decelerating. We are changing POs and estimates for selected companies in our coverage (Refer to Exhibit 2).

Exhibit 1: Updated POs

PO changes reflect events occurring during the quarter and various P/E multiple changes.

		Price Objective ($)	
Ticker	Rating	New	Old
AFL	Buy	86	no change
ALL	Buy	136	138
AIG	Buy	73	72
AON	Neutral	355	380
ACGL	Buy	90	no change
AJG	U/P	187	199
AXS	Buy	67	68
BRP	Buy	41	no change
CB	U/P	194	192
CNA	Neutral	39	no change
CRBG	Buy	29	31
EG	Buy	501	448
GSHD	U/P	41	no change
HIG	Buy	89	no change
LNC	Neutral	23	27
MMC	Neutral	194	210
MET	Buy	83	82
PFG	Neutral	73	85
PGR	Buy	197	199
PRU	Neutral	95	101
RNR	Buy	289	266
TRV	U/P	162	170
TRUP	Neutral	35	no change
UNM	Neutral	50	51
VOYA	Buy	83	85
WRB	Buy	83	79
WTW	U/P	207	230

Source: BofA Global Research estimates

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Timestamp: 11 October 2023 07:24AM EDT

Overview of Model Changes

Exhibit 2: Price Objective and 3Q23E Changes
We update our 3Q23E EPS forecasts to account for events occurring during the quarter.

Company	Ticker	Rating	Price Objective New	Price Objective Prior	3Q23E EPS BofA New	3Q23E EPS BofA Prior	3Q23E EPS Cons.
Commercial P&C							
American Int'l	AIG	Buy	$ 73	$ 72	$ 1.70	$ 1.62	$ 1.50
Arch Capital	ACGL	Buy	$ 90	no change	$ 1.67	$ 1.51	$ 1.39
AXIS Capital	AXS	Buy	$ 67	$ 68	$ 1.57	$ 1.51	$ 1.82
Chubb	CB	Underperform	$ 194	$ 192	$ 4.14	$ 4.08	$ 4.40
CNA Financial	CNA	Neutral	$ 39	no change	$ 0.81	$ 0.89	$ 0.94
Everest Re	EG	Buy	$ 501	$ 448	$ 11.67	$ 6.33	$ 8.93
Hartford Financial	HIG	Buy	$ 89	no change	$ 1.89	$ 2.05	$ 1.99
RenaissanceRe	RNR	Buy	$ 289	$ 266	$ 8.46	$ 4.92	$ 3.98
Travelers	TRV	Underperform	$ 162	$ 170	$ 2.79	$ 2.84	$ 3.00
W.R. Berkley	WRB	Buy	$ 83	$ 79	$ 1.20	$ 1.30	$ 1.17
Personal Lines							
Allstate	ALL	Buy	$ 136	$ 138	$ 0.51	$ 1.00	$ 0.61
Progressive	PGR	Buy	$ 197	$ 199	$ 1.85	$ 1.91	$ 1.68
Life Insurance							
Aflac Inc.	AFL	Buy	$ 86	no change	$ 1.63	no change	$ 1.48
Corebridge Financial	CRBG	Buy	$ 29	$ 31	$ 1.07	$ 1.09	$ 1.06
Lincoln National	LNC	Neutral	$ 23	$ 27	$ 1.73	$ 1.61	$ 1.75
MetLife	MET	Buy	$ 83	$ 82	$ 2.14	$ 2.21	$ 2.04
Principal Financial	PFG	Neutral	$ 73	$ 85	$ 1.64	no change	$ 1.67
Prudential Financial	PRU	Neutral	$ 95	$ 101	$ 3.07	$ 3.13	$ 3.20
Unum	UNM	Neutral	$ 50	$ 51	$ 1.90	$ 1.87	$ 1.92
Voya Financial	VOYA	Buy	$ 83	$ 85	$ 2.08	$ 2.13	$ 2.08
Insurance Brokers							
Aon	AON	Neutral	$ 355	$ 380	$ 2.19	no change	$ 2.21
Arthur J. Gallagher	AJG	Underperform	$ 187	$ 199	$ 1.93	no change	$ 1.96
BRP Group	BRP	Buy	$ 41	no change	$ 0.27	no change	$ 0.28
Marsh & McLennan	MMC	Neutral	$ 194	$ 210	$ 1.38	no change	$ 1.39
Willis Towers Watson	WTW	Underperform	$ 208	$ 230	$ 2.03	no change	$ 2.04
Insurtech							
Goosehead	GSHD	Underperform	$ 41	no change	$ 0.39	no change	$ 0.30
Trupanion	TRUP	Neutral	$ 35	no change	$ (0.27)	no change	$ (0.33)

Source: BofA Global Research estimates

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Exhibit 3: Full-Year EPS Forecasts

Some of our full-year EPS forecast changes upon interpolating 3Q23E events.

		2023E		2024E		2025E		Price Objective	
Company	Ticker	BofA New	BofA Prior	BofA New	BofA Prior	BofA New	BofA Prior	BofA New	BofA Prior
Commercial P&C									
American Int'l	AIG	$6.95	$6.90	$8.65	no change	$9.65	no change	$73	$72
Arch Capital	ACGL	$7.20	$7.05	$7.95	no change	$8.35	no change	$90	no change
AXIS Capital	AXS	$8.15	$8.20	$8.65	$8.95	$8.85	$9.30	$67	$68
Chubb	CB	$17.85	$17.80	$18.80	no change	$20.00	$20.05	$194	$192
CNA Financial	CNA	$4.15	$4.25	$4.55	no change	$4.75	no change	$39	no change
Everest Re	EG	$52.45	$46.85	$60.85	$53.85	$67.85	$60.15	$501	$448
Hartford Financial	HIG	$7.70	$7.85	$9.65	no change	$11.25	$11.15	$89	no change
RenaissanceRe	RNR	$35.20	$31.40	$36.10	$36.35	$36.85	$37.00	$289	$266
Travelers	TRV	$12.00	$12.10	$16.60	no change	$18.40	no change	$162	$170
W.R. Berkley	WRB	$4.70	$4.80	$5.75	$5.60	$6.20	$5.95	$83	$79
Personal Lines									
Allstate	ALL	$(2.95)	$(2.45)	$11.30	no change	$14.65	no change	$136	$138
Progressive	PGR	$5.05	$5.10	$9.00	no change	$12.30	no change	$197	$199
Life Insurance									
Aflac	AFL	$6.20	no change	$6.50	no change	$6.75	no change	$83	$86
Corebridge Financial	CRBG	$4.20	$4.25	$5.20	$5.45	$6.30	$6.50	$29	$31
Lincoln National	LNC	$7.05	$6.95	$7.75	$7.90	$8.75	$8.90	$23	$27
MetLife	MET	$7.80	$7.90	$9.40	$9.45	$10.30	$10.35	$83	$82
Principal Financial	PFG	$6.25	no change	$7.25	$7.30	$7.75	$7.85	$73	$85
Prudential Financial	PRU	$11.60	$11.70	$12.90	$13.05	$14.00	$14.15	$95	$101
Unum	UNM	$7.70	$7.65	$7.85	$7.90	$8.35	no change	$50	$51
Voya Financial	VOYA	$7.80	$7.95	$8.70	$9.05	$10.30	$10.70	$83	$85
Insurance Brokers									
Aon	AON	$14.15	no change	$15.90	no change	$17.45	no change	$355	$380
Arthur J. Gallagher	AJG	$8.69	no change	$10.02	no change	$11.09	no change	$187	$199
BRP Group	BRP	$1.18	no change	$1.70	no change	$2.15	no change	$41	no change
Marsh & McLennan	MMC	$7.77	no change	$8.53	$8.54	$9.23	$9.24	$194	$210
Willis Towers Watson	WTW	$14.01	no change	$16.25	$16.23	$18.35	$18.26	$208	$230
Insurtech									
Goosehead	GSHD	$1.26	no change	$1.68	no change	$1.97	no change	$41	no change
Trupanion	TRUP	$(1.38)	no change	$(0.11)	no change	$0.32	no change	$35	no change

Source: BofA Global Research estimates

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Exhibit 4: 3Q23E Catastrophe Loss Forecasts

Despite a lack of single high impact storms, we do expect companies in our coverage to have varying degrees of exposure to inclement weather events around the world.

		Catastrophes ($m)		Catastrophes (%)	
Company	Ticker	New	Prior	New	Prior
Allstate	ALL	1,183	1,020	9.6%	8.3%
American Int'l	AIG	491	603	7.3%	9.0%
Arch Capital	ACGL	291	294	8.8%	8.9%
AXIS Capital	AXS	77	108	6.7%	8.3%
Chubb	CB	799	844	8.6%	9.0%
CNA Financial	CNA	82	68	3.5%	3.0%
Everest Re	EG	210	525	6.0%	14.9%
Hartford Financial	HIG	253	185	6.8%	4.9%
Progressive	PGR	535	495	3.6%	3.3%
RenaissanceRe	RNR	152	414	8.2%	21.1%
Travelers	TRV	437	436	4.5%	4.5%
W.R. Berkley	WRB	75	66	2.8%	2.5%

Source: BofA Global Research estimates

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P&C Insurers

Allstate (ALL)

Price Objective: $136

BofA 3Q23E EPS Estimate: 0.51

Street High/Cons/Low: $1.33/$0.61/-$0.72

Release date: 11/1 after market close; call at 9 a.m. on 11/2

Items to Watch:

- We expect $1.8bn in catastrophe losses in 3Q23E, or a cat load of 9.6%. Allstate previously disclosed $313mn and $551mn in catastrophe losses for July and August, respectively. We expect catastrophe losses in September to be similar to June while acknowledging potential downside risk if the heavy rains and flooding impacting the Northeast from Tropical Storm Ophelia incur greater losses than expected. The company will pre-announce September catastrophe losses on October 19th (if they exceed $150mn), potentially providing further clarity in advance of earnings.

- We model an underlying P&C loss ratio of 72.5% vs 74.4% in 3Q22 with broad-based improvement in both Auto and Homeowners. We forecast an Auto underlying loss ratio of 80.7% vs 82.4% in 3Q22 (inclusive of 80bps of adverse development from 1H22) and 82.3% in 2Q23 as higher pricing begins to alleviate profitability concerns. The higher pricing is slowly matriculating off the balance sheet into the income statement as premiums which is incorporated in our forecast through the gradual, sequential improvement in underlying loss ratio. While we believe 3Q23 could be the quarter where Allstate margins "turn the corner", it is worth noting that a seasonally weak auto rate approval pace in February and March of 2023 may contribute to soft year-over-year change in net premiums earned per policy in around the September/October period and could push the inflection quarter to 4Q23.

- Allstate has taken a series of reserve charges in 2022, totaling $1.7bn as the company looks to shore up its reserves in the face of the inflationary pressures facing the auto insurance industry. The company reported $181mn in reserve charges in 2Q23, largely related to National General and litigation following regulatory changes in Florida. While we do not expect this quarter to deliver overly outsized catastrophe losses, investors may be concerned around capital levels at the company and will be carefully watching for commentary around reserve adequacy or potential reserve charges.

