



OPTIS PARTNERS

Agent & Broker
2017 Merger & Acquisition Update

January 2018



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2008 - 2017 Trending Information

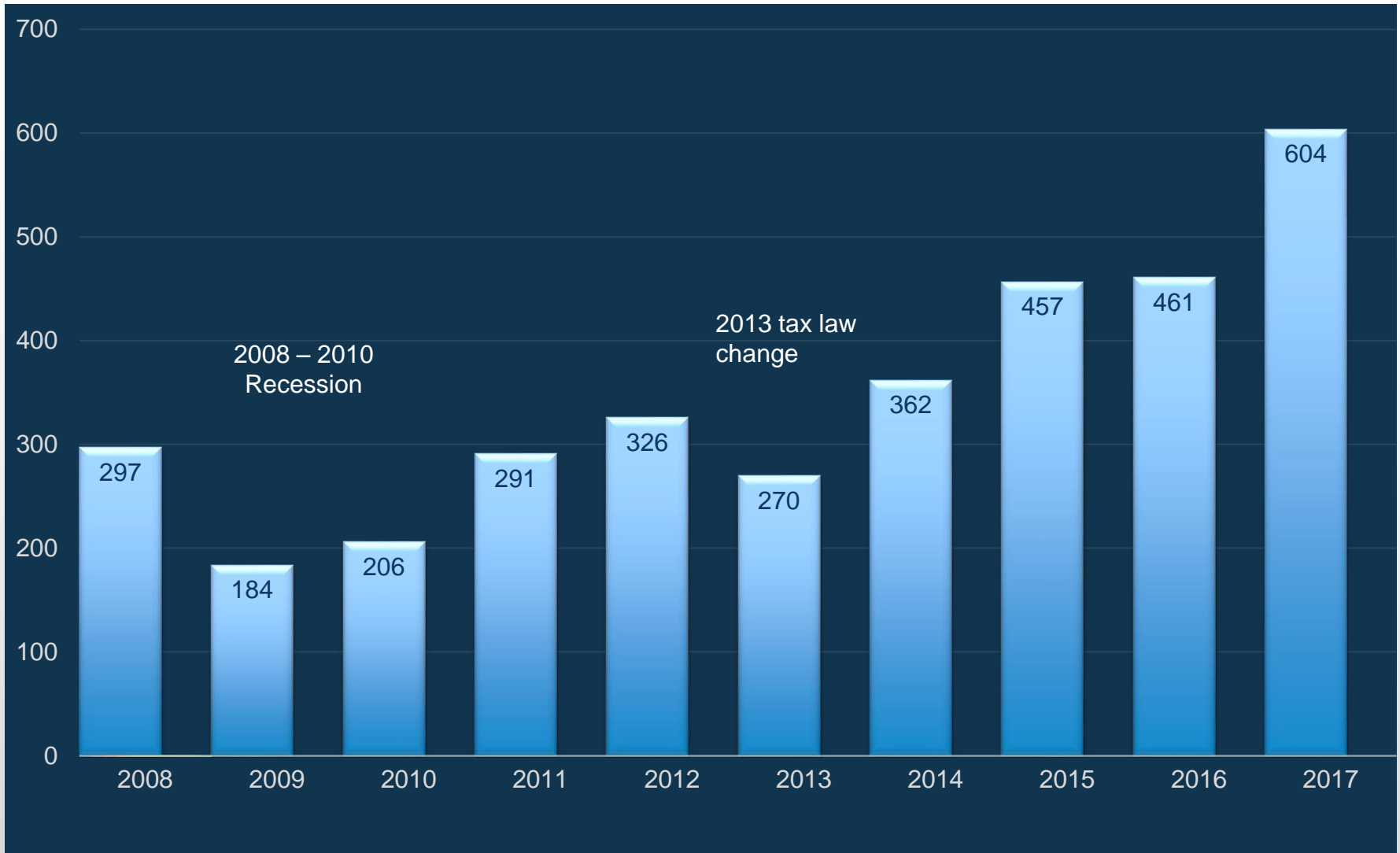
Highlights of 2017 M&A Activity

- ❖ **A Whopping 604 announced transactions in the US and Canada, a 31% increase over the 461 deals from 2016!**
- ❖ Acrisure completed 92 deals, followed by Hub (49), Alera (38), Broadstreet (32) and Gallagher (30)
 - ❖ Assured Partners (26), NFP (24) and Seeman Holtz (23) all closed more than 20 transactions, and three others completed more than 10 transactions
- ❖ The Top 10 buyers accounted for 56% of all transactions in 2017, up from 52% in 2016
- ❖ There were 173 unique buyers in 2017, up from 153 in 2016, including 126 that only completed one transaction, up from 108 in 2016

