

# Securities Finance Report



## Does the Insurance Sector Offer Institutions Protection?

London is still an important center of insurance expertise and some of Lloyds of London's most important players are updating shareholders on their health this week. Though these companies are listed in the UK, they are significant clients of the global re-insurance players. How is this credit crunch resistant sector predicted to perform?

Short sellers are not very active in the UK Insurance sector. **Amlin (AML)** sees only 1.4% of total shares short so few predicted their 3.5% fall on the announcement of their results. Despite this fall the shares have been on a very good run since June and this coincided with institutional investors who lend increasing their holdings to 26.7% of the shares in issue making them the most widely held UK insurer (including in relation to fund ownership in **PRU** and **Aviva**).

**Catlin Group (CGL)** bears witness to falling short interest and rising ownership from funds who lend. **Beazley, Hiscox, Chaucer** and others show a similar pattern meaning that in general, investors are generally positive about the prospects for this sector.

A stand out name amongst the crowd is **Brit Insurance (BRE)** which is in takeover talks with a private equity firm (**Apollo Group**). It is not a stand out situation due to the volatility or scale of the investor sentiment. Short selling is 0.65% of shares and funds who lend own 24.5% of the issued shares. Rather, it is an example of a very English company (not only through sponsorship of the English cricket team and the Oval) that is happy to sell to the highest bidder to reward management

and shareholders.

There is nothing wrong with this as one could never argue that BRE is an asset of national security! That said, management's willingness to enter talks so eagerly shows that they feel the offer represents fair value – insurance clearly isn't a scarce commodity that can command rival bidders and takeover rejection in the way potash asset owners can. It also shows that private equities companies are alive and well and looking to spend their money.

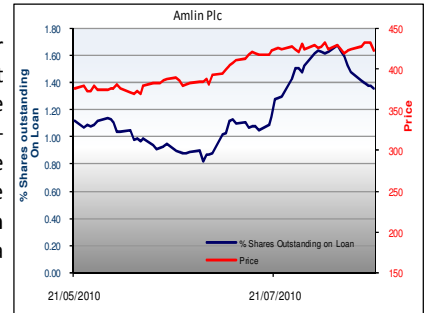
A think the armour of UK insurers is their exposure to the US hurricane season. Is it me or is every year rumored to be "worse than ever"? However, the scale of re-insurance is such that this sector has to be observed alongside the fortunes of the underwriters such as DAX listed **Munich Re**. This sector has Warren Buffet as a strategic shareholder in **General Re**.

The sage isn't predicted to being losing his cool over this sector and the short sellers agree with his positive view. They haven't been shorting **Munich Re** despite the shares falling 20% in May. **Hannover Re** seems to be the firm most exposed to the Horizon oil spill. Short interest is 2.4% of total shares which is higher than the its re

-insurance peers but low nonetheless. Far from worrying about BP related risk, institutions who lend have been buying more shares and now own 13% of the company. It seems to be one way traffic for the Insurers.

Will Duff Gordon

For more information on any of the stocks mentioned in this article, please contact [news@dataexplorers.com](mailto:news@dataexplorers.com)

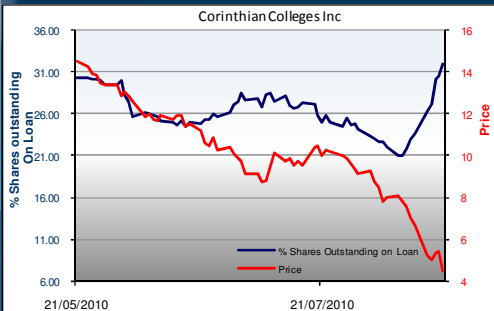


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### Stock of the Day: Corinthian Colleges (COCO)

COCO, Due to a falling Price and rising short interest, shorts seem to double down their bets in the face of healthy profits.



% Total Shares Outstanding on Loan  
Price

### Long Short Ratio: All Global Securities



20 Aug 10	Chg	% Chg	Week % Chg	52 Week High	52 Week Low
7.18	-0.03	-0.38%	-1.21%	7.34 (10-Aug-10)	6.26 (07-May-10)

This is a very simple way to understand whether the market is getting more or less short. It is derived by taking the institutional longs that are made available to borrow through the securities lending programs and divides this by what has been put out on loan.

## DXI Global 50



The DXI™ Data Explorers family of indices tracks the change in securities lending, a proxy for short selling, in relation to shares outstanding of the largest companies in each region. The advantage of the DXI™ methodology is that it is not impacted by changes in price or by changes in trade volume so securities lending activity is not obscured by cash market movements.

The region-specific DXI™ US, UK, Europe (ex UK), Japan, and Asia (ex Japan) 30 each cover the securities lending loan base for the 30 largest market capitalised companies in each region, respectively.

The DXI Global 50 is made up of the 50 largest companies from the five regional indices.

