



Insurance M&A

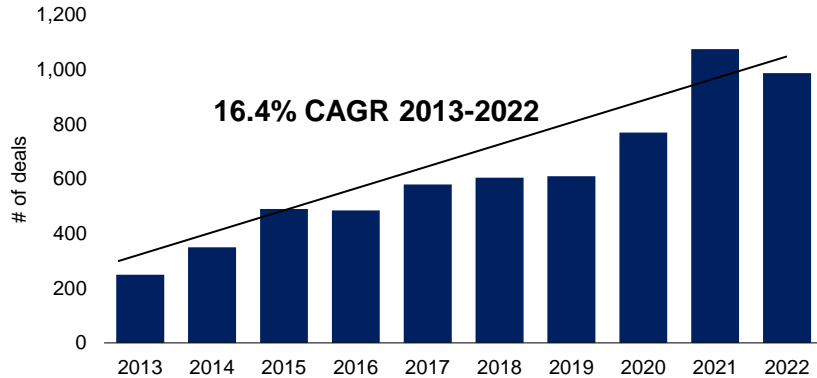
2023 SIFM Conference

Presented by Dan Grayzel



Broker M&A: *Ongoing Super-cycle*

M&A Transactions (#)



>2K Number of insurance brokerage transactions in 21 & 22

987 Number of insurance brokerage transactions in 2022

10.43x EBITDA – Avg deal value for TTM at Q1 2023

8% M&A activity fell YoY in 2022 compared to 2021

2023 Snapshot

- Relative to recent years, transaction volume is decreasing – retraction from “perfect storm” of low interest rates, aging ownership base & rate acceleration
- H1 2023 deal volume – 359 transactions
- Down 24% from H1 2022, but still significant and close to running 5-year average
- PE-backed brokers/acquirers accounted for >70% of transactions in H1 2023
- Significant 2023 Activity
 - Truist sells 20% stake @ \$14.75B valuation
 - Hub sells minority stake @ \$23B valuation
 - World Insurance gets \$1B from GSAM
 - AssuredPartners enters strategic process

Broker M&A: Consolidation Continues

Top 10 Brokers with 20 or more deals in 2022

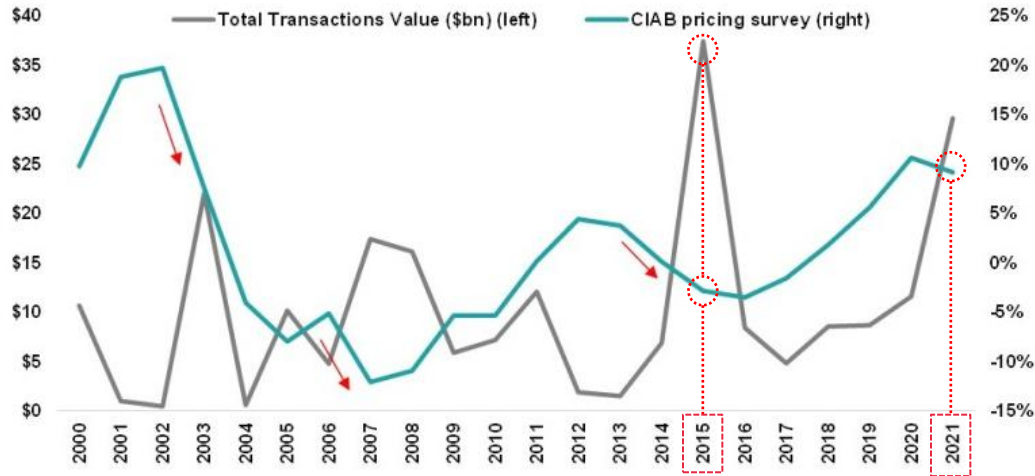
Broker (Buyer)	2022 Revenue (\$B)	Type	2019	2020	2021	2022
Acrisure	\$4.1	PE-Hybrid	98	108	122	107
PCF Insurance	\$0.7	PE-Hybrid	4	36	99	71
HUB International	\$4.0	PE-Hybrid	52	65	62	70
High Street Partners	\$0.4	PE-Hybrid	3	9	71	44
Inszone Insurance Services	NA	PE-Hybrid	6	10	12	42
World Insurance Associates	\$0.2	PE-Hybrid	18	42	53	39
BroadStreet Partners	NA	PE-Hybrid	34	58	45	35
Liberty Company Insurance Brokers	NA	PE-Hybrid	2	2	10	33
AssuredPartners	NA	PE-Hybrid	44	38	52	33
Alera Group	\$1.2	PE-Hybrid	24	18	45	30
Total			285	386	571	504

PE-backed buyers accounted for 74% of all announced transactions in 2022

The 2022 YoY decrease in transactions is a result of higher costs of capital and market volatility, leading firms to look for compressed valuations and focus on integrating and optimizing past transaction

Insurer M&A: Looking at Market Cycles...

