LEADER'S edge

EXECUTIVE REPORT ON BROKER M&A

APRIL 2019

A Delicate Balance

Private equity continues to drive record-high acquisitions. Are the scales going to tip?

Think Big!

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
Advantage Benefit Solutions

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
Alliance Insurance Group, LLC

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
Arrow Benefits Group

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
BenefitsTexas, Inc.

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
Bridgeport Benefits, Inc.

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
California Corporate Benefits Insurance Services

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
Campbell Petrie, Inc.

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
Churchill & Associates Insurance Services, Inc.

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
Corporate Benefit Marketing, Inc.

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
Creative Group Benefits, Inc.

Congratulations, Patriot Growth Insurance Services, LLC, on your tremendous achievement. Marsh, Berry & Company, Inc. is honored to be the investment banking firm that sourced and valued the participating firms, brokered the individual transactions and helped arrange financing sources that brought these 18 firms together[1].

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
HGS Insurance Services, Inc.

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
Innovative Cost Management Services

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
Intrepid

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
Intrepid Benefits, Inc.

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
Intrepid Solutions Insurance Services, Inc.

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
Maniaci Insurance Services, Inc.

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
TRUE Network Advisors

PATRIOT GROWTH INSURANCE SERVICES
HAS ACQUIRED
Voluntary Benefit Specialists, LLC

[1] Marsh, Berry & Company, Inc. was financial advisor to the participating selling organizations.
These organizations were acquired by Patriot Growth Insurance Services, LLC effective January 1, 2019.

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NEW NORMAL?

Too Big to Fail?

Will the bubble burst, or is the M&A frenzy with high multiples, generous valuations and endless activity the new normal?

BY PHIL TREM

When will the bubble burst?

This question has been hanging over the last few years' M&A frenzy like a drone, watching—waiting for signs of a potential crash. Most of us in the insurance industry have at some point blinked and wondered if all this activity is too good to be true. Can these multiples really stick? (They have so far.) Will valuations continue to break records? (They are.) Will private equity continue to invest billions of dollars into insurance distribution? (It looks that way.) »

IN THIS ISSUE

Unless otherwise noted, all deal counts in this publication refer to announced, U.S.-based transactions. MarshBerry estimates that only 50%-60% of transactions are made public.

We keep watching and waiting. But M&A transactions grow every year. And companies we never expected to sell are doing just that.

The activity we've seen with low credit cost, high credit availability, private equity investment and impressive multiples seems like a perfect storm. Will the bubble burst as it did with the subprime mortgage and housing market, resulting in the subsequent collapse of market giants (e.g., Lehman Brothers) a decade ago? Is this high we're riding going to nose-dive into the ultimate low? Is the deal pricing irresponsible?

> "There are some people who are betting against what we're seeing today in the insurance industry because of the incredibly high multiples, activity levels, and leverage ratios of the acquirers."

Consider the fact that the insurance industry might have been undervalued for years and private equity could continue to invest because of all the benefits this industry offers: recurring revenue, resiliency in tough economic conditions and predictable returns.

Perhaps this "bubble" is really our new normal.

BETTING AGAINST THE M&A FRENZY?

The reason we have been wondering about this so-called M&A bubble since about five years ago, when activity began to pick up tremendously, is probably because it hasn't been that long since the economic collapse a little over a decade ago. We're predisposed to skepticism and caution when we see a market booming like insurance M&A has been recently.

What did we learn from this economic demise?

Lehman Brothers proved that even a very successful company—and in this case, a significant investment bank—can be on top of the world one year and bankrupt the next. From 2004 to 2006, Lehman Brothers' real estate business made the firm one of the fastest-growing investment banking and asset management businesses. In 2007, it reported $19.3 billion in revenues and $4.2 billion net income. Record numbers. In 2007, *Fortune* magazine named Lehman Brothers the No. 1 "most admired securities firm." That was just a year before it went bankrupt, in September 2008.

The movie *The Big Short* tells the true story of a group of investors who bet against the U.S. mortgage market after discovering through research how flawed and corrupt the market was. There are some people who are betting against what we're seeing today in the insurance industry because of the incredibly high multiples, activity levels, and leverage ratios of the acquirers.

TOO SUSTAINABLE TO FAIL

Some are saying that the current market is over-valued, and there are questions as to whether we could be getting ourselves into a similar economic situation as in 2008. Considering the flood of M&A activity and pricing we've seen in the insurance industry, it's realistic to wonder if history could repeat itself—and this time impact the insurance industry and players that seem indomitable.

But a closer look at then versus now shows some stark differences. At the time of this writing, employment numbers are significantly better than they were 10 years ago, with a current unemployment rate of around 3.7%. The stock market is strong. Demand in the housing market is steady because of the healthy economy and robust labor market. So the overall economic environment is not a mirror image of 2007-08.

But what about the multiples, the valuations, the prices that private equity and insurance brokerage buyers are willing to pay to acquire firms? Is there financial engineering in the works—is this pricing irresponsible?

Back to that bubble. Will the insurance valuation and investment high we've been seeing lately ultimately result in a bust? The concern at a high level is that buyers in the marketplace are paying so much money and layering on so much debt that. if the credit markets freeze and the economy stalls, there may be no more debt to have—and ultimately, the heavily leveraged brokers could fail. But here's why we believe this is not likely to happen in the insurance industry. Say Agency ABC had 7x leverage on its balance sheet and couldn't borrow another dime to make more acquisitions or restructure its debt. The staunch reality is it could do no more acquisitions but still survive (or even thrive) as a viable business. Why?

Assume it holds on to approximately 90% of its business every year because of recurring revenue. The cash flows of an insurance agency are typically so strong that Agency ABC would still likely be able to pay down or pay off its debt in seven to 10 years depending on its organic growth. Is this perfect? Of course not. Will the investors get a strong return? Probably not. Does it mean sellers would see less buyer appetite and lower valuations? Most likely. But it's nowhere close to needing a bailout. Not by a long shot. Given strong profitability and recurring income, even a total "failure" is not going to completely take down a business that is strong, high-performing and running soundly. This industry is not like automobiles and homes, where individuals can forgo a purchase or significantly downsize during an economically stressful time.

Now, an insurance business certainly can fail. If an owner runs the operation like a lifestyle business, does not invest in developing talent or technology, ignores complacent producers, has a "why fix what isn't broken" mentality, and struggles with profitability, then yes, it could fail. This insurance business could fail in the sense that it will not perpetuate or its business will be vulnerable to competition. It's not sustainable.

But as for an actual bubble burst, that's not something we expect to happen, even with the continuing record M&A activity, including last year's 580+ transactions.

"Perhaps what we're really seeing in this dynamic marketplace is a sustainable valuation adjustment as investors recognize the potential and stability of insurance businesses."

A NEW NORMAL

Last year's M&A activity was the strongest yet in terms of the number of deals closed and the size of those deals. Insurance business owners are asking themselves, "Should I sell now?" They've seen plenty of owners cash out with multiples those businesses would never have realized three years ago. Even average companies are getting higher valuations than the high-quality firms got in 2015. This dynamic is why some are wondering how long this activity will last—and how bad the industry will suffer if large firms that may be aggressively leveraged flop. (But back to our previous example, the fail may look more like a foul, followed by a rebound.)

Perhaps what we're really seeing in this dynamic marketplace is a sustainable valuation adjustment as investors recognize the potential and stability of insurance businesses. They want some skin in the game. And, because of our industry's cash flow model, conservative approach to risk, and dependable revenues, these investors know they'll see returns. We're not selling subprime loans here.

Rather than the proverbial bubble, what we very well could be experiencing is the new normal.

"Rather than the proverbial bubble, what we very well could be experiencing is the new normal."

2019 AND BEYOND

We don't have a crystal ball, and we are not sure what the canary in the coal mine is that would signal a turn in the market. Here is what we do know: valuations and deal activity are currently at their highest levels on record for the industry.

In the first two months of 2019, we have seen six top-100 brokerages announce transactions.

- Patriot Growth Insurance Services was formed on Jan. 1, 2019, with the aggregation of 18 organizations into a new company backed by private equity sponsor Summit Partners.
- Alliant Insurance Services brought on a new capital partner in Public Sector Pension Investment Board (PSP Investments).
- U.S. Risk announced a pending transaction with USI Insurance Services.
- Relation Insurance Services has been acquired by private equity firm Aquiline Capital Partners.
- AssuredPartners was reacquired by the private equity firm that founded the organization, GTCR.
- AssuredPartners also announced the acquisition of Tolman & Wilker Insurance Services.

These transactions are likely just the tip of the iceberg for more large deals in 2019. Activity in the first few months continues to trend at the same levels as 2018. If early activity is an indication, the year could be another record setter.

As the economy remains strong, we expect valuations to continue at their current levels. It is possible, however, that the economy may very well be the trigger we need to keep an eye on. Taxes or interest rates are often talked about as possible reasons for valuations to faulter. But the economy could be the most important influencer on our current good fortunes. As the economy continues to grow, acquirers are valuing businesses based upon their forward-looking profit as opposed to the prior 12 months' actual performance. There is a predictability in the growth that allows for more aggressive buyer behavior, and its likely to persist at least through 2019.

Beyond 2019, we need to keep a close watch on economists and their predictions for the next recession. More money will likely continue to flow into the distribution space, and demand should remain strong. If economic growth slows, demand may be able to keep activities and valuations high. However there is no way to predict how buyers will react to slowing growth. It is hard to say where we will be in 24 months from now, but the next 12 look like much more of the same. **edge**

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2018 YEAR IN REVIEW

New Year, Same Familiar Face

Private equity continues to drive M&A.

Coming off a record-high year in 2017, during which 557 announced brokerage transactions were posted, it was difficult to imagine that 2018 could eclipse such a frenzy of activity. Despite the odds, 2018 saw a new record high in transactions. MarshBerry tracked 580 announced brokerage transactions, which represents a 4% increase from 2017.

For the seventh consecutive year, buyers backed by private equity maintained their leadership status and actually increased their overall contribution to deal activity. PE-backed buyers accounted for 343 of the 580 total brokerage transactions in 2018, or 59% of deal activity. Of the top 20 buyers in the marketplace (which represented 67% of all transactions), only five (three public brokerages and two independent agencies) do not have private equity backing. Other independent agencies represent another 20% of all activity (or 114 of 580 announced deals). That means PE-backed and independent agencies, combined, made up the vast majority (79%) of all deal announcements in 2018. Interestingly, but not all that surprisingly in light of recent U.S. tax reform, public brokerages significantly increased their transaction activity—from 37 deals in 2017 to 61 deals in 2018.

High free cash flow, strong recurring revenue stream, a semi-required product, relatively low risk, and a highly fragmented marketplace—all fundamental attributes of insurance brokerage—continue to attract PE groups to the space. Coupling these factors with the low cost of capital and easy access to investable capital, valuations and total activity within the merger and acquisition marketplace continued to trend upwards.

LEADING ACQUIRERS

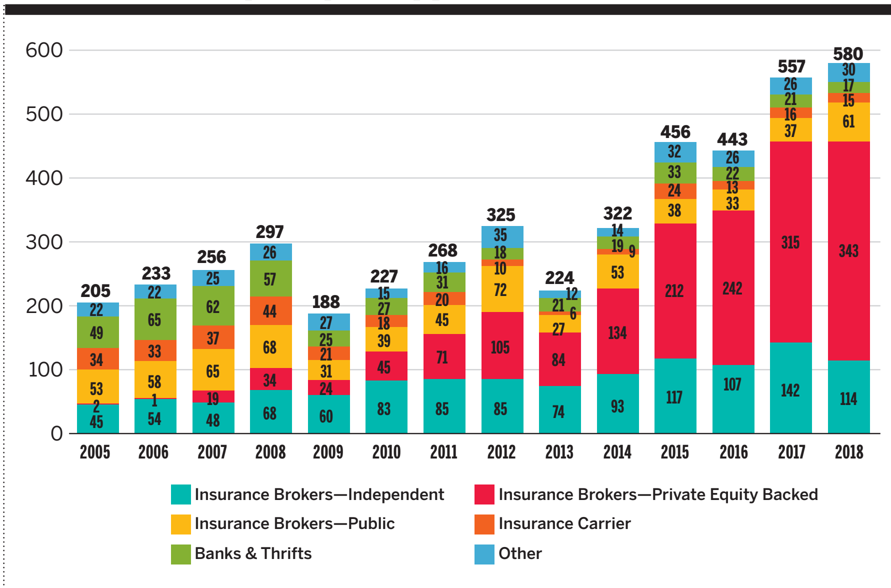
The top five buyers in 2018 comprised four from 2017 and three from 2016. Of these five top buyers, only one does not have private equity backing; however, it does have financial backing as a publicly traded company.

The top five most active buyers accounted for nearly 35% of all transactions in 2018 (200 of the 580).

1. **Acrisure** was again the top buyer for the fourth year in a row with 65 announced deals, compared to 72 in 2017. Historically, Acrisure has not announced the target name of acquisitions, and 2018 was no exception, with only a handful of target names released. Acrisure has communicated separately that it successfully completed more than 100 transactions during the year, as it has historically not announced all transactions to the marketplace. One notable acquisition was Acrisure's purchase of London-based reinsurer Beach & Associates Ltd. from private

Of the top 20 buyers in the marketplace (which represented 67% of all transactions), only five (three public brokerages and two independent agencies) do not have private equity backing.