- We forecast $177mn in performance-based investment income assuming an annualized yield of 7.5%, which is a hair short of our run rate expectation of 8%. Alternative investment income is typically reported on a lag and the S&P 500 index was up approximately 8.3% in 2Q23. However, there are increased concerns around the impacts of higher rates on private equity and commercial real estate.

- We lower our PO to $136 from $138 based on the 2025E peer group P/E multiple (9.3x). Material upside potential vs our PO informs our Buy rating; we expect outperformance as the company reaps the benefits of the transformative growth program and early innings of hard market pricing in personal lines.

American International Group (AIG)

Price Objective: $73

BofA 3Q23E EPS Estimate: $1.70

Street High/Cons/Low: $1.72/$1.50/$1.16

Release date: 11/1 after market close; call 11/2 at 8:30 a.m.

Items to Watch:

- AIG spun out its Life & Retirement businesses (Corebridge Financial) through an IPO in mid-September 2022 and recently sold a portion of Corebridge shares back to the company, lowering its stake in the company to 64% from 76%. Following the separation of the life and P&C businesses, management has shifted their focus to material cost restructuring program. Any updates regarding the progress of expense management and/or potential timing of reducing their stake in Corebridge could be of investor interest.

- We expect $491mn in catastrophe losses (7.3% loss ratio impact). While 3Q23E was a mild catastrophe quarter in terms of large single events, we expect AIG to have exposure to several severe weather events around the globe including Hurricanes Idalia and Hillary, flooding in Hong Kong, Moroccan earthquakes and the various convective storms in the United States albeit AIG may be less exposed to these storms versus peers. However, improved re-underwriting efforts over recent years should constrain losses relative to similarly active quarters in the past, although the company's large international portfolio could see above-average losses.

- We forecast an underlying loss ratio of 57.5% for General Insurance, or 50bps of YoY deterioration. We expect a modest 30bps of deterioration for North America Commercial lines to 62.5%, although we acknowledge the possibility for bidirectional surprises in loss cost trends given inflationary pressures. Any management insights into commercial pricing vs loss cost trends could influence sentiment.

- We believe that commercial pricing increases should continue following difficult reinsurance renewals and inflationary pressures, potentially giving new legs to the U.S. commercial lines hard market. Following 15% NPW growth in 1H23, we expect premium growth to continue, albeit modestly decelerate, with 12.5% NPW growth in North America Commercial while International Commercial is modelled to grow 3%. In aggregate, we model top line growth of 11% for General Insurance, marking the third consecutive quarter of double-digit growth after adjusting for an accounting change and FX.

- We do not model any prior year reserve development outside of the amortization of the deferred gain on the NICO ADC. Given historical reserve challenges at AIG, we remain somewhat cautious in our outlook.

- Our PO rises to $73 from $72 based on a sum-of-the parts valuation including 1) our expected value of AIG's 64% stake in Corebridge, 2) an expectation that AIG's P&C businesses now unencumbered will take at a peer P/E multiple (currently 10x 2024E) and 3) a time-value discounted multiple for its deferred tax assets. The increase in PO is driven by a higher expected value of the company's stake in Corebridge (see Corebridge for more info) and modest expansion of the P&C peer group multiple. Upside potential vs our PO informs our Buy rating; we expect recent margin expansion to continue and valuation re-rating as the company pursues expense management initiatives following the separation of the Life and Retirement business.

Arch Capital Group (AGCL)

Price Objective: $90

BofA 3Q23E EPS Estimate: $1.67

Street High/Cons/Low: $1.82/$1.39/$0.85

Release date: 10/31 after market close; call 10/31 at 11 a.m.

Items to Watch:

- We model $233mn in catastrophe losses in 3Q23E, or 6.7% loss ratio impact. We expect Arch to have exposure to several severe weather events around the globe; however, we do not expect 3Q23E to be an overly noteworthy catastrophe quarter for reinsurers. While Arch often has limited cat exposure vs peers, recent growth in property lines could inflate losses relative to recent history.
- Arch is one of few P&C companies that has fully embraced higher P&C pricing trends over the past couple of years to increase its exposure footprint, which we expect to continue in 3Q23E. We are estimating 15% net premium written growth in the Insurance segment and 30% in the Reinsurance segment. Arch's management commented that mid-year renewals "saw significant improvement in rate adequacy." We believe the risk is to the upside that Arch grows faster than we are modeling.
- We are forecasting a 56% core loss ratio for 3Q23E in the Insurance segment, keeping core loss ratios flat YoY. In Reinsurance, we are forecasting a 53% underlying loss ratio for 3Q23E, or 550bp improvement YoY as 3Q22 encountered an elevated number of large attritional losses in the other property book while improved reinsurance pricing should also attribute to the core loss ratio improvement.
- We believe the default rate in the Mortgage Insurance business has already or is close to bottoming as impacts of harder macroenvironment begin to weigh on results; we forecast 1.7% default rate vs 1.6% in the prior quarter. We also forecast $59mn in favorable reserve development (-21% segment loss ratio impact), a modest decline compared to recent quarters as a large portion of pandemic reserves have already been released. We forecast an underlying loss ratio of 26.3%, representing a 520bps deterioration from a year due to tough YoY comparable periods. Given the dramatic rise in mortgage rates occurring in 2022-1H23 and the increased frequency of job cuts/layoffs at large companies, additional commentary around developing delinquency trends could impact the stock performance.
- Arch's PMLs have steadily climbed higher since 2Q21 from 4.7% of tangible common equity to ~10.5% as of July 1st for its peak zone 1-in-250 year catastrophe event. Despite commentary around favorable pricing and strong premium growth, PMLs remain well below the theoretical limit of 25% of tangible common equity. Investors will be interested to see 1) any color or comments around primary E&S renewals from 6/1-7/1 periods which primary carriers are expected to increase retention and/or have higher attachment points before reinsurance coverage comes into effect, and 2) any insights on how 1/1 renewals are shaping up for 2024 and possible PML trajectory based on current 1/1 renewal expectations.
- Our PO remains $90 which is predicated on 110% the peer group 2024E P/E multiple (10x). We apply a premium to the peer group valuation to reflect Arch's tactical capital management and the once in a generation opportunity in reinsurance markets. Upside potential vs our PO underlies our Buy rating; we expect outperformance as the company realizes the benefits of above-average cures in the mortgage business and recent growth efforts in the P&C business.

AXIS Capital (AXS)

Price Objective: $67

BofA 3Q23E EPS Estimate: $1.57

Street High/Cons/Low: $2.20/$1.82/$1.51

Release date: 11/1 after market close; call 11/2 at 9:30 a.m.

Items to Watch:

- We expect $77mn in catastrophe losses, or a 6.7% loss ratio impact. Overall, 3Q23E was a mild catastrophe quarter, with notable events including Hurricanes Idalia and Hillary, Maui wildfires, flooding in Hong Kong, Moroccan earthquakes and the various convective storms in the United States. AXIS had previously placed their property and catastrophe reinsurance businesses into run-off during 7/1/22 renewals so the company could have less exposure to severe weather events relative peers as the remaining book rolls off.
- We model $7.2mn alternative investment income based on a 3% yield, well below our run rate assumption of 6.5%. Alternative investment income tends to earn in on a lag, so 3Q23E results could reflect 1Q23 positive market performance, however, alternative asset managers may be reluctant to market-up their portfolio in the current macro environment.
- We expect an underlying loss ratio of 52% in Insurance, or 30bps YoY improvement, benefiting from higher earned rates. The prior year's results also reflect an easier comparison due to an extra point in the loss ratio associated with a now cancelled liability program in addition to elevated losses in marine and aviation lines.
- In Reinsurance, we are forecasting a 65.5% underlying loss ratio compared to 64.8% in 3Q22. The company announced in June 2022 that they are exiting the property reinsurance business as the company continues to focus on reducing catastrophe volatility. The business will now focus on casualty, specialty, accident & health, and credit lines. The company did recently launch Monarch Re. a new collateralized reinsurer, in conjunction with Stone Point Credit Adviser. We have accounted for the transaction in our model, but we acknowledge estimates across the sell-side could vary given limited guidance on the impacts to financial statements.
- Management has indicated a preference into deploying capital into growing the business as opposed to share repurchase, citing attractive opportunities in the market. Accordingly, we did not include any share repurchases in our forecast for the quarter, but we expect share repurchases to resume in 4Q23E. We acknowledge upside risk to our forecast if the company decides to participate in share repurchase during the quarter. The recent Monarch Point Re transaction could free up capital for deployment into share repurchase in 4Q23 and beyond, but the company went into its quiet period before the news of the new retrocession structure was announced.
- Our PO falls slightly to $67 from $68, which is based 75% of the peer group multiple (10x). Material upside potential vs our PO derives our Buy rating; we believe AXIS has taken steps to smooth earnings volatility going forward by exiting the property reinsurance space and is one of the best positioned companies in our coverage in terms of investment portfolio for the currently inverted yield curve.

Chubb (CB)
Price Objective: $194

BofA 3Q23E EPS Estimate: $4.14

Street High/Cons/Low: $5.07/$4.40/$3.58

Release date: 10/24 after market close; call 10/25 at 8:30 a.m.

Items to Watch:

- We forecast $799mn in Global P&C catastrophe losses, or 8.6% loss ratio impact. We expect Chubb to have exposure to inclement weather events around the globe in the quarter, such as Hurricanes Idalia and Hillary, Maui wildfires, flooding in Hong Kong, Moroccan earthquakes and the various convective storms in the United States.

- Chubb has industry-leading core margins, which could be difficult to expand significantly even with favorable pricing trends. We model 30bps of YoY underlying loss ratio improvement in North America Commercial to 60.5%, as the company continues to earn rate in excess of loss cost trends. For Global P&C, we forecast core loss ratio to remain flat YoY at 55.7%. Any further color on the impact of inflation on current loss costs, prior period reserves, and market pricing dynamics could influence sentiment.

- We model $550mn of repurchases in the quarter following a new $5bn share repurchase authorization on July 1st. While we are modeling share repurchases, it has the potential to be highly dilutive to shareholders. Chubb announced on their 2Q23 earnings call that the company acquired additional shares of Huatai, a Chinese insurance company, that increases Chubb's aggregate ownership to 69.6%. Huatai's earnings will now be consolidated within Chubb's results beginning this quarter. Including what we expect to be about $3bn in goodwill from Huatai, shares of Chubb are trading at $85.55 tangible book as of June 30.

- We expect a "write up" of goodwill in 3Q23. That is to say, Chubb is the majority owner of Huatai, but the company has been recording its ownership as an investment. In 3Q23, we expect the company to consolidate the Huatai investment into its financials, which will cause a decline in its other investments, an allocation of the constituent elements of Huatai's balance sheet into its own, and an increase to goodwill and intangibles in excess of $2 billion.

- Our PO rises modestly to $194 from $192 based on 10x 2024E P/E, which is in-line with large-cap commercial lines peers, reflecting the historical trading range. Downside vs our PO drives our Underperform rating; we expect difficulties expanding margins, leading our EPS forecasts to be materially below consensus.

CNA Financial (CNA)
Price Objective: $39

BofA 3Q23E EPS Estimate: $0.81

Street High/Cons/Low: $1.04/$0.94/$0.88

Release date: 10/30 before market open; call at 9 a.m.

