

# **Society of Insurance Financial Management Annual Conference**

**Sean Sweeney, CPCU, RPLU, Are**

Former CEO, Philadelphia Insurance Company

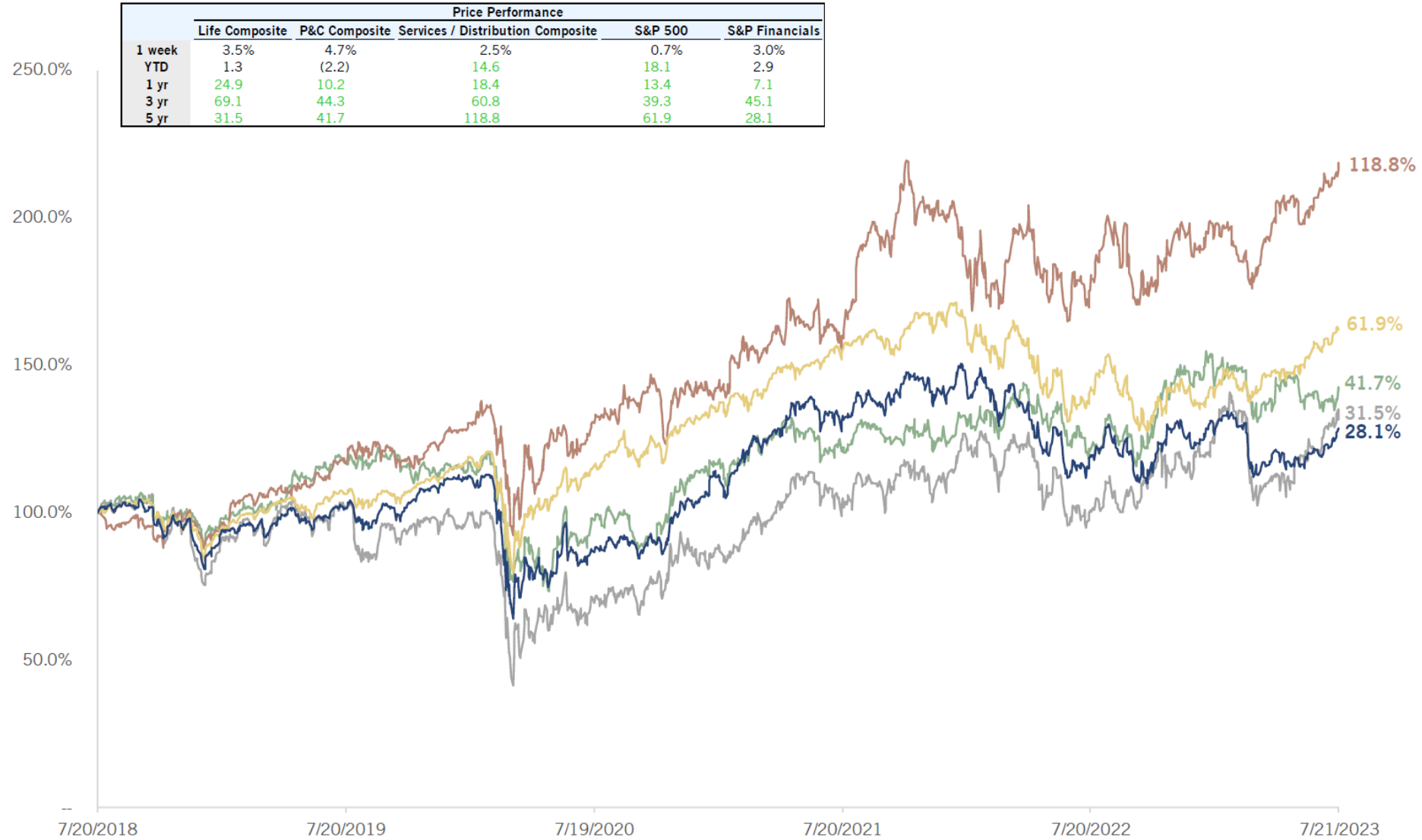
Current Director/Investor, 1251 Capital Group

September 11-13, 2023

# Private Equity Helps the Insurance Industry

- Capital infusion/ increased valuation
- Partnership model
- Strategic resources
- Talent GAP solutions
- P/C market

# U.S. Insurance Sector Price Performance | Last 5 Years / Increased Valuations



Source: CapIQ.

