

Broker M&A deals set record pace in first half

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Private equity-backed buyers again dominated mergers and acquisitions of insurance agents and brokers during the record-setting first half of 2015.

There were 224 announced transactions in the U.S. and Canada during the first six months of the year, 29% more than the same period last year and 22% higher than the previous six-month record period in the second half of last year.

With 110 transactions, private equity-backed buyers accounted for 49% of the total and represented eight of the 10 most active first-half buyers.

Privately owned buyers were a distant No. 2 with 61 deals.

There were 99 unique buyers in 2015, an increase of more than 20 over the same period in 2014 and 2013, with 11 announcing five or more deals vs. eight during the first half of 2014 and 2013.

Private equity-backed firms Acrisure L.L.C., AssuredPartners Inc. and Hub International Ltd. led the first-half buyer list, each with 17 deals. Arthur J. Gallagher & Co. was next with 15. BroadStreet Partners Inc. and Confie Seguros Insurance Services each had 11 transactions.

Overall, agent and broker M&As have grown steadily since the trough in mid-2013, when quarterly transactions totaled 50 to 60. But over the past eight quarters, four have had more than 90 transactions. And the past three quarters have had more than 100 deals apiece.

For the 12-month period ended in June, there were 407 deals announced, a 14% rise over 2014.

Each of the buyer groups, except those that are publicly owned, increased their M&A activity during the first half of this year. Private equity-backed firms announced 42 more

transactions this year than last year, a 59% increase. The private equity-backed group represented more than 80% of the total year-over-year growth in announced deals.

Privately owned agencies also continued their record-setting pace, besting their previous high of 60 acquisitions last year at this time with 61 announced through the first half of this year. But publicly held brokers saw a decline to 26 during the first half of 2015 from 28 transactions in the first half of 2014, primarily due to reduced activity by Marsh & McLennan Agency L.L.C.

Agents and brokers specializing in property/casualty coverage continue to be the primary acquisition targets, with nearly 60% of all deals this year involving them vs. 40% to 45% during 2012-2014.

The 224 reported deals this year do not include international acquisitions or recapitalizations by private equity-backed firms. The late June merger of Willis Group Holdings P.L.C. and Towers Watson & Co. also is excluded, since Willis is based in London.

There also were several changes among private equity players. Most notably, Stone Point Capital L.L.C. took a stake in Alliant Insurance Services Inc., supplanting rival investment firm Kohlberg Kravis Roberts & Co. L.P. as the largest institutional investor in Alliant; and ABRY Partners invested in The Hilb Group L.L.C., a deal in which BHMS Investments L.P. exited the business.

Additionally, several of this year's top 100 brokers of U.S. business were sold this year. They include No. 50 MHBT Inc. and No. 90 J.W. Terrill Inc., which Marsh & McLennan Agency purchased; and No. 86 Cook Maran & Associates Inc., which Prime Risk Partners Inc. bought.

Looking to the balance of 2015 and beyond, there will likely be a slowdown in activity and pricing aggressiveness as the overall market returns to some degree of normality, but not yet.

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