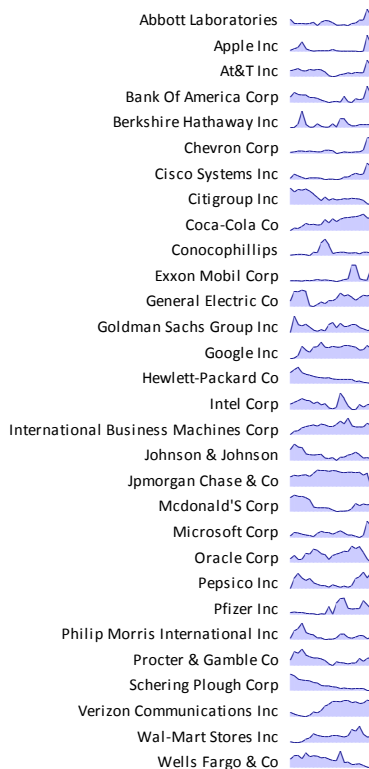
A rising DXI™ index represents a relative increase in quantity on loan (i.e. short selling) while a falling index highlights a decrease in the quantity on loan (i.e. short covering).

Each index has a base as of 6 January 2010 and is rebalanced quarterly. The indices are not weighted.

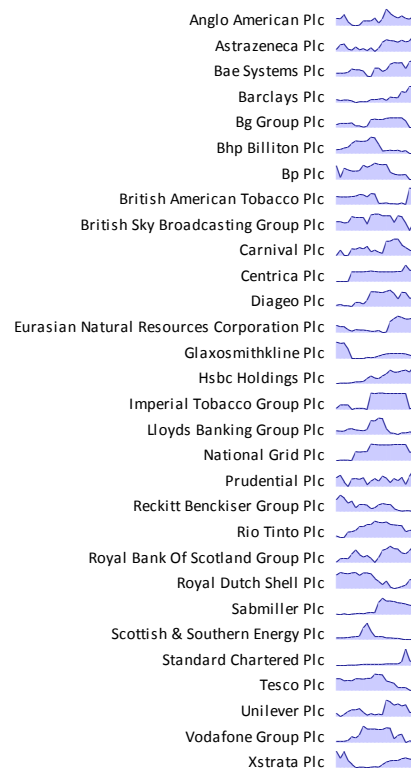
The chart for each index component shows the percent shares outstanding on loan for each company. *Note: this is not to a common scale but rather shows the trend over the past 22 trading days.*

For more information please contact Data Explorers.

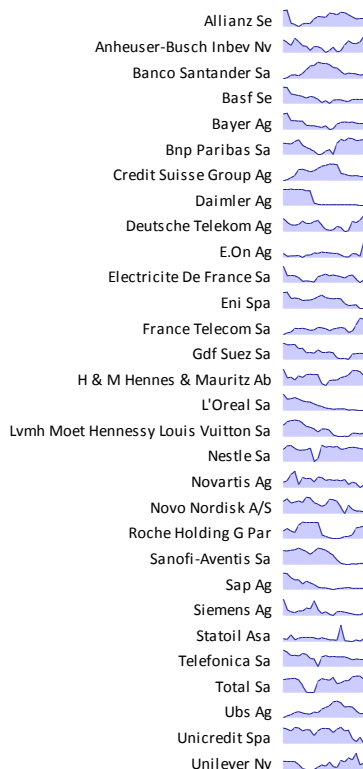
## DXI US 30



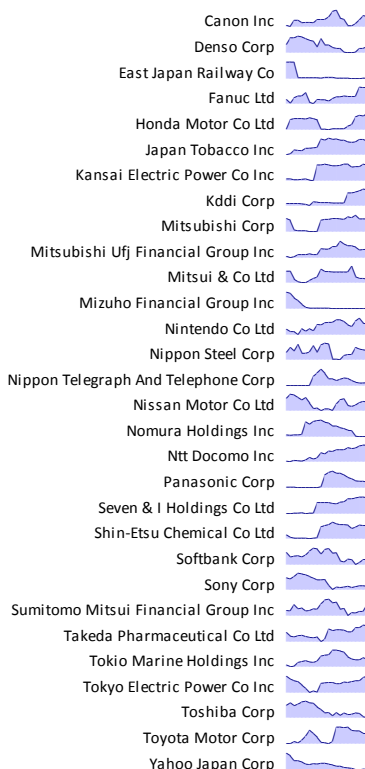
## DXI UK 30



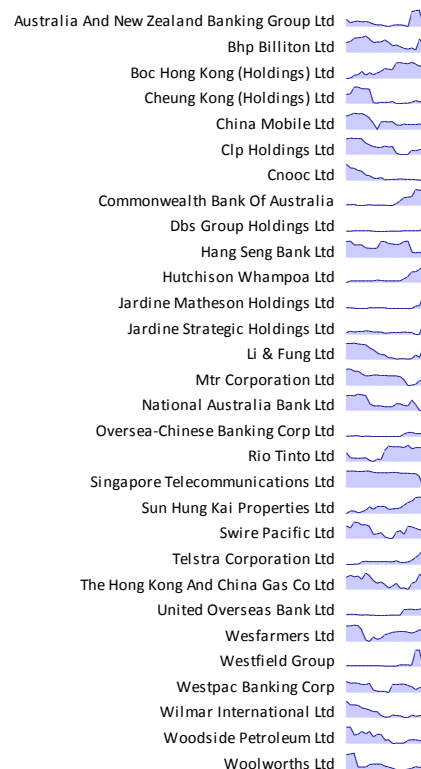
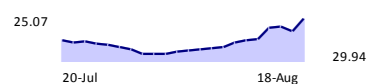
## DXI EU xUK 30



## DXI Japan 30



## DXI Asia xJP 30



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