Note: Market data as of 7/21/2023.

Any number in the price performance table lower than (5%) is denoted in red font, any number in between (5%) and 5% is denoted in black, and anything above 5% is denoted in green. Price changes are median changes of all tickers in composite.

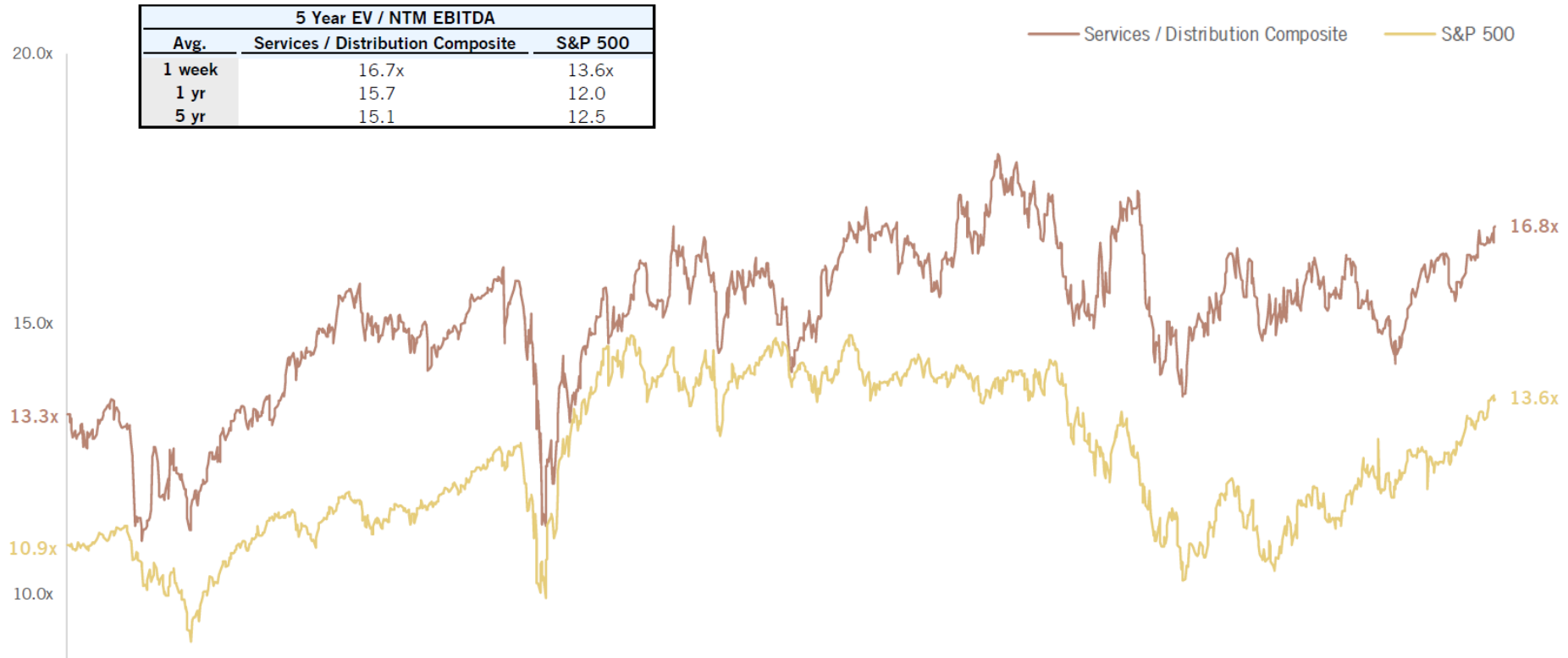
Life Composite tickers include: AEL AMP, BHF, CNO, CRBG, EQH, FG, GL, GNW, JXN, LNC, MET, NWLI, PFG, PRI, PRU, RGA, UNW, VOYA.

P&C Composite tickers include: ACGI, AFG, ALL, AXS, CB, CINF, CNA, HIG, JRVR, KNLS, MCY, MKL, ORI, PGR, EG, RLI, RNR, SIGI, THG, TRV, WRB.

Services / Distribution Composite tickers include: AON, AJG, BRO, BRP, GSHD, MMC, RYAN, WTW.

