

2014  
Agent / Broker  
Merger & Acquisition Statistics

Prepared by:



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## **Explanation and sources of data:**

Data is for U.S. and Canadian transactions in the insurance distribution sector for both retail and wholesale producers, including managing general agencies/managing general underwriters (MGA/MGU). These agencies and brokers provide property/casualty (P.C) insurance, employee benefits (EB) or life/financial (L/F) services or any combination thereof.

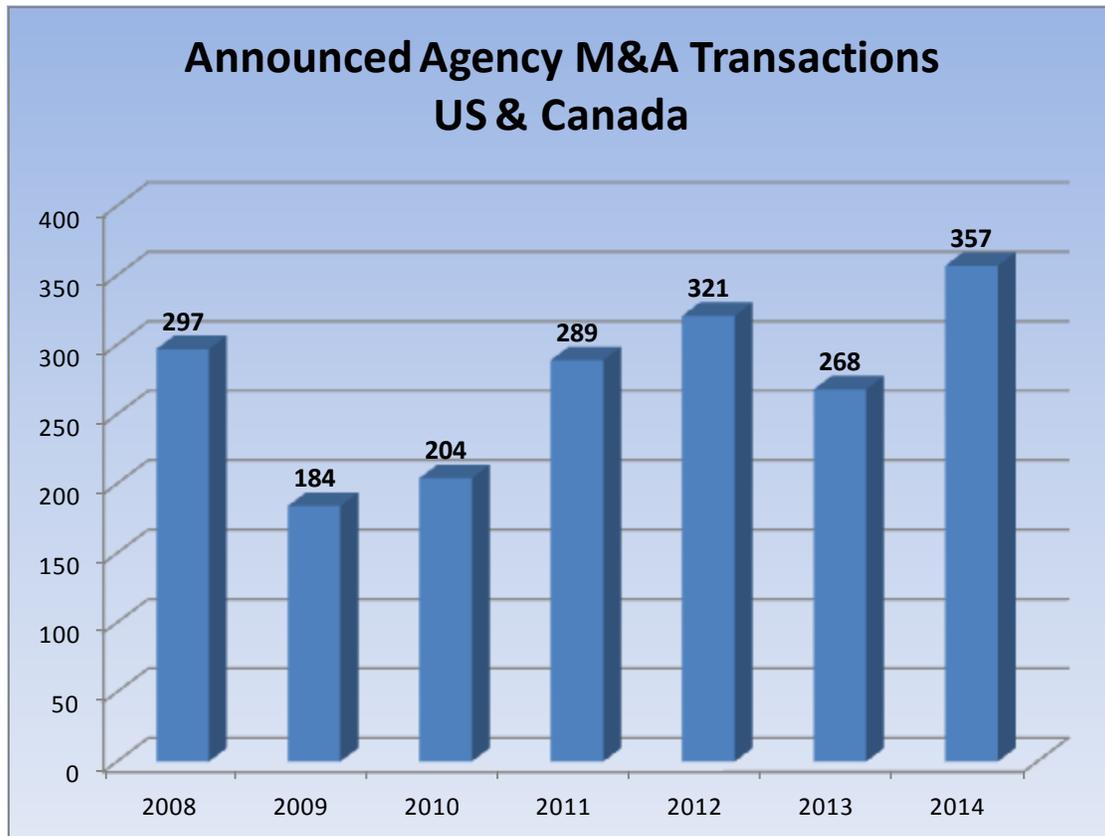
Firms with private equity (PE) backing are identified in the chart on p. 10.

An appendix of tables follows the report, beginning on p. 12.

Data for reported transactions has been obtained from various sources, including, but not limited to, press releases, trade press articles and company websites.