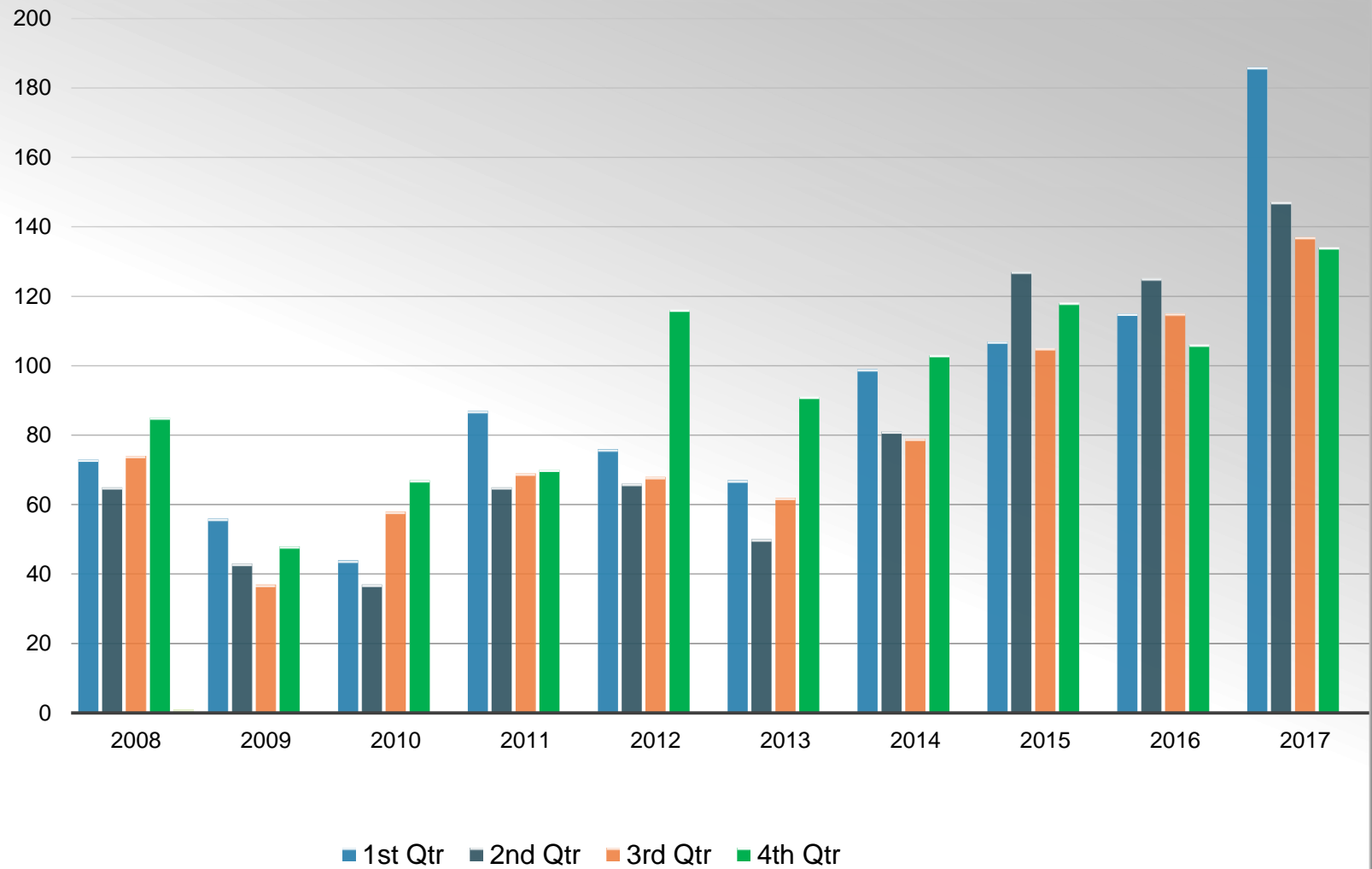
Highlights of 2017 M&A Activity (con't)