S&P Financials is a sub-index of the S&P 500. The sub-index consists of companies in the financial sector on the basis of the Global Industry Classification Standard.

# Update on U.S. Services / Distribution Insurance Valuation Trends/ Increased Valuations



## P&C Insurance Brokers

Company	Stock Price	Market Cap	YTD Price Change	Current as a % of 52-wk		Net Debt	TEV <sup>(1)</sup>	TEV/Revenue			TEV/EBITDA			P/E		
				High	Low			LTM	2023E	2024E	LTM	2023E	2024E	LTM	2023E	2024E
(\$ in millions, except per share data)																
Marsh & McLennan	\$191.43	\$94,705	15.7%	98.6%	129.2%	\$13,842	\$108,547	5.0x	4.8x	4.6x	19.4x	17.7x	16.3x	35.0x	24.8x	22.5x
Aon	340.90	69,627	13.6	98.1	128.0	11,549	81,304	6.4	6.1	5.8	20.8	18.8	17.5	36.5	23.7	21.0
Arthur J. Gallagher & Co.	218.61	46,836	15.9	99.0	130.8	6,696	53,573	6.3	5.4	4.9	21.5	17.9	15.6	40.8	24.9	22.0
Willis Towers Watson	233.59	24,857	(4.5)	90.2	118.4	4,386	29,323	3.3	3.1	3.0	12.5	12.2	10.9	25.7	16.3	13.8
Brown & Brown	71.20	20,195	25.0	99.5	134.8	3,852	24,047	6.4	5.9	5.5	19.9	17.8	16.5	37.0	28.1	25.4
Ryan Specialty Group	45.91	11,927	10.6	98.9	142.9	1,440	13,709	7.7	6.7	5.7	31.7	22.5	18.5	NM	33.9	27.4
BRP Group	25.72	3,004	2.3	77.1	133.5	1,324	4,595	4.3	3.8	3.3	51.0	17.7	14.2	NM	21.5	15.4
Goosehead Insurance	67.88	2,547	97.7	95.6	232.3	138	2,686	12.0	10.0	7.8	NM	47.3	35.9	NM	NM	45.3
<b>High</b>			97.7%	99.5%	232.3%			12.0x	10.0x	7.8x	51.0x	47.3x	35.9x	40.8x	33.9x	45.3x
<b>Mean</b>			22.0	94.6	143.7			6.4	5.7	5.1	25.3	21.5	18.2	35.0	24.8	24.1
<b>Median</b>			14.6	98.4	132.2			6.3	5.7	5.2	20.8	17.8	16.4	36.5	24.8	22.3
<b>Low</b>			(4.5)	77.1	118.4			3.3	3.1	3.0	12.5	12.2	10.9	25.7	16.3	13.8

Source: CapIQ.

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Jefferies LLC / July 2023

# Partnership Model

- Retain independent brand & culture
- Capital for organic growth & acquisitions
- Liquidity / ownership retention
- Business continuity – legacy
- Perpetuation / leadership planning

# Strategic Resources and Operational Support

- Technology enabled platform / improve efficiency
- Deep insurance operating experience
- New product development
- Value added advisors – direct access to industry executives

# Strategic Resources and Operational Support

- Implement formal metrics-driven sales & marketing process
- Renegotiate carrier contracts for better terms
- Source high quality hires (CFO, CIO, COO)
- Increase automated financial reporting process

# Massive Retirement Bubble

- NAMIC estimates 50% of current workforce will retire in 10 years
- Estimated over 600,000 open unfilled positions
- Millennials have not shown interest
- Pace of boomer retirement accelerated



# Solutions for Talent GAP / ESG Solutions

- Cristo Rey Network – 29 schools nationally
- Saint Joseph University- Academy of Insurance and Risk Mgmt
- Bowie State – Risk & Insurance – HBCU
- Galludet Risk & Insurance School – only deaf university in the world

# Financial Success / Illustrative Case Study

- 60% acquisition, right to sell remaining 40% in 7 years (second bite at the apple)
- Annual organic revenue growth – 17%
- Margin improvement – 15% (25% to 40%)
- Annualized return on investment – 30%+
- Capital investment for future growth, enabled by permanent capital

