

Insurance Brokerage M&A Heats Up in Q4

Aon acquired Carpenter Moore, Allied North America; Marsh bought HSBC Insurance Brokers and NIA Group. AJG acquired Triad in Hawaii, Wells Fargo bought Sierra Self Insurance,... The full list of Q4 09 Insurance Brokerage deals is sizeable, and makes Advisen's report, "Insurance Broker Economics: The Carousel of M&As" very timely. The frenetic pace of consolidation in the brokerage sector built steam in Q4, hampered only by the global economic recession. This 19-page report has been referenced by leading business news providers and offers a primer on the economics of the industry. Available for sale at Advisen's CornerStore for \$499.

Since the release of this report in October, we've seen a wave of merger & acquisition activity by several key industry players. Advisen's report suggests that we're at the beginning of this consolidation phase rather than the end. Leading business news providers like Bloomberg News, Reuters, and Insurance Journal have reported on its findings. Insurance Times of the UK even proclaimed that Advisen's report "received global online attention."

One reader told us, "For any brokerage or agency CEO like me whose thinking about selling, you've laid out the economic arguments on both sides and explained the history and background that makes this report a must-read." From strategy changes influenced in part by the Spitzer investigations, to a thorough analysis of the brokerage environment facing the biggest players, to growth prospects for medium-sized brokers who focus on the middle market, this report provides vital insight. We expect that executives engaged in agency acquisition of also appreciate this lay-of-the-land report.

ORDER DETAILS

Purchase a copy of Advisen's Report "Insurance Broker Economics: The Carousel of M&As" for \$499 from the Advisen CornerStore at http://corner.advisen.com/reports_topical_broker_economics.html

REPORT SYNOPSIS: Consolidation to Continue

A shift in strategy now pits the largest brokers against mid-size firms in a battle for the middle market. Driven in part by responses to investigations by then-New York Attorney General Eliot Spitzer, the acquisition strategy of the largest brokers has shifted from vertical integration to one of achieving greater breadth and depth across market segments. At the same time, second tier brokers continue to pursue an aggressive "roll-up" strategy to grow market share in many of the same segments. The insurance brokerage industry has been consolidating for decades, and many more acquisitions certainly are on the horizon. This Advisen report examines the forces driving

broker M&A activity, and offers valuable insights into emerging M&A trends.

“Large brokers enjoy certain advantages of scope and scale,” said John Molka III, Senior Industry Analyst at Advisen and the author of the report. “At least in theory, their costs are lower, and they are able to provide a broader array of services. But small brokers are the engines of growth in the insurance market, and larger brokers will continue to acquire them to tap into their growth potential.”

The middle market has long been the strength of mid-size brokers, many of which have pursued aggressive “roll up” acquisition strategies to grow market share in this segment. “The emphasis on middle market business pits the mega-brokers against second- and third-tier brokerage firms,” observed Advisen EVP & Editor in Chief Dave Bradford. “Size has advantages, but smaller brokers historically have been quite successful in this sector.”

The two largest brokers, Aon and Marsh, also have been in head-to-head competition to achieve a dominant position in the reinsurance market. In the past year, Aon Re acquired Benfield Group, the third largest reinsurance intermediary, significantly extending its lead over Marsh’s Guy Carpenter & Co. In turn, Guy Carpenter acquired regional and specialty intermediary John B. Collins & Associates, and has announced plans to buy Lloyd’s broker Rattner Mackenzie Ltd.

“Insurance Broker Economics: The Carousel of M&As” also takes an in-depth look at the important role of private equity in the broker market, examines the economics of the insurance brokerage industry, and analyzes the impact of the credit crisis and the ensuing global recession on merger and acquisition activity.

Insurance Broker Economics: The Carousel of M&As

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