Items to Watch:

- We expect $82mn (3.5% loss ratio impact) in catastrophe losses. Although we expect CNA to experience losses from various inclement weather events in the quarter, it typically has lower exposure to catastrophic events than peers.

- Long term care results are likely to remain a major driver for sentiment. The long-term care book had generally experienced lower claim frequency, higher claim terminations and more favorable claims severity amid the effects of COVID-19 which has since abated. The company had also reduced IBNR estimates in recent quarters. Any management insights on the outlook for LTC operations as the pandemic evolves to an endemic could sway stock reaction.

- We model a limited partnership yield of 5.5% for the P&C assets and 4% for the Life assets in 3Q23E, reflecting the positive market performance in 2Q23. Historically, CNA's alternative investment results have more closely followed real time market performance vs peers, most of which report on a lag. Recent portfolio rebalancing should translate to a greater lagged component going forward; we expect increased market volatility and pressure on private equity and real estate valuations to adversely weigh on investment returns.

- We model a flat attritional P&C loss ratio in 3Q23E at 60.3%, reflecting rising loss cost trends. Commercial lines accelerated through the 1H23 while both Specialty lines experienced rate declines in 2Q23, citing competitive pressures primarily in management liability lines. We expect loss costs trends and pricing dynamics to remain key topics on the earnings call, particularly in light current inflationary environment.

- Our PO remains $39 which is based on 80% of the average consensus large-cap P&C peer P/E multiple (10x). Minimal upside/downside vs our PO underlies our Neutral rating while we believe the stock offers an attractive dividend yield.

Everest Group (EG)
Price Objective: $501

BofA 3Q23E EPS Estimate: $11.67

Street High/Cons/Low: $13.50/$8.93/$4.71

Release date: 10/25 after market close; call at 8 a.m. on 10/26

Items to Watch:

- We forecast $210mn in catastrophe losses (6% loss ratio impact). We expect Everest to have exposure to several severe weather events around the globe including Hurricanes Idalia and Hillary, Maui wildfires, flooding in Hong Kong, Moroccan earthquakes and the various convective storms in the United States; however, we do not expect 3Q23E to be an outsized catastrophe quarter for reinsurers.

- We model 18.3% NPW growth for 3Q23E (excl. reinstatement premiums). We expect growth in Insurance to modestly decelerate from the prior quarter to 13.5% NPW growth (15% NPW growth in 1Q23). Within Reinsurance, we forecast 20% NPW growth to reflect an expected strong mid-year renewal, although we acknowledge potential downside risk if industry optimism on 7/1 renewals doesn't translate into robust premium growth some investors may expect.

- Everest and the other reinsurers could begin to provide color around 1/1 renewals discussions as reinsurers begin to build their books. Following strong pricing trends and underwriting discipline from reinsurers 2023, some market participants believe reinsurance pricing could fall in 2024 absent a major storm occurring for the remainder of 2023.

- We estimate a consolidated underlying loss ratio of 59.5%, which translates to an 80bp improvement YoY. Insurance is forecasted to deliver a core loss ratio of 63% (40bps YoY improvement) while we forecast a core loss ratio of 58.3% (80bp improvement) in the much larger Reinsurance segment. Any additional color on pricing or impacts on loss trend could influence sentiment.

- We expect an alternative investment yield of 4.5% in 3Q23E, below our run rate assumption of 6.5%. Alternative investment income is typically reported on a lag and the S&P 500 index was up roughly 7% in 1Q23. However, there are increased concerns around the impacts of higher rates on private equity and commercial real estate.

- We increase our PO to $501 from $448 following upward revisions to our earnings forecast, largely reflecting more mild catastrophe losses in 3Q23 vs. our original estimate for the typical catastrophe heavy wind season. Material upside potential vs our PO informs our Buy rating; we believe Everest's valuation appears cheap and is better positioned to benefit from the hard market in reinsurance pricing.

Hartford Financial (HIG)
Price Objective: $89

BofA 3Q23E EPS Estimate: $1.89

Street High/Cons/Low: $2.16/$1.99/$1.86

Release date: 10/26 after market close; call 10/27 at 9 a.m.

Items to Watch:

- We model catastrophe losses of $253mn (6.8% loss ratio impact) for 3Q23E. We expect The Hartford to have exposure to losses related to Tropical Storm Ophelia as well as convective storms in the United that occurred during the quarter.

- We expect a Commercial core loss ratio of 56.5%, a 100bps improvement YoY. The improvement reflects the earn-through of recent rate increases that occurred during the hard market in commercial lines. Furthermore, workers' comp is the company's largest line of business; any updates on loss trends/pricing could be particularly important for sentiment.

- We expect the core loss ratio in Personal Lines to continue to deteriorate, modelling 520bps of deterioration YoY, however, 210bps improvement from the previous quarter as rate filings earn-in off the balance sheet. Management commented that inflation pressure through the 1H23 will likely result in the auto loss ratio coming in ~8pts above previous FY23 guidance. The Hartford, and other companies that offer personal lines insurance have been submitting numerous rate filings in order to improve profitability in response to inflationary pressures from elevated repair/material costs related to supply chain and higher labor rates. Management indicated they expect renewal written price increases of 20% by 4Q23 which is expected to continue through 2024. Any further commentary on the trajectory for personal auto pricing and margins could influence stock reaction.

- We estimate a Group Benefits loss ratio of 74%, or 110bps YoY deterioration reflecting tough YoY comparison but roughly reflects the pre-pandemic average. We are no longer forecasting an increase in the loss ratio going forward for COVID-19 outside the normal seasonality typically experienced in the fall and winter months. We concede potential downside to our forecast if impacts from "long COVID-19" lead to increased long-term disability claims.

- Our PO remains unchanged at $89, which is predicated upon 90% of the large-cap P&C peers' multiple (10x). Material upside potential vs our PO underlies our Buy rating; we believe the stock is undervalued given a better earnings outlook vs peers.

Progressive Corp. (PGR)
Price Objective: $197

BofA September 2023 / 3Q23E EPS Estimates: $0.60 / $1.85

3Q23E Street High/Cons/Low: $1.91/$1.68/$1.14

Release date: 10/13 before market open; 3Q23 earnings call TBD

Items to Watch:

- We expect $145.4mn in catastrophe losses (3.1% loss ratio impact) in September, bringing the 3Q23E total to $535.3mn (3.6%). Progressive had already reported catastrophe losses of $185mn and $205mn for July and August, respectively, which were related to Hurricane Idalia and presumably to various numerous convective storms occurring throughout the quarter, although Progressive did not disclose the events causing the catastrophe losses. We expect the company to have catastrophe losses in September related to Tropical Storm Ophelia which resulted in strong winds, heavy rainfall and coastal flooding along the east coast at the end of the quarter.

- In the 2Q23 shareholder's letter, management highlighted their plans to "increase rates where needed through the rest of the year" and the company has indicated plans on exiting the year with 14% rate increases. This is on top of aggressive action taken last year to combat inflationary pressures and return margins to the desired 96% calendar-year combined ratio in 2022. We expect the loss ratio to be in-line from recent months, modeling a total core loss ratio of 74.9% in September. However, we expect higher earned rate to begin improving the company's core loss ratio going forward beginning in October with modest improvements. For Personal Auto, we estimate 75.9%, a 10bps improvement from a year earlier. Any data points on loss cost trends and pricing achieved in the quarter could impact sentiment.

- In order to protect the company's ethos of delivering at least a 4% underwriting margins while growing as fast as possible, the company has pulled back on marketing spend. Following competitors continue to materially increase rates to restore profitability, we expect policies-in-force for Personal Auto to increase 11.8% YoY in September, however this would represent 0.3% decline sequentially. We believe the company will likely remained disciplined on marketing spend in order to maintain target margins in addition to weaker growth due to seasonality, we model PIF growth in Personal Auto to remain flat sequentially until 2024 where Progressive should be one of the primary beneficiaries of the current competitive landscape when they decide to reprioritize growth and resume marketing spend.

- We forecast 17% total NPW growth for September, incl. 17.5% for Personal Auto. We expect growth to largely higher premium-per-policy as the company pursues rate increases.

- Our PO falls modestly to $197 from $199 due to minor contraction in the 2025E S&P 500 multiple (16x). Material upside potential vs our PO informs our Buy rating; we expect Progressive to sustain above-average growth and margins over the long term due to superior execution.

RenaissanceRe (RNR)
Price Objective: $289

BofA 3Q23E EPS Estimates: $8.46

Street High/Cons/Low: $8.27/$3.98/$0.65

Release date: 11/1 after market close; call at 11 a.m. on 11/2

Items to Watch:

- We forecast $155mn in catastrophe losses (8.1% loss ratio impact). We expect RenRe to have exposure to several severe weather events around the globe including Hurricanes Idalia and Hillary, Maui wildfires, flooding in Hong Kong, Moroccan earthquakes and the various convective storms in the United States. However, we do not expect 3Q23E to be an unusually large catastrophe quarter for reinsurers. While we expect the company to record reserves for these losses, we strongly expect that the company may be over-reserving for these smaller catastrophe events with the potential for these reserves to be released in later years.

- We forecast -7.8% NPW declines for 3Q23E largely due to lower restatement premiums vs. 3Q22 which was related to Hurricane Ian and tough YoY comparisons in Casualty and Specialty book due to one-off items in the mortgage line. Any management color on pricing dynamics leading into 7/1 E&S renewals and insights into how 1/1 renewals for global catastrophe reinsurance is developing could be important for sentiment.

- We expect an underlying loss ratio of 63.0% in the Casualty business. This translates into 200bps of improvement YoY as management has gained increased confidence in the book of business as the business scales. Management has indicated that they believe the Casualty business should be able to produce a mid-90s combined ratio on a growing a premium base. We have forecasted an underlying combined ratio of 93.5% for 3Q23E. We anticipate gradual improvement towards a core loss ratio in the low 60% going forward.

- RenRe announced the acquisition of Validus Re from AIG in May 2023. As part of the transaction, AIG will deliver $4.5bn gross/$1.765bn net of investable assets at fair value regardless of where interest rates stand. Interest rates have moved higher since the transaction announcement, making the deal even more favorable to RenaissanceRe. We will be looking for any additional guidance to RenRe's financials/outlook provided on the 3Q23 earnings call following the expected completion of the acquisition in 4Q23.

- Given the favorable market dynamics in reinsurance broadly, we expect management to deploy capital into growing the business to take advantage of hard market conditions as opposed to returning capital to shareholders through share repurchases. Accordingly, we do not forecast any repurchases in 3Q23E.

- Our PO rises to $289 from $266 following upward revisions to earnings forecasts, largely reflecting more mild catastrophe losses in 3Q23 vs. our original estimate for the typical catastrophe heavy wind season. Our price objective is based on 80% of the large cap P&C year-ahead P/E multiple (10x) on our 2024E EPS forecast. Material upside potential vs our PO informs our Buy recommendation; we believe current valuation is attractive vs peers and underestimates RenRe's earnings power.