Deal Count by Buyer Type



All transactions in this presentation are announced deals involving public company acquirers, banks, and private equity groups as well as private company acquirers. All targets are U.S. only. This data displays a snapshot at a particular point in time and has not been updated to reflect subsequent changes in prior years, if any. MarshBerry estimates that only 50%-60% of all transactions are actually made public.
Past performance is not necessarily indicative of future results.
Source: SNL Financial, Insurance Journal, and other publicly available sources

equity group Aquiline Capital Partners, which invested in Beach & Associates Ltd. in 2014. This is Acrisure's first European target.

2. BroadStreet has been consistently increasing its number of deals over the past few years, with 26 deals announced in 2015, 28 in 2016, 31 in 2017, and 37 in 2018, moving up from third most acquisitive in 2017. BroadStreet has completed approximately 341 transactions, including core partners and tuck-ins, since 2001, with a compound annual revenue growth rate since 2010 of 28%.

T3. Alera reentered the top five in 2018 tied for third with 34 announced transactions, more than doubling its 2017 deal count of 15. Alera was founded in 2016, when 24 independent firms (largely employee benefits focused) nationwide joined forces with help from experienced insurance brokerage investor Genstar Capital. Alera has a defined employee benefits focus; however, it is working to build out the property-casualty side of its business. During 2018, Alera announced five P&C-only acquisitions, which doubled its P&C deal count from inception to the end of 2017.

T3. AssuredPartners posted another strong year, with 34 announced transactions, up from 25 in 2017. It was announced in 2019 that Apax Partners, AssuredPartners' current private equity sponsor, will sell a majority stake in AssuredPartners to GTCR (AssuredPartners' former PE sponsor that exited in 2015). The valuation is estimated at $5.1 billion, which represents over 14.5 times EBITDA, based on $350 million of estimated EBITDA. It was estimated that when GTCR exited its investment in AssuredPartners in 2015, the transaction valuation was $1.7 billion.

5. Gallagher reported 30 U.S. deals during 2018, claiming the last spot on the top-five buyers list, sliding down one rung from 2017, when it announced 25 transactions. It was noted on a Dec. 11, 2018, special call that competition remains high for deals and it is anticipated that its blended multiple for 2018 would be between 7.5 and 8.5 times EBITDA, which is consistent with what Gallagher management communicated for 2017 acquisitions. Management also indicated that, as of December 2018, it had an acquisition pipeline of approximately $500 million in revenue either under term sheets or in the process of preparing term sheets.

Top Buyers

RANK	BUYER	BUYER TYPE	2018	% OF TOTAL
1	Acrisure	Insurance Broker - Private Equity Backed	65	11.2%
2	BroadStreet Partners	Insurance Broker - Private Equity Backed	37	6.4%
T 3	Alera Group	Insurance Broker - Private Equity Backed	34	5.9%
T 3	AssuredPartners	Insurance Broker - Private Equity Backed	34	5.9%
5	Arthur J. Gallagher	Insurance Broker - Public	30	5.2%
6	Hub International	Insurance Broker - Private Equity Backed	28	4.8%
7	Brown & Brown	Insurance Broker - Public	24	4.1%
8	NFP	Insurance Broker - Private Equity Backed	18	3.1%
9	Seeman Holtz Property and Casualty	Insurance Broker - Private Equity Backed	17	2.9%
10	OneDigital Health and Benefits	Insurance Broker - Private Equity Backed	16	2.8%
11	The Hilb Group	Insurance Broker - Private Equity Backed	11	1.9%
12	Risk Strategies Company	Insurance Broker - Private Equity Backed	9	1.6%
T 13	Baldwin Risk Partners	Insurance Broker - Private Equity Backed	8	1.4%
T 13	Integrity Marketing Group	Insurance Broker - Private Equity Backed	8	1.4%
T 13	World Insurance Associates	Insurance Broker - Independent	8	1.4%
T 16	Alliant Insurance Services	Insurance Broker - Private Equity Backed	7	1.2%
T 16	Marsh & McLennan Companies	Insurance Broker - Public	7	1.2%
T 16	Foundation Risk Partners	Insurance Broker - Private Equity Backed	7	1.2%
19	Confie Seguros	Insurance Broker - Private Equity Backed	6	1.0%
T 20	Easley Hedrick Insurance & Financial	Insurance Broker - Independent	5	0.9%
T 20	Higginbotham Insurance Agency	Insurance Broker - Private Equity Backed	5	0.9%
T 20	Worldwide Facilities	Insurance Broker - Private Equity Backed	5	0.9%
	Subtotal		**389**	**67.1%**
	Total Deals		**580**	**100.0%**

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Source: SNL Financial, Insurance Journal, and other publicly available sources

PE-BACKED BROKERAGES

Breaking the two-year trend of nine PE-backed buyers, 2018 saw “only” eight PE-funded buyers on the top-10 most-active list. There has been (and continues to be) a significant increase in PE-backed buyer activity, which was virtually nonexistent prior to 2007, when PE-backed buyers represented just 7% of total deal activity.

During 2018, four new PE-backed buyers entered the marketplace, for a total of 31 unique companies, compared to 25 in the 2017. With the addition of the four new PE-backed firms, this segment saw an 9% increase in total deals—to 343 total deals, up from 315 in 2017. The top 10 PE-backed buyers represented 46% of the total deal activity in the insurance agency acquisition space and 79% of the total number of deals backed by private equity.

For the seventh consecutive year, buyers backed by private equity maintained their leadership status and actually increased their overall contribution to deal activity.

Although there was a slight increase in interest rates during 2018, the availability and relatively low cost of capital (compared to historical rates) continued to drive PE-backed buyers to acquire insurance brokerages at an accelerated rate, pushing activity within the industry overall. With investors continuing to search for strong returns in a low interest rate environment, there continued to be heightened interest and demand among private equity in the space.

We also saw continued interest from private equity firms entering or expanding their portfolios within the insurance distribution space with first-time acquisitions made by the following PE-backed buyers:

Integrity Marketing Group (eight deals) was founded in 2006 and is based in Dallas. It distributes life and health insurance products. Integrity Marketing Group did not make its first acquisition until 2018; however, it received private equity funds in 2016 from HGGC.

Foundation Risk Partners (seven deals) is a Daytona Beach, Florida-based brokerage founded in 2017 with the acquisition of Corporate Synergies Group and Acentria Insurance. Foundation Risk Partners received an investment from Warburg Pincus in late 2017.

Ash Brokerage (two deals) operates as an insurance brokerage general agency based in Fort Wayne, Indiana, offering life insurance analysis and annuities analysis. The company also provides long-term care assistance services. It was founded in 1971. In 2017, it received an investment from Century Equity Partners.

XPT Group (one deal) was founded in 2017 and headquartered in New York. It offers specialty line insurance brokerage and distribution services. It received a minority investment from B.P. Marsh (North America) Ltd. in 2017.

In addition, the following actively acquisitive firms significantly changed or added new private equity sponsors during 2018:

HUB International entered into an agreement to receive a round of funding from a new investor, Atlas Partners, in October 2018. The transaction reportedly implies a total enterprise value of over $10 billion, which represents a valuation of approximately five times revenue. Hub’s current private equity sponsor (Hellman & Friedman) will remain the largest investor.

Acrisure announced that a group of investors led by funds managed by Blackstone’s GSO Capital Partners and Tactical Opportunities businesses have

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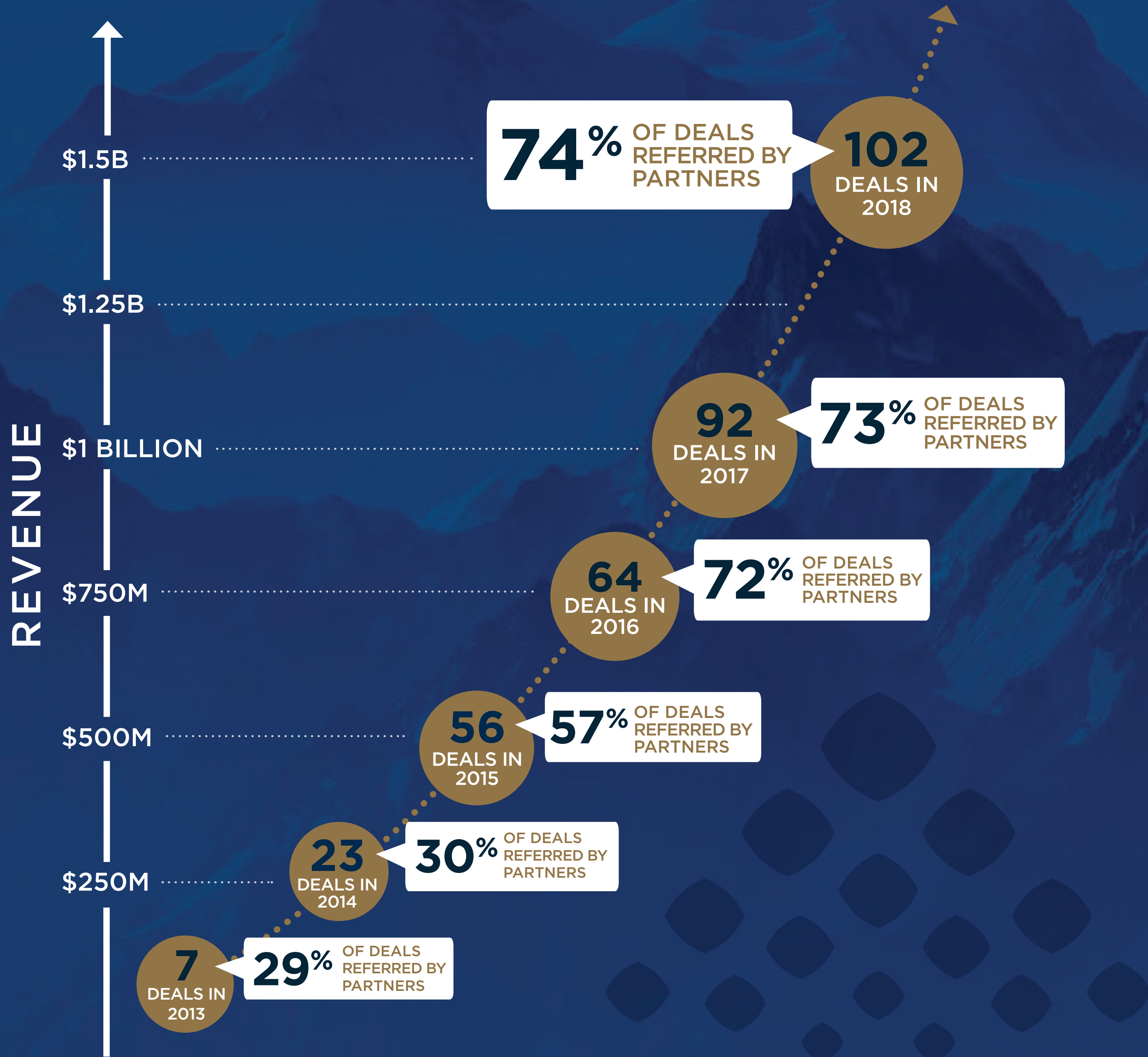


Acrisure is always looking to partner with high-growth, entrepreneurial agencies! Contact Matt Schweinzger at MSchweinzger@acrisure.com and discover what makes Acrisure a great choice for entrepreneurs with a desire to succeed.

significantly increased their investment. Partners Group also increased its investment. As part of the transaction, Harvest Partners became a new investor in Acrisure. In total, the three investors now have invested or committed to $2 billion of preferred equity in Acrisure. The investment implies a valuation for Acrisure of more than $7 billion. Acrisure remains more than 83% owned by its management team and agency partners.

It was announced in 2019 that **Alliant Insurance Services** will receive an investment from Public Sector Investment Board. With this investment, Alliant's current capital partner, Stone Point Capital, will make an additional investment.

INDEPENDENT BROKERAGES

Independent agencies and brokerages completed 114 deals, or 20% of all activity, in 2018, which represents a decline in transactions of 20% from 2017, when independent agencies accounted for 142 transactions (or 25% of total activity). There were 82 buyers (down from 110 in 2017), with approximately 15% (12 total) completing multiple transactions and 44 announcing their first acquisition in 2018.

New Jersey-based **World Insurance Associates** announced eight transactions in 2018 (up from five in 2017), expanding beyond New Jersey and New York into Connecticut, Maine, Ohio and Pennsylvania. Two of the seven agencies acquired in 2018 were employee benefits only firms, which differs from 2017, when all acquisitions had some P&C business. World Insurance Associates specializes in transportation, hospitality, coastal properties and high-net-worth individuals.

Mechanicsville, Virginia-based **Easley Hedrick Insurance & Financial** completed its first acquisition during 2018 and ended the year with five acquisitions, all Virginia-based P&C agencies. Prior to the acquisitions, Easley Hedrick had 15 employees. It added 12 additional employees from the acquired agencies.

Needham, Massachusetts-based **Kaplansky Insurance Agency** announced four transactions during 2018. It completed nine transactions from 2015 through 2018, all of which are located in Massachusetts and have a P&C focus.

Florida-based **Ample Insurance Company** closed four acquisitions during 2018. Ample Insurance Company is an independently owned insurance agency made up of 19 "family agencies," all of which have been acquired since 2015 and are located in Florida.