# Agent / Broker Mergers & Acquisitions

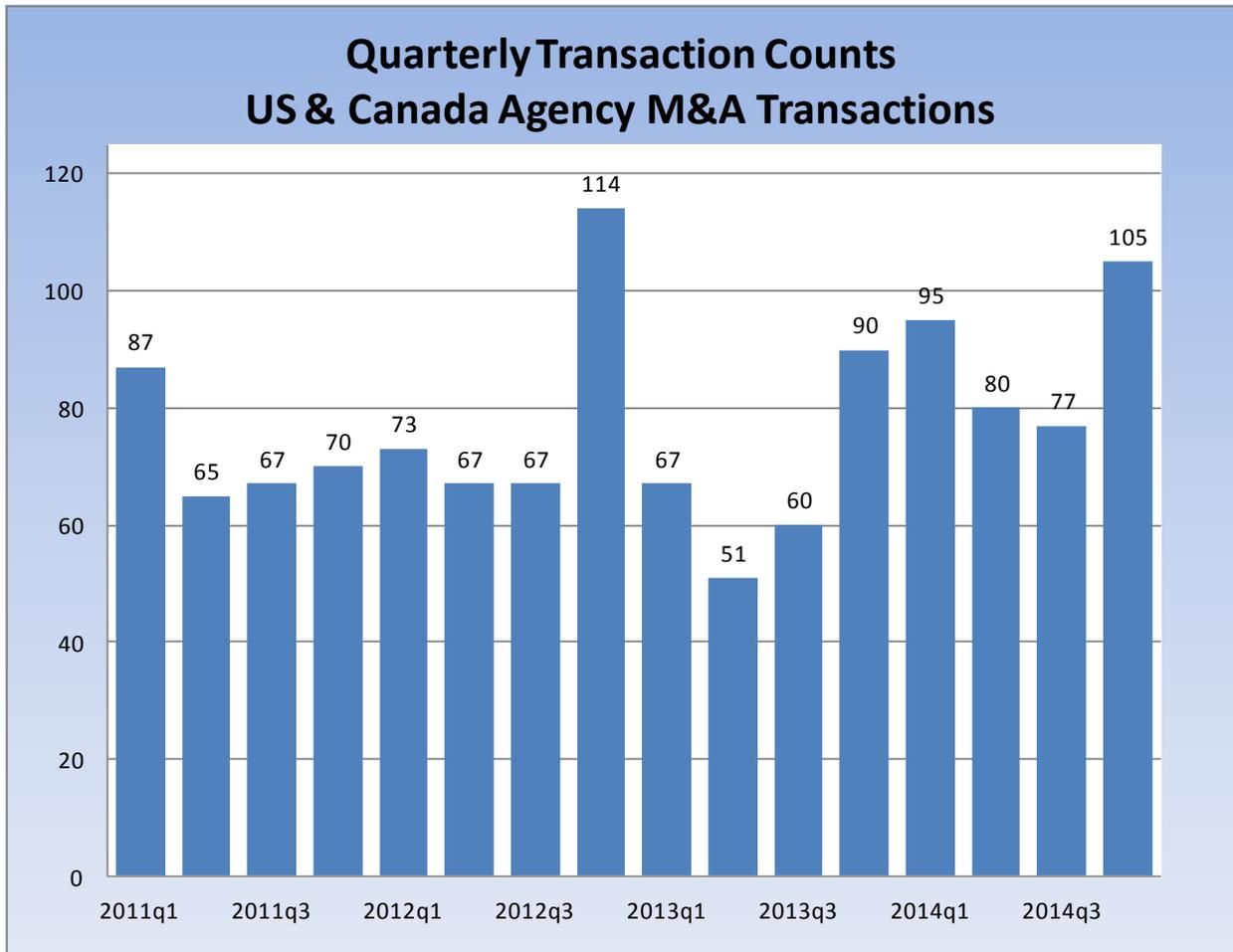
The previous record of reported mergers and acquisitions (“M&A”) from 2012 was surpassed in 2014 as nearly every sector in the marketplace saw increases, as shown in the table below:



After the exceptional Q4-2012 M&A activity in advance of the tax rate increase and the slow start to 2013, deal activity starting picking up again in the 4th quarter and transitioned into a complete rebound in 2014. The transaction count increased an 33% over 2013's numbers, resulting in 357 deals compared to 268. The 357 deal count in 2014 was also more than 10% higher than the previous record of 321 from 2012. Those numbers reflect certain adjustments to the previously published M&A count for prior years, based on input received from several active buyers after reviewing our 2014 list.

## Quarterly Volatility Decreases

Quarterly deal counts in 2014 were more consistent than they had been since the fourth quarter of 2012, which was the most active quarter for M&A transactions in tracking history. In 2014, M&A activity began with the second most active quarterly total to date, followed by somewhat slower deal counts in the 2nd and 3rd quarters, albeit still more active than most of the previous quarterly totals. 2014 finished off with the 4th quarter activity exceeding the 1st quarter's, taking over as the second most active quarter on record. Individually, each quarter in 2014 all ranked in the top 10 of the 28 quarterly results since the beginning of 2008, and 2 are in the top 3.