Travelers (TRV)

Price Objective: $162

BofA 3Q23E EPS Estimates: $2.79

Street High/Cons/Low: $3.81/$3.00/$2.17

Release date: 10/18 before market open; call at 9 a.m.

Items to Watch:

- We estimate $437mn in 3Q23E catastrophe losses, or 4.5% loss ratio impact. Despite a relatively light quarter for single large catastrophe events, we expect Travelers to have some exposure to Tropical Storm Ophelia, Maui wildfires, and various convective storms in the quarter, predominantly across the Midwest United States.

- We expect a core loss ratio of 60% in Business Insurance (60bps YoY improvement) and 48% in Bond & Specialty (480bps YoY deterioration while the prior-year quarter benefited from favorable re-estimation for management liability coverage). Travelers is the first commercial lines peer to report earnings, so any management insights into loss cost trends and pricing could influence sentiment for the group. Specifically, we expect continued color on social inflation and economic inflation and their impacts on loss trend to be topics of interest.

- We forecast a Personal Lines 3Q23E underlying loss ratio of 70% vs 74.7% in 1Q23. The auto book is modelled to have material improvement in the core loss ratio as higher rate begins to earn in while homeowners reported core loss ratio deterioration as inflationary impacts continue to weigh on labor and material/replacement costs. We model 350 of improvement YoY and 310bps of sequential improvement in the auto core loss ratio. Traveler's auto book has experienced solid PIF growth over the 2019-2022 period, however, questions remain around the future profitability of the cohort. The majority of the company's personal auto book consists of 12-month duration policies, which means it will take longer for the company to restore profitability despite approved rate filings by regulators. Any management insights into the industry's progress in procuring higher auto rates could be key for sentiment.

- We model $70mn in alternative investment income in 3Q23E. Alternative investment income is typically reported on a lag and the S&P 500 index was up roughly 8.3% in 2Q23. However, there are increased concerns around the impacts of higher rates on private equity and commercial real estate. The company hasn't reported a loss from alternative investments over the last 7 years despite significant drawdowns in traditional markets. We expect an annualized yield of 6.5%, well below our run rate assumption of 8%.

- Our PO falls to $162 from $170 following updates to our out-year forecasts. Travelers' price objective is based on 105% of the large-cap commercial lines peer group (10x). Limited upside potential vs our PO informs our Underperform rating; we believe decelerating pricing and elevated personal lines loss cost trends could prove headwinds.

W.R. Berkley (WRB)
Price Objective: $83

BofA 3Q23E EPS Estimates: $1.20

Street High/Cons/Low: $1.29/$1.17/$0.93

Release date: 10/23 after market close; call at 5 p.m.

Items to Watch:

- We estimate $75mn in catastrophe losses in 3Q23E. We expect Berkley to have exposure to several severe weather events around the globe; however, we do not expect 3Q23E to be a noteworthy catastrophe quarter. However, its catastrophe exposures tend to trend lower than those of peers.

- We model 10% NPW growth in 3Q23E, continuing the trend of modest deceleration as Berkley capitalizes on the favorable pricing environment. Reinsurance could see stronger premium growth as a result of the company being opportunistic in regards property catastrophe. Management expressed confidence in their ability to find more attractive opportunities in 2H23 which we have modelled accordingly, primarily within Insurance. We acknowledge downside to our forecast if more competition or macro pressures provide more of a headwind than we anticipate.

- We model an underlying loss ratio of 59%, or 40bps of YoY deterioration, as the quarter faces difficult YoY comparison. Berkley delivered a strong renewal rate of 8.2% and 8.3% (excluding worker's compensation) in 2Q23 and 1Q23, respectively, which could lead to margin improvement later in 2023 through 1H24. Any further color regarding economic inflation and social inflation could also influence sentiment.

- We continue to expect alternative income below our run-rate yield of 6.50%. We are not forecasting any alternative investment income in 3Q23E to reflect ongoing pressure in private markets and commercial real estate. This is a minor improvement from 2Q23 where Berkley reported a modest loss from alternative investments. We expect a further ~$6mn in arbitrage trading fund income, reflecting our run rate yield of 3.5%.

- We raise our PO to $83 from $79 due to modest peer group multiple expansion (10x). With material potential upside to our price objective and a demonstrated track record of superior results in the form of higher return on capital, we recommend shares as Buy.

Insurance Brokers

Aon (AON)
Price Objective: $355

BofA 3Q23E EPS Estimate: $2.19

Street High/Cons/Low: $2.30/$2.21/$2.10

Release date: 10/27 before market open; call at 8:30 a.m.

Items to Watch:

- We forecast 6% total organic growth for 3Q23E, with 5% organic growth in Commercial Risk Solutions, 8% organic growth in Reinsurance Solutions and 8% in Health Solutions. Facing tough YoY comparisons in 2Q23 due to higher performance fees a year earlier, we estimate organic growth in Wealth Solutions to grow 3% on the back of stronger revenues from retirement and pension derisking. Headline organic growth of 6% remains consistent with management guidance for mid-single digit growth or higher. We do acknowledge potential downside in Commercial Risk Solutions as lower M&A services pressure may continue due a challenging macroeconomic environment. Any updates on the outlook for organic growth could influence stock reaction given the recent downward trend in organic growth as inflation continues to decline and expectations for more muted economic growth.

- We expect adjusted operating margins to improve 90bps YoY to 24%. Management indicated earlier in the year that margins benefited from easier YoY comps where travel and entertainment expenses suppressed which should be less of a tailwind going forward. Fiduciary income should remain a positive tailwind to margins. Should Aon Business Services platform drive more/less operation improvement than we assume, there could be upside/downside risk to our forecast.

- Management highlighted on the previous earnings that share repurchases continue to be the company's highest return on capital for capital allocation. We expect a continuation of strong repurchase activity in 3Q23E, modeling $600mn for the quarter which is in-line with recent quarters. However, we acknowledge potential downside to our forecast if attractive M&A opportunities weigh on buyback activity.

- We lower our PO to $355 from $380 due to contraction in the S&P 500 year-ahead P/E multiple (from 19x to 17.5x). Modest upside potential vs. our PO drives our Neutral rating; although Aon has continued to experience steady organic growth and higher ROIC, we believe the defensive properties among the business should limit downside despite recession risks.

Arthur J. Gallagher (AJG)

Price Objective: $187

BofA 3Q23E EPS Estimate: $1.93

Street High/Cons/Low: $2.06/$1.96/$1.90

Release date: 10/26 after market close; call at 5:15 p.m.

Items to Watch:

- We model 9.2% organic growth in the Brokerage segment, slightly ahead of management's guidance of 9% from the September Investor Day. Management maintains the business continues to experience strong new business production and favorable tailwinds from YoY mid-term policy adjustments. We forecast FY23E organic of 9%, at the top end of guidance of 8%-9%.

- In Brokerage, we model 10bps of margin improvement to 32.3%, however, this demonstrates ~60bps of margin expansion after adjusting for foreign exchange movements. Management indicated increased optimism around their margin guidance from previous guidance, but nonetheless expect margin expansion to be volatile by quarter due to a large life sale, ASC 606 revenue recognition, and rolling impact of the Buck transaction. Our FY23E forecast remains unchanged at 34.4%, reflecting 20bps of margin expansion.

- We forecast 3Q23E organic growth of 15.8% in the Risk Management segment, in-line with guidance following new business opportunities and higher claim volumes. Management highlights their clients are not indicating any signs of economic slowdown in the near-term. We forecast FY23E organic growth of approx. 14.9%, largely in-line with commentary from the September Investor Day. We acknowledge there could be upside risk following stronger organic growth expectations for 3Q23.

- We model the adj. EBITDAC margin in the Risk Management segment to expand 190bps YoY to 20.1%. We forecast FY22E margins of 19.7%, in-line with management's commentary.

- We model $100mn in acquired revenues for 3Q23E following several acquisitions announced in the quarter. Management continues to highlight a robust M&A pipeline but noted the potential for a return of capital to shareholders if there were to be a lack of attractive M&A opportunities available.

- Our PO falls slightly to $187 from $199 due to a contraction in the S&P 500's multiple (from 18.8x to 17.5x). Due to the broker group's relatively defensive properties in the current risk-off environment, our valuation methodology is based on 130% of the year-ahead S&P 500 P/E multiple, plus $4/share from tax credits. We believe that the current valuation overly reflects the company's growth opportunities, driving our Underperform rating.

BRP Group (BRP)
Price Objective: $41

BofA 3Q23E EPS Estimate: $0.27

Street High/Cons/Low: $0.32/$0.28/$0.27

Release date: 11/7 after market close; call at 5 p.m.

Items to Watch:

- We expect 20% organic growth in 3Q23E, modestly above management's guidance for organic growth in the "mid-teens." We forecast organic growth to slightly moderate in the 4Q23, resulting in FY23E organic growth of 21%. BRP does have a history of organic growth results exceeding management guidance, acknowledging potential upside risk to our forecast.

- We model 3Q23E adj. EBITDA margin of 20.4%, or 410bps YoY improvement compared with 3Q22. The margin improvement is related to timing of revenues following the Westwood and other larger acquisitions in 2022 that resulted in the firm's EBITDA spread more evenly throughout the year as opposed to a higher concentration in 1Q. We forecast adj EBITDA margin of 22% for FY23E, well ahead of 2022's result of 20.3%.

- With management's primary focus on de-levering the business along with higher costs of capital, we do not model any acquired revenues in 2023E. Management has indicated they will remain opportunistic regarding M&A if attractive opportunities were to arise, but the prime focus is to de-lever the business following the Westwood acquisition in 2022. However, we would not be surprised by a few minor acquisitions in 4Q23E as valuations have moderated.

- Our PO of $41 is based on a 24x P/E multiple to reflect its stronger organic growth outlook vs peers. Upside potential vs our PO drives our Buy rating; we believe current valuation does not fully reflect the company's growth potential.

Marsh & McLennan (MMC)
Price Objective: $194

BofA 3Q23E EPS Estimate: $1.38

Street High/Cons/Low: $1.48/$1.39/$1.32

Release date: 10/19 before market open; call at 8:30 a.m.

Items to Watch:

- We forecast 8% total organic growth for 3Q23E, expecting a moderation in both brokerage and consulting segments due to macroeconomic uncertainty while brokerage should continue to benefit from higher fiduciary income. We model 9% organic growth for the Brokerage business and 5% for Consulting.

- We expect Risk & Insurance margins to expand slightly by 140bps to 23.8% in 3Q23E. Management reiterated their expectation for overall margin expansion in 2023 and we expect Risk & Insurance's margin to at least partially benefit from FY23E restructuring savings of $125-$150mn. We forecast 160bps of YoY margin expansion to 31.4% for FY23E. Should macroeconomic pressures impact expense levels more/less than we assume, there could be upside/downside risk to our forecast.

- We model Consulting margin improvement of 40bps YoY to 19.5%. The labor market continues remain strong, which should continue to provide a tailwind for the segment as employees continue to demand more solutions related to employee benefits, increased training, and D&I initiatives. Similar to Risk and Insurance, we expect Consulting to receive some margin benefits from restructuring savings and accordingly, we forecast FY23E margins to modestly expand 10bps YoY to 19.8%. However, we concede our forecast could be prove overly optimistic from market volatility impacting the Wealth segment given market volatility during the quarter.