- ❖ A new classification of Buyers (PE / Hybrid), combining the private equity-backed firms and privately owned firms with significant M&A financial support, yielded 382 of the 604 (63%) transactions, up from 56% in 2016.
- ❖ P&C sellers remained the dominant target, with 301 transactions, but EB firm sales increased from 93 deals in 2016 to 174 in 2017, led by Alera (0 to 26) and Acrisure (12 to 43), as well as nearly all of the other highly active buyers
- ❖ There were five agencies from Business Insurance's most recent Top 100 list that sold in 2017 (J. Smith Lanier, Capacity Coverage, Keenan & Associates, Frenkel & Co. and Wells Fargo Insurance Service)

Summary Agency Acquisitions by Year



Agency Acquisitions by Year by Quarter



Changes in 2017 Buyer Classifications:

- Due to “blurred” lines between Private and Private-Equity backed firms, the category of the buyer types has been changed to the acquisition activity with the financial attributes of the buyers.
- The Buyer categories will now be as follows:
 - Publicly Traded
 - Privately owned
 - Private-Equity owned and very active privately owned, all with acquisition capital support from their PE Sponsor, outside lenders and/or internal cash flow, will be referred to as “PE / Hybrid” buyers
 - Banks and financial institutions
 - Other (Insurance companies, non-insurance industry)

Changes in 2017 Buyer Classifications:

- The following Buyers have been reclassified from Privately Owned to PE / Hybrid buyers for all historical transactions:
 - Acrisure (*)
 - One Digital (*)
 - World Insurance Associates
 - Seeman Holtz Property & Casualty
 - Baldwin Risk Partners

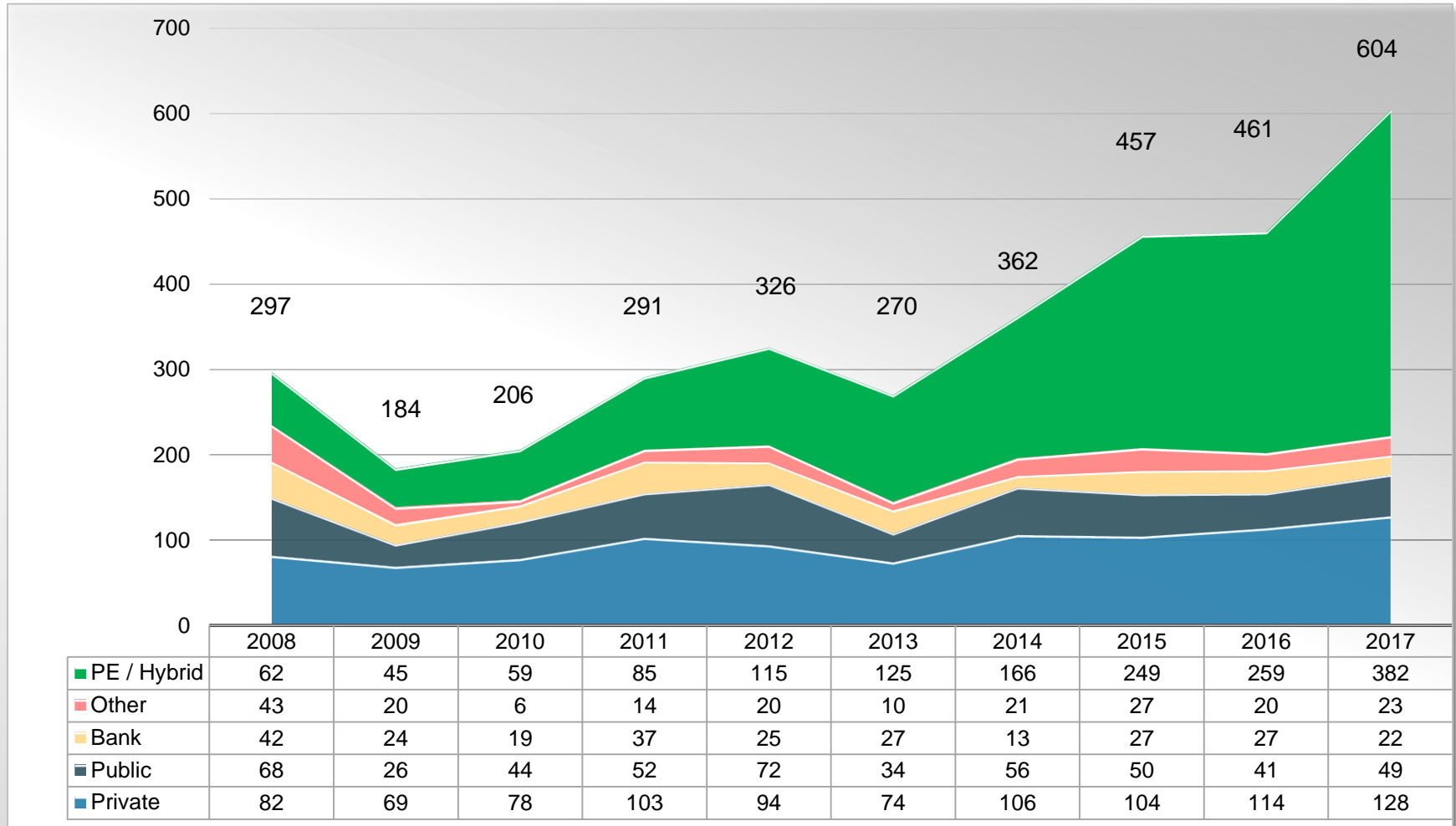
(*) Only changes transactions by Acrisure subsequent to their Nov 2016 recapitalization event and OneDigital transactions while they were owned by Fidelity National Financial (Sept 2012 – Mar 2017)

Changes in 2017 Buyer Classifications:

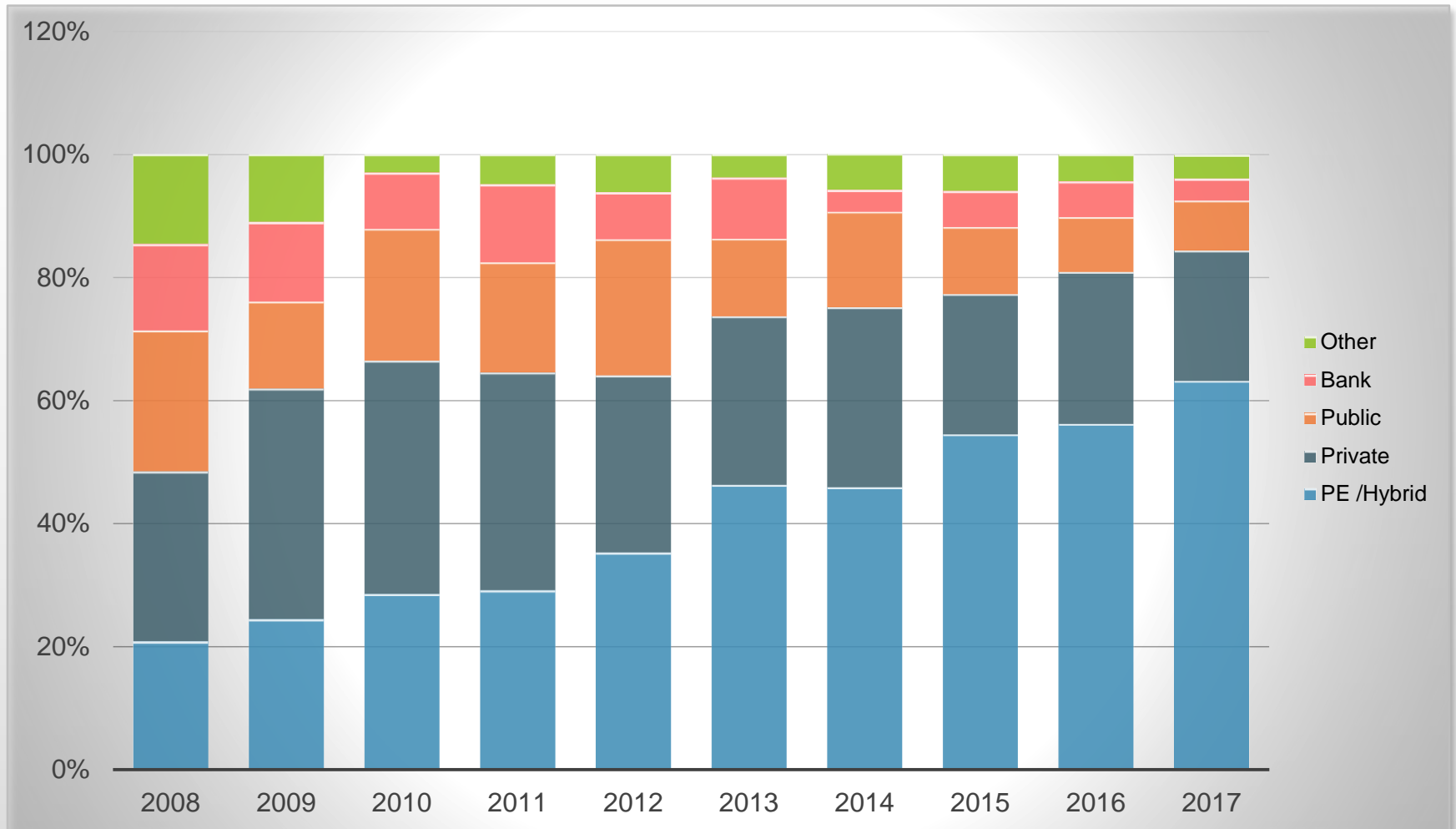
- The total number of transactions that were previously listed as Private that are now being recognized as PE / Hybrid are as follows:
 - 2012: 5
 - 2013: 10
 - 2014: 8
 - 2015: 5
 - 2016: 30
 - 2017: 130 (*)