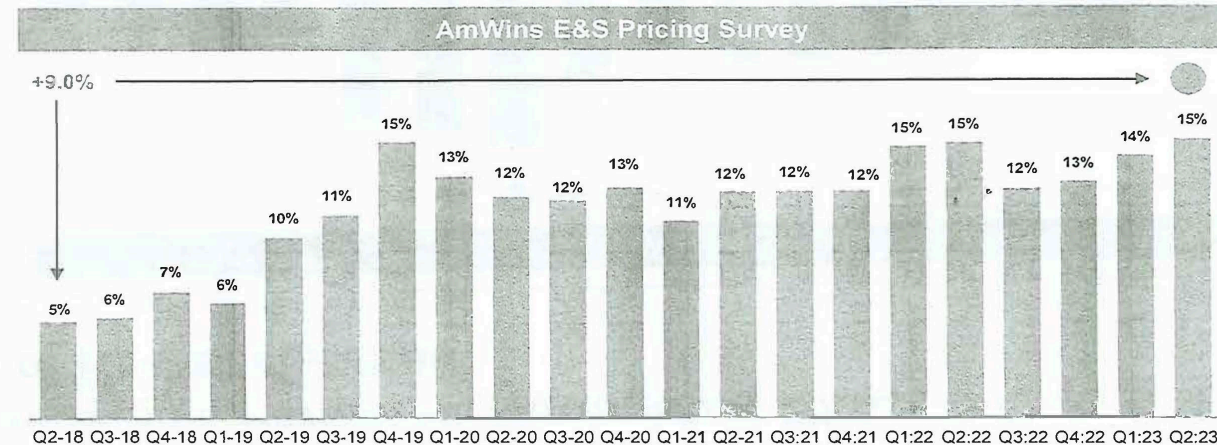
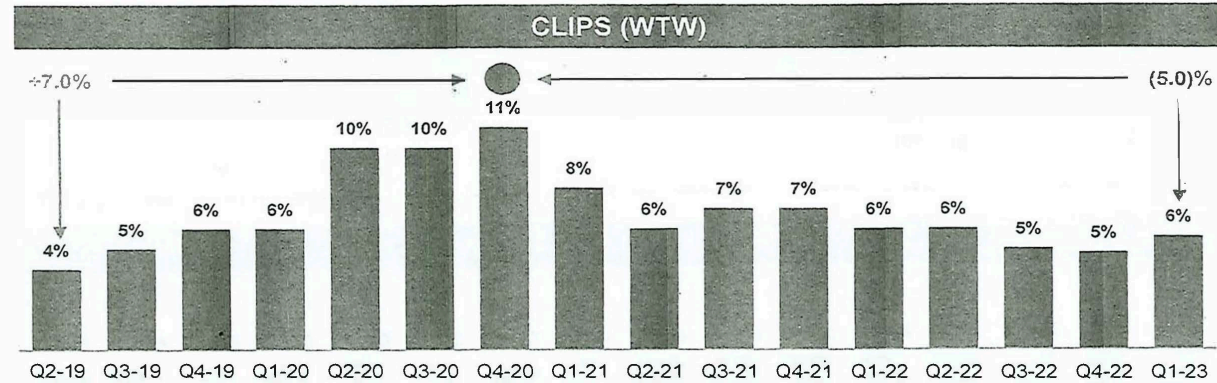
# P&C Market Backdrop

- P&C rates continue to show resilience – strong operating return
- CAT losses continue to be elevated / climate change
- Specialty Underwriters continue to outperform
- Outstanding organic growth opportunity
- Social inflation continue to push rates

# P&C Rate Increases Persisted Throughout 2022, with Signs of Re-Acceleration

## Observations

- While rate increases seem to have leveled across most standard lines of business, rates still remain ahead of longer-term trend
- E&S rates have experienced a “V-Shaped” curve in 2022, as Q2 saw rates +15%, equaling their high hard-market highs
- More premium volumes continue to flow into the E&S markets given the ongoing dislocation
- Real inflation continues to drive rates higher as concerns around loss costs persist
- Industry sentiment seems to indicate another 18+ months of current market conditions, providing the longest hard market environment since early 2000s



Sources: WTW Commercial Lines Insurance Pricing Survey, Wall Street Research, Company Filings

P&C Market Back Drop