- We expect a continuation of strong repurchase activity in 3Q23E, modeling $300mn for the quarter. However, we acknowledge potential downside to our forecast if attractive M&A opportunities or macroeconomic uncertainty weigh on buyback activity.

- Our PO falls to $194 from $210 due to a contraction in the S&P 500 year-ahead P/E multiple (from 19x to 17.5x). Due to the broker group's relatively defensive properties in the current risk-off environment, our valuation methodology is based on 130% of the year-ahead S&P 500 P/E multiple. Trivial upside potential vs our PO informs our Underperform rating; we believe current valuation overly reflects growth opportunities and future earnings power.

Willis Towers Watson PLC
Price Objective: $207

BofA 3Q23E EPS Estimate: $2.03

Street High/Cons/Low: $2.25/$2.04/$1.69

Release date: TBD

Items to Watch:

- We forecast 3Q23E organic growth of 6%, with 5% in Health, Wealth & Career and 7% in Risk & Broking. Management has previously communicated that book of business settlements are expected to be similar to 2H22. Any further detail on the outlook for organic growth could influence stock reaction, particularly considering recent macroeconomic volatility.
- We estimate an adj. operating margin of 18.6% for 3Q23E, or 90bps YoY expansion, primarily due to stronger margins in Health, Wealth, and Career (130bps) while Risk and Broking is expected to benefit from re-segmentation of interest income from Corporate following the migration of fiduciary assets to AJ Gallagher in relation to the Willis Re transaction.
- We forecast $260mn in free cash flow in the quarter. Management withdrew its free cash flow guidance of $4.3bn-5.3bn across 2022-2024 with 1Q23's earnings result and has now indicated free cash flow will meaningfully improve over a prior-year base of 8% of revenues. We do not believe the change in free cash flow guidance was a surprise as it was not captured in our forecast or in Street consensus estimations. We expect ~$3.4bn in free cash flows for 2022-24E. Should prior challenges on growing free cash flow resurface, our forecasts could be overly optimistic.
- Management continues to believe share repurchases are an attractive use of capital. We estimate $250mn in repurchases in 3Q23E, while we do acknowledge potential upside risks following an incremental $1bn repurchase authorization announced during the quarter. Share repurchases are dependent on the pace of free cash flow generation while being balanced with debt reduction and potential M&A.
- Our PO falls modestly to $207 from $230 due to a contraction in the S&P 500 year-ahead P/E multiple (from 19x to 17.5x). Our PO is predicated on 75% of the year-ahead S&P 500 P/E multiple applied to our 2024E EPS forecast. We remain cautious on the stock given historical operational challenges and heightened execution risk as the company implements its new standalone strategy; negligible upside vs our PO informs our Underperform rating.

Life Insurers

Aflac, Inc. (AFL)

Price Objective: $86

BofA 3Q23E EPS Estimate: $1.63

Street High/Cons/Low: $163/$1.48/$1.40

Release date: 11/1 after market close; call at 8 a.m. on 11/2

Items to Watch:

- Aflac is one the leading providers of third sector products in Japan which primarily focus on solutions for cancer, supplemental medical expenses, nursing care and income support. Yen-based premium has declined in recent years due to increased competition as well pandemic impacts on sales efforts. Aflac Japan recently launched their new cancer WINGS product with early success through the Japan Post Group in April 2023 and management hopes to repeat this strategy with their new medical product launch in September. Management believes continued launches of new and refreshed products through different distribution channels will help attract younger and new customers and continue to contribute to positive sales growth. Given Aflac Japan comprises ~65% of the company's revenues, further commentary on sales growth or premium outlook could influence stock sentiment.

- Aflac's US business is the leader in worksite supplemental health insurance products but recently diversified in recent years by acquiring Zurich North America's group benefits business which is now known as Aflac Group Life Absent Management and Disability. The biggest area of growth within the US segment is Dental and Vision which peers have reported strong results in recent quarters following the strong US labor market. Following voluntary benefit sales of 26% in 2Q23, continued momentum will be important as Aflac restores premium figures to pre-pandemic levels and reigniting growth.

- Commercial real estate came under pressure in 1H23 following strong monetary response by the Federal Reserve to combat elevated inflation. Aflac, similar to its life insurance peers, has a meaningful allocation to commercial real-estate related mortgage loans. The company expects $500mn in loans (~6% of their mortgage portfolio) to enter foreclosure at some point and increased CECL reserves by $31mn in 1H23. We will be on lookout for any further developments regarding the Aflac's mortgage portfolio given the volatile rate environment.

- Aflac has historically been active in capital return to shareholders through both dividends and share repurchases. Capital return remains a function of capital levels, cash flow generation, as well as both micro- and macroeconomic factors that impact the outlook of the business. Aflac repurchased $700mn in 1Q23 and 2Q23, the largest share repurchases in the company's history. We model $500mn in share repurchases per quarter for the remainder of the 2023. However, we acknowledge potential downside to our forecast if capital deployment priorities change or macroeconomic uncertainty weigh on buyback activity.

- Our PO remains $86 which is based on 70% of the 2024E S&P 500 P/E multiple (17.5x). Material upside potential vs our PO informs our Buy rating; we believe current valuation overly discounts the return to normalized conditions and earnings power in Japan in the post pandemic environment and the emerging growth story of Aflac's voluntary benefits offering in the United States.

Corebridge Financial (CRBG)
Price Objective: $29

BofA 3Q23E EPS Estimate: $1.07

Street High/Cons/Low: $1.12/$1.06/$1.00

Release date: 11/3 before market open; call at 8:30 a.m.

Items to Watch:

- Corebridge was the first US listed life insurance IPO since 2018. The company was formerly known as AIG's Life & Retirement segment and AIG still owns 64% of the company. The company has reported earnings for a full year as of 3Q23 results as a standalone public company; any comments around potential remaining transactional costs and general updates as a standalone company could be of investor interest.

- We expect surrender and death benefits to net out deposits within the annuities business, reflecting 1% sequential decline from 2Q23. Market participant expectations for a potential economic slowdown may temper demand for variable annuities while higher interest rates should continue to lead increased sales interest in fixed annuities, although even higher interest rates may be needed. We expect surrender rates for annuities products to remain elevated as clients take advantage of higher yielding products.

- Corebridge intends to return 60-65% of operating income to shareholders by 2024E. The target return includes ~$600mn in annual dividends with the share repurchases as the remainder. The company closed its first share repurchase of $200mn in late June following the secondary offer by AIG and also issued a special dividend of $0.62/sh in addition to their regular dividend. We are modeling a special dividend in 4Q23, utilizing the proceeds from the sale of the Laya Healthcare to AXS. We expect the company to accomplish their capital return target, with forecasts of $2.4bn and $2bn in capital returns to shareholders over 2023E and 2024E, respectively; however market volatility and/or potential recession risks could result in delayed or reduced repurchase activity later in 2023.

- Following the separation from AIG as a standalone company, management is pursuing a cost reduction program that the company expects to deliver $400mn pre-tax annual run rate in savings within the next couple of years. Any further commentary from management on the progress and outlook for expense management program could drive stock reaction.

- We expect alternative investment returns to improve from recent quarters in 3Q23E but still remain below normalized expectations ($15mn below normalized expectations), following less volatility and positive market performance in 1H23. Corebridge's alternative investment portfolio skews more towards real estate investments over private equity/hedge funds. Alternative investment income tends to earn in on a lag, so 3Q23E results could reflect 2Q23 positive market performance; however, alternative asset managers may be reluctant to market-up their portfolio in the current macro environment, primarily related to concerns around private company valuations and commercial real estate.

- Our PO decreases to $29 from $31 which is based on 70% of the 2024E peer group P/E multiple (now 8x, vs 8.5x prior). Material upside potential vs our PO informs our Buy rating; we believe current valuation overly discounts macro sensitivity and underappreciates a strong capital management outlook, above-average dividend yield, and ongoing restructuring initiatives to reduce expenses.

Lincoln National (LNC)

Price Objective: $23

BofA 3Q23E EPS Estimate: $1.73

Street High/Cons/Low: $1.94/$1.75/$1.53

Release date: 11/1 after market close; call at 10 a.m. on 11/2

Items to Watch:

- Lincoln announced a $2.3bn GAAP reserve charge including a $1.8bn charge in 3Q22 related to policy lapse behavior within their guaranteed universal life book. Furthermore, the lapse charges produced a $550mn charge on a statutory that reduced risk-based capital below the company's 400% target. With their 1Q23 earnings release, Lincoln announced a $28bn reinsurance transaction expected to close on 7/1 that increased the company's RBC ratio by 15pts and lifted ongoing free cash flow by $100mn per year despite the transaction being dilutive on a GAAP basis. Any further updates regarding the progress of strategic objectives or improvement in capital position could be important for investor sentiment.

- We expect a $399mn in net outflows in the Annuities business, predominantly driven by greater policy surrenders in variable annuities more than offsetting modest inflows of $30mn in fixed annuities given the current macroenvironment. We expect surrender rates for annuities products to remain elevated as investors shift into higher yielding products.

- We expect alternative investment returns to improve from recent quarters in 3Q23E, coming in slightly ahead of normalized expectations, following less volatility and positive market performance in 2Q23. Alternative investment income tends to earn in on a lag, so 3Q23E results could reflect 2Q23 positive market performance, however, alternative asset managers may be reluctant to market-up their portfolio in the current macro environment, primarily related to concerns around private company valuations and commercial real estate.

- Management previously stated on the 3Q23 earnings call that the dividend would be maintained while share repurchases were paused until the company has rebuilt its capital position following the reserve charges. Accordingly, we do not model any share repurchases for the quarter and throughout 2023 with repurchase resuming in 1Q24E.

- Our PO falls modestly to $23 from $27, reflecting 40% of the U.S. large-cap life peer year-ahead (2024E) P/E multiple of 8x (vs 8.4x previously). The update to our target multiple follows 3Q22 assumption review, variable annuity headwinds from volatile markets, and potential ratings/regulator uncertainty with regards to capital return commentary. Minimal upside/downside vs our PO underlies our Neutral rating; we believe current valuation adequately reflects ongoing challenges the company faces as it looks to repair its balance sheet.

MetLife (MET)

Price Objective: $83

BofA 3Q23E EPS Estimate: $2.14

Street High/Cons/Low: $2.21/$2.04/$1.86

Release date: 11/2 after market close; call on 11/3 at 9 a.m.

Items to Watch:

- We forecast MetLife's Group Benefits' benefits ratio to improve to 88% in 3Q23E. This represents 170bps improvement from 2Q23 which was adversely impacted by disability reserves refinement as well as elevated dental experience. We expect the benefits ratio to remain about 88% for the remainder of the year, well within the company's annual target of 85-90%.

- MetLife's investment portfolio has a relatively large amount of exposure to commercial real estate through CMBS, whole mortgage loans, and physical real estate. The asset class has been one of the market's primary concerns in 1H23 following the Federal Reserve's monetary policy actions to combat inflation. We expect interest in any updates or additional color on MetLife's exposure to commercial real estate to be a topic of interest on the call.