(*) Includes transactions during the 4th quarter or not previously recorded

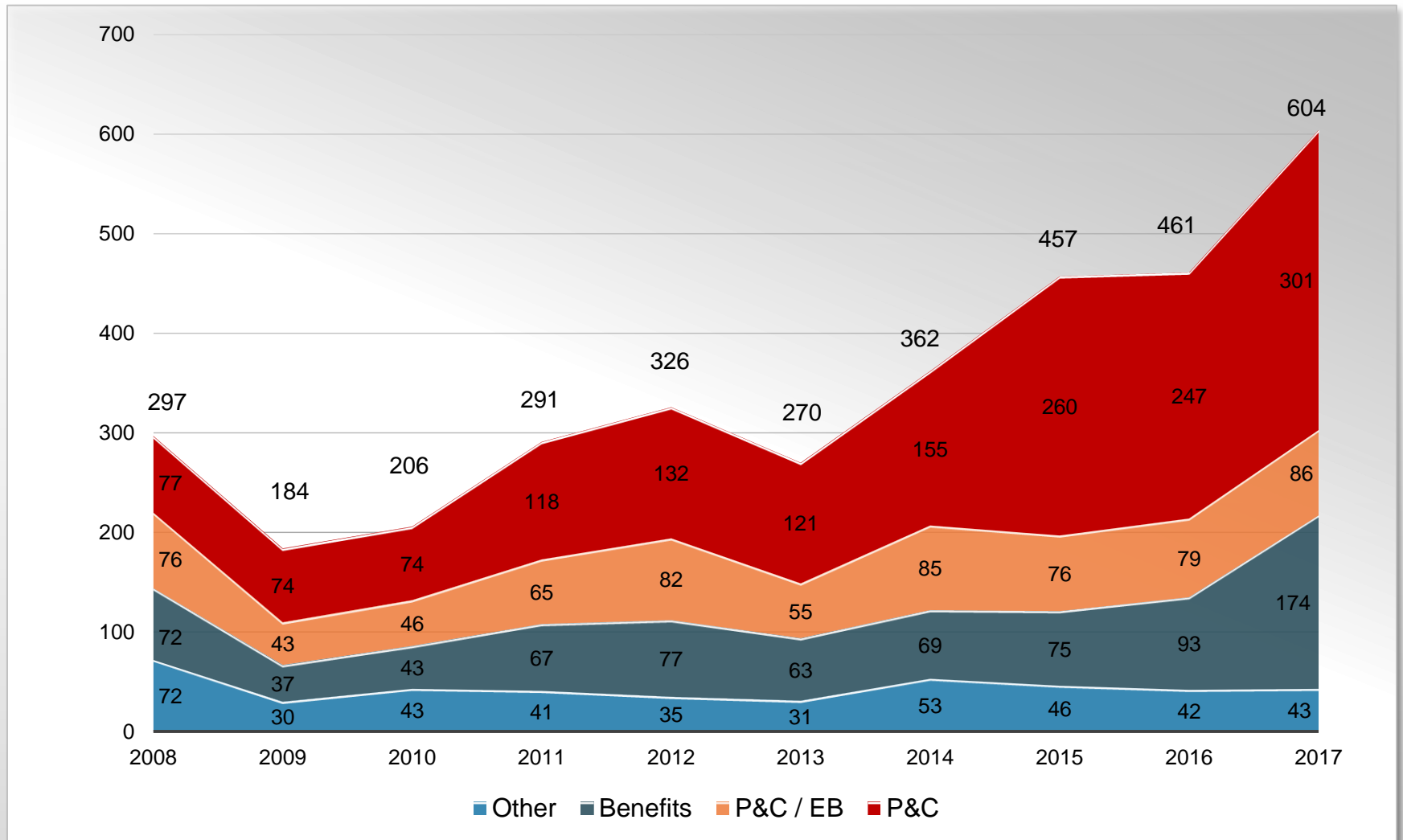
Agency Acquisitions by Buyer Type



Acquisitions by Buyer Type as % of Total



Agency Acquisitions by Seller Type:



Observations:

- Full year and each quarter in 2017 set all time records of agency M&A activity
- Modest expansion of EB Sellers thru 2016 as larger scale is needed to remain competitive and relevant
- Explosion in 2017 EB acquisitions fueled by Alera and Acrisure purchases, as well as most other active acquirers
- Growth in P&C sellers driven by
 - Large inventory of P&C agencies
 - “Baby Boomer” owners needing to exit

The Active Acquirers in 2008 Were:

Buyer by Type	Ownership Type	2008	2017
Brown & Brown	Public	35	8
Gallagher	Public	24	30
Hub International	PE / Hybrid	16	49
BroadStreet Partners	PE / Hybrid	13	32
BB&T Insurance Services	Bank	10	0
Wells Fargo Insurance Services	Bank	8	0
USI Holdings	PE / Hybrid	7	9
LTC Global Solutions	Private	5	0
Ascension	PE / Hybrid	4	2
Bollinger	PE / Hybrid	4	Acq in 2013
Top 10 Total		91	130
All Other		206	474
Total Reported Transactions		297	604

The Active Acquirers in 2017 Were:

Buyer by Type	Ownership Type	2008	2017
Acrisure	PE / Hybrid	7	92
Hub International	PE / Hybrid	16	49
Alera Group	PE / Hybrid	(*)	38
Broadstreet Partners	PE / Hybrid	13	32
