

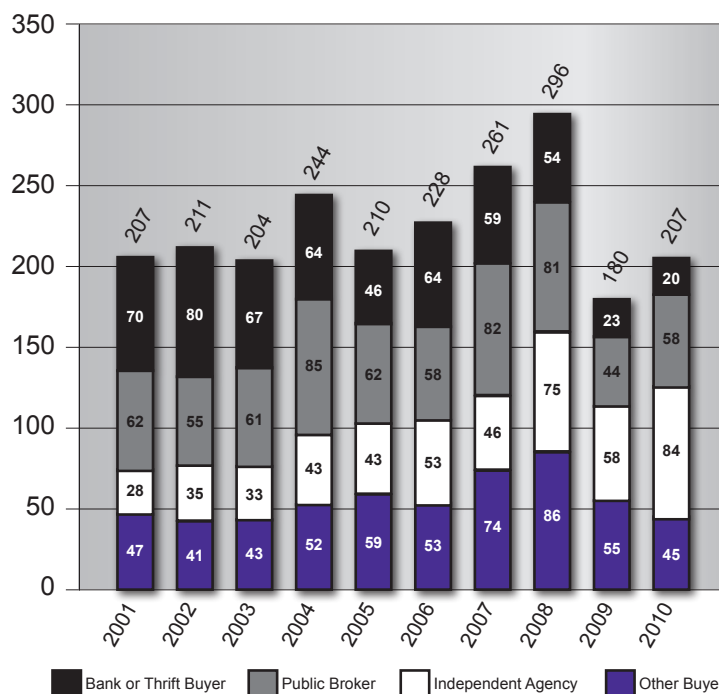
Let the Deals Continue

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2009 marked the lowest number of insurance brokerage deal closings in the last ten years. The financial collapse, lack of capital and depressed valuations slowed transaction closings in most industries. While deal activity increased in 4th quarter 2009, 2010 remained uncertain. Despite the expected increase in capital gains tax rates for 2011, deal activity in the first half of 2010 was flat compared to the second half of 2009. 3rd quarter 2010 came in strong with 50 transactions, almost a 50% increase over 3rd quarter 2009. Owners suddenly realized that if selling their agency was probable in the near future, this was the time to move. Buyers, despite being flooded with numerous opportunities, stepped up pricing and the pace to close as many deals as possible in order to counter lackluster organic growth results. Many acquirers had to shut down their pipeline in order to focus on completing deals already in play.

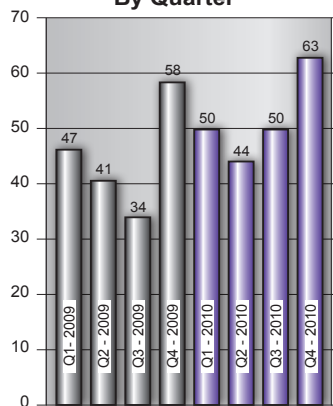
The 4th quarter of 2010 continued at a flurried pace with another 63 completed deals. Extension of capital gains rates for two more years was announced in mid-December resulting in some deals lapsing to a January close. Another 12 deals were announced in the first 12 days of January 2011. Without a continuance of the capital gains rates, these deals would have closed (somehow) in 2010. Even with some deals slipping into January, total deal closings in 2010 were 15% higher than 2009, bringing the total back within the range of the last ten years.

Publicly Announced Insurance Brokerage Deals By Buyer Segment



Note: Public Brokers includes National Private Equity Owned Brokers, Hub & USI
Other Buyers includes primarily Insurance Companies and Private Equity

Publicly Announced Insurance Brokerage Deals By Quarter



While the number of deal closings rebounded to historical levels, the buyer landscape is drastically different than it was at the beginning of the decade. In 2001, bank or thrift buyers acquired 70 of the 207 agencies sold that year compared to only 20 of the 207 sales in 2010. Those expecting a significant decline in transactions due to the deceleration of bank acquisitions, failed to contemplate the resurgence of independent insurance agencies as buyers. Independent agencies acquired a total of 28 deals in 2001. This number increased three-fold in 2010. Large regional players who survived the economic turmoil are taking advantage of an aging owner base and continued pressures on smaller agencies. While public brokers held steady between 62 and 58 deals, the players have evolved and changed. A once active acquirer, HRH, was purchased by a dormant Willis. Others have taken its place including Marsