

# 2011 MAINsheet Trophy for Insurance M&A

## Advisen

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Which P&C firms had the most M&A activity in 2011? Advisen's Top 10 MAINsheet Fleet is represented by Hub, AJG, Brown & Brown, Marsh, USI, Ryan Specialty Group, Wells Fargo, ACE, Bollinger and Aon. This ranking is based on the last 12 MAINsheet monthly columns which note mergers & acquisitions in P&C insurance.

### TOP MAINsheet FLEET

A total of 160 firms made at least one appearance in Advisen's monthly MAINsheet column during 2011. The MAINsheet column is published monthly in Advisen's Front Page News and captures notices of mergers & acquisitions in insurance as well as book of business purchases. The following 20 firms "tripled that effort" and made three or more MAINsheet appearances.

1. Hub (33)
2. Arthur J. Gallagher (24)
3. Brown & Brown (13)
4. Marsh (11)
5. USI (10)
6. Ryan Specialty Group (6)
7. Wells Fargo (5)
8. [tie] ACE (4)
8. [tie] Aon (4)
8. [tie] Bollinger (4)
9. [tie] Ascension (3)
9. [tie] AssuredPartners (3)

- 9. [tie] BB&T (3)
- 9. [tie] Higos (3)
- 9. [tie] Integro (3)
- 9. [tie] JLT (3)
- 9. [tie] Risk Strategies (3)
- 9. [tie] Starr (3)
- 9. [tie] Torus (3)
- 9. [tie] Willis (3)

Congratulations to all who competed for the Advisen 2011 MAINsheet Trophy.

### **2011 MAINsheet TROPHY DISCUSSION**

Are these firms truly the most “acquisitive”? Advisen editors point out that in order to become part of the Advisen Top 10 MAINsheet fleet, two things must happen consistently at these companies: an emphasis on merger & acquisition activity as well as the communication effort that conveys that information to the world.

What industry factors or company aspects best enabled the firms on our list to have such a productive M&A year in 2011? “Several factors enabled Hub to have a strong year on the acquisition front in 2011. First, market conditions were favorable for us to continue our strategy to target firms that could fold into an existing operation or could become a stand-alone operation with long-term growth potential. Second, many acquisition partners were still looking to take advantage of the historically low capital gains tax rate. Third, Hub has a great track record and reputation with regard to the acquisition process,” said Rick Gulliver, President of Hub International Limited.

Many of the MAINsheet fleet of top companies have created a culture that embraces M&A activity. Arthur J. Gallagher CEO Patrick Gallagher, Jr. elaborated on several internal and external factors that propelled AJG’s M&A activity in 2011. “First, there are a huge number of agents & brokers in America, and all around the world, and there are only five major active

acquirers of brokers. There are 18,000 companies in America, and 90% of those are run by baby boomers, so there's a huge amount of supply. Second, each of the top acquirers has different personality, and there's almost a natural selection process that connects the right buyers and sellers. Third, when we started doing deals, we had one guy reviewing situations and pricing; now there are 20 or 30 of us involved in different aspects every day, so we have lots of people out touching all of these agents and brokers."

However, Cory Walker, SVP and Chief Financial Officer at Brown & Brown, disagreed that any specific circumstance or industry trend was afloat. "We talk to a lot of people and everyone has their own rationale about when it is the right time to do a transaction. We don't see anything particularly unique about the past year relative to recent years."

What areas or company targets were the bulls-eye for the majority of Top MAINsheet companies in 2011? Obviously, there was a clear appetite demonstrated for retail brokerage. ACE, Torus, and Starr were the only insurance companies to make the list; the rest of the fleet was comprised of retail and wholesale brokerages.

"We targeted partners with strong leaders and production teams that complemented our existing culture. In addition, we targeted geographic markets where we see significant growth potential, such as Latin America. We did not target a particular line of business, but rather focused our attention on finding quality agencies with strong leadership," said Clark Wormer, Director of Mergers & Acquisitions for Hub International Limited.

This sentiment was also shared by Brown & Brown's Cory Walker. "All we look for are agencies that have high quality people who know how to run an operation. We will buy any operation that is in the insurance intermediary business, and that means a lot of different things. So we are open to different things. The only thread is that the people who operate these entities are highest quality and that they know the business better than anyone else. It's got to have the right people," explained Walker.

## **A LOOK AHEAD AT 2012**

Given a total of 308 number of MAINsheet entries throughout 2011, we are keen to share how firms at the top of our MAINsheet Trophy fleet view the coming year of 2012. For most of the firm's at the top of the rankings, there is no indication to predict a drastic change in 2012.

Hub International's Rick Gulliver summarized, "Hub has now completed over 250 acquisitions since our inception in 1998, and we remain bullish on opportunities in 2012. We will stay true to our disciplined approach and will continue to seek merger-partners that are aligned with us culturally and that want to continue to grow their businesses organically."

Pat Gallagher cites these stats to make a similar point: "AJG had \$100 million in revenue in 1986, and 25 years later in 2011, over \$2 billion in revenue. We've done over 350 deals, and this type of transaction is now part of our DNA. Keep in mind that many of these acquisitions take years and years to develop."

"For 2012, our pipeline has never been stronger, and this year is probably the end of the Bush capital gains cuts, so I predict that the number of transactions will probably be somewhat similar to what we did last year, but that's a forward looking statement that might not come true," Pat Gallagher added. "Also, I don't know if we could do the same volume because the Heath deal was \$150 million, but you will see a continuation of the push on our part."

Brown & Brown's Cory Walker challenged our numbers by pointing out that Brown & Brown bought a total 38 assets or agencies in 2011. Those 38 legal entities represent 23 operations or about \$89 million dollars of added annual revenue. Moreover, he emphasized that "Since year end, we have already bought two agencies with \$108 million dollars of added revenue for 2012. One to these was Arrowhead. "We do not budget for acquisitions. We don't care if we don't make any acquisitions or if we make 100. We just want the right people, the right culture, and the right operation."

While Advisen's monthly MAINsheet clearly didn't capture every single new M&A deal done or announcement issued, we believe the aggregate data represents a decent proxy for the absolute list. We salute the companies who are clearly making big advances in this realm. At Advisen, we believe that the upshot of making the buyers in this arena more transparent is a greater degree of opportunity and choice for the future seller.

## **HOW IS MAINsheet DATA COMPILED?**

Our MAINsheet contains The MAINsheet column is published monthly in Advisen's Front Page News and captures notices of mergers & acquisitions in insurance as well as book of business purchases.

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### **MAINsheet's NEXT DEADLINE**

Advisen's MAINsheet for Mergers and Acquisitions in Insurance News details Mergers & Acquisitions in Insurance News including transactions and "book of business" purchases. Send material to [editors@advisen.com](mailto:editors@advisen.com) and note that the next MAINsheet deadline is day 14 of the month. There is no charge to submit MAINsheet content. MAINsheet content is global. Advisen's MAINsheet column is distributed via our Front Page News e-mail to 100,000 commercial insurance professionals.

### **MAINsheet Guidelines**

- Content for this column is collected via announcements sent directly to [editors@advisen.com](mailto:editors@advisen.com) as well as news stories and websites that Advisen's Research & Editorial team uncovers.
- Priority attention is given to events & material announced in the previous six weeks.
- Wherever possible, events & materials are listed by the acquirer or company most likely to benefit.
- Contact information (eg phone and email) is included for events & materials sent directly to Advisen via [editors@advisen.com](mailto:editors@advisen.com).

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