- We expect alternative investment returns to be similar to the prior quarter in 3Q23E but still slightly below normalized expectations ($71mn below normalized expectations), following less volatility and positive market performance in 2Q23. Given MetLife's larger exposure to real estate, we wouldn't be surprised if the company's alternative investment returned lagged peers. Alternative investment income tends to earn in on a lag, so 3Q23E results could reflect 2Q23 positive market performance; however, alternative asset managers may be reluctant to market-up their portfolio in the current macro environment, primarily related to concerns around private company valuations and commercial real estate. We expect below-average investment returns across the US Retirement & Income Solutions, Asia, and Holdings segments, where alternative exposures are concentrated.

- MetLife has historically been very active with share repurchase over recent years, largely funded by strong alternative investment results and rationalizing the business mix. MetLife has already executed $300mn in repurchases when they reported 2Q23 earnings in early August. We model $750mn in share repurchases for 3Q23E and $750bn in 4Q23, while we acknowledge potential downside if the company elects to retain more capital in response to the recent market volatility and concerns in CRE.

- Considering rising interest rates, any updates on the risk transfer market environment could be interesting for investors. Although the company has improved its business mix over the past several years, its Holdings segment still contains runoff blocks of more capital-intensive business.

- We raise our PO to $83 from $82 based on 80% of the year-ahead life insurance peer group multiple (8x). Material upside potential vs our PO underlies our Buy rating; we expect ongoing multiple expansion relative to the group due to the transition away from capital intensive businesses and focus on higher-growth opportunities.

Principal Financial (PFG)

Price Objective: $73

BofA 3Q23E EPS Estimate: $1.64

Street High/Cons/Low: $1.75/$1.67/$1.53

Release date: 10/26 after market close; call on 10/27 at 10 a.m.

Items to Watch:

- We estimate positive net flows (+$1bn) for Principal Global Investors in 3Q23E, with inflows driven by equity and alternative flows. Investor demand for real estate has been moderate this year following the rapid rise in rates but management highlighted on the 2Q23 earnings call that more attractive opportunities are becoming available to deploy capital. Any comments around demand or institutional pipeline could be important for sentiment.

- Principal announced a series of changes to their reporting segments along with their LDTI disclosures in mid-3Q23 with one of them being no longer breaking out the RIS-Fee and RIS-Spread businesses. We forecast modest net inflows of $100mn in Retirement in 3Q23E, entirely driven by positive flows within the spread-based business exceeding modest outflows from the fee-based business. Management has highlighted optimism around the business's pipeline for the remainder of the year.

- We expect alternative investment returns in the quarter to be comparable to 1H23 results with alternative income remaining below normalized expectations ($52mn below normalized expectations). Alternative investment income tends to earn in on a lag, so 3Q23E results could reflect 1Q23 positive market performance; however, alternative asset managers may be reluctant to market-up their portfolio in the current macro environment, primarily related to concerns around private company valuations and commercial real estate.

- Unlike in recent years, management has decided to not provide explicit guidance around share repurchases outside their target of 35-45% free cash flow conversion to share repurchases. We forecast $175mn in repurchases for 3Q23E and the remainder of the year. This reflects a slight uptick from the prior quarter where management decided to take a more cautious stance following market volatility occurring early in the quarter. We acknowledge potential upside/downside to our forecasts if Principal's businesses generate/require more capital than currently anticipated. We expect investors to be looking for additional commentary around capital return on the call.

- Our PO falls to $73 from $85 upon updating our 2024E EPS and modest expansion in the peer group multiple (8x). We are lowering our premium multiple from 140% of the peer group multiple (8x) to 130%. While we are not overly concerned regarding Principal's commercial real estate exposure (CRE), we expect uncertainty regarding CRE valuations to weigh on the stock for the foreseeable future, which informs our Neutral rating.

Prudential Financial (PRU)
Price Objective: $95

BofA 3Q23E EPS Estimate: $3.07

Street High/Cons/Low: $3.28/$3.20/$3.03

Release date: 11/1 after market close; call on 11/2 at 11 a.m.

Items to Watch:

- Our EPS forecast of $3.07 is below management's baseline of $3.26. The variance is primarily driven by lower variable investment income reducing adjusted operating income and modestly weaker results in the US businesses. Similar to peers, management has noted that COVID-19 is now viewed as endemic, accordingly we are no longer modelling any excess mortality.

- We continue to expect strong sales with FlexGuard product suite with $1.3bn for the quarter, allowing investors upside appreciation with some degree of protection of the downside. Among actively-sold annuities products, we model $941mn in net flows, representing a deceleration from previous quarters. Higher interest rates should continue to lead increased sales interest in fixed annuities, although even higher interest rates may be needed. We expect surrender rates for annuities products to remain elevated.

- We expect alternative investment returns to improve from recent quarters in 3Q23E but still remain below normalized expectations ($52mn below normalized expectations), following less volatility and positive market performance in 1H23. Alternative investment income tends to earn in on a lag, so 3Q23E results could reflect 1Q23 positive market performance; however, alternative asset managers may be reluctant to market-up their portfolio in the current macro environment, primarily related to concerns around private company valuations and commercial real estate.

- The company currently targets $11bn in capital returned to shareholders over 2021-23E. We expect the company to fall short of its target following recent market volatility, modeling ~$10.5bn, including $729mn in 3Q23E. We concede potential upside to our forecast if capital returns remain in line with current guidance.

- Prudential has been pursuing “key initiatives” to reduce costs and reallocate capital to higher growth, lower risk businesses. Recent developments include creating Prismic Life Reinsurance along with Warburg Pincus, a $10bn reinsurance transaction on its traditional variable annuity block in May 2023 and the divestitures of the full-service retirement business and a portion of its variable annuity block and acquisitions in emerging markets to bolster new capabilities in PGIM. Any further commentary from management on the outlook for these initiatives, particularly the specifics of the capital reallocation process, could drive stock reaction.

- Our PO falls to $95 from $101 upon updating our 2024E EPS forecast. Modest upside potential vs our PO drives our Neutral rating; although Prudential has continued to de-risk its book of business, we believe macro sensitivity is still high relative to the group.

Unum (UNM)
Price Objective: $50

BofA 3Q23E EPS Estimate: $1.90

Street High/Cons/Low: $2.03/$1.92/$1.86

Release date: 10/31 after market close; call at 9 a.m. on 11/1

Items to Watch:

- Unum reached a solution regarding its premium deficiency reserve (PDR) in 2020 with the Maine Bureau of insurance to recognize the PDR over 7 years. However, the rapid rise in interest rates have had a favorable impact on the PDR, allowing the company to recognize the PDR by the end of 2023, thus freeing the company from contributing further capital to Fairwind and increase discretionary capital for deployment towards potential buybacks or M&A. Any additional commentary surrounding the PDR and potential risk transfers could be important for sentiment.

- Unum has delivered industry leading results for Group Disability over the last several quarters. For Group Disability, we forecast a loss ratio of 62% for 3Q23E following strong underwriting and management guidance for low 60% range for the remainder of 2023. Claim incidences began to decline in 2022 to pre-pandemic levels due to increases in recovery rates. The company believes the strong labor market and rising wages encouraged employees to return to work faster. We will be on the lookout for commentary on the staying power of these strong underwriting results going into 2024.

- Long-term care remains a topic of heightened investor interest. The pandemic has caused lower utilization due to the risk of COVID-19 infection in care homes, and it has also driven higher mortality among claimants. We forecast an LTC interested adj. loss ratio of 87.5% (~490bp improvement from the preceding quarter), but within run rate guidance of 85-90%. Any updates from management on the outlook for the book could impact investor sentiment.

- Following an improved outlook in resolving the capital requirements for the PDR, management raised their annual share repurchase guidance to $300mn from $200mn beginning in 2H23. We forecast $75mn of repurchases per quarter in 3Q23E and going forward beginning in 3Q23E.

- We lower our PO to $50 from $51, predicated on 80% of the U.S. large-cap life peer year-ahead (2024E) P/E multiple of 8x. Minimal upside/downside vs our PO underlies our Neutral rating; we believe current valuation adequately reflects the improvement in the group disability business and ongoing challenges in the long-term care book.

Voya (VOYA)
Price Objective: $83

BofA 3Q23E EPS Estimate: $2.08

Street High/Cons/Low: $2.13/$2.08/$1.90

Release date: 10/31 after market close; call at 10 a.m. on 11/1

Items to Watch:

- We model organic growth of +1.4% in Investment Management for 3Q23E and -0.5% for FY23E. This is below the midpoint of management guidance of 2-4% from the 2021 Investor Day following -5% in 2Q23. We forecast investment management margins of 29.3% for 3Q23E and 26.2% for FY22E. We concede upside to our forecast if the AGI transaction in late 2Q22 lifts margins ahead of our estimate.

- In Wealth Solutions, we estimate Full-Service inflows of $259mn in 3Q23E, supported by favorable plan and participant trends. We also anticipate $699mn of inflows in Recordkeeping, bringing total segment inflows to $959mn. We acknowledge upside should net flows exceed our forecast as consumers seek insulation from broader market volatility.

- We expect alternative investment returns to improve from recent quarters in 3Q23E but still remains below normalized expectations ($8mn below normalized expectations), following less volatility and positive market performance in 1H23. Alternative investment income tends to earn in on a lag, so 3Q23E results could reflect 1Q23 positive market performance; however, alternative asset managers may be reluctant to market-up their portfolio in the current macro environment, primarily related to concerns around private company valuations and commercial real estate.

- Voya acquired BenefitFocus (now with Health segment) in early November 2022 to fill a product gap in their current product suite. The company views Benefitfocus as an accelerant to their workplace benefits and savings strategy and provides the company with fee-based revenues. We will be on the lookout for any additional management commentary regarding acquisition integration and potential revenue/margin targets for the remainder of 2023.

- Following the BenefitFocus transaction, Voya has paused share repurchases from 4Q22-1Q23. However, the company's board of directors authorized $500mn share repurchase authorization alongside with 2Q23 earnings. We are modelling $100mn in share repurchases per quarter for the remainder of the year. We expect updates surrounding the expectation of share repurchases going forward to remain a key topic on the earnings call.

- Our PO falls to $83 from $85, based on a sum-of-the-parts of the various businesses in which Voya operates. Material upside potential vs our PO informs our Buy rating; we believe the outlook for Voya's core businesses is positive, with additional upside from its notable excess capital position.

Insurtech

Goosehead (GSHD)

Price Objective: $41

BofA 3Q23E EPS Estimate: $0.39

Street High/Cons/Low: $0.39/$0.30/$0.24

Release date: TBD

Items to Watch:

- We estimate $76.7mn in revenues in 3Q23E and $277mn for FY23E, which is above the guided range of $260mn-$267mn. This implies FY23E growth of 32% vs guidance for organic growth of 24-28%. Goosehead should continue to benefit from higher pricing in 2023 but macro headwinds are expected to persist such as declining housing activity and lower contingent commissions following multiple inclement weather events occurring in the U.S. Any revisions to expected revenues or organic growth for the remainder of 2023E could be important for sentiment.