Gallagher	Public	24	30
Assured Partners	PE / Hybrid	(*)	26
NFP	PE / Hybrid	5	24
Seeman Holtz Property & Casualty	PE / Hybrid	0	23
The Hilb Group	PE / Hybrid	(*)	14
OneDigital	PE / Hybrid	NA	13
Top 10 Total		65	341
All Other		232	263
Total Reported Transactions		297	604
(*) Company did not exist in 2008			

The Top 10 Active Acquirers in 2017 Are:

Buyer by Type	Ownership	2014	2015	2016	2017
Acrisure	PE / Hybrid	22	56	63	92
Hub International	PE / Hybrid	31	37	45	49
Alera Group	PE / Hybrid	(*)	(*)	(*)	38
Broadstreet Partners	PE / Hybrid	15	26	27	32
Gallagher	Public	31	27	24	30
AssuredPartners	PE / Hybrid	26	38	28	26
NFP	PE / Hybrid	7	12	8	24
Seeman Holtz Property & Casualty	PE / Hybrid	0	0	6	23
The Hilb Group	PE / Hybrid	4	8	11	14
OneDigital	PE / Hybrid	7	2	8	13
Top 10 Total		143	206	220	341
All Other		219	251	241	263
Total Reported Transactions		362	457	461	604
(*) Company did not exist					

Buyer Stratification – Total Transactions:

	Total Number of Transactions						2017	5-Year
	2013	2014	2015	2016	2017	Total	% Total	% Total
Buyers Completing:								
1 Transaction	88	85	110	108	126	517	20.9%	24.0%
2 Transactions	22	42	34	36	34	168	5.6%	7.8%
3-5 Transactions	36	35	41	52	57	221	9.4%	10.3%
5-10 Transactions	25	51	45	50	35	206	5.8%	9.6%
More than 10	99	149	227	215	352	1,042	58.3%	48.4%
Total	270	362	457	461	604	2,154	100.0%	100.0%

