



Key Trends in Insurance Brokerage & Best Practices for Competing with Scale

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November 2023

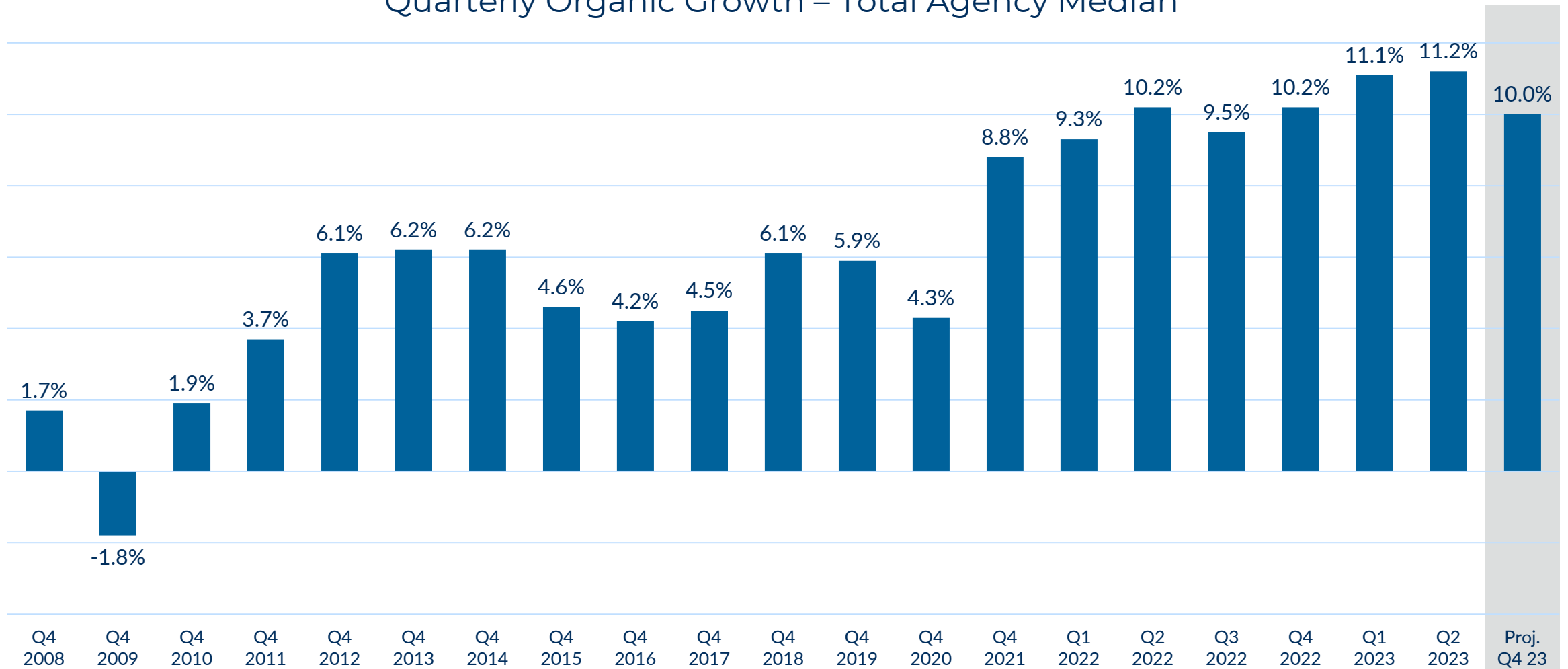




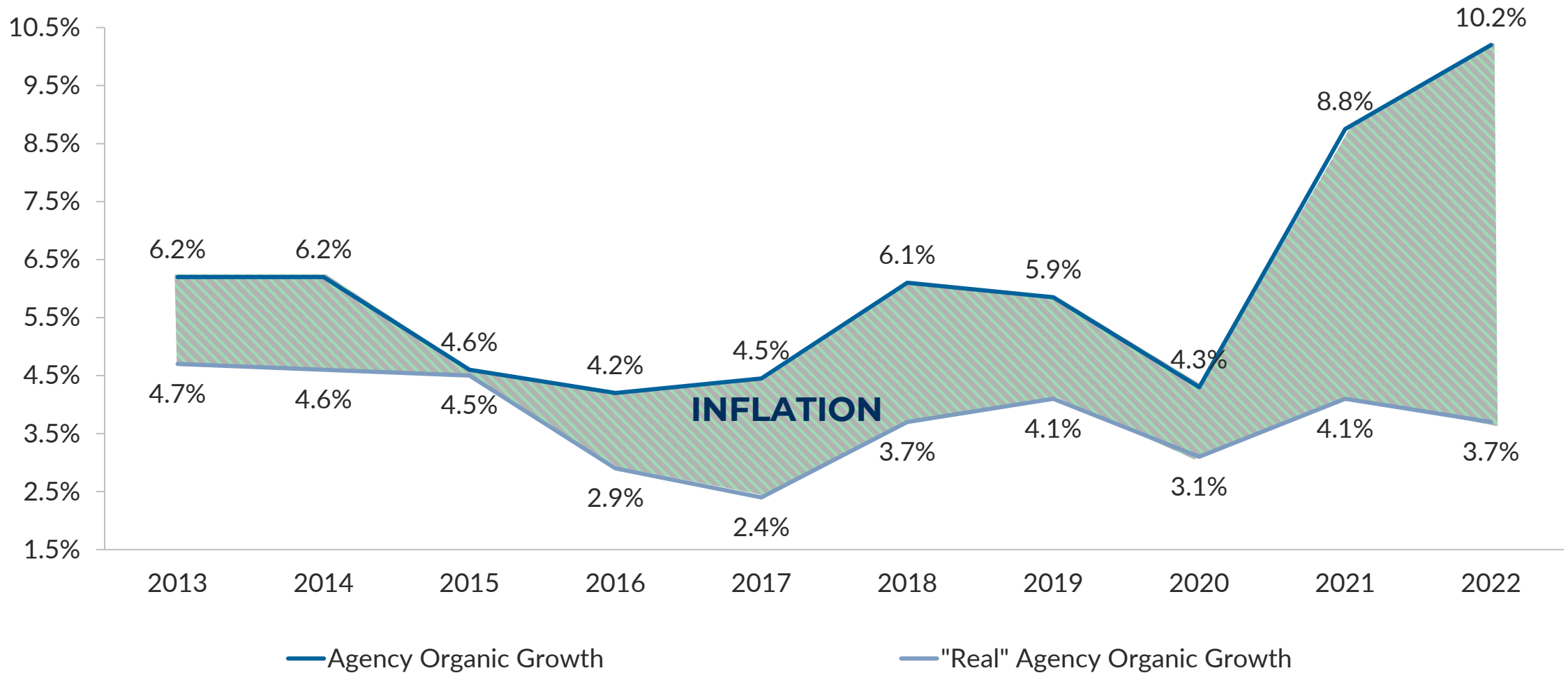
Key Industry Trends in Insurance Brokerage

Organic Growth Performance

Quarterly Organic Growth – Total Agency Median

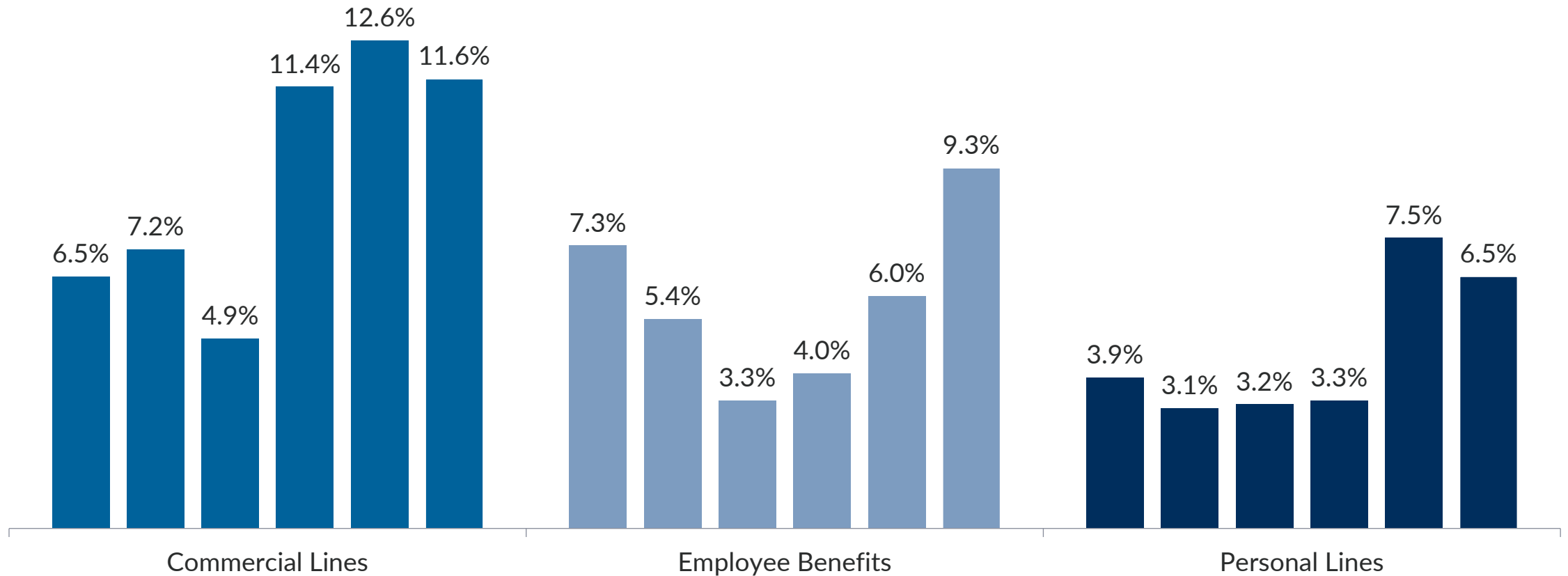


Total Agency Organic Growth



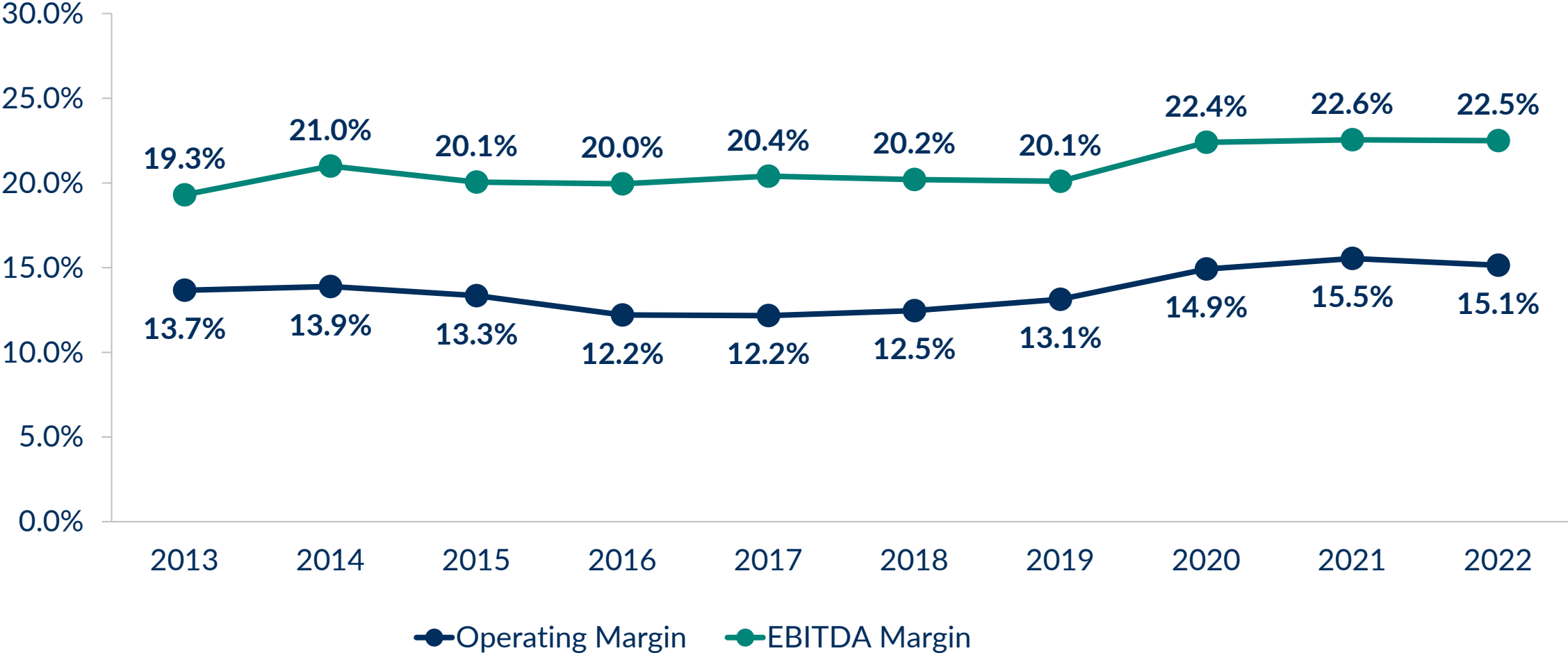
Growth Rate by Line of Business, 2018 to present

Agency Organic Growth Rate by Line of Business from 2018 to Q2 2023



Brokers margins expand post-COVID-19

Q4 Broker Operating Margin & EBITDA Margin



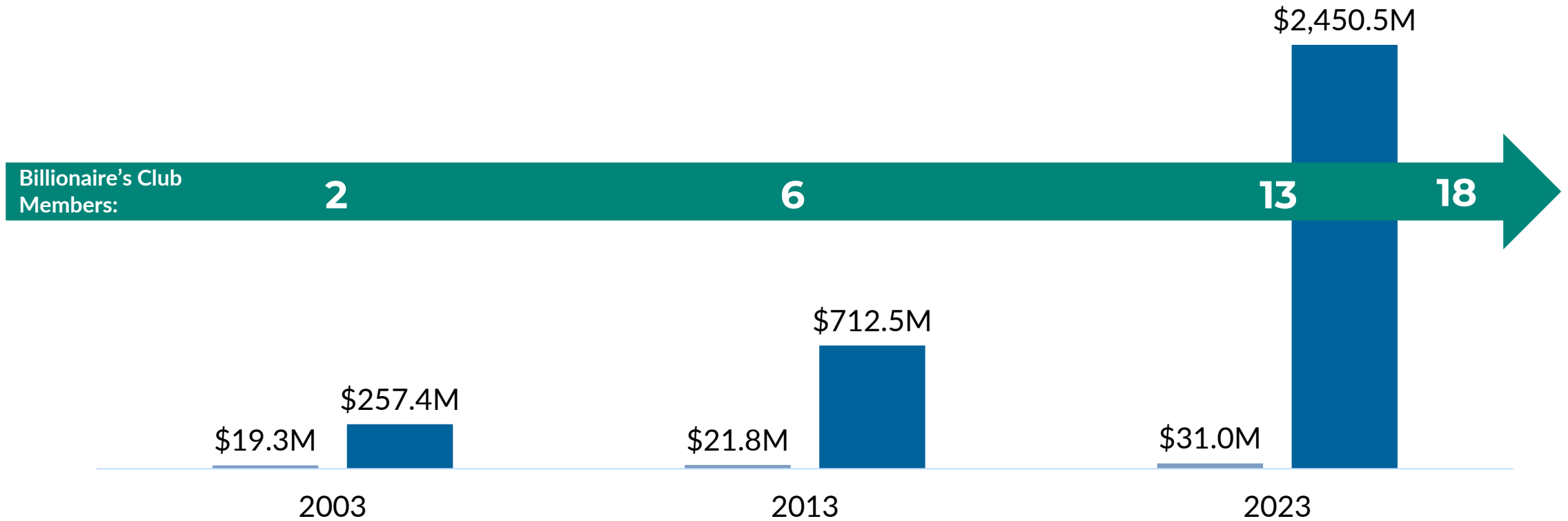
Source: Reagan's Growth & Profitability Survey, Q4 results