## PE-Backed Brokers Expanding Market Share

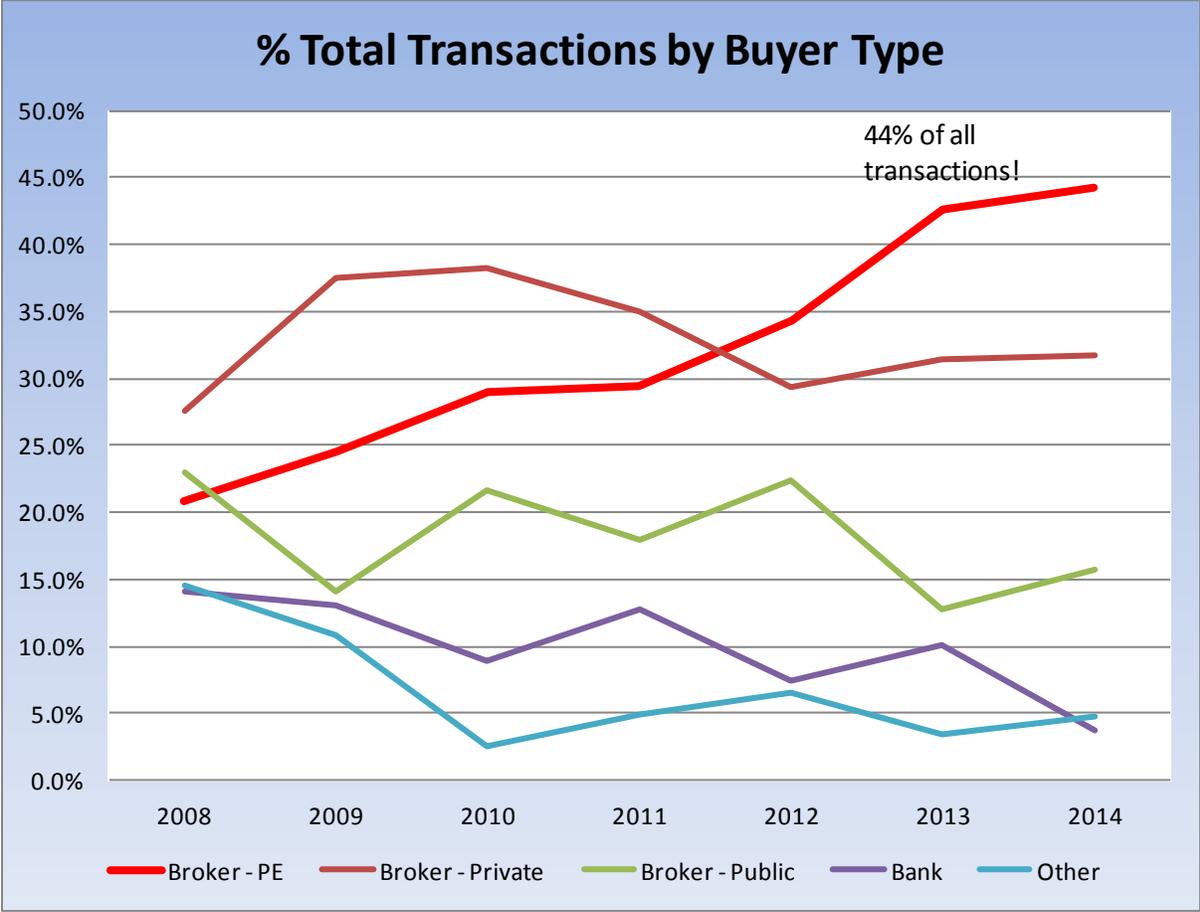
PE-backed firms are the clear front-runner in the M&A marketplace. In 2012, PE-backed firms held the largest share of transactions at 34%, increasing their dominance to 44% in 2014. As shown below, PE-backed buyers have accounted for nearly 38% of all identified transactions since 2011:

<b><u>M&amp;A Transactions: 2011 - 2014</u></b>					
<b>All Buyer Types</b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2011 - 2014</u></b>
					<b><u>Total</u></b>
Private Equity	85	110	114	158	<b>467</b>
Private Owned	101	94	84	113	<b>392</b>
Public Brokers	52	72	34	56	<b>214</b>
Bank	37	24	27	13	<b>101</b>
All Other	14	21	9	17	<b>61</b>
<b>Totals</b>	<b>289</b>	<b>321</b>	<b>268</b>	<b>357</b>	<b>1,235</b>
% Chg by Year	42%	11%	-17%	33%	

Since 2011, four of the top five and six of the top 10 buyers have come from the PE-backed buyer group. In 2014, the leading PE-backed firms consisted of HUB International, AssuredPartners, Broadstreet Partners and Acrisure, and were responsible for more than 25% of the total number of transactions. Privately-owned buyers reported 113 transactions, the most of any year on record while the public brokers saw higher levels of activity again after a quiet year in 2013.

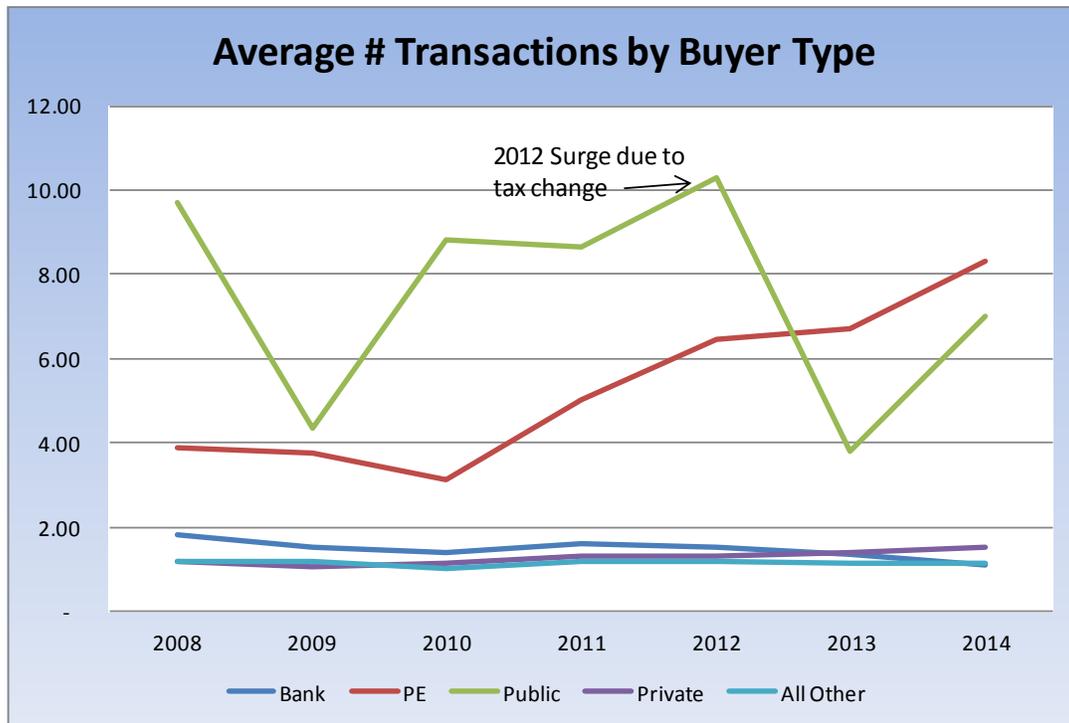
Bank-owned brokers were the only market segment in 2014 that decreased its M&A activity, falling more than 50% from the prior year and hit a new low point in the number of announced acquisitions. The “All Other” buyer segment—consisting of insurance companies, financial organizations and miscellaneous other buyers—nearly doubled its M&A activity from the previous year but still only represent 5% of the total deal count. Also of note in this catch all group is the decline in the number of players, with 15 buyers active in 2014 compared to 36 in 2008.