- Historically, increasing the number of franchises is key to maintaining Goosehead's significant revenue growth. Franchise growth has moderated over recent quarters and turned negative in 3Q22 as the company focused on culling non-performing franchises. The company expects culling of non-performing franchises to peak at the end of quarter and being to normalize thereon after. With a greater focus on quality agencies as opposed to quantity, Goosehead has started disclosing the number of franchise agents with their earnings release which could serve as another useful data point regarding revenue growth going forward. Management guidance on franchise/agent growth, especially during this challenging housing environment and volatile macro conditions, could influence the stock.

- We forecast FY23E net premiums written of $3.05bn, above the guided range of $2.87bn-$2.99bn. This implies organic growth of 38% vs. guidance of organic growth between 30%-35%, reflecting benefits from greater pricing upon policy renewals in addition to strong persistency in the franchise channel.

- We model an adj. EBITDA margin of 26.5% in 1Q22E, or 750bps expansion YoY. We expect previous and ongoing investments in the business and a stronger emphasis on producer productivity to continue to improve margins throughout the year, we model 9.2% of margin expansion for the year to 26.7%. Management reiterated their expectation for margin improvement albeit to a lesser extent as compared to 1Q23's results (+1,450bps) which benefited from timing of expenses and seasonality of revenues.

- Goosehead announced two partnerships with mortgage associations in January 2023 and strategic partnership with Vivint Smart Home in April 2023. The company detailed that the mortgage partnerships were less/non-economical and were part of strengthening the company's go-to-market strategy whereas the Vivint partnership is expected to increase business leads for Goosehead. Management has indicated that future partnerships are expected to have a more direct economic benefit such a profit-sharing. Any additional color or guidance regarding these partnerships or potential future partnerships could influence sentiment.

- Our PO remains $41 based on a DCF valuation. We believe current valuation overly reflects Goosehead's strong growth trajectory, leading us to an Underperform rating.

Trupanion (TRUP)

Price Objective: $35

BofA 3Q23E EPS Estimates: -$0.27

Street High/Cons/Low: -$0.27/-$0.33/-$0.38

Release date: TBD

Items to Watch:

- We estimate $285mn in revenues in 3Q23E and $1.11bn in revenues for FY23E, representing 22% YoY growth for both metrics. Our FY23E revenue is modestly above guidance of $1.073bn-1.089bn. Our FY25E revenue forecast of $1.38bn falls below management's forecast of $1.5bn provided in the 2020 shareholder letter largely due to plateauing revenues in the "other" business segment following the agreement for Pet's Best to find another underwriter in order for Trupanion to better optimize capital utilization.
- We are forecasting 75.7K gross new subscription pets for the quarter, demonstrating a 21% growth YoY and 1% sequentially. Should gross new subscriptions pets result in stronger/weaker additions than we assume, there could be upside/downside risk to our forecast.
- Trupanion previously highlighted that 2022 experienced an unprecedented inflationary period where annual veterinary inflation was 12% YoY, double the historical rate of inflation over the company's 23 years of existence. The company is now assuming 15% YoY inflation impacts through 2025 as it files for additional rate approvals from state regulators to restore operating margins back to target by end of the 2024. We forecast a Subscription operating margin of 10.1% in 3Q23E, well below the company's 15% target but steady improvement from 8.2% reported in the prior quarter. We forecast sequential medical loss ratio improvement throughout 2025 reflecting higher rate filed earlier in the year as it begins to earn-in off the balance sheet. We expect inflation trends and pricing dynamics to remain key topics on the earnings call.
- Trupanion's management team highlighted returning to free cash flow positive as one of the company's top priorities at their June annual shareholder meeting. Management had indicated confidence of achieving positive free cash flow in 4Q23. We are modeling -$2mn in free cash flow in 3Q23E, however we expect the business to generate $1.5mn in positive free cash flow in 4Q23, in-line with management's priorities.
- Trupanion currently has several growth initiatives underway, including partnerships (i.e. Aflac, Chewy), recent acquisitions (PetExpert, SmartPaws), new product launches, and international expansion. We will be on the lookout for any incremental management commentary regarding early reception, impact on margins, and the timing of further rollouts.
- Our PO remains $35 combining a DCF of the run-off of the current book of business and valuing new branded business at an 8x 2024E P/E multiple. We believe the subscription business could trade at a premium-to-market multiple given its higher revenue growth rate. However, current inflationary pressures on the unit economics currently suggest that future earnings are less predictable, auguring for a discount given increased risk and volatility. Despite material upside to our forecast, we believe the current risk/reward dynamics inform our Neutral rating.

Glossary

NPW – net written premium
NICO ADC – NICO is short for "National Indemnity Company" and ADC is short for "adverse development cover"
PML – probable maximum loss
IBNR – incurred but not reported
LTC – long-term care
PIF – policy in force
E&S – excess & surplus
CECL- current expected credit loses
RBC – risk based capital
CMBS – commercial mortgage backed securities
CRE – commercial real estate
LDTI – long duration targeted improvements
RIS – Retirement and Income Services
PGIM – this is the actual name of Prudential's asset management arm

Exhibit 4: Stocks mentioned
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BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AFL	AFL US	Aflac	US$ 78.82	B-1-7
AJG	AJG US	AJ Gallagher	US$ 233.49	B-3-7
ALL	ALL US	Allstate Corp.	US$ 114.72	B-1-7
AIG	AIG US	Amer Intl Group	US$ 61.17	B-1-7
AON	AON US	Aon	US$ 325.49	B-2-7
ACGL	ACGL US	Arch Capital	US$ 81.86	B-1-9
AXS	AXS US	Axis Capital	US$ 55.71	B-1-7
BRP	BRP US	BRP Group, Inc.	US$ 23.64	C-1-9
CB	CB US	Chubb Ltd	US$ 209.67	B-3-7
CNA	CNA US	CNA Financial	US$ 39.58	B-2-7
CRBG	CRBG US	Corebridge	US$ 20.63	C-1-7
EG	EG US	Everest Group LTD	US$ 385.31	B-1-7
GSHD	GSHD US	Goosehead	US$ 72.38	C-3-8
LNC	LNC US	Lincoln National	US$ 23.78	C-2-7
MMC	MMC US	Marsh McLennan	US$ 192.62	A-2-7
MET	MET US	MetLife	US$ 62.18	B-1-7
PFG	PFG US	Principal	US$ 70.41	B-2-7
PGR	PGR US	Progressive Corp	US$ 142.25	B-1-7
PRU	PRU US	Prudential Financial	US$ 93.99	B-2-7
RNR	RNR US	RenaissanceRe	US$ 205.95	B-1-7
HIG	HIG US	The Hartford	US$ 71	B-1-7
TRV	TRV US	Travelers Cos	US$ 162.23	B-3-7
TRUP	TRUP US	Trupanion	US$ 26.18	C-2-9
UNM	UNM US	Unum	US$ 50.11	B-2-7
VOYA	VOYA US	Voya	US$ 66.52	B-1-7
WRB	WRB US	W.R. Berkley	US$ 63.19	B-1-7
WTW	WTW US	Willis Towers Watson	US$ 208.46	B-3-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Aflac (AFL)

Our $83 price objective for AFL is based on 70% of the year-ahead S&P 500 P/E multiple (17.5x). 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 $136 PO is based on parity with the peer group 2025E P/E multiple of 9.3x. The life insurance 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 high-teens ROE (on tangible).

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 that 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.

American International Group (AIG)
We arrive at a price objective of $73, based on a sum-of-the-parts valuation including 1) our expected value of AIG's 64% stake in Corebridge, 2) an expectation that AIG's P&C businesses now unencumbered would take at a peer P/E multiple (currently 10x 2024E) and 3) a time-value discounted multiple for its deferred tax assets. We also note that, while the stock currently trades below book value, the traditional 1x book backstop tends to have less meaning broadly in times of crisis and hasn't acted as a backstop for AIG's valuation in particular much over the past few years.

A bi-directional risk comes from the greater clarity as regards inflation. Currently an overhang on the stock, investors fear that it may be a headwind for further earnings and margin improvement. However, should the specter of inflation subside, we would expect investors to have a more favorable outlook for the sector and AIG in particular. Catastrophe losses remain a key factor in earnings volatility and, in a low catastrophe year, could cause the EPS results to exceed our forecasts. Its indirect exposure to Corebridge also means its earnings have material volatility with changing equity markets.

Aon (AON)
Our $355 price objective for shares of Aon Plc is based on 1.3x of the S&P 500's year-ahead consensus P/E multiple (17.5x, currently) on our 2024E EPS estimate, reflecting the historical trading range. We believe the premium valuation is warranted given the company's position in a global insurance broking duopoly, strong emphasis returning capital to shareholders and its capital light business model.

Upside risks to our PO are outsized organic growth as economic expansion continues into 2023. Further, insurance brokerage stocks tend to trade up upon announcement of restructuring programs, where investors often embrace the cost saves while ignoring the costs to achieve.
Downside risks: operating margins could see compression as travel and entertainment expenses resume. Current valuation multiples represent a historical ceiling, which could be prelude to future multiple compression.

Arch Capital (ACGL)
Our price objective is $90 is based on 110% of the large-cap P&C peer year-ahead P/E multiple (10x) on our 2024 EPS forecast. 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. This is a premium to the historical trading range (90% of the peer group P/E) given Arch's above-average growth, margin outlook and tactical capital management strategy.

Downside risks are depression-like scenarios leading to a collapse in homeownership rates, however, Arch does have $3 billion of collateralized reinsurance protection, partly mitigating this material risk. While Arch had been generally under-exposed to natural catastrophe losses in recent years, the company has been recently increasing its exposure to such events as the price of underwriting that risk has been increasing.

Arthur J. Gallagher & Co. (AJG)
Our $187 price objective for shares of Arthur J. Gallagher is based on 130% of the S&P 500's year-ahead consensus P/E multiple (17.7x) on Gallagher's fully-taxed earnings (incl. amortization) plus $4 per share based on our estimation of the discounted time value of Gallagher's deferred tax credits. The price of the stock has from time to time extended through the long-term trading range of 100-130% of the S&P 500's P/E multiple for the insurance peers, and we are forecasting a reversion towards the upper bound of that

trading range as the economy recovers from the COVID19 recession. Our revenue forecast assumes top line tailwinds from the economic recovery, partially offset by margin pressure as T&E spend resumes post-pandemic. A GAAP tax increase in 2022 could slow GAAP earnings growth, though its cash impact is minimal as the company utilizes its deferred tax assets.

Upside risk to our PO would likely stem from organic growth in excess of peers and our forecast. Downside risks: decelerating organic growth, operating margins could see compression as travel and entertainment expenses resume. Integration risk for the recent reinsurance brokerage acquisition.

Axis Capital (AXS)

Our price objective of $67 represents a 25% discount to the P/E multiple of the U.S. P&C insurance peer group (10x). This steeper-than-peer discount we believe to warranted in a period of management and strategy transition. Still, despite the sizable discount there is still material upside to our price. We believe the company's investment portfolio is particularly well-positioned for the inverted yield curve environment. Additionally, we believe fears of a 4Q23 reserve charge may be weighing on the stock, and we might expect a re-rating as we get past 2023 numbers.