Insurica, based in Oklahoma City, announced four deals during 2018, two of which were in Texas with the other two in Oklahoma. Insurica is a top-100 brokerage, with reported revenues of approximately $97 million in 2017.

Private-Equity Backed Deal Count

RANK	BUYER	2012	2013	2014	2015	2016	2017	2018	TOTAL	% OF TOTAL
1	Acrisure	2	3	16	39	38	72	65	235	8.1%
T 2	AssuredPartners	25	20	25	34	26	25	34	189	6.5%
T 2	Hub International	22	15	21	30	31	42	28	189	6.5%
4	BroadStreet Partners	0	0	2	26	28	31	37	124	4.3%
5	Confie Seguros	18	14	13	20	17	6	6	94	3.2%
6	Alera Group	0	0	0	0	24	15	34	73	2.5%
7	NFP	0	3	7	16	7	20	18	71	2.4%
T 8	The Hilb Group	3	2	4	8	15	13	11	56	1.9%
T 8	USI	13	5	10	6	10	8	4	56	1.9%
10	OneDigital Health and Benefits	8	9	6	0	6	8	16	53	1.8%
	Other Private Equity Backed Buyers	234	153	218	277	241	317	327	1,767	60.8%
	Subtotal	**325**	**224**	**322**	**456**	**443**	**557**	**580**	**2,907**	**100.0%**
	Total Deals	**325**	**224**	**322**	**456**	**443**	**557**	**580**	**2,907**	**100.0%**

All transactions in this presentation are announced deals completed by agencies/brokers with external sources of funding. Deals completed prior to private equity investment are not included. All targets are U.S. only. This data displays a snapshot at a particular point in time and has not been updated to reflect subsequent changes in prior years, if any. MarshBerry estimates that only 50%-60% of all transactions are actually made public. Past performance is not necessarily indicative of future results.
Source: SNL Financial, Insurance Journal, and other publicly available sources


AT LEAVITT GROUP:
I'M AN OWNER, A FATHER,
AND AN ADVENTURER.
TIM WOODRUFF
Las Vegas, Nevada · Co-Owner

Chicago-based **Ryan Specialty Group** also completed four deals during 2018. Ryan Specialty was founded in 2009 and offers specialty insurance and risk management solutions to agents, brokers, and insurers and their customers. During mid-2018, Ryan Specialty received private equity capital from Onex Corporation.

As was anticipated based on U.S. tax reform, public brokerages are taking advantage of the reduced corporate tax rate and reinvesting those dollars into acquisitive growth.

Two agencies announced three transactions each.

- Utah-based **Leavitt Group Enterprises** announced three P&C acquisitions during the year: two in Washington and one in Utah. Leavitt is a top-100 brokerage, with revenues of almost $236 million in 2017.
- Houston-based **Dean & Draper Insurance Agency** completed three deals in Texas.

There were four other buyers that reported two acquisitions during the year.

PUBLIC BROKERAGES

Public brokerage activity was up 65% in total deal count during 2018 (61 announcements versus 37 in 2017), bringing the overall proportion of deals represented by public brokerages to more than 10%, up from 7% in 2017 and 2016. There were three public brokerages in the market during 2018, down one from 2017, when CBIZ closed a transaction. The public buyer field is down substantially from 2005, when there were nine active public acquirers.

Gallagher announced 30 U.S.-based transactions, up from 25 in 2017, both years' activity earning it a place among the top five most active buyers. Gallagher also announced 10 international brokerage acquisitions.

Brown & Brown announced 24 transactions during the year, a significant increase from the seven deals announced in 2017. The most notable of these 24 transactions was Hays Companies, which reported 2017 revenue of $198 million.

Marsh & McLennan Companies completed seven U.S.-based transactions in 2018, compared to four reported deals from 2017. Subsidiary Marsh completed the acquisition of John L. Wortham & Son. Marsh & McLennan Companies also announced the acquisition of London-based Jardine Lloyd Thompson Group, which is expected to close in 2019.

As was anticipated based on U.S. tax reform, public brokerages are taking advantage of the reduced corporate tax rate and reinvesting those dollars into acquisitive growth. All indications point to a continuation of this trend.

INSURANCE CARRIERS AND OTHERS

Thes buyer segments include private equity groups (not their portfolio companies), underwriters, financial technology firms, specialty lenders and other unclassified buyers. Activity within this buyer grouping increased slightly, from 42 in 2017 to 45 in 2018. For the second consecutive year, the Insurer & Other buyers group represented only 8% of deals, which was fairly consistent with activity in 2016, when it represented 9%. Private equity groups accounted for 10 deals within this category. Insurance company buyers completed 15 deals, compared to 16 the prior year. Non-private equity, non-insurance companies (mostly credit unions, private investors and other undisclosed buyers) represented 20 deals within this category.

BANKS AND THRIFTS

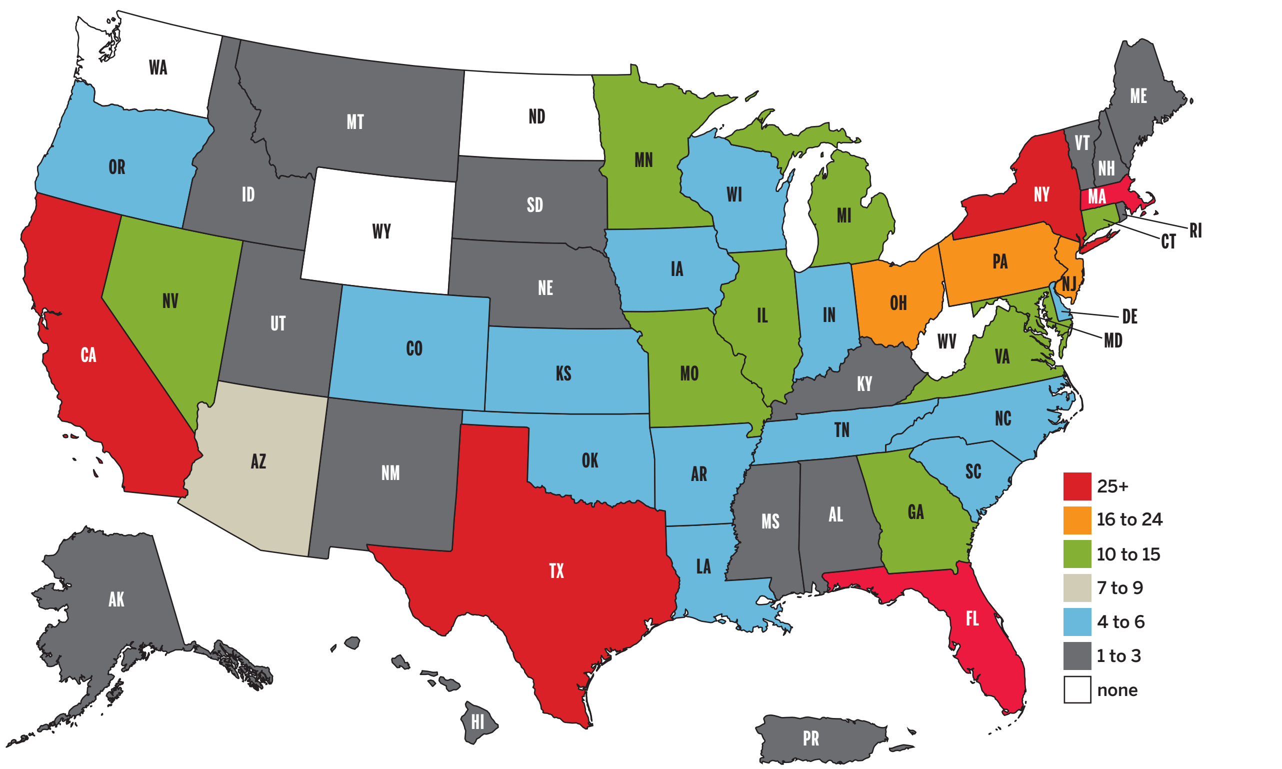
Banks and thrifts completed 17 acquisitions in 2018, down slightly

This decline represents the third consecutive year that we have seen a decrease in the transactions done by banks and thrifts—part of the overall steady decline over the past decade...

from the 21 announced deals in 2017. This decline represents the third consecutive year that we have seen a decrease in the transactions done by banks and thrifts—part of the overall steady decline over the past decade as banks have either divested their insurance operations to focus on their core business or significantly slowed down their pace of acquisitions. During 2018, there were three notable bank divestitures of insurance operations: (1) KeyCorp's sale of Key Insurance & Benefits Services to USI Holdings; (2) BB&T Insurance Holdings' acquisition of Regions Insurance Group from Regions Financial Corporation (BB&T Insurance Holdings also rebranded to McGriff Insurance Services); and (3) Shore Bancshares' sale of Avon-Dixon Agency to Alera Group. USI also had another notable bank and thrift acquisition that closed in November 2017, when it purchased Wells Fargo Insurance Services USA from Wells Fargo & Company.

There were 13 bank acquirers in the market in 2018 (four of which announced their first transaction), with four also completing multiple transactions. Salem Five Bancorp, Associated Banc-Corp, Eastern Bank Corporation, and FBinsure (owned by Bristol County Savings Bank) each announced two acquisitions in 2018.

Announced Deals by State



Source: SNL Financial, Insurance Journal, and other publicly available sources

GEOGRAPHIC TARGETS

The top 10 most active states represented 56% of the total deal volume in 2018. California remained the most active state, with 59 deals announced during the year, which is down 10 deals from 2017. Texas (56), Florida (52), Massachusetts (44), and New York (36) rounded out the top five target states in 2018. Massachusetts moved up from sixth in 2017 to replace Pennsylvania (ranked sixth in 2018) in the top five.

LINE OF BUSINESS

The breakdown of acquisition targets in 2018 by line of business almost mirrors that of 2017, with a slight increase in P&C firms offset by a similar decrease in multi-line firms. In 2018, P&C firms represented just under 55% of all target agencies, while employee benefits and consulting firms remained at 22% of targeted agencies. Multi-line firms represented the remaining 25% of announced transactions during 2018.

INTERNATIONAL ACTIVITY

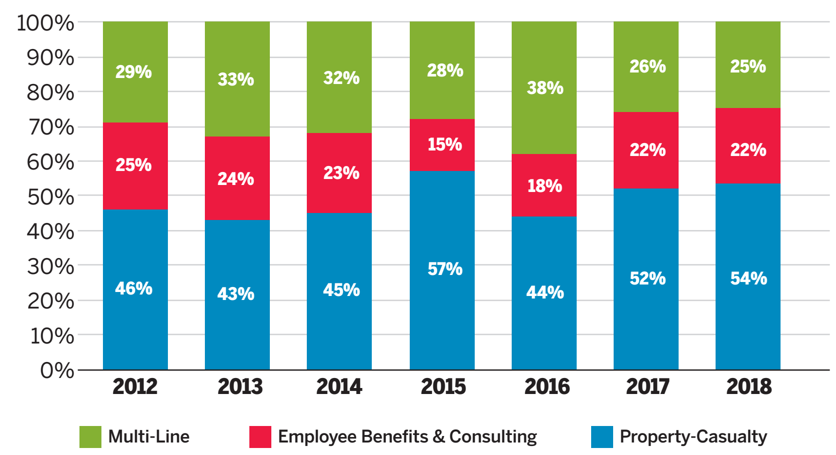
U.S.-based buyers were also active internationally, with 53 deals completed and announced, much higher than the 28 deals that were completed by U.S.-based buyers in 2017. The majority of these transactions were completed in Canada (55%) and the United Kingdom (36%). Hub represented 24 of the 53 total deals, or over 45% of the total. Hub completed 24 deals in Canada during 2018, up from just five in 2017, driving much of the increase in year-to-year activity from international buyers. Gallagher also completed more transactions internationally in 2018, with 13, compared to eight in the previous year. Gallagher's acquisition activity in 2018 was largely based in the United Kingdom, Canada and Australia. Notably, Acrisure completed its first international transaction in 2018, acquiring a firm in the United Kingdom.

EMPLOYEE BENEFITS

In 2018, the number of announced transactions involving firms specializing exclusively in employee benefits and consulting (EB) was flat compared to the number of announced transactions in 2017. When looking at historical trends, however, there is a much more exciting story to tell. Five years ago (2014), 74 EB firms sold to a third-party buyer. In 2018, 126 EB firms sold. This number excludes the multi-line firms, which adds another 143 announced transactions involving some type of EB business.

Independent agencies and brokerages remained the top type of acquirer, while public brokerages have been less aggressive in the EB insurance space. Alera Group entered the market at the end of 2016 and quickly became one of the most active buyers in the EB space. In 2018, Alera announced 21 EB deals, which represents 17% of the total EB deals done in 2018. Digital Insurance (OneDigital) was the second most

Announced Deals by Target's Line of Business



All transactions in this presentation are announced deals involving public company acquirers, banks, and private equity groups as well as private company acquirers. All targets are U.S. only. This data displays a snapshot at a particular point in time and has not been updated to reflect subsequent changes in prior years, if any. MarshBerry estimates that only 50%-60% of all transactions are actually made public. Past performance is not necessarily indicative of future results.
Source: SNL Financial, Insurance Journal, and other publicly available sources

active acquirer of EB firms, with 16 transactions involving EB-specific firms. Acrisure fell from the top most active in 2017 for employee benefits to No. 3 on the chart, down 15 transactions from 2017. AssuredPartners, Gallagher and Hub International all tied for fourth in number of EB transactions. These top six buyers accounted for almost 53% of the total number of EB deals in 2018.