To further shed some light on the changes in buyer type, examining buyer activity by sector as a percentage of total activity over the past several years illustrates the significant increase in PE-backed firms.



## Multiple Deals Increasing

While the number of PE-backed brokers closing M&A deals has increased, the number of firms closing deals remained steady; each firm is closing many more deals on average. In 2008, 16 PE-backed firms announced 62 transactions, or fewer than four deals per firm on average. Last year, 19 PE-backed firms announced 158 transactions, or more than eight deals per firm average.



Industrywide, multiple deals also are trending upward with brokers. In 2008, 118 buyers completed only one transaction, while eight firms completed five or more deals. In 2014, the number of single-acquisition buyers fell by more than 25% to 87, while the number of buyers with five or more deals doubled to 16. Also of note, among the 16 buyers with more than five transactions last year, only five were also on the 2008 list with more than five transactions. And 10 of the same 16 brokers from the 2014 list are PE-backed firms, compared to three of the eight most active buyers in 2008.

Three particularly large transactions closed in 2014:

- Marsh & McLennan Agency in February acquired San Diego-based Barney & Barney, the 34<sup>th</sup>-largest broker in the 2013 *Business Insurance* ranking.
- Marsh & McLennan Agency in May acquired Senn Dunn of Greensboro, N.C.; although not included in the BI ranking, the firm would have ranked in the top 100.
- Arthur J. Gallagher in July acquired Canadian-based Noraxis Capital Corp., reported as a Top 5 broker in Canada.

## Dominant Broker Classifications

Based on Chubb classifications, the two broker groups that have consistently led the M&A count list are the Independents and Nationals. Independents and Nationals accounted for 68% and 25%, respectively, of the activity in 2014 and 67% and 27%, respectively, of the activity over the past four years.

<b><u>M&amp;A Transactions: 2011 - 2014</u></b>					
<b>All Buyer Types</b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2011 - 2014 Total</u></b>
	Independents	182	216	188	244
Nationals	95	91	62	90	<b>338</b>
Market Access Providers	11	12	14	17	<b>54</b>
Multinationals	1	2	4	6	<b>13</b>
<b>Totals</b>	<b>289</b>	<b>321</b>	<b>268</b>	<b>357</b>	<b>1,235</b>
% Chg by Year	42%	11%	-17%	33%	

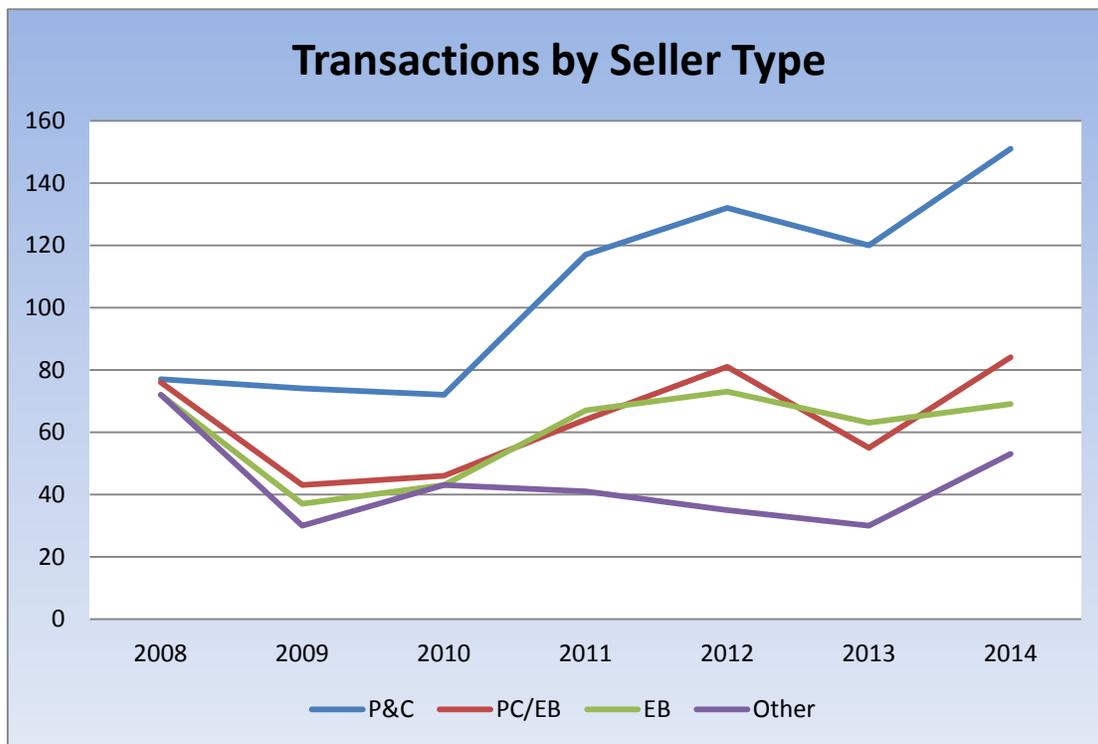
The buyer categories for 2014 have been refined so that their definitions consistently align with those for Chubb's internal classifications. This realignment resulted in one fewer buyer categories. It also more narrowly defined some of the other categories, leaving many more buyers under the Independents category.