P&C Transactions vs. Pricing Cycle



2015 M&A – XL/Catlin, Endurance/Montpelier Re, Tokio Marine/HCC, ACE/Chubb, Exor/Partner Re & others

Impact of Market Conditions on M&A

Pricing cycle dictates an insurer's ability to achieve organic growth → insurers are **less likely** to look for acquisition opportunities during a hard market

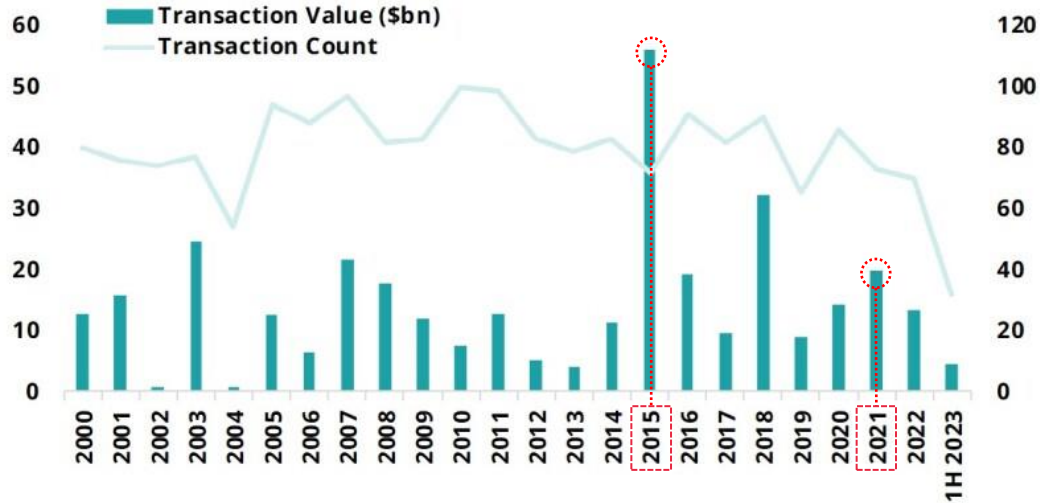
When rates are moderating or negative, there is more pressure to achieve growth, and insurers are more likely to look to M&A (2015)

In turn, large transactions often follow a period of moderating/softening rates

2021 – started to show signs of this...but were rates really peaking?

Reinsurer M&A: *Canary in the Coal Mine?*

M&A Activity - 2000 through 1st half of 2023



Recent M&A – Brookfield Re’s acquisition of Argo, RenRe’s purchase of Validus Re from AIG

Reading Between the Lines

Are the two recent large reinsurance transactions indicators of the hard market top, OR, are these unique outliers?

To answer this question, let’s take a deeper look at capital deployment...

Start-Up Activity

IPOs – Fidelis, Aspen, Hamilton

Capacity Challenges Receding

The current high cost of debt and rate/market conditions will likely stifle an uptick in carrier M&A activity, outside of a few key opportunistic buys and transformational mergers

M&A Impact: *Top Risks & Considerations*

1. Design a streamlined **Integration** framework – Decentralization is a huge challenge
2. Build & deploy **M&A Functional Leads & Teams** – Developing expertise enhances deal value realization & process efficiencies
3. **No two deals are the same** – Define unique characteristics
4. Reporting & performance **Accountability** – Avoid the operational “snowball effect”
5. Expansion of Services & **New Offerings** – Effectively managing business & professional liability risk

M&A Integration: *Best Practices*

- 1 Develop a clear integration strategy with timeline, goals, and synergies
- 2 Build a strong M&A integration team with functional representatives
- 3 Manage the human side of integration through clear roles and responsibilities
- 4 Apply playbooks, forms, and checklists that are purposeful and scalable
- 5 Understand & define unique requirements vs. SOP
- 6 Prioritize IT integration to minimize potential disruptions for the brokerage
- 7 Establish governance and use escalation paths to facilitate issue resolution
- 8 Track progress against integration plan and enable transparency via dashboards
- 9 Communicate effectively with the brokerage and manage expectations
- 10 Have a plan for what comes next regarding operations and technology