Frequently, human resource experts, nutritionists and wellness specialists, and even doctors and pharmacists, are on staff as consultants at larger EB brokerage firms.

The employee benefits market has seen more change than other insurance markets in the last decade. A large part of this is due to changes in regulation; however, each year presents changes and challenges to all EB brokerages. Plan design, new voluntary products, cost containment strategies, bundling versus unbundling decisions, enrollment guide regulations, benefits administration technology, claim audit procedures, and data analytics techniques are constantly changing as employee benefits insurance continues to evolve into an art more than a science. Rates still play a factor, but more and more EB firms are becoming specialists in the industry. Frequently, human resource experts, nutritionists and wellness specialists, and even doctors and pharmacists, are on staff as consultants at larger EB brokerage firms. The philosophy behind this level of high expertise is that clients want the white-glove treatment with the strength and girth of a larger national firm but at the local level.

What is to come in 2019? On the very first day of the year, 17 independent insurance agencies and TRUE Network Advisors merged. Of those 17 agencies, 16 generate revenue from solely EB products. This newly formed national brokerage, Patriot Growth Insurance Services, entered the market eager to become a top player. We anticipate consolidation will continue and this will be another active year in the EB space.

SPECIALTY DISTRIBUTORS

Specialty distributor M&A activity the last couple of years has catalyzed a phenomenon whereby companies are combining a mix of operational platforms under one roof. (We define "specialty distributors" as managing general agents, managing general underwriters and program administrators—all referred to as "MGAs"—along with wholesalers.) It is an evolving distribution model, compared to historical norms, that may provide several, differentiating competitive advantages, including increased flexibility with distribution. The multi-model company, where several business models (e.g., brokerage, binding and program administration) are implemented throughout a company, has fogged the demarcation of "traditional" specialty distributor roles.

The multi-model approach is primarily a one-directional M&A event, with traditional wholesalers bolting MGA-type operations on to their models. For instance, Worldwide Facilities, a large wholesale brokerage located in Los Angeles, made five acquisitions in 2018 that diversified its product mix between transactional brokerage and contract-binding business.

That said, we are not suggesting that MGAs never consider adding a wholesale function to their model; however, we have observed this is happening less frequently in the marketplace. A multi-model approach that includes a wholesaler operation is a good defensive position because it potentially reduces

Despite the slowdown, and barring any significant external events, we expect specialty distribution M&A velocity to continue at or near historical levels for reasons that are tactical, strategic and transformational—or potentially all three.

volatility should an MGA lose its insurance paper.

The pace of reported specialty distributor M&A slowed in 2018, albeit slightly. At year-end 2018, specialty distributors accounted for 71 out of 580 total announced transactions, representing 12% of total announced deals. That is down slightly from 2017, when specialty distributors accounted for 74 out of 557 total announced distributor transactions, representing 13.3% of total announced deals. Despite the slowdown, and barring any significant external events, we expect specialty distribution M&A velocity to continue at or near historical levels for reasons that are tactical, strategic and transformational—or potentially all three.

Retail vs. Specialty Acquisitions

TYPE	2012	2013	2014	2015	2016	2017	2018	TOTAL
Specialty Distributors	36	36	63	83	70	74	71	433
Retail	289	188	259	373	373	483	509	2,474
Total	**325**	**224**	**322**	**456**	**443**	**557**	**580**	**2,907**

TYPE	2012	2013	2014	2015	2016	2017	2018	TOTAL
Specialty Distributors	11%	16%	20%	18%	16%	13%	12%	15%
Retail	89%	84%	80%	82%	84%	87%	88%	85%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Specialty Distributors include wholesale brokers, program managers, managing general agents, managing general underwriters and general agents. All transactions in this presentation are announced deals involving public company acquirers, banks, and private equity groups as well as private company acquirers. All targets are U.S. only. This data displays a snapshot at a particular point in time and has not been updated to reflect subsequent changes in prior years, if any. MarshBerry estimates that only 50%-60% of all transactions are actually made public. Past performance is not necessarily indicative of future results.
Source: SNL Financial, Insurance Journal, and other publicly available sources

Gallagher (via Risk Placement Services) and Ryan Specialty Group continue to be leaders in specialty distribution acquisitions. Joining the ranks of leaders this year was Worldwide Facilities, which successfully consummated five transactions in 2018, up from zero the year before. Worldwide's acquisitions represent excellent examples of not only product and expertise diversification but also measured geographic expansion. Wholesalers have been consolidating and continue to consolidate, and most now have binding authority operations.

Consolidation is blurring the demarcation of "traditional" roles—broking, underwriting, binding—in specialty distribution. The merger of Napslo and AAMGA, two large specialty distributor associations that combined in 2018 to form WSIA, further exemplifies the phenomenon. As growth goals loom large, management and corporate development teams have been forced to reconcile old acquisition strategies with new ones that undoubtedly include the evolved specialty distribution model that consists of a mix of binding and non-binding authority revenue.

Last year, we reported experiencing a shift in buyers, whereby established consolidators started pursuing investments in the specialty distribution sector (as opposed to mostly retail-focused distribution models). For example, Hub International (via Program Specialty Group), NFP, and Risk Strategies all made investments in specialty distribution platforms in 2017, and all three continued making investments in specialty distribution in 2018, albeit at a much slower pace.

Notwithstanding the impact of the recent hurricane activity in the Southeast and wildfires in California, 2018 was a good year for the insurance industry and specialty distributors. However, there are some concerns being raised

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about an economic slowdown, if not a full-fledged recession. If a recession is on the horizon, it would be prudent for specialty distributors to maintain their growth momentum by continuing to focus on improving operational efficiency, boosting productivity, and lowering costs with new technology and talent transformations, while customizing products and services to meet the evolving demands of a dynamic and emerging digital economy. Moreover, given the potential headwinds, it would also be wise to honestly assess the company's focus as it relates to customers versus products. An economic downturn would likely exacerbate the already hyper-competitive dynamics of insurance distribution. Specialty distributors—and particularly wholesalers—will need to improve their standing on the insurance-distribution spectrum from transactional intermediary to customer-centric advisor. A customer-focused strategy should enhance their value proposition by giving customers better understanding of not only what they are buying but also what they are protecting.

Despite the seemingly dark clouds just described, we believe the outlook for specialty distribution is mostly positive and the sector is poised for continued growth. Rates are firming in most lines (or at least holding flat), the exposure base continues to expand from an enduring economic cycle, and there continues to be high interest among market participants to procure insurance cover through the specialty distribution channel. Outside a major shock event that would invariably shake all industries, most specialty distribution should continue to thrive as management teams hone their underwriting savvy and leverage technology to bring new products to market quickly and efficiently.

Top Specialty Buyers

	2014	2015	2016	2017	2018
Arthur J. Gallagher	7	5	7	2	6
Worldwide Facilities			2		5
Brown & Brown	2	7	2	1	5
Integrity Marketing Group					4
Ryan Specialty Group	2	1	2	5	4
Risk Strategies Company			2	1	2
Hub International	2	1	1	6	2
White Mountains Insurance Group					2
Total Above	**13**	**14**	**16**	**15**	**30**
% of total	**21%**	**17%**	**23%**	**20%**	**42%**
Total Specialty Firms Acquired	**63**	**83**	**70**	**74**	**71**

**past five years of activity from buyers that completed >1 specialty deal in 2018

2018 VALUATIONS STEP UP (AGAIN)

Sale valuations from 2015 through 2017 remained historically high, though they had somewhat leveled off. Less than 0.25 times EBITDA separated the average deal values in these three years. However, 2018 saw an incremental move to higher prices paid, despite the belief that prices were stable and would likely remain that way. Compared to 2015, the maximum potential deal value was up more than 6% on average in 2018. Compared to 2012, maximum potential deal value is up nearly 30% on average.

PRICING STRUCTURE BREAKDOWN

Two forms of purchase price are generally referenced: multiples of earnings before interest, tax, depreciation and amortization (EBITDA) and multiples of revenue. Here, we refer to multiples of EBITDA. To analyze transaction pricing, we'll break the price down into three key components:

1. **Base Purchase Price**—The dollar amount paid at close plus the live-out (if any) the seller will receive.

Paid at Close: The amount of proceeds paid at closing, including any escrow for potential indemnification items.

In 2018, purchase prices for both platform and stand-alone agencies increased, driving the combined average purchase price up as previously described, while roll-in agency pricing was down compared to the prior year.

Live-out: The amount a buyer may initially hold back but which is paid as long as the seller's performance does not materially decline. This may also be paid at closing but could be subject to a potential adjustment. If the live-out is not paid at closing, this payment is usually made within one to three years, contingent upon delivering on the seller's pro forma revenue or EBITDA.

2. Realistic Earnout—The amount of proceeds realistically anticipated to be achieved in the future based on a number of factors, including seller historical and expected performance, buyer and seller realistic discussion of earnout metrics, etc.

Realistic Purchase Price = Base Purchase Price + Realistic Earnout

3. Maximum Earnout—The additional earnout above the realistic earnout that, if achieved, would generate the maximum possible earnout payment. In certain circumstances where deals are not capped, this number represents the likely maximum identified through discussions with buyers and sellers.

Maximum Purchase Price = Base Purchase Price + Realistic Earnout + Maximum Earnout

In 2018, the market saw the biggest purchase price shift in the base purchase price paid to a seller. On average, the base purchase price paid in 2018 was 8.58 times EBITDA, compared to 7.97 times in 2017, an increase of more than 7.5%. At the same time, the realistic earnout, or the payment a seller could reasonably expect given its growth history and other deal attributes, was down slightly to 0.72 times EBITDA in 2018 from 0.86 times in 2017. The additional earnout value if a seller were to maximize its value potential did not change much year to year, as it was another 1.55 times EBITDA in 2018, compared to 1.53 times in 2017. All of these moving parts of purchase price yielded an average deal value including all components of 10.85 times EBITDA in 2018, compared to 10.37 times in 2017, or a 4.6% overall increase in value.

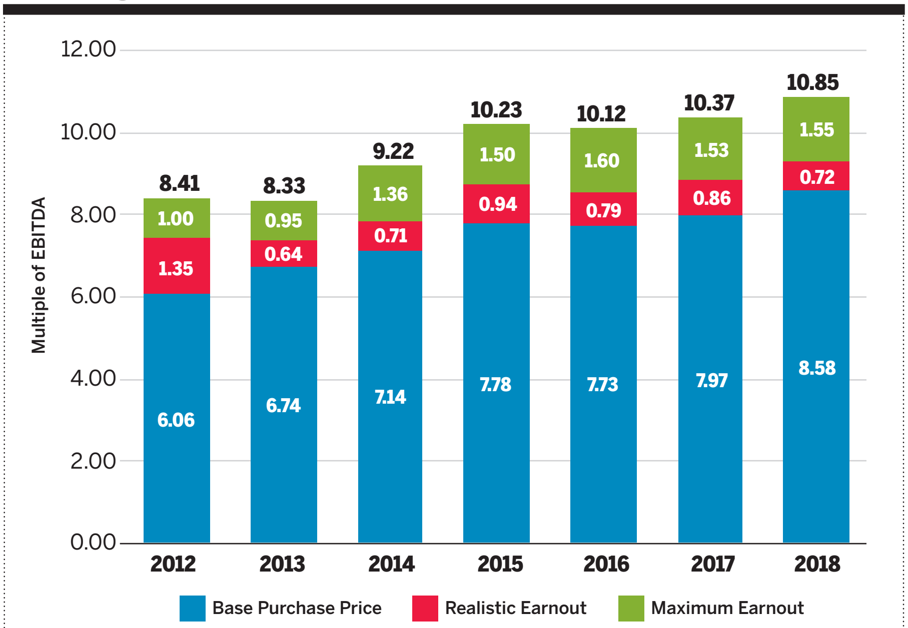
SELLER-TYPE PURCHASE TRENDS

Agency and brokerage transactions are classified into three major categories: platform, stand-alone or roll-in.

Platform—A platform agency is typically a larger agency that has a well-established territory, brand recognition, seasoned professionals and a scalable infrastructure, among other attributes. The buyer of a platform agency is typically looking to establish a presence in a specific region or niche.

Stand-Alone—A stand-alone entity may be based on size or geographic location. The firm is large enough to maintain its physical presence but likely reports into a larger platform within the given region.

Average Purchase Price



Multiples are calculated based on deals closed in calendar year. Numbers may not add up due to rounding. Past performance is not necessarily indicative of future results.
Source: MarshBerry proprietary database. Data compiled from transactions in which we were directly involved, those from which we have detailed information, and transactions in the public record.

Roll-In—A roll-in transaction typically involves the sale of a small, privately held agency or book of business, which gets physically rolled into the buyer's existing operations, either at closing or within a reasonably short period of time.