Consolidation driving unprecedented scale

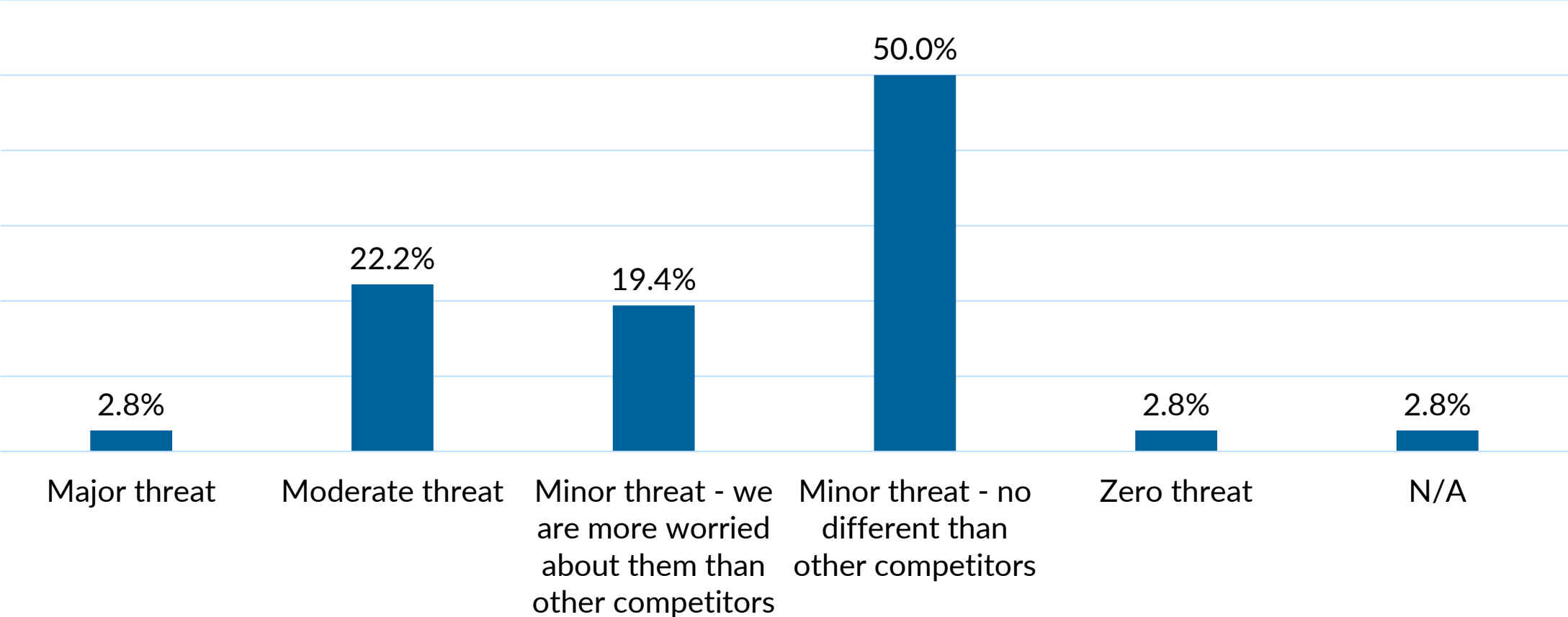
Ranked by US Brokerage Revenues

■ 100th Largest Broker ■ 10th Largest Broker

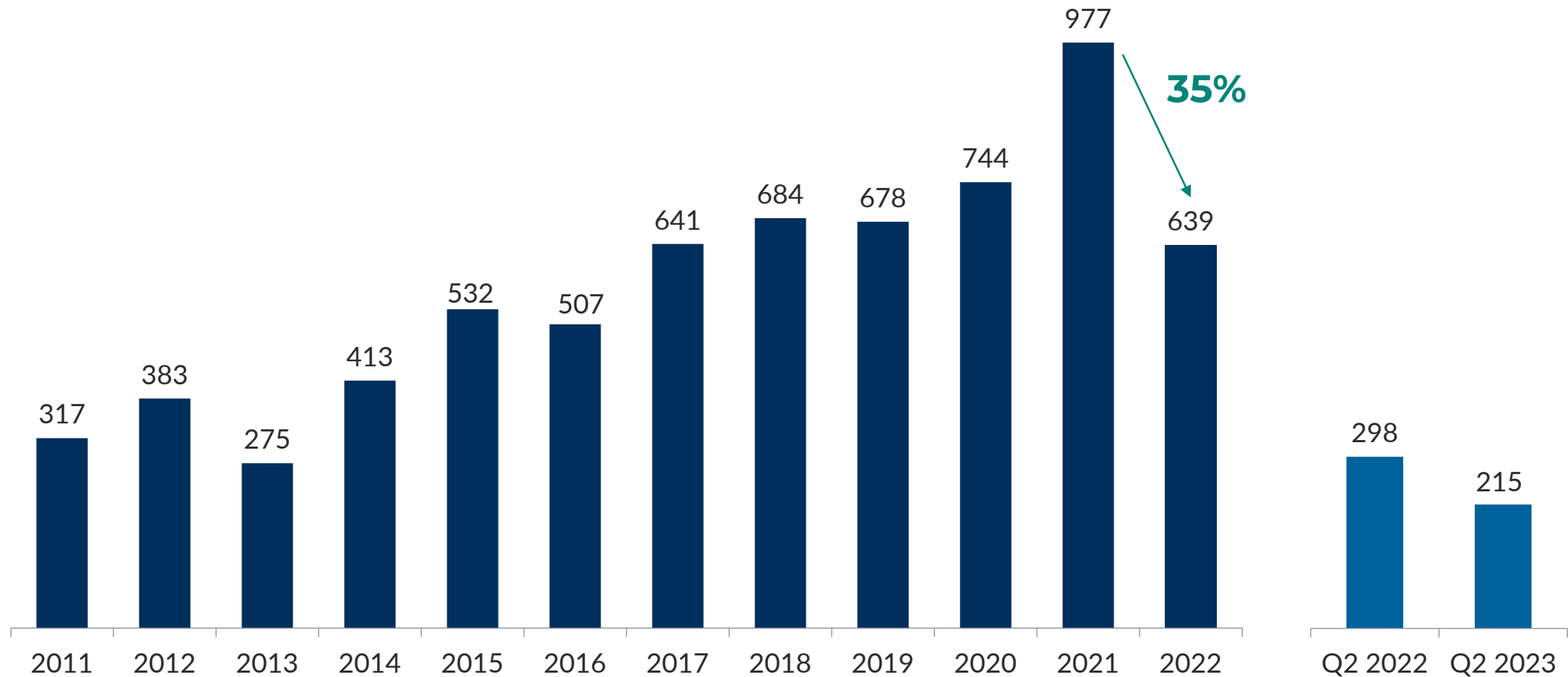


Recent Market Survey

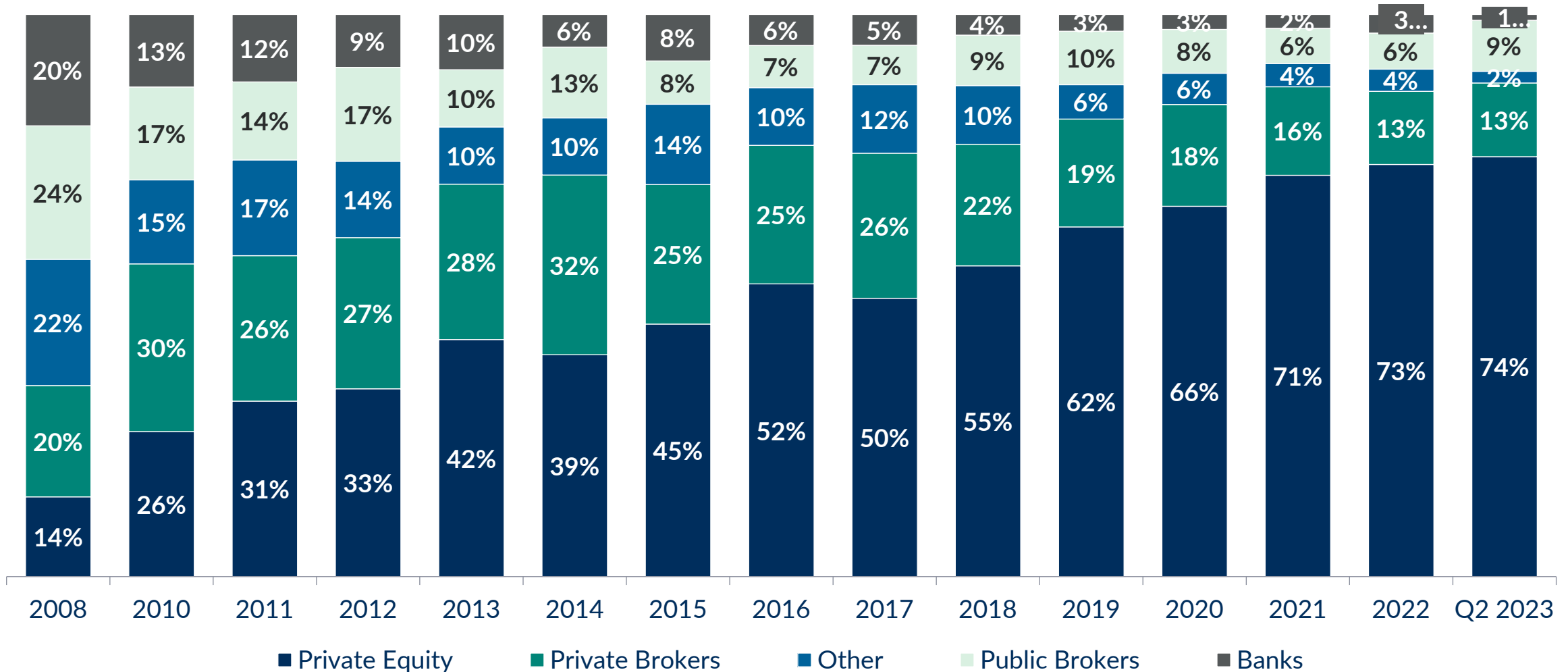
Q: What is your perceived threat level of the middle-market insurance platforms currently being built?