The lists of transactions by buyer type are included in Exhibits D1-D4. Tables B and C (pp. 14-15) display the referenced transactions by ownership and buyer category for 2011 through 2014.

## The Nature of Acquired Business

Information about sellers' primary business focus—P/C, EB, P/C/EB combined, and other, which includes wholesale, MGA/MGU, and third-party administration—also is meaningful to understand M&A activity trends.

P/C brokers continue to be the leading seller, as well as the primary driver of growth in the overall M&A count. However, looking at the past six years, all four seller categories have experienced a similar year-to-year trend. Since data gathering began in 2008, each category drifted downward in transactions, peaked in 2012 and fell again in 2013, before rebounding in 2014. Notably, M&A activity among EB firms has been fairly consistent over the past four years, despite the concerns about health care insurance reform and its negative impact on M&A activity.



## The Most Active Buyers

HUB International and Arthur J. Gallagher have led the M&A charge over the last four years, with a total of 109 and 104 transactions, respectively. Eight other firms each completed more than 25 transactions over the same time period, as illustrated in the table below.

<b><u>M&amp;A Transactions: 2011 - 2014</u></b>							
<b>All Buyer Types</b>							<b>2011 - 2014</b>
<b>Most Active Buyers</b>	<b>Ownership Type</b>	<b>PE Investor</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Total</b>
Hub International	PE	Hellman & Friedman, LLC	32	21	25	31	<b>109</b>
Gallagher	Public		21	35	17	31	<b>104</b>
AssuredPartners	PE	GTCR	5	19	19	26	<b>69</b>
BroadStreet Partners	PE (1)	Pension fund	10	22	13	15	<b>60</b>
Confie Seguros	PE	ABRY Partners	8	18	14	13	<b>53</b>
Brown & Brown	Public		17	15	6	7	<b>45</b>
USI Holdings	PE	Onex Corp	8	10	9	11	<b>38</b>
Digital Insurance	Private (2)		10	10	10	7	<b>37</b>
Acrisure	PE	Genstar Capital	0	0	11	22	<b>33</b>
Marsh McLennan Agencies	Public		8	9	4	8	<b>29</b>
National Financial Partners	PE	Madison Dearborn	2	6	5	7	<b>20</b>
Western Financial Group	Bank		7	5	5	1	<b>18</b>
Leavitt Group	Private			1	5	10	<b>16</b>
CBIZ	Public		3	5	1	4	<b>13</b>
AmWINS Group	PE	New Mountain Capital	3	2	3	3	<b>11</b>
Top 15 Buyers			134	178	147	196	<b>655</b>
All Others			155	143	121	161	<b>580</b>
Totals			289	321	268	357	<b>1,235</b>
% Chg			42%	11%	-17%	33%	

(1) Broadstreet Partners' majority investor is the Ontario (Canada) Teachers Pension Fund

(2) Digital Insurance was a private owned company until December 31, 2012 when it was acquired by a publicly traded company from outside the insurance brokerage industry.

In 2008, the top 20 buyers completed 52% of all transactions, and that proportion grew to 63% in 2014. This reiterates the fact that the increase in M&A transactions is largely due to the top buyers being significantly more active, rather than there being more buyers. Tables D1-D4 (pp. 16-19) provides additional detail on the most active purchasers from 2011-2014 by buyer type.