Buyer Stratification – Total Unique Buyers:

	Total Number of Unique Buyers						2017	5-Year
	2013	2014	2015	2016	2017	Total	% Total	% Total
Buyers Completing:								
1 Transaction	88	85	110	108	126	517	72.8%	71.5%
2 Transactions	11	21	17	18	17	84	9.8%	11.6%
3-5 Transactions	8	9	11	13	14	55	8.1%	7.6%
5-10 Transactions	3	7	6	7	5	28	2.9%	3.9%
More than 10	6	7	8	7	11	39	6.4%	5.4%
Total	116	129	152	153	173	723	100.0%	100.0%

Major 2017 Private Equity Recapitalizations

Agent/Broker	Private Equity Group Buyer	Private Equity Group Seller	Date
National Financial Partners, Corp (NFP)	HPS Investment Partners	New Investment	February, 2017
USI Insurance Services	KKR / CDPG	Onex Corp	March, 2017
OneDigital	New Mountain Capital	Fidelity National Financial	June, 2017
EPIC Insurance Brokers & Consultants	Oak Hill Capital Partners	Carlyle Group	July, 2017
BenefitMall	Austin Ventures	Carlyle Group	November, 2017

Major 2017 Broker Transactions

Seller	Buyer	2017 Business Insurance Rank	Date
J. Smith Lanier	Marsh McLennan Agencies	#30	January, 2017
Western Financial Group (part of Desjardins Group in Canada)	Wawanesa Mutual	NA	February, 2017
Keenan & Associates	AssuredPartners Inc.	#22	March, 2017
Capacity Group	EPIC Insurance Brokers & Consultants	#39	March, 2017
Partners Specialty Group	AmWINS	9 th largest wholesaler	April, 2017
Aon-Hewitt (Benefits Outsourcing platform)	Blackstone Group	NA	May, 2017
Wells Fargo Commercial Ins.	USI Insurance Services	10	June, 2017
Frenkel & Co.	EPIC Insurance Brokers & Consultants	#48	October, 2017

PE Purchase and Re-cap Transactions (*)

Name	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Acrisure	← Private		Acquired by GCP Capital Partners				Acquired by Genstar Capital			Internal Management buyout
Alliant Insurance Services	Acquired by Blackstone Capital (Jan 2007)					Acquired by KKR				Acquired by Stone Point Capital
AssuredPartners, Inc.				Founded with backing by GTCR				Acquired by Apax Partners, LP		
Confie	Founded with backing by Genstar Capital (Jan 2008)					Acquired by ABRY Partners				
EPIC Insurance Brokers	← Founded with backing by StonePoint Capital (Jul 2007)						Acquired by Carlyle Group			Acquired by Oak Hill Capital Partners
Hub International	← Acquired by Apax Partners (Jun 2007, previously Public)					Acquired by Hellman & Friedman				
Integro Group Holdings	← Founded with backing by Century Capital (Jan 2005)							Acquired by Odyssey Investment Partners		
NFP		← Public				Acquired by Madison Dearborn Partners				
OneDigital		← Private (founded in 2000)					Acquired by Fidelity National Financial			Acquired by New Mountain Capital
Risk Strategies Co.		← Private (Aug 1997)					Acquired by Kohlberg & Co.		Acquired by Kelso & Co.	
The Hilb Group			Founded/Private		Acquired by BHMS Investments			Acquired by ABRY Partners		
USI Insurance Services	← Acquired by Goldman Sachs (Jan 2007)					Acquired by Onex Corp (PE in Canada)			Acquired by KKR / CDPQ	

(*) Transactions dates are approximate

Summary and Spin:

Barring external macro economic factors, no compelling reason for any pull-back in M&A activity.