Upside risks are an acquisition of AXIS at a premium valuation, lower-than-expected catastrophe losses, and favorable prior-year reserve development.
Downside risks are higher-than-expected catastrophe losses, reserve charges, and further elevation in casualty loss cost trends. The reserve charge risk is likely the greatest focus of skeptical investors today.

BRP Group, Inc. (BRP)

Our PO of $41 is based on a 24x year-ahead (2024E) P/E multiple. Although this represents a premium to the broker peer group (19x), we believe it is merited due to BRP's double-digit organic growth vs mid-single digit for large cap brokers. We believe there is adequate upside to recommend acquiring shares of BRP with a margin of safety that covers its strong M&A appetite.

Downside risks are macroeconomic pressures on the top line, M&A integration risk, and dilution from larger-than-expected share issuance (to fund M&A) moving forward. Upside risks are faster-than-expected economic recovery, continued P&C pricing hardening, and elevated acquired revenues vs expectations.

Chubb Ltd (CB)

We arrive at a price objective of $194 based on 10x 2024E P/E, which is in line with large-cap commercial lines peers, reflecting the historical trading range.

Upside risk is posed by a material improvement in underwriting margins. The company has been experiencing meaningful price increases in 2020, but these have not translated into meaningfully improving margins so far. 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 volatility associated with catastrophes also creates risk of missing or exceeding our EPS outlook. Likewise, reserve adequacy is a bi-directional risk to our price objective.

CNA Financial (CNA)

Our price objective of $39 is based on 80% of the average consensus large-cap P&C peer P/E multiple (10x), 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.

Corebridge Financial (CRBG)

Our price objective of $29 is based on 70% of the 2024E peer group P/E multiple (8x). We use a discount to the peer group to reflect a) the overhang of limited float and b) below-average valuations for competitors in the VA market.

Upside risks are accelerated market recovery, higher interest rates, accelerated capital returns to shareholders, an increased savings target, and higher operational synergies from the Blackstone partnership.

Downside risks are a continuation of equity market pressure, lower interest rates, pressures on sales and flows, and challenges executing the savings program.

Everest Group LTD (EG)

Our price objective of $501 is based on 80% of the year-ahead multiple for large cap property and casualty (P&C) peers (10x). The 20% discount is based on a reversion to the relative multiple where RE has traded in the past, which we also find likely/appropriate given the greater earnings volatility associated with the reinsurance subsector. 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.

Goosehead Insurance Inc. (GSHD)

Our $41 price objective is based on discounted-cash-flow analysis using our earnings projections for a 15-20% revenue CAGR through 2028 and a residual growth rate of 10%. The 10% residual growth rate runs ahead of mature large-cap brokers, but smaller outfits have tended to grow more quickly. We select an 12% discount rate to reflect the surge in interest rates beginning last in 2021. Still a 4% yield on 10-Year Treasury securities is lower than most historical periods.

Downside risks are disintermediation of the agency sales model to captives and direct channels as well as declining interest from potential franchisees. Upside risks are acceleration in franchise growth and increased pace of homeownership.

Lincoln National (LNC)

Our PO of $23 is based on 40% of the U.S . large-cap life peer year-ahead (2024) P/E multiple of 8x on our 2024 EPS estimate. The discount is in line with the stock's more recent historical relative valuation likely due to the higher capital intensivity of Lincoln's businesses. The recent 3Q22 assumption review charge leaves it less able to execute on capital return initiatives relative to peers, and for this we believe the discount justified.

Downside risks to achieving our PO are a severe equity market decline, persistently low interest rates, lower than expected flows and sales, and lower than anticipated capital deployment. There is also upside risk, as noted in our PO, which its not insignificantly above the current price. However, we believe current risks justify a higher requirement to recommend ownership. However, a strong rally in equity markets will likely accrue to higher fee income and diminished concerns around capital, which could push the stock higher. A resumption in share repurchases and dividend increases would also be reflected positively in the stock.

Marsh McLennan (MMC)

Our $194 price objective for shares of Marsh & McLennan is based on 1.3x of the S&P 500's year-ahead consensus P/E multiple (17.5x) on our 2024E EPS estimate, reflecting the historical trading range.

Upside risks to our PO are outsized organic growth as economic expansion continues into 2023. Further, insurance brokerage stocks tend to trade up upon announcement of restructuring programs, where investors often embrace the cost saves while ignoring the costs to achieve. Downside risks: operating margins could see compression as travel and entertainment expenses resume. Current valuation multiples represent a historical ceiling, which could be prelude to future multiple compression.

MetLife (MET)

Considering our 2024E EPS forecast, we arrive at a price objective of $83, based on 110% of the U.S. large-cap life peer year-ahead P/E multiple of 8x. 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 $73 is based on 130% of the U.S. large-cap life peer year-ahead (2024) P/E multiple of 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.

Progressive (PGR)

Our $197 price objective is based on the current S&P 500 P/E multiple for 2025 of 16x on our 2025E EPS forecast. Due to quickly accelerating EPS ahead of the market growth rate, as seen in 2016-2019, we believe Progressive shares should trade at a premium to market as its earnings accelerate. However, given a multiple valuation two years out, we only assume parity due to the necessarily decreased certainty in an out-year forecast.

Downside risks to our PO are 1) presented by the pressure from lower interest rates, causing a decline in earnings power and potentially leading the company to miss our EPS expectations, 2) the volatility associated with catastrophes, which also creates the risk of missing and exceeding our EPS outlook, 3) the impact of material pricing changes by major competitors, 4) the long-term impact of emergent technologies, such as ride-sharing applications and autonomously driven automobiles.

Prudential Financial (PRU)

Our $95 price objective for PRU is based on a 5% discount to the current year-ahead life insurance P/E multiple (8x) on our 2024E EPS forecast. Prudential has de-risked its businesses, however it is still sensitive to changes in interest rates and equity markets.

Downside risks to the achievement of our PO are a weakness in credit and equity markets, lower than expected interest rates, and lower growth and returns in U.S. and international businesses, and lower than anticipated capital deployment. Upside risks to our PO are better than expected equity market returns and higher interest rates, higher than estimated growth and returns in U.S. and international businesses, and higher than anticipated capital deployment.

RenaissanceRe (RNR)

Our $289 PO is based on 80% of the large cap P&C year-ahead P/E multiple (10x) on our 2024E EPS forecast. 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. We believe that RenaissanceRe, because it is uniquely constrained to reinsurance markets, may be disadvantaged from a valuation standpoint. Once it traded at a premium, but currently reinsurance is viewed as a derivative market with less upside in an improving market for P&C underwriting margins.

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 volatility associated with catastrophes also creates the risk of missing or exceeding our EPS outlook.

The Hartford (HIG)

Our price objective of $89 is based on 90% of the large-cap P&C peers' multiple (10x) on our 2023E EPS estimate. We continue to value Hartford's earnings at a 10% discount to the peer group, noting its sub-scale personal lines business..

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.

Travelers Cos (TRV)

Our $162 price objective is based on 105% of the large-cap P&C peer group's next-year P/E multiple (currently 2024E), which currently stands at 10x. The modest premium in the multiple is due to our view of Travelers as the benchmark in terms of quality and scope of disclosure among commercial P&C insurers. The company's transparency aids in establishing investor confidence in its reserving methodology and underwriting discipline.

Upside risks to our price objective are the potential that commercial loss reserves established during the COVID19 period do not evolve into paid claims and instead create earnings in the form of net prior-year favorable reserve development. Additionally, high loss cost trend has muted the impact of rate improvements. Should loss costs decelerate, the company's underlying margins would expand more quickly. Downside risks are workers' comp claims could accelerate as back-to-work trends post-pandemic trend toward full employment. Catastrophe losses remain a key factor in earnings volatility and could prevent the company from achieving our price objective. The risk of inflation remains a longer-term concern that would likely weigh materially on results or improve results in an extended disinflationary period.

Trupanion (TRUP)

Our $35 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 (currently, 17x on 2024E) 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 he broader pet insurance market, 3) pet owners show higher price sensitivity to Trupanion's high-ticket product vs cheaper competitor products, 4) Trupanion fails to improve penetration rates in current markets, and 5) Trupanion incurs unexpected losses to a potential disease outbreak affecting insured pets. Upside risks recognize the very high retail short interest in the stock where a low bar where favorable news could have an outsized impact.

Unum (UNM)

Our $50 price objective for UNM is based on 80% of the U.S. large-cap life peer year-ahead (2024E) P/E multiple of 8x. Our target multiple is modestly below UNM's 8x-9x post financial crisis average and the P/E we target for most life insurance peers given Unum's heightened risk in long-term care, capital constraints and very low cash flow conversion related to its agreements with regulators, and lack of earnings growth trajectory.

Downside risks are charges or unfavorable developments for long-term care insurance, lower than expected sales and margins at the ongoing operations, and lower than anticipated interest rates. Further reserve charges for the company's long-term care risk, whether concluded upon internally or forced upon Unum by regulators, could further erode the capital flexibility and dividend paying capacity of the company. Upside risks are positive developments for long-term care insurance, better than expected sales and margins at the ongoing operations, and higher than anticipated interest rates.

Voya (VOYA)

Our price objective of $83 is based on a mixed-multiple sum-of-the-parts methodology consistent with the differentiated businesses in which Voya operates. We use a 2024E 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, proceeds from a recent business sale 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 potential increased tax rates after the US presidential election and depending on legislative priorities.

W.R. Berkley (WRB)

Considering our 2024E EPS estimate, we arrive at a price objective of $83, valued at 140% of the large-cap P&C peers' P/E multiple of 10x. 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. As the premium valuation has dissipated to be being arguably negligible, this gives investors an opportunity to own a premium franchise at no premium. We would expect the stock can re-rate upward from here. That said, book value growth has been material dependent on realized investment gains during an equity bull market, which could persist as long as the bull market lasts, but also presents a risk, should those conditions change.

Upside risk comes from recent price gains manifesting themselves as widening underwriting margins in excess of our expectations. Downside risk 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 volatility associated with catastrophes also created the risk of missing and exceeding our EPS outlook. Additionally, the state of Berkley's loss reserves, be they deficient or redundant, creates a bi-direction risk for the stock.

Willis Towers Watson (WTW)

Our price objective of $207 reflects 75% of the year-ahead S&P 500 P/E multiple (17.5x) on our 2024E EPS forecast. While this is lower compared to the historical relative valuation of 90%, we believe the discount is merited in the near term due to a) legacy operational challenges paired with currently high execution risk, b) the presence of a takeout premium for much of 2019-21, and c) substantial international exposures in a volatile geopolitical environment.

Upside risks are accelerated growth recovery, faster-than-expected savings execution, and higher-than-anticipated capital returns to shareholders.

Downside risks are prolonged disruption from recent staff departures, difficulties executing the restructuring program, and escalating geopolitical tensions.

Analyst Certification

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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
	American International Group	AIG	AIG 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				
	Aon	AON	AON US	Joshua Shanker
	CNA Financial	CNA	CNA US	Joshua Shanker
	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
	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 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	156	53.24%	Buy	94	60.26%
Hold	79	26.96%	Hold	52	65.82%
Sell	58	19.80%	Sell	32	55.17%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

[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.

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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.

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