In 2018, purchase prices for both platform and stand-alone agencies increased, driving the combined average purchase price up as previously described, while roll-in agency pricing was down compared to the prior year. Specifically, platform agency transactions saw the largest increase. Base purchase price for a platform agency was up 6.7% during the year, from 9.15 times EBITDA to 9.77 times. Maximum deal value was also up 6.8%, to 12.43 times from 11.64 times in 2017. Maximum deal values for platform transactions were priced, on average, roughly 4.0 times EBITDA higher than a roll-in transaction, with about 2.75 times of this difference in the base purchase price and the remainder dependent upon performance after the close. This reflects the competitive environment as it relates to larger, more sophisticated brokerage targets. Stand-alone agency pricing was about 2% greater in 2018 in total purchase price, with about a 4.5% increase in the base purchase price and an overall decrease in possible contingent performance payments. Roll-in transaction value declined compared to 2017 and was lower than 2016 transaction values in this category as well. EDGE

The Case for Independence

Interviews with three independent agency leaders

The responses below are not the opinions or beliefs of MarshBerry and were supplied by each individual named.

David Schaefer, President & CEO, AHT Insurance

Why has your organization decided to remain independent? What are the most important factors in this decision?

Insurance brokerage is ultimately and fundamentally based on trust and a number of important promises. AHT firmly believes our independence is foundational to the promises we make to every client as it relates to service and our commitments to the partnerships we form with our clients. Losing our independence means a change in control of the business and an unambiguous surrender of the commitments we have made to our clients and our employees. Built to last, AHT is structured optimally to provide every one of our high-performing professionals the opportunity to participate in the success of the organization. This fact contributes to our unusually high retention and long tenure of our professional staff as well as an unmistakable sense of teamwork and camaraderie. This consistency and professional latitude to always do what is right with absolute integrity is another important differentiator as our deliverable to AHT clients. As a growing number of our competitors have lost their independence—along with the singular focus on serving the client—and are now also serving stakeholders seeking to take returns and value out of their organizations sooner or later, AHT believes there is a growing opportunity to serve a growing constituency of insureds and great insurance professionals who understand and appreciate the differences between these models.

How do you prioritize investment dollars, which are limited? What services or technology capabilities differentiate your agency from competition?

As a matter of highest priority, AHT's continued investment in and development of key proprietary tools and deliverables—technology-based and otherwise—provide our clients with effective, efficient services that advance our clients' related positions and goals established through their relationships with AHT. As with most professional services firms, our staff is our most valuable resource, and the firm devotes considerable resources on an ongoing basis in training and development. Our ownership structure and perpetuation plan, areas of deep specialization, and expertise are primary differentiators for the firm, along with our staff and relationships.


David Schaefer

Are acquisitions a significant part of your company's growth plans? How do you identify potential targets and compete against the most active acquirers?

> "The failure of serious, ongoing, sustainable perpetuation planning is nearly always the No. 1 driver to sell an insurance agency, despite the red herring of 'more resources for our clients' that many sellers indicate is the primary driver to sell after the fact."
>
> **—David Schaefer, President & CEO, AHT Insurance**

In a manner of speaking, yes, but not in the classic sense. The competition of well funded, acquisitive organizations for insurance brokerages is intense, as everyone familiar with the industry knows. Through some first-hand experience and from what we have learned from others, regardless of the high-minded approach many sellers begin with as they dip their toes in the M&A market, in the end most sell to the highest bidder or near that, with little regard for the implications for their clients and their employees. The failure of serious, ongoing, sustainable perpetuation planning is nearly always the No. 1 driver to sell an insurance agency, despite the red herring of "more resources for our clients" that many sellers indicate is the primary driver to sell after the fact. This is in spite of the fact that many of these organizations have survived, even thrived, on the promise of continuing independence and an opportunity for many of their next-generation best and brightest to own a part of the company and have a "seat at the table" at some point as a part of a perpetuation strategy. No wonder the industry has problems attracting and retaining youthful talent! AHT sees this dynamic as a wonderful opportunity to attract those professionals, cast out

> “Our captive and clinical capabilities differentiate us, as well as our expertise in sereral industry verticals.”
>
> **—Dan Keough, Chairman & CEO/Shareholder, Holmes Murphy**

into acquiring organizations they never planned to join, with now-dead dreams of owning a part of the now-gone company they helped to build. These stranded entrepreneurs in search of a better business model—both individuals and teams from production, service and support—are AHT’s acquisition targets. By building and continuing to grow a privately held, world-class brokerage operation that has a proven, sustainable perpetuation strategy, AHT has designed the perfect destination for like-minded insurance professionals who understand that this model we embody is an ideal for really serving insurance clients best. Leveraging a variety of connective technologies, AHT is agnostic to geography when it comes to employing these stars; we are about delivering a superior brokerage experience and service model to insureds who understand working with an owner is always better.

What do you see as the future of the middle-market brokerage, given the consolidation that has occurred in the brokerage space over the last number of years?

The future will be bright for those middle-market brokerages that remain committed to—and plan to perpetuate for—the long term and that understand the value that can be delivered through the independent insurance brokerage model. This model presents lasting, substantial and incontrovertible advantages a good segment of the industry’s best talent and many prospective clients understand, especially after experiencing the available alternatives. By focusing primarily on serving clients and not shareholders or debt holders, the sustainable independent agency, owned solely by its high-performing professionals, should thrive for the foreseeable future.

Dan Keough, Chairman & CEO/Shareholder, Holmes Murphy

Why has your organization decided to remain independent? What are the most important factors in this decision?

Holmes Murphy was founded in 1932, and we’re currently in our fourth generation of leadership. What makes us unique is, when leadership changes from generation to generation, so does the ownership of our company. Being a privately held firm, we are accountable only to the long-term needs of our clients—that is our No. 1 focus. Our culture of private ownership fuels our passion to provide employee ownership opportunities and serve customers. We take purposeful steps to feed the entrepreneurial spirit within our organization. We believe we owe it to former shareholders, employees, customers and our communities to remain private.

Dan Keough

How do you prioritize investment dollars, which are limited? What services or technology capabilities differentiate your agency from competition?

This is a difficult question in a growth-oriented company. Our leaders compete for investment dollars to expand our growth or meet our customers’ needs. Innovation fuels growth. We are always thinking and looking ahead to see what’s on the horizon and how it could be developed to meet or exceed our clients’ needs. Over the years, Holmes Murphy has created many startups, each one designed to fulfill our clients’ needs to drive down costs and/or create efficiencies.

Our captive and clinical capabilities differentiate us, as well as our expertise in several industry verticals. Most recently, we developed and launched SimplePay Health, which will be a game changer in the healthcare space. SimplePay Health eliminates the confusion and frustration with healthcare in America and replaces it with a new way of doing things. One way, in particular, is you can know the total cost of your medical care before you schedule an appointment.

With regard to technology, we are partnering with companies, are investing in companies, and have formed a team to survey the insurtech landscape to find opportunities. We believe innovation within our company provides employees with the opportunity to change the game, create wealth and drive a culture where ideas are welcome.

Are acquisitions a significant part of your company’s growth plans? How do you identify potential targets and compete against the most active acquirers?

Holmes Murphy focuses on acquisitions that include teams of top performers that either fit well within our geographic footprint or expand our capabilities. Additionally, we look for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those companies that not only want to partner with us for growth and a love of the business but also fit our culture of being privately owned. Cobb, Strecker, Dunphy, and Zimmermann (CSDZ) is the most recent example of this. This transaction not only helped Holmes Murphy enter the Minneapolis market but also expanded our construction expertise.

What do you see as the future of the middle-market brokerage, given the consolidation that has occurred in the brokerage space over the last number of years?

I feel there will always be firms that are fiercely independent and committed to remaining private, like Holmes Murphy. Reaching a size that allows them to remain relevant and provide all the tools of the larger firms will be challenging. As a result, we may see more consolidation of privately held firms with other privately held firms. The opportunity is enormous and will attract the best talent.

Duane Smith, CEO, TrueNorth Companies

Why has your organization decided to remain independent? What are the most important factors in this decision?

When we formed TrueNorth in 2001, there were six partners who had the opportunity to experience a way of life that we wanted to preserve and pass down to the next generation. We were able to make a good living, build equity and have a quality of life that allowed us to be present with our families. We recognized that, with many of the aggregations that were occurring, the entrepreneurial opportunities that we experienced went away. Our vision statement, "To build a legacy company with an entrepreneurial platform that attracts, develops and coordinates high-performance talent," has provided us with the ability to stay committed to and focused on remaining independent.

> "We recognized that, with many of the aggregations that were occurring, the entrepreneurial opportunities that we experienced went away."
>
> —Duane Smith, CEO, TrueNorth Companies

How do you prioritize investment dollars, which are limited? What services or technology capabilities differentiate your agency from competition?

One of the mantras from MarshBerry that resonated with us is: "If you run your company as if it is for sale, you won't have to sell it." We have developed an owner's manual based on four critical indicators that must be in balance: profit, client experience, culture and growth. Profit can be too high at the expense of the other three or too low at the expense of the culture, client experience and growth. We define, measure and manage all four of the KPIs and hold our leaders and people accountable based on these results.


Duane Smith

Are acquisitions a significant part of your company's growth plans? How do you identify potential targets and compete against the most active acquirers?

We hired an individual from our industry three years ago to focus on acquisitions and organic growth. Annually we discuss our growth strategy and decide where to invest. Organic growth is generally preferred over M&A, but there are strategic M&A opportunities that can be attractive. With the high valuation multiples, we are currently focusing more efforts toward organic growth. We have developed a subset of our M&A strategy that is focused on smaller "County Seat" opportunities that are below the radar of many of the PE firms.

What do you see as the future of the middle-market brokerage, given the consolidation that has occurred in the brokerage space over the last number of years?

Consolidation in our industry can be positive. Providing value to our clients and our market partners is at the heart of what we do. Many agencies struggle to provide a value proposition beyond market access. As technology and access to information become more available, we must focus on value-added services beyond the traditional insurance product. Many of the larger aggregators understand this and are helping brokers provide value. What is lacking in many of the consolidation opportunities is an opportunity for equity and a forum to be innovative. Our answer to that is an entrepreneurial platform that allows high performers to have an equity interest in their respective profit center and develop innovative solutions to their clients' problems. edge

Working with Your Capital Partner After the Deal Closes

Being clear on expectations is a two-way street.

Taking on an outside capital investment is a significant undertaking, often done in part to boost revenue growth through organic or inorganic means. While such investors are most often thought of as financial partners, great investors are partners in much more than just the economics. Prior to consummating a deal, agencies and brokerages should evaluate the extent to which they will be able to leverage these partners to help boost the top line or contribute to the business in ways other than just the financial infusion.

One of best ways to think about a financial partner is in high-level strategic terms rather than on a daily operating level. Your partners will be on your board of directors and will review the monthly and quarterly operational reports, but they will not typically be focused on daily decisions. Instead, they will focus on long-term strategic moves that increase value over years, not weeks. The right financial partner can link you with vendors or service providers that may be able to add value to your business, or they can help find talent in senior leadership functions that are outside of your core strengths (think of the high-level CFO or the strategic HR leader). But most of all, the partner should bring an analytical rigor and a level of accountability necessary for sustained long-term growth.

For example, let's think about an investment to acquire revenue, which is inorganic growth. If your strategic plan calls for 10% inorganic revenue growth per year (in addition to organic growth), the financial partner can help fund this but only with a realistic, well-thought-out plan in place. The partner will want to know who is responsible for deal origination and who is responsible for closing. What's the sales pitch to prospects? What's the targeted market (e.g., niches, geographic, revenue size)? What's the integration model post close? And once these are built out and the plan is put in motion, the partner will want to know what the acquisition pipeline looks like on a regular basis. Where talent is lacking, perhaps on legal or financial staffing, the financial partner may be able to connect you with talent in this space but will not be in a position to do the heaving lifting. This financial discipline will help increase the odds that the plan is successful and that the partners—all of them—achieve target returns.

The key takeaway here is to make sure you have this discussion with your potential partners before you take on their investment. Create a list of the things you want in a partner and discuss each one, making sure you understand their skills and abilities. Also, be sure to review the investor's version of this list so you are clear on their expectations of you as well. edge

What a financial partner will and will not do for you

WILL DO	WON'T DO
Provide contacts in areas where you lack talent	Directly fix issues where you are deficient
Influence bank relationships to get strong terms	Manage the daily finances of the organization
Make introductions to potential prospects	Deliver actual sales/revenue increases
Hold the management team accountable	Run the daily operations
Provide strategic direction on new initiatives	Create business plans and execute

Smooth Sailing

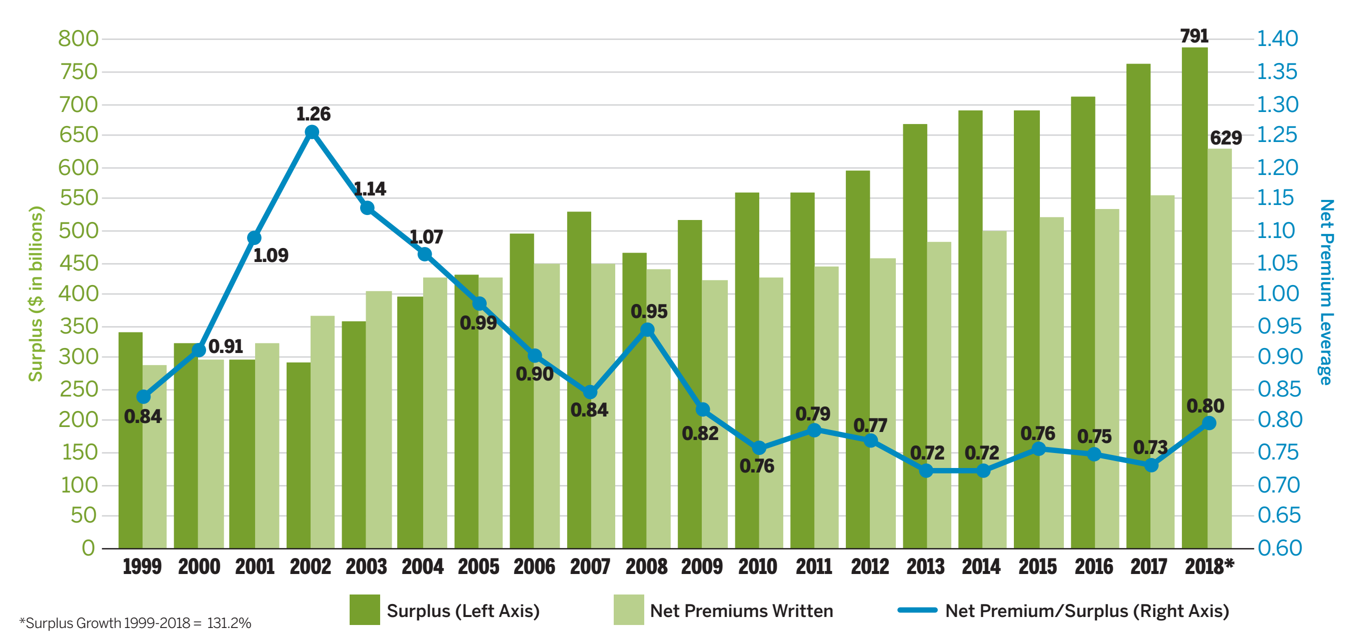
Good captaining has subdued stormy forces of loss in the U.S. P&C market.