- Inventory of interested sellers remains high
- Variance between internal transaction value and 3rd party acquisition value hard to pass up
- Favorable economy, stable insurance market post 2017 disasters, and easy access to relatively inexpensive capital for Buyers
- Plenty of willing investors and lenders to fund PE / Hybrid activity
- As a Buyer, manage cash flow and be careful not to overpay
- As a Seller, identify the best cultural and operation fit and try to take advantage of competitive market pricing before things change

Appendix – Top Buyers by Type

Appendix 1: Active Buyers – PE / Hybrid

PE / Hybrid Ownership		2013	2014	2015	2016	2017	5 Yr Totals
Top Buyers since 2013:							
1	Acrisure Lenders, Genstar Capital	11	22	56	63	92	244
2	Hub International Hellman & Freidman	25	31	37	45	49	187
3	AssuredPartners APAX Partners	19	26	38	28	26	137
4	BroadStreet Partners Canadian Pension Fund	13	15	26	27	32	113
5	Confie ABRY Partners	14	13	19	17	6	69
6	NFP (*) Madison Dearborn / HPS	3	7	12	8	24	54
7	USI Holdings KKR - CDPQ	9	11	9	6	9	44
8	OneDigital New Mountain Capital	10	7	2	8	13	40
9	The Hilb Group ABRY Partners	2	4	8	11	14	39
10	Alera Group Genstar Capital	0	0	0	0	38	38
Active Buyers		106	136	207	213	303	965
All Others		19	30	42	46	79	216
Total Transactions		125	166	249	259	382	1181

(*) Does not include 2 transactions from 2013 while NFP was still a publicly traded company



Appendix 2: Active Buyers – Privately Owned

Privately Owned						
	2013	2014	2015	2016	2017	5 Yr Totals
Top Buyers since 2013 with 5 or More Transactions:						
1 Leavitt Group	5	10	5	4	6	30
2 Cross Insurance	1	6	3	4	5	19
3 Ryan Specialty Group	2	2	1	2	5	12
4 Insurica Insurance Management Network	5	3	0	0	1	9
5 Kaplansky Insurance	0	0	2	4	2	8
5 Acentria Insurance	0	0	1	4	3	8
6 Insurance office of America	0	2	1	2	1	6
6 Capacity Coverage, Inc.	1	1	3	1	0	6
7 NSM Insurance Group, Inc.	1	3	0	1	0	5
7 Archway Insurance	1	0	0	3	1	5
7 TrueNorth Cos	0	0	1	2	2	5
7 H. W. Kaufman Financial Group	2	0	1	1	1	5
7 Heffernan Insurance Brokers	2	2	0	0	1	5
7 J. Smith Lanier	0	0	4	0	1	5
Active Buyers	20	29	22	28	29	128
All Others	54	77	82	86	99	398
Total Transactions	74	106	104	114	128	526



Appendix 3: Active Buyers – Publicly Traded

Publicly Traded	2013	2014	2015	2016	2017	5 Yr Totals
Top Buyers since 2013 with 5 or More Transactions:						
1 Gallagher	17	31	27	24	30	129
2 Brown & Brown	6	7	12	5	8	38
3 Marsh McLennan Agencies	4	8	7	7	4	30
4 CBIZ	1	4	2	2	1	10
5 Aon	1	1	0	2	1	5
Active Buyers	29	51	48	40	44	212
All Others	5	5	2	1	5	18
Total Transactions	34	56	50	41	49	230



Appendix 4: Active Buyers – Banks

Banks	2013	2014	2015	2016	2017	5 Yr Totals
Top Buyers since 2013 with 5 or More Transactions:						
1 Eastern Bank	1	1	2	4	1	9
2 TowneBank	1	1	5	0	0	7
3 Western Financial Group	5	1	0	0	0	6
4 Peoples Bancorp, Inc.	4	0	1	0	0	5
4 BB&T Insurance Services	0	2	2	1	0	5
4 Regions Bank	1	1	3	0	0	5
Active Buyers	12	6	13	5	1	37
All Others	15	7	14	22	21	79
Total Transactions	27	13	27	27	22	116



Appendix 5: Active Buyers – All Others

Insurance Companies and All Other	2013	2014	2015	2016	2017	5 Yr Totals
Top Buyers since 2013 with 5 or More Transactions:						
1 Intact Financial Corp	1	5	3	5	3	17
2 Patriot National Inc.	0	0	6	1	0	7
3 Palliser Insurance Company	0	0	0	0	5	5
Active Buyers	1	5	9	6	8	29
All Others	9	16	18	14	15	72
Total Transactions	10	21	27	20	23	101





Connect with us:

Telephone:

312-235-0081

630-520-0490

Email:

Cunningham@optisins.com

Menzer@optisins.com

Website:

www.optisins.com