2022 activity slowed after interest rates spiked



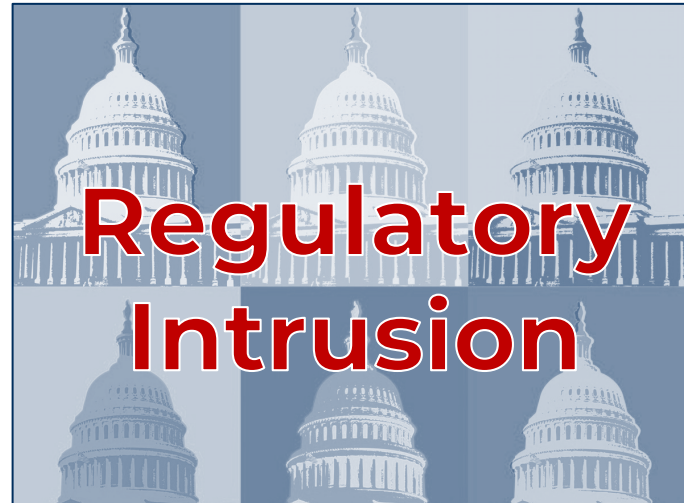
Private Equity Still Dominates the Buyer Landscape





Agency anxiety seems widespread

Five Most Talked-About Threats



Where is the Broker Landscape Heading?

- 1) Many geographies now lack a clear privately-held leader
- 2) Certain high-volume acquirers, sidelined by capital constraints, are now operationally focused
- 3) A localized M&A opportunity may be re-emerging for firms
- 4) Talent mobility could increase dramatically if highly leveraged consolidators are forced to merge
- 5) Future valuations are uncertain, but the traditional quality premium is re-emerging
- 6) Technology (AI) adoption will be essential for remaining competitive
- 7) Agency's must figure out how to consistently compete with scale



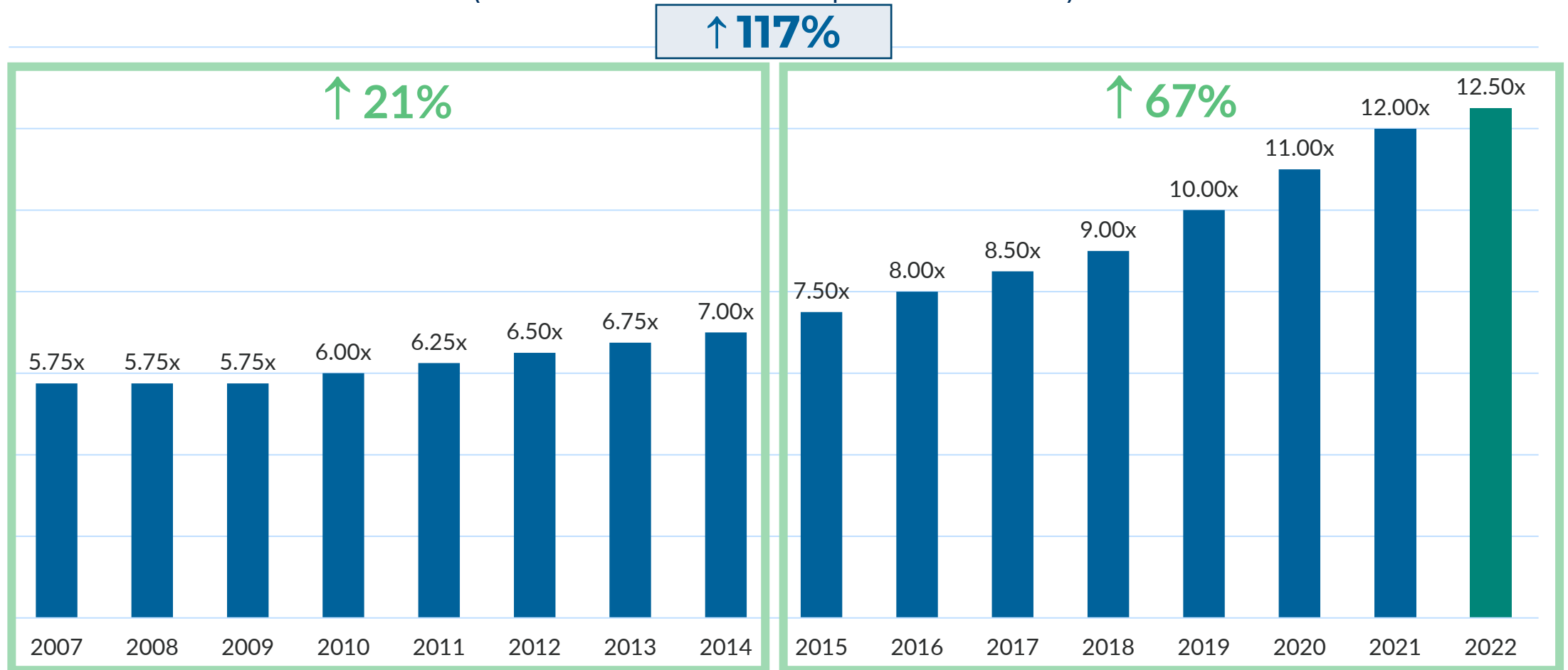
Tell me about the valuation landscape.
Is the market still crazy right now?

Has the
Wave
Crested?