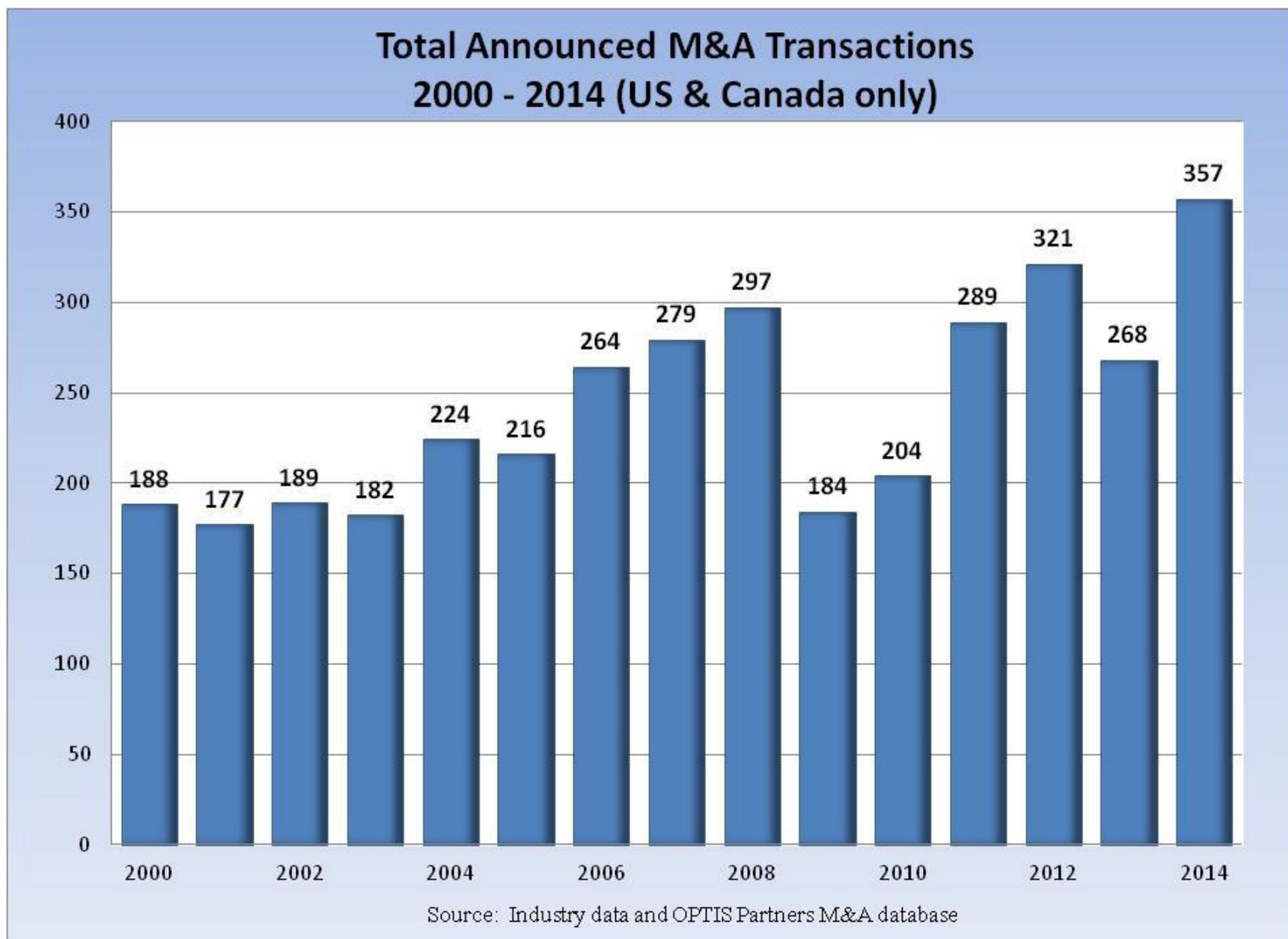
## **Summary**

M&A activity in 2014 was very strong, with six of the 12 months and three of the four quarters representing the highest level of transactions since we began tracking this information in 2008. The economy has been trending favorably, premiums remain relatively stable—albeit with some recent softness in a few lines—and the outlook for the near term is generally more of the same. There is very strong demand on the buy-side from PE-backed and public brokers, which should attract high quality sellers. Given the current finite inventory of such firms, a “seller’s market” environment prevails, with multiples at historically high levels.

The natural forces of the marketplace, however, will eventually cause a change in buyer and seller behavior. The good news for agency owners who are selling is that until we reach that point of equilibrium, we anticipate this active M&A market and aggressive pricing environment to continue—barring unforeseen economic and/or insurance calamities. A large number of aging agency principals will need to monetize the value of their life’s work. But only a few are adequately prepared for any type of internal succession, leaving a sale to a third party as their only alternative.