BY DAVID PAUL

The U.S. property and casualty industry's current financial stability is the result calm conditions and/or solid construction and good captaining in the face of stormy weather.

For P&C insurers, "storms" take the form of poor underwriting discipline, sizable catastrophic losses, and financial/economic downturns. We are now 20 years from the industry's last appreciable soft-market cycle of 1997-2001 and 10 years from the global financial crisis of 2008. It is true that the industry has experienced two recessions since 1999 and weathered large shock losses in 2005, 2011 and 2017, but these were managed rather adroitly.

EXHIBIT 1: **P&C Industry Surplus and Net Premium Leverage**



*Surplus Growth 1999-2018 = 131.2%

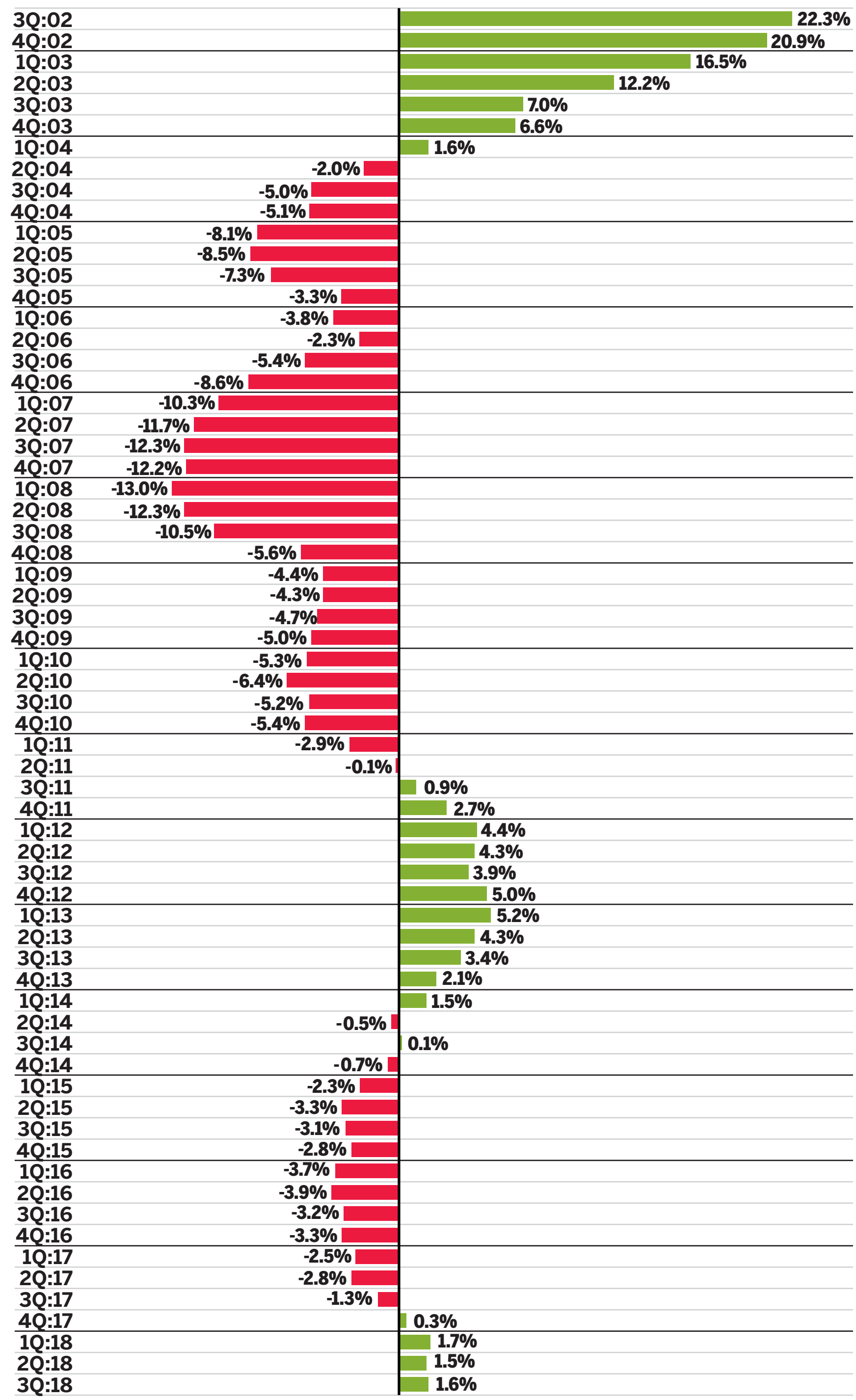
The hard market, which lasted from 2001 through 2004 (and even beyond from an earnings point of view), substantially boosted the industry's profitability. The resulting surge in surplus, helped also by several periods of strong net capital gains, well outstripped net premium growth, resulting in conservative net premium leverage and thus greater "capacity" to write business (see Exhibit 1).

As is inevitable in such a capacity-rich environment, annual rates came under pressure and hit a trough in 2008. However, underwriting discipline never foundered—as happened in past market cycles—and over the past 10 years, we have witnessed a much gentler undulation in annual rate changes (see Exhibit 2). This has resulted in a sort of Goldilocks environment, upon which a number of brokers have commented favorably. In fact, Pat Gallagher reflected this in a 2018 analyst call:

> Rate is really not impacting our results much. When you spread it across all that we're doing, some is up, some is down … But it's really a flattish market, and it has been for about eight years. I'd also tell you, down 3%, up 3%… that is flat. I'm not going to lose an account for 3%. But I'll lose an account for 23%. And I think that, when I'm at 3% up, 3% down, which is now 1% up, 1% down, I can sit there with a client and talk about the fact that we've provided unbelievable service beyond the price of insurance.

One of the reasons for the industry's financial outperformance over the past 20 years is its return to underwriting profitability. Exhibit 3 shows the components of income for the U.S. P&C industry since 2004. Before this period, one would have to look back to the mid-1970s to find an underwriting profit. In contrast, since 2004, the

EXHIBIT 2: **Commercial Lines Rate Changes**



Source: CIAB P&C Market Surveys

Since 2004, the industry has notched seven periods in which underwriting profits supplemented net investment income.

EXHIBIT 3: **P&C Industry Components of Income**

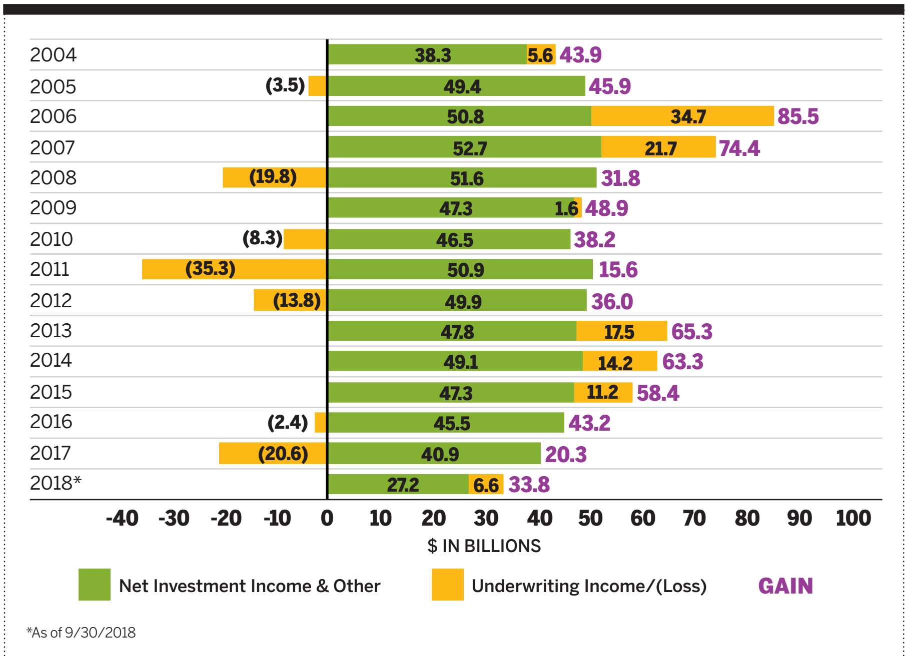
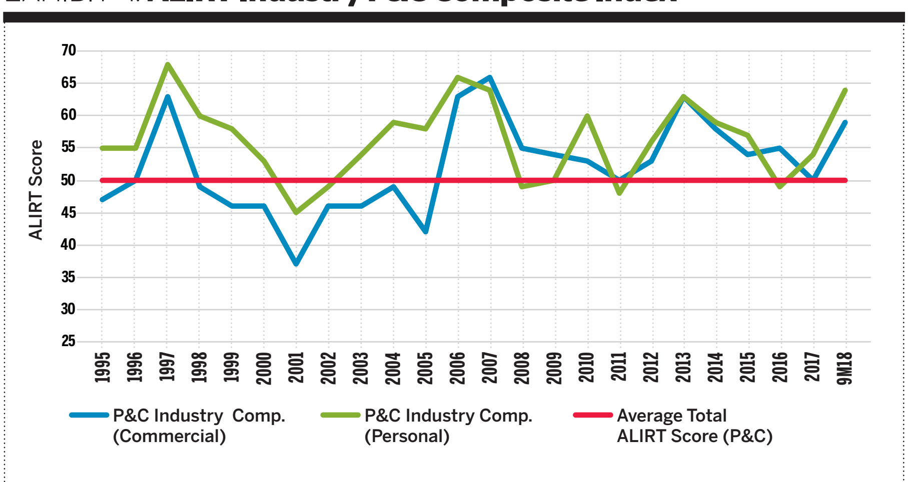


EXHIBIT 4: **ALIRT Industry P&C Composite Index**



industry has notched seven periods in which underwriting profits supplemented net investment income. This is in part the result of large prior-year reserve releases into underwriting earnings, but attention to adequate rate in most lines of business has also played an important role.

GOOD FINANCIAL SHAPE

Exhibit 4 shows the ALIRT scores for the personal lines and commercial lines composites since ALIRT began tracking them in 1995. The red line represents the average ALIRT score for all P&C companies during this period (on a scale of 0-100), a level that reflects an average, solvent, P&C company. Because the ALIRT score is derived from 45 financial metrics that measure individual insurers on a holistic basis, these composite scores can be seen as taking the financial pulse of the entire industry over time.

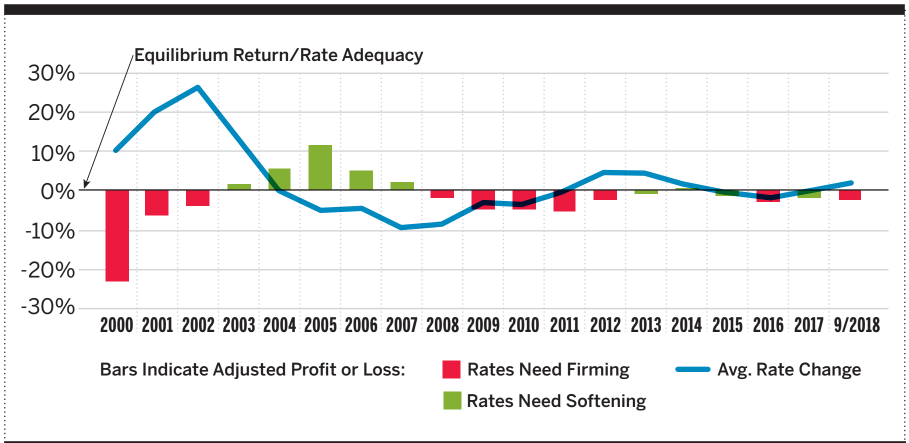
The volatility that characterized the industry in prior periods has eased substantially over the past decade, with both our personal and commercial lines industry scores indicating average or above average performance since 2006. During this time, the composite scores dropped to average levels only in years with large catastrophes or a financial crisis (2008, 2011, 2017). As of the first nine months of 2018, the ALIRT scores for both composites were again near or above 60, which represents almost a full standard deviation above normal. In short, the financial profile of the U.S. P&C industry is indeed “shipshape.”