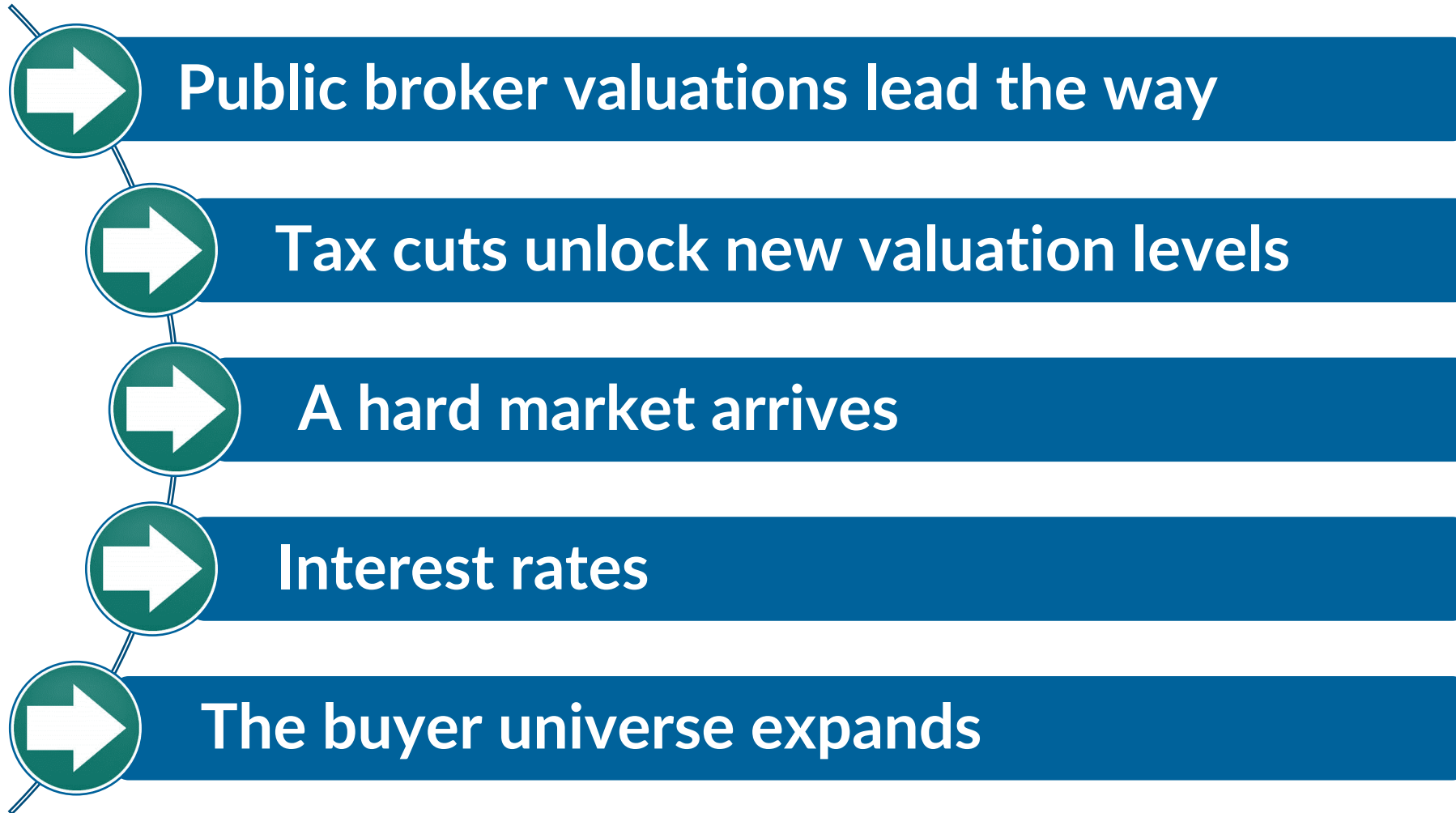


Typical Guaranteed Multiples for Mid-Sized Firms

Typical Guaranteed Valuation Multiples for Mid-Sized Firms (measured as a multiple of EBITDA)



How we got here



Active Buyer Universe: 2007



Active Buyer Universe: Today



What Attributes Lead to the Highest Values?

Size

**Organic
Growth**

Specialization

Youth



How do we effectively compete
against scale?

2023 Best Practices Study

The growth results in this year's Study were exceptional. Other than in the post-9/11 hard market P&C cycle, the industry has never delivered organic growth at the levels achieved in this year's

Five of the six revenue categories saw their organic growth rates increase with only the smallest category decreasing.

Sales Velocity decreased slightly in five of the six revenue categories – the >\$25M was the only category to increase.



Although profitability results were mixed, with four of six revenue categories showing nominal decreases, profit margins remain at near-record levels.

Best Practices agencies are continuing to improve productivity levels. In all but one revenue category, revenue-per-employee results increased.

NUPP (the best indication that agencies are investing in their new business engine) increased in five of the six categories – in many cases, significantly so.