# APPENDIX

**Table A – Summary of Reported Transactions by Year—2000-2014**



**Table B – Summary of Reported Transactions by Buyer Type—2008-2014**

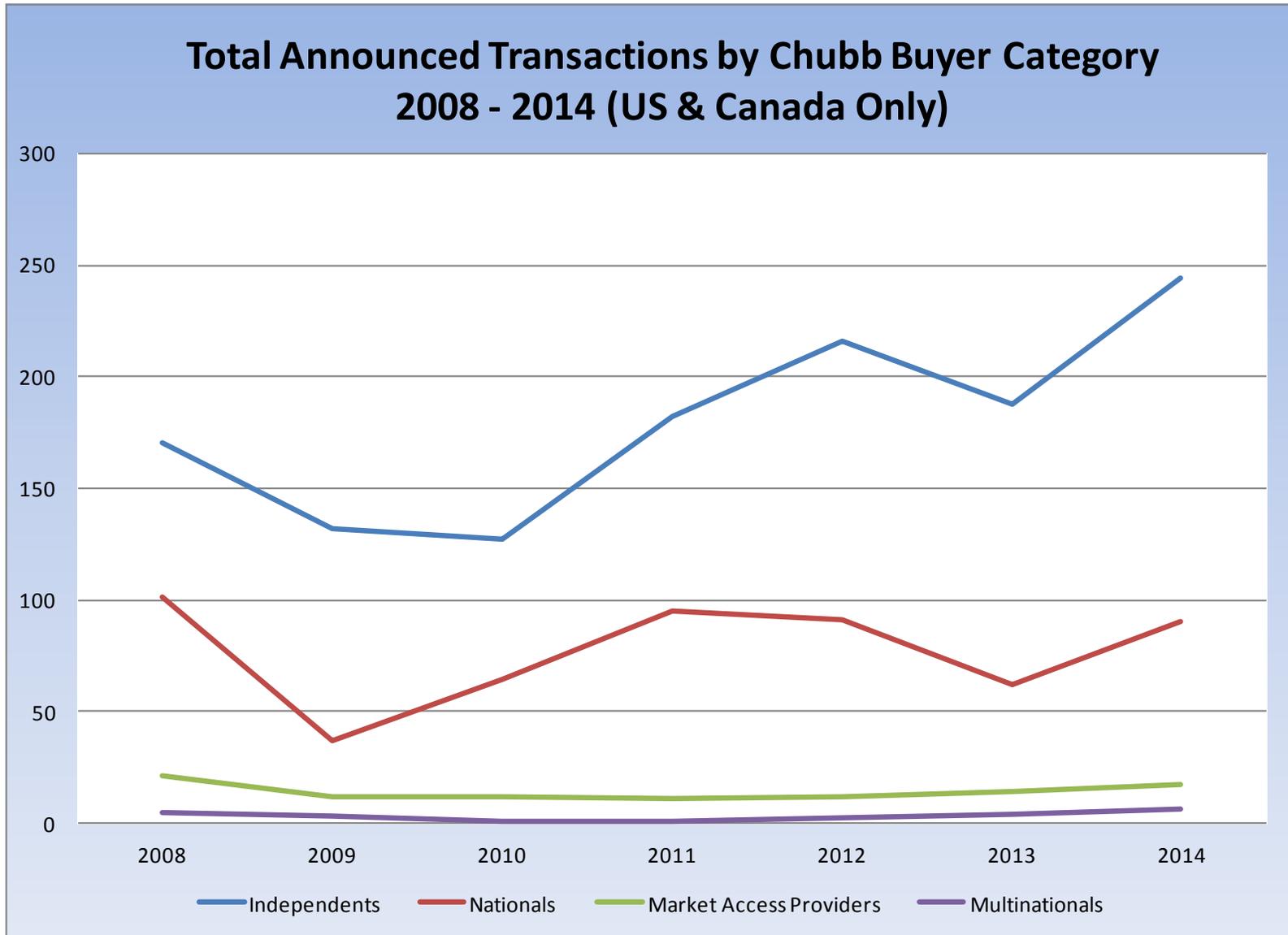
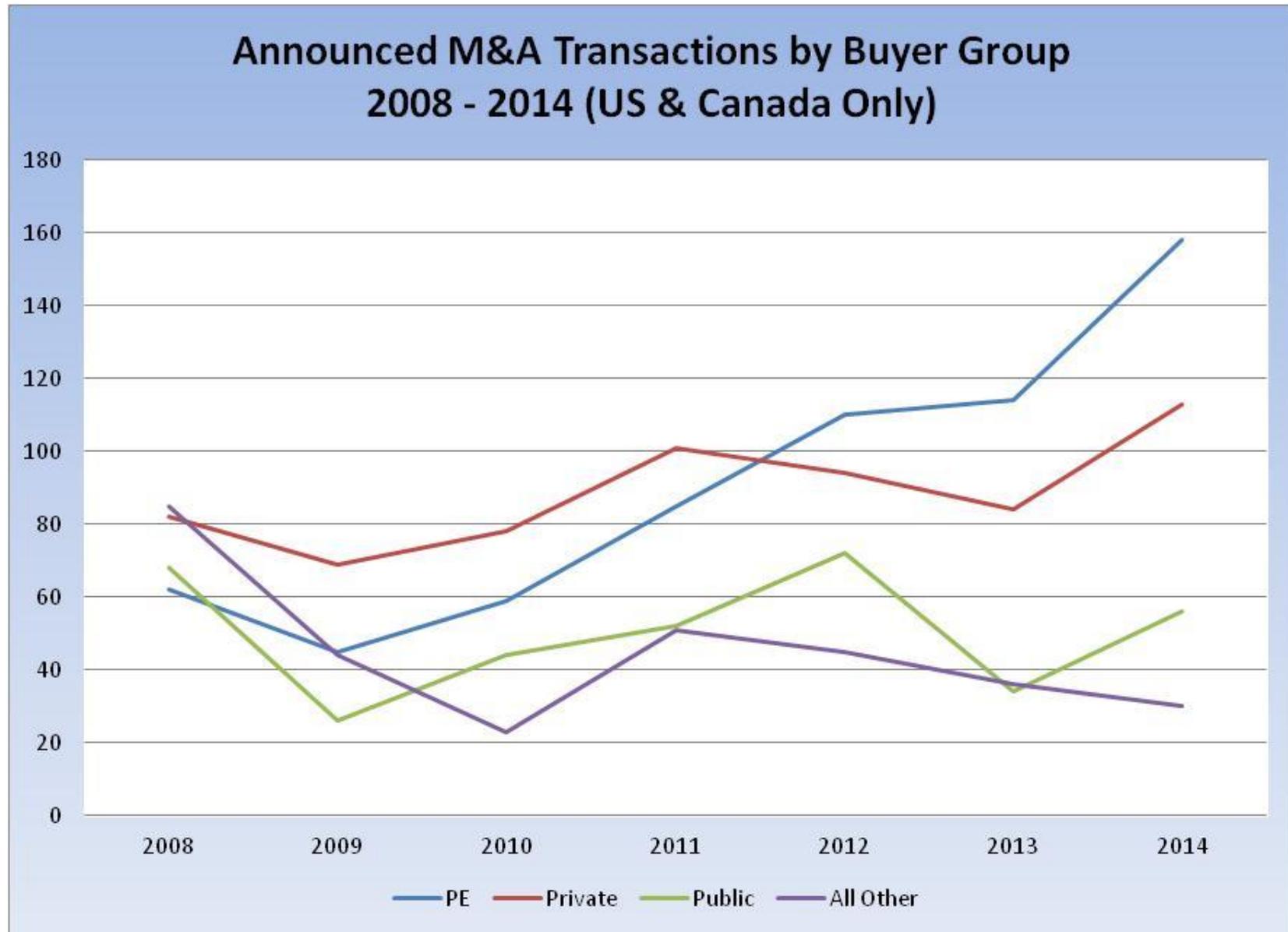