FAIR WINDS IN 2019

As we look into 2019, we anticipate more halcyon days ahead. While ALIRT's quarterly rate monitor (Exhibit 5) indicates that general U.S. premium rates are slightly less than adequate at present, the very gradual firming over the past year appears to be addressing that deficiency. The U.S. economy, despite some scary headlines, remains strong with historically low unemployment and should support continued demand for insurance coverage. Even interest rates have been cooperative, with yields across almost all bond classes rising over the past year, providing some lift to investment income.

Large catastrophic losses and economic/capital market downturns always remain a wildcard, but the industry's substantial surplus position currently offers tremendous ballast for such eventualities. **edge**

EXHIBIT 5: **ALIRT Industry Rate Monitor (U.S. P&C)**



David Paul is principal at ALIRT Insurance Research.

Headline Makers

During 2018, it seemed like there was a new headline-making transaction hitting the newswires weekly. Here is a list of our top newsmakers.

1 Marsh & McLennan Companies (MMC) announced its purchase of Jardine Lloyd Thompson Group (JLT). JLT was traded on the London Stock Exchange and had revenues of just under $2 billion, adding almost 15% to MMC's $14.8 billion top line. All in, MMC will end up paying more than three times revenue, assuming total enterprise value of $6.4 billion, which represents a 33% premium to where JLT stock was trading prior to the deal.

2 Brown & Brown announced its purchase of Hays Companies, a Minneapolis-based brokerage with revenues approaching $200 million. With revenues of just under $2 billion, Brown & Brown will add roughly 10% to its top line. Including potential earnout payments based on performance, the total paid for this acquisition could be up to $730 million, or over 3.5 times revenue.

3 MMC purchased Wortham Insurance, a top-40 U.S. agency (2017) with revenues over $130 million. Wortham is based in Houston, Texas, with locations in several cities across the state. The acquisition created a new division within Marsh & McLennan Companies, called "Marsh Wortham."

4 During December, Acrisure, the most active insurance agency buyer since 2015, announced that several of its private equity partners had increased their investments in the business. The increase in investments from its partners implies an enterprise value of more than $7 billion, or over two times the value Acrisure garnered in 2016, when a $2.9 million management buyout was completed. Revenue has grown on an annualized basis since that time to over $1.2 billion from roughly $650 million, and the firm noted it planned to close more than 100 transactions during 2018. Although the company has several institutional investors, the majority (83%) of Acrisure stock is in the hands of its employees.

5 Hub International entered into an agreement to receive a round of funding from new investor Atlas Partners in October 2018. The transaction reportedly implies a total enterprise value of over $10 billion, which represents a valuation of approximately five times revenue. Hub's current private equity sponsor (Hellman & Friedman) will remain the largest investor.

6 Crystal & Company, a top-40 U.S. brokerage in 2017, sold to Alliant Insurance Services during 2018. The agency had more than $160 million in revenues in 2017 and 11 locations, with its headquarters in New York City.

7 Ryan Specialty Group was founded in 2009 and offers specialty insurance and risk management solutions to agents, brokers, and insurers and their customers. Onex Corporation became its private equity sponsor in 2018 (Ryan Specialty was previously independently held). Ryan Specialty completed four transactions in 2018, three prior to taking on private equity investment and one following the investment.

8 Propel Insurance Agency, formerly known as Bratrud Middleton Insurance Brokers, was founded in 1923 and is based in Tacoma, Washington. Propel Insurance provides property, casualty, risk management, workers compensation, employee benefits and personal insurance products. Edwards Capital, dba Flexpoint Ford, made an investment in Propel Insurance during 2018.

9 Navacord was incorporated in 2014 and is based in Mississauga, Canada. It provides insurance brokerage and risk management services as well as employee benefits, group retirement and financial services to the corporate sector. Navacord received an investment from Madison Dearborn Partners in 2018.

10 After completing the acquisition of Wells Fargo's commercial insurance division in late 2017, USI Insurance Services announced in March 2018 that it would be acquiring the insurance assets of another bank, KeyBank. Key Insurance & Benefits Services was formed during the 2016 KeyBank merger with First Niagara Financial Group. The business consisted of 350 employees across eight offices in the New York, Pennsylvania and Connecticut markets.

11 BB&T Insurance Holdings, a division of BB&T Corp., announced its acquisition of the Regions Insurance Group (Regions Insurance), a division of Regions Financial Corp. Regions Insurance included both its retail division and its wholesale division (Insurisk) in the sale to BB&T. Regions Insurance was a top-40 U.S. agency (2017) with revenues north of $135 million across 10 offices in the Southeast, Texas and Indiana.

12 At the end of 2018, Edgewood Partners Insurance Center (EPIC) announced its intention to acquire Integro Group Holdings, a top-25 U.S. brokerage with more than $200 million in revenues (2017). Integro has several specialty areas, including entertainment and sports, professional services, and transportation and logistics, among others. Integro had 22 offices throughout the United States. The transaction is expected to close in early 2019.

13 One regional insurance brokerage, Goosehead Insurance, took on a different kind of investor last year by going public with its initial public offering on the Nasdaq stock exchange in April 2018. The business uses a franchise model and focuses on organic growth opportunities.

ECONOMIC OVERVIEW

Cautious Growth

Economic forecasters say 2019 will remain strong, but growth is trending slower.

Ending on a mostly positive note, 2018's healthy growth in GDP and strengthened labor market conditions led the Federal Reserve to announce in December that it would raise its target range for the federal funds rate, the fourth time of the year. That news came despite the fact that capital markets struggled in the last quarter of 2018, with all the major indexes finishing negative on the year despite being positive through September. By the end of December, capital markets fell near bear market territory and even came close to ending a bull market run that started in 2009.

GDP OUTLOOK STILL POSITIVE

Despite 2018's fourth-quarter struggle, strong economic growth is expected to continue into 2019, though at a slightly slower rate. The Federal Reserve Bank of Philadelphia's survey forecasters predict GDP growth of 2.7% for the year, while the central tendency of Federal Reserve Board members' projections falls in the 2.3% to 2.5% range (versus approximately 2.9% to 3.0% in 2018).

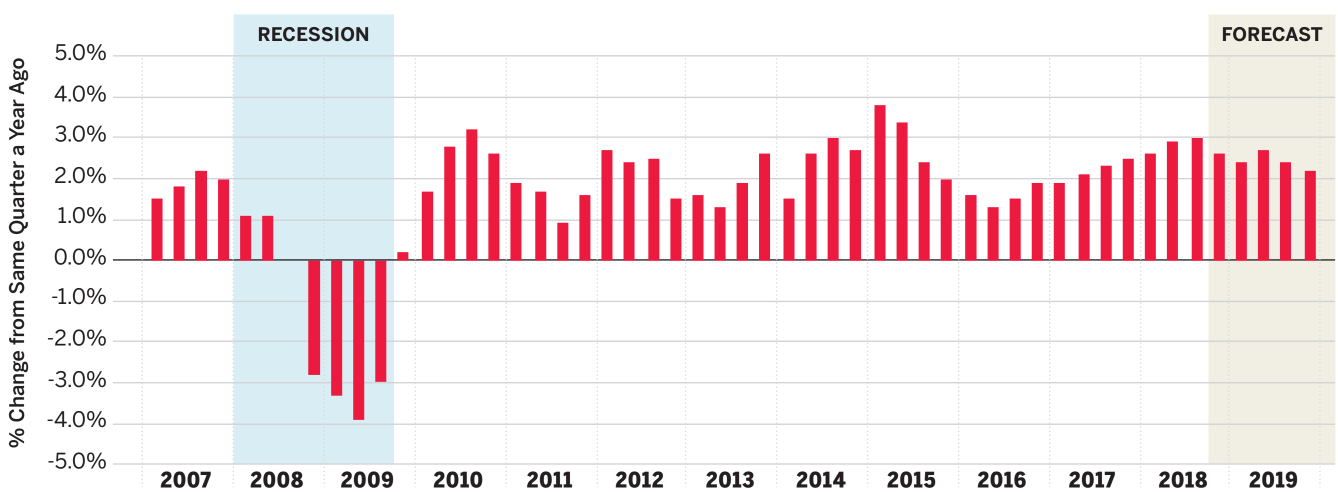
Real GDP growth is projected to remain above the average pace of the past decade. Economists from Wells Fargo expect growth to be backed by gains in consumer spending—driven by tax cuts and lower oil prices—and government spending, while slowing business investment and declining residential investment will constrain faster growth.

BORROWING COSTS RISE

The Federal Reserve acted according to expectations for 2018, raising the federal funds target rate four times over the year. The federal funds rate has an impact on both short- and long-term interest rates. Long-term rates, which affect consumer (e.g., mortgage rates) and business borrowing costs, are impacted by several factors, including economic outlook, inflation expectations, rate expectations, and global demand and supply. If borrowing costs continue to rise, this may negatively impact business valuations. As of early 2019, the Fed indicated it will scale back on interest rates hikes this year.

> "While consumers are ending 2018 on a strong note, back-to-back declines in expectations are reflective of an increasing concern that the pace of economic growth will begin moderating in the first half of 2019."
>
> **—The Conference Board**

Real GDP Growth



Sources: U.S. Department of Commerce Bureau of Economic Analysis, National Bureau of Economic Research (recession periods), and the Federal Reserve Bank of Philadelphia Survey of Professional Forecasters (forecast periods) (Last accessed: 1/7/2019)

There is potential for the current strong surplus and combined ratio to take a hit if higher than expected insured losses result from natural disasters.

LABOR SUPPLY TIGHTENS

Labor conditions continued to improve throughout 2018, as the unemployment rate fell below 4.0% in April for the first time since December 2000 and finished the year at 3.9%. Industries that most contributed to employment growth over the year included professional and business services, leisure and hospitality, construction, healthcare and manufacturing. The employment rate is expected to further improve in 2019, with forecasters anticipating it falling into the 3.5% to 3.7% range. The labor participation rate—the number of adults in the labor force between the ages of 16 and 64 years old who are either employed or unemployed but looking for a job—registered at 63.1% in December 2018, generally in line with the trend of the past four years.

The unemployment rate is at its lowest point in decades and will intensify competition for key talent. Although labor costs are increasing at a slower pace than expected, there is upward pressure, which could impact agency and brokerage profitability.

MANUFACTURING STILL STRONG

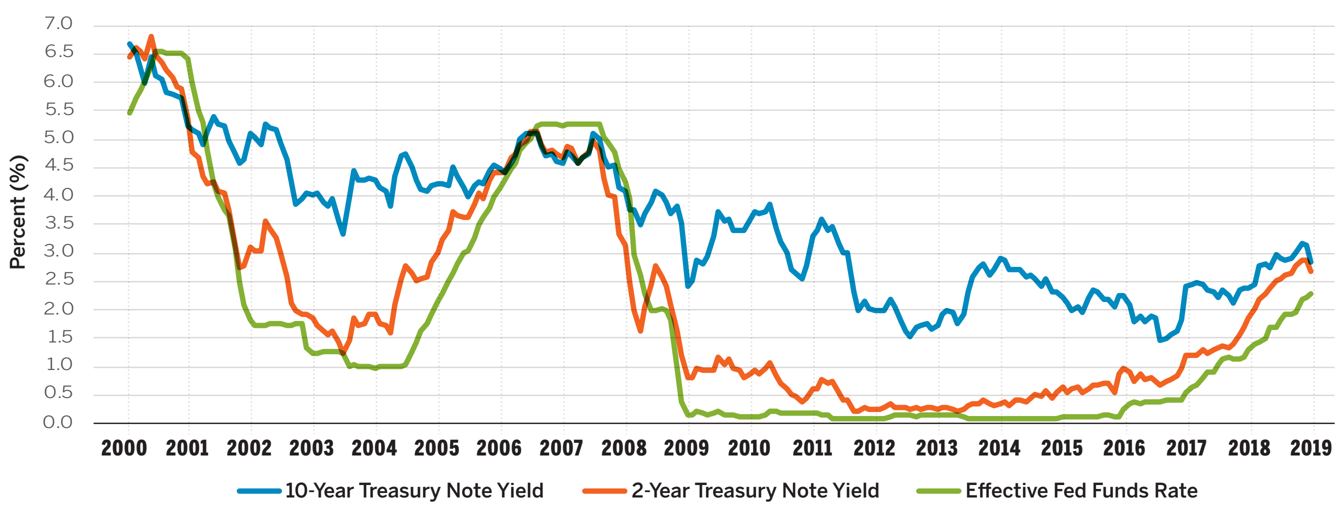
Advanced estimates of new orders for manufactured durable goods rose to a seasonally adjusted $250.8 billion in November 2018, while year-to-date orders expanded 8.4% over the previous year. Orders of transportation equipment represented the largest driver of growth in 2018. The impact to the insurance distribution sector is constrained in our opinion.

The Institute for Supply Management (ISM) index, which reflects production and demand in the manufacturing sector, fell to 54.1 in December 2018 from 59.3 in November. This was the largest one-month drop in a decade. While this does suggest a slowing pace of manufacturing growth, values above 50 are still indicative of expansion, reflecting that the economy grew for the 116th consecutive month.

CONSUMER CONFIDENCE WANES A BIT

The Conference Board announced in December 2018 that the U.S. consumer confidence index was at 128.1, down from 136.4 in November. The Conference Board reports, "Expectations regarding job prospects and business conditions weakened but still suggest that the economy will continue expanding at a solid pace in the short term. While consumers are ending 2018 on

Federal Funds Rate



Source: Board of Governors of the U.S. Federal Reserve System.

a strong note, back-to-back declines in expectations are reflective of an increasing concern that the pace of economic growth will begin moderating in the first half of 2019."

HOUSING CONSTRUCTION RISES

Housing starts rose in November from the previous month, driven by a jump in the multi-family segment, up 22.4% (single-family starts recorded a 4.6% drop). The month did mark a decline in total starts year over year; however, on a year-to-date basis, total starts were up compared to 2017.

TAX REFORM BOLSTERS ECONOMY

The tax cuts passed in late 2017 supported increases in consumer and business spending throughout 2018. While the economy will continue to benefit from these tax cuts, the extra stimulus provided by the change will probably dissipate as 2019 progresses, with growth in consumer and business spending continuing at slower rates.

IMPACT ON INSURANCE DISTRIBUTION

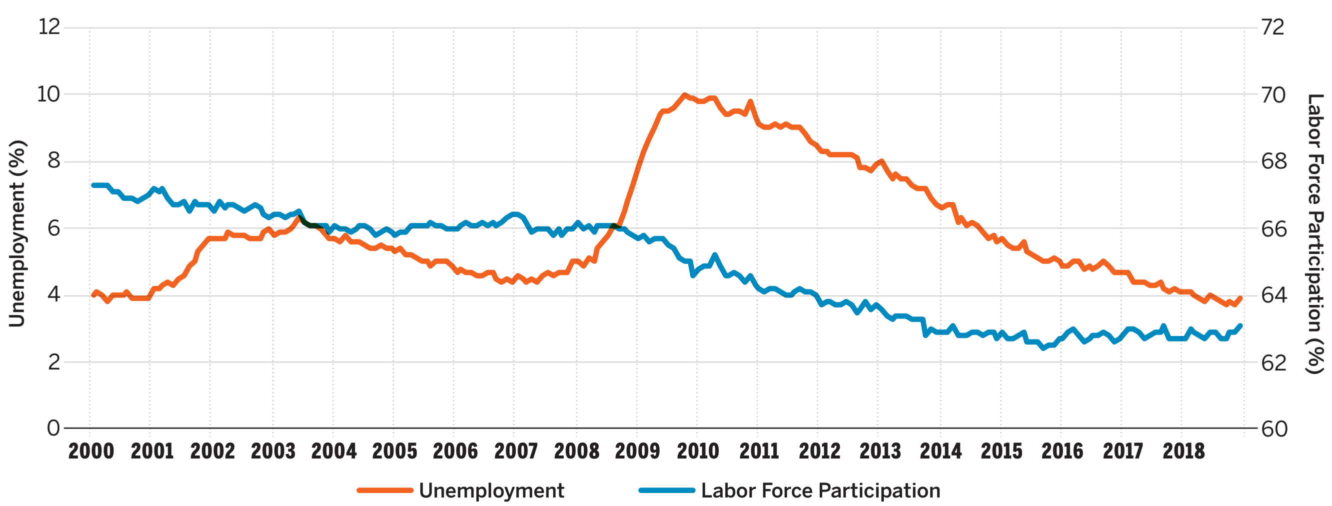
Several major trends are affecting the insurance market in the near term:

- Rising property-casualty and health premium rates
- Significant increase in P&C annual net premium growth (+10.6% as of June 2018) driven by higher commercial lines pricing plus higher exposure base
- Solid surplus at P&C and health insurers
- Improved P&C combined ratio.

"The composite rate for property-casualty insurance in the United States rose 2.5% in the second quarter of 2018," according to MarketScout. Rate increases were driven primarily by higher auto and trucking rates due to higher claims/losses. At midyear, policyholder surplus was strong at $749.3 billion. In addition, underwriting discipline appeared to improve with the help of technology and data analytics, resulting in better-contained losses. The combined ratio, a measurement of underwriting profitability calculated as the sum of incurred losses and expenses divided by total earned premiums, improved significantly—from 103.7 in 2017 to 97.3 in the third quarter of 2018.

There is potential for the current strong surplus and combined ratio to take a hit if higher than expected insured losses result from natural disasters. Current estimates on industry losses from Hurricane Michael and the California wildfires—the costliest disasters of 2018—fall in the ranges of $6 billion to $10 billion and $16 billion to $18 billion, respectively. While these losses would be enough to push total 2018 insured catastrophic losses well above the average of the past 20 years, total losses for the year are not expected to surpass 2017 levels. EDGE

Labor Conditions



Source: Board of Governors of the U.S. Federal Reserve System.

Consolidation at the Top

Of the "Top 100" brokers published by *Business Insurance* in 2009, 64 of them remained on the list in 2018.

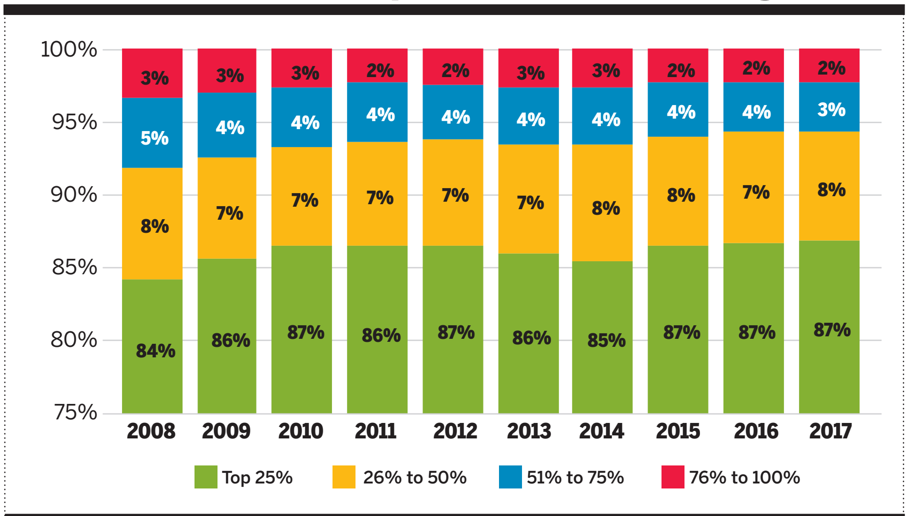
***Business Insurance* has been tracking and publishing reports** on the largest brokerages in the United States dating back to 1972. At that time, the top brokerage, Marsh & McLennan Companies, reported $151 million of brokerage revenue. The total U.S. brokerage revenue of the top 15 brokerages, based on 1971 revenue, was $455 million. For perspective, today, as published in July 2018 by *Business Insurance* based on 2017 revenue, total U.S. brokerage revenue of $455 million would have equated to the 15th-largest brokerage on the list.

There has been significant movement among the top 100 brokerages over this 46-year period. Although from a deal count perspective consolidation might not be as prevalent in the top 100 as it is for the industry as a whole, there have historically been—and continue to be—many acquisitions of top-100 brokerages. We examined deal activity from 2009 through 2018, based on revenue reported for fiscal years ending between 2008 to 2017. During this time, there have been 154 unique brokerages that have been in the top 100. Of the 100 brokerages included on the 2009 list (based on 2008 revenue), 64 of them remained on the list in 2018.

Overall there has not been significant revenue growth, either organic or acquisitive growth, for most of these spots over the last 10 years, and the variation in who controls the revenue has been fairly consistent. Further supporting the fragmented nature of the insurance brokerage market, the top 25 firms have controlled approximately 84% or more

Overall there has not been significant revenue growth, either organic or acquisitive growth, for most of these spots over the last 10 years, and the variation in who controls the revenue has been fairly consistent.

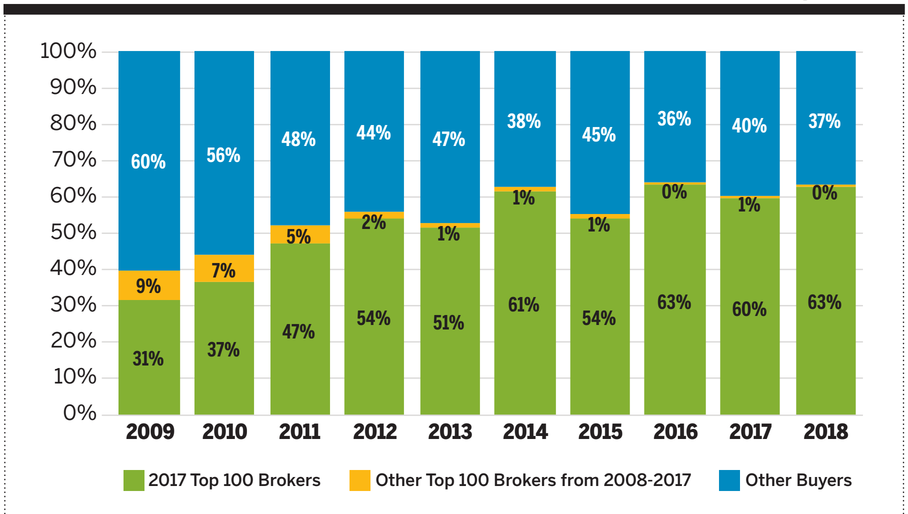
Revenue Controlled by Quartile of Brokerages



of the total brokerage revenue of the top 100 firms for the last 10 years, with the bottom 25% controlling only 2%-3%. However, when examining the underlying firms that make up these different quartiles, the prevalence and dominance of brokerages backed by private equity (PE) is significant in more recent years.

Many of the top 100 brokerages rely on acquisitions for growth, especially the aforementioned PE-backed brokerages. Considering the fragmentation that exists in the marketplace, it is interesting—though not surprising—that the top 100 firms account for the majority of the transactions. This percentage has continued to soar as PE-backed brokerages have entered the top 100.

Total Deals Announced by Top 100 Brokerages



Top-100 Brokerage Historic Revenue Snapshot (in millions of dollars)

RANK	1971	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10 YR CAGR
1	$151.0	$5,297.4	$4,938.3	$4,662.2	$5,068.4	$5,318.0	$5,561.1	$5,834.7	$6,326.9	$6,614.5	$6,877.2	2.9%
25	N/A	$90.5	$83.8	$85.6	$100.0	$109.4	$112.1	$141.3	$143.4	$163.1	$189.2	8.5%
50	N/A	$51.5	$43.9	$43.4	$54.1	$52.9	$62.8	$73.9	$76.6	$72.4	$71.5	3.7%
75	N/A	$34.5	$32.3	$31.7	$33.0	$33.0	$38.6	$42.6	$43.3	$42.0	$41.6	2.1%
100	N/A	$23.7	$18.5	$18.9	$17.9	$21.8	$23.6	$26.6	$26.4	$27.8	$28.4	2.0%

Acquisitions of Top-100 Brokerages by Buyer Type

BUYER TYPE	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	TOTAL	% OF TOTAL
Insurance Brokers - Public	3	3	3	3	2	2	2	1	1	3	23	43%
Insurance Brokers - Private Equity Backed	0	2	1	3	1	2	2	4	6	4	25	47%
Banks & Thrifts	0	0	1	0	0	0	0	0	0	1	2	4%
Insurance Brokers - Independent	1	0	0	1	0	0	0	0	0	0	2	4%
Other	0	0	0	0	0	0	1	0	0	0	1	2%
Total	**4**	**5**	**5**	**7**	**3**	**4**	**5**	**5**	**7**	**8**	**53**	**100%**

Over the last 10 years, there have been at least 53 top-100 firms that have been acquired by a total of 19 unique buyers (with another announcement in January 2019, for Marsh & McLennan Companies' pending acquisition of Bouchard Insurance, ranked 74th on the 2018 list). Peeling back the onion on these acquirers reveals a few trends.

1. Marsh & McLennan Companies is by far the leading acquirer of top-100 brokerages, acquiring 12 top-100 firms (with, as mentioned, another scheduled to close in early 2019).
2. USI has had a history of buying bank-owned top-100 brokerages, with four large bank-owned acquisitions since 2009. USI also acquired two other top-100 firms during this period.
3. Gallagher also has six acquisitions of top-100 brokerages over the last decade.
4. And last, but certainly not least, considering the relatively small number of public brokerages compared to the large volume of other buyer types, public brokerages have maintained a large market share of the acquisitions of top-100 brokerages.

Consolidation continues to play a large role in the makeup of the top 100 brokerages, and based on recent history, it appears it will play an increasingly dramatic role in years to come. edge

Unless otherwise noted, all revenue figures and revenue-related metrics are based on information published by Business Insurance in its annual "Top 100 Largest Brokers of United States Business" issue. This information is self-reported by brokerage submission and is not audited or verified by *Business Insurance*. The revenue reported is generated from U.S.-based clients, and to be eligible for inclusion in the report, brokerages must derive no more than 49% of their gross revenues from personal lines business. As the information is self-reported, Business Insurance publishes only the information that is reported to them.

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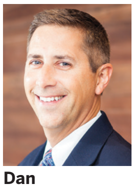
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