Step 1: Specialize

Over **90%** of the industry's top producers are specialists

Specialty business is typically over **50%** more valuable than general business

Specialization is the **single best way** to compete with scale

Industry

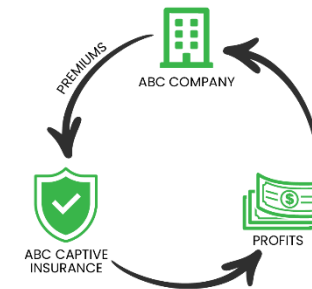


Line of Business



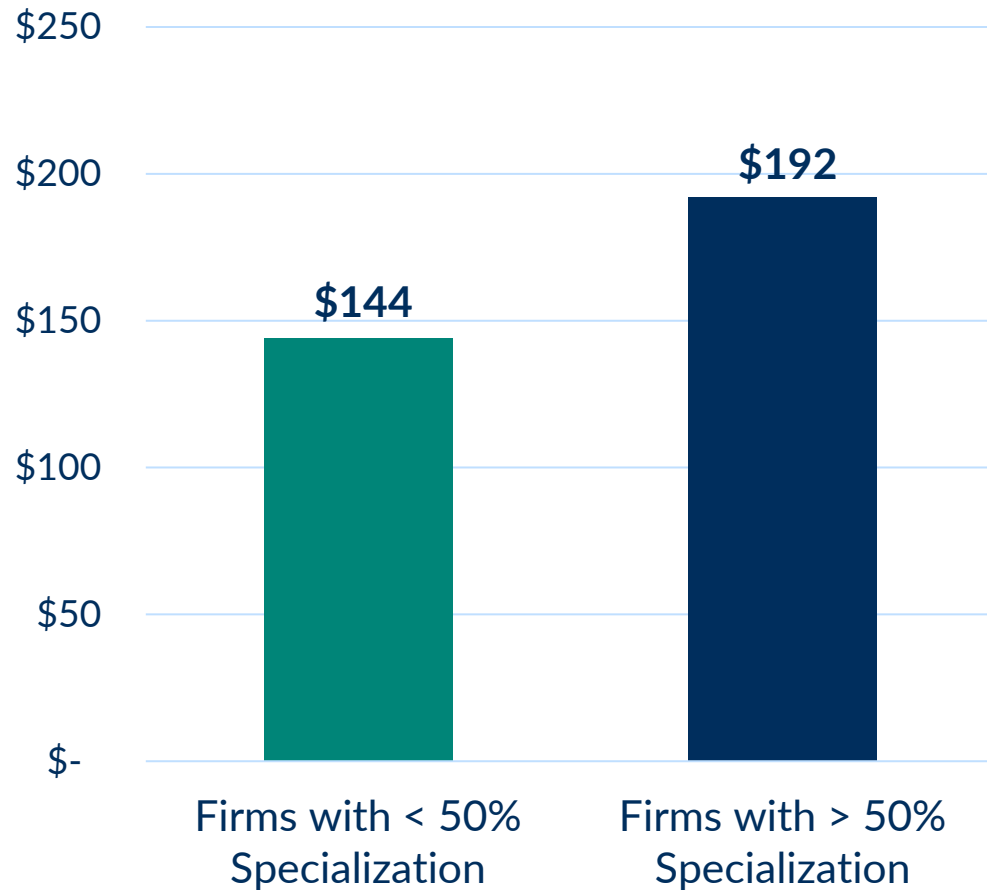
Product or Program

CAPTIVE INSURANCE

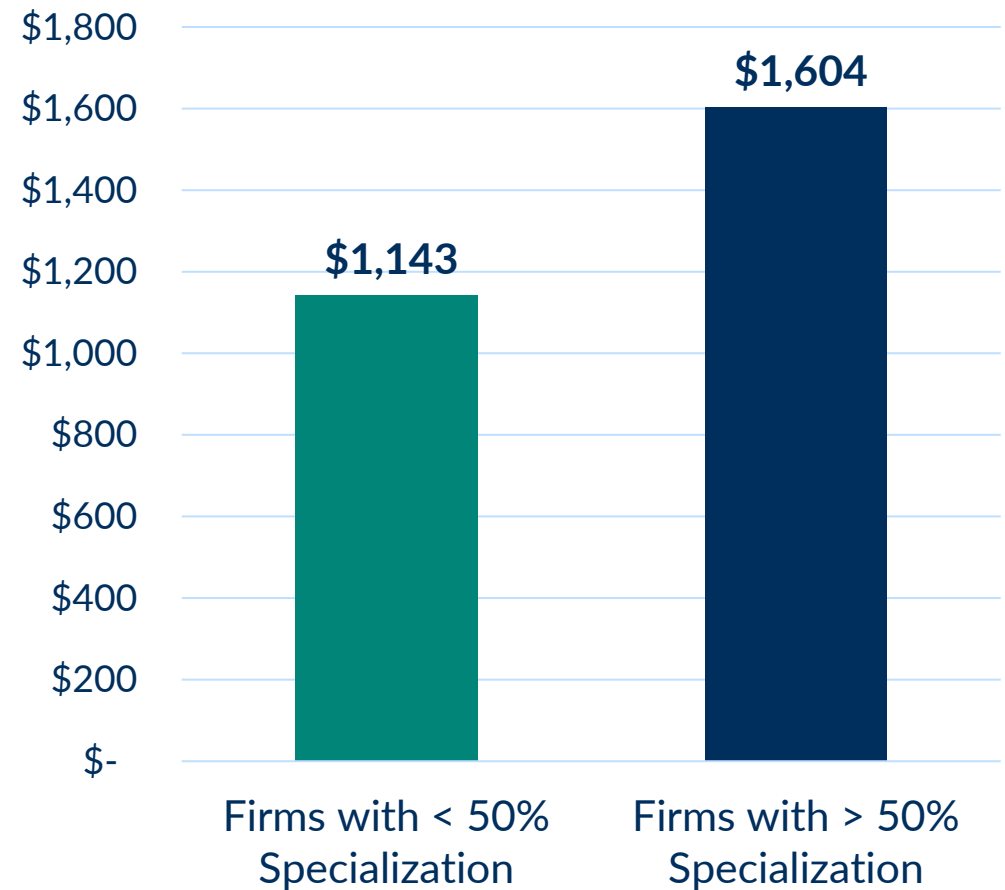


The Power of Specialization

Avg. CL Producer New Business
(\$ in 000s)

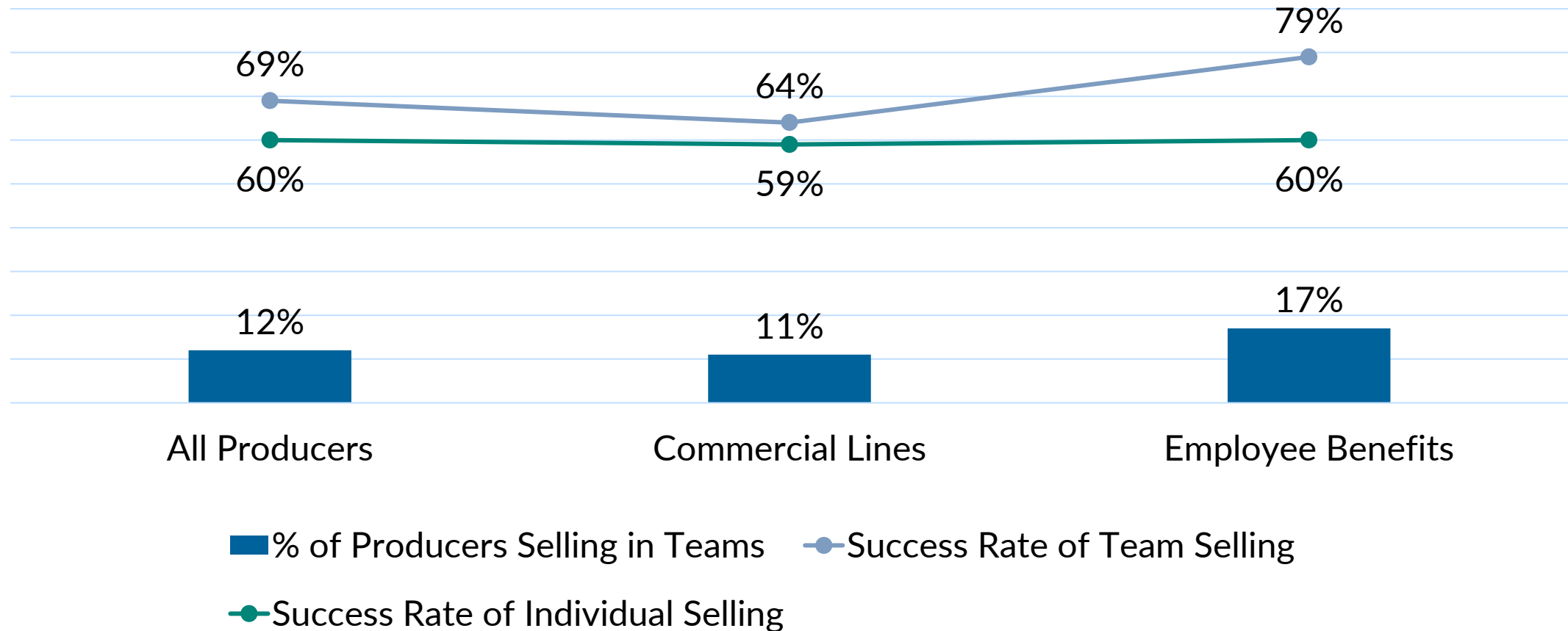


Avg. CL Producer Book
(\$ in 000s)