Table C – Summary of Reported Transactions by Buyer Ownership—2008-2014



**Table D1 - List of Major Multinational Buyers—2011-2014**

<b><u>M&amp;A Transactions: 2011 - 2014</u></b>					
<b>Multinationals</b>					<b>2011 - 2014</b>
	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>Total</u></b>
<b>Buyers with 5 or more Transactions:</b>					
none					<b>0</b>
Most Active Buyers	0	0	0	0	<b>0</b>
All Others	1	2	4	6	<b>13</b>
<b>Totals</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>13</b>
% Chg		100%	100%	50%	

**Table D2 - List of Major Independent Buyers—2011-2014**

<b><u>M&amp;A Transactions: 2011 - 2014</u></b>					
<b>Independents</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2011 - 2014</b>
	<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>
<b>Buyers with 5 or more Transactions:</b>					
AssuredPartners	5	19	19	26	<b>69</b>
BroadStreet Partners	10	22	13	15	<b>60</b>
Confie Seguros	8	18	14	13	<b>53</b>
Digital Insurance	10	10	10	7	<b>37</b>
Acrisure	0	0	11	22	<b>33</b>
National Financial Partners	2	6	5	7	<b>20</b>
Western Financial Group	7	5	5	1	<b>18</b>
Leavitt Group	0	1	5	10	<b>16</b>
CBIZ	3	5	1	4	<b>13</b>
Integro, Ltd	2	1	2	6	<b>11</b>
The Hilb Group	1	3	2	4	<b>10</b>
Higginbotham & Assoc	1	2	5	2	<b>10</b>
Cross Insurance	1	1	1	6	<b>9</b>
Insurica Insurance Management Network	1	0	5	3	<b>9</b>
Risk Strategies Company	1	2	0	5	<b>8</b>
Bollinger	5	3	0	0	<b>8</b>
Edgewood Partners Ins Center	0	0	2	5	<b>7</b>
Alliant Insurance Services	1	1	2	3	<b>7</b>
Ascension	4	2	1	0	<b>7</b>
McGowan Companies	0	2	2	2	<b>6</b>
Bolton & Co	0	3	0	2	<b>5</b>
Acentria, Inc.	5	0	0	0	<b>5</b>
<b>Most Active Buyers</b>	<b>67</b>	<b>106</b>	<b>105</b>	<b>143</b>	<b>421</b>
<b>All Others</b>	<b>115</b>	<b>110</b>	<b>83</b>	<b>101</b>	<b>409</b>
<b>Totals</b>	<b>182</b>	<b>216</b>	<b>188</b>	<b>244</b>	<b>830</b>
<b>% Chg</b>	<b>43%</b>	<b>19%</b>	<b>-13%</b>	<b>30%</b>	

**Table D3 – List of Major National Buyers—2011-2014**

<b><u>M&amp;A Transactions: 2011 - 2014</u></b>					
<b>Nationals</b>					<b>2011 - 2014</b>
	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>Total</u></b>
<b>Buyers with 5 or more Transactions:</b>					
Hub International	32	21	25	31	<b>109</b>
Gallagher	21	35	17	31	<b>104</b>
Brown & Brown	17	15	6	7	<b>45</b>
USI Holdings	8	10	9	11	<b>38</b>
Marsh McLennan Agencies	8	9	4	8	<b>29</b>
BB&T Insurance Services	3	1	0	2	<b>6</b>
Wells Fargo Insurance Services	5	0	1	0	<b>6</b>
Most Active Buyers	94	91	62	90	<b>337</b>
All Others	1	0	0	0	<b>1</b>
Totals	95	91	62	90	<b>338</b>
% Chg	48%	-4%	-32%	45%	

**Table D4 – List of Major Market Access Provider Buyers—2011-2014**

<b><u>M&amp;A Transactions: 2011 - 2014</u></b>					
<b>Market Access Providers</b>					<b>2011 - 2014 Total</b>
	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	
<b>Buyers with 5 or more Transactions:</b>					
AmWINS Group	3	2	3	3	<b>11</b>
Ryan Specialty	2	5	2	2	<b>11</b>
NSM Insurance Groups	1	0	1	3	<b>5</b>
Most Active Buyers	6	7	6	8	<b>27</b>
All Others	5	5	8	9	<b>27</b>
Totals	11	12	14	17	<b>54</b>
% Chg	-8%	9%	17%	21%	

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