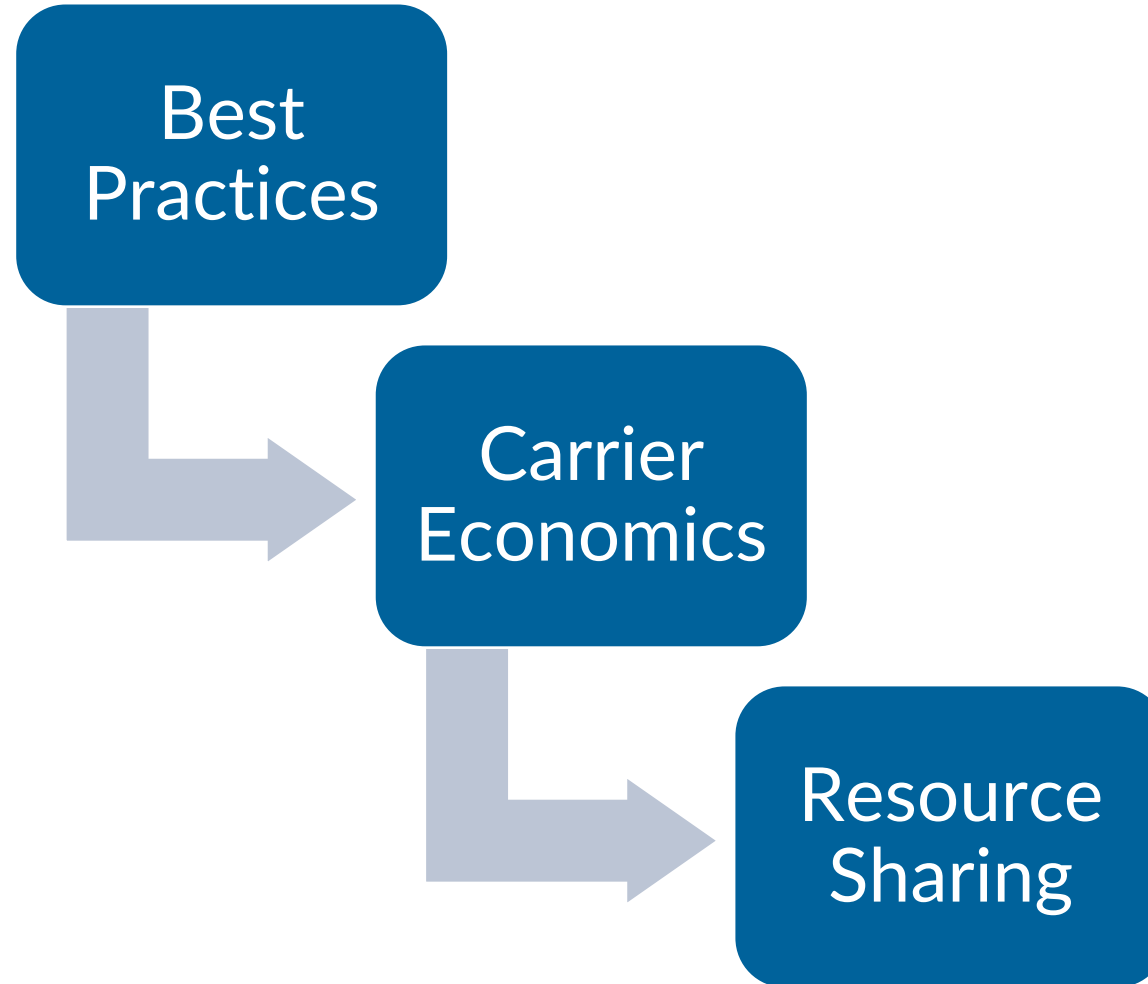


Step 2: Use Teams

Team Selling Frequency & Producer Success Rate



Step 3: Collective Power



Step 4: Leverage Best Practices

	GPS	BPS
Sales Velocity	12.1%	14.7%
EBITDA Margin	22.5%	26.2%
Rule of 20	22.2	24.3

**2023 Best Practices Study, average of all revenue categories;
Growth & Profitability Study, Full Year 2022 results*

- BPS firms lead the industry
- There is value in comparing yourself against the best of the best
- Measurement leads to performance improvement
- Improved performance creates greater viability

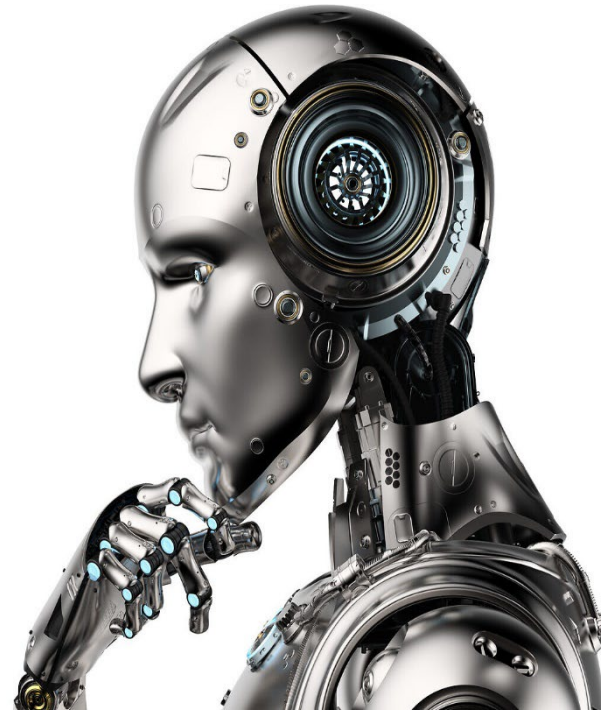
"The information you get back after they crunch those numbers is invaluable to us. We use that information for strategic planning, one year goals, five year goals and where we want our agency to be."

- BPS Agency owner

"Being a Best Practices Agency allows us access to the best agencies in the U.S. We get to benchmark our results against the 'best of the best.' This helps us improve our agency operations and become more competitive which enhances our agency's value."

- BPS Agency owner

Step 5: Engage Technology



Competing with Scale

Specialize

Use Teams

Collective
Power

Leverage
Best
Practices

Engage
Technology

Relationship

Equity Performance Since 1990

S&P 500 versus the Reagan Value Index

— S&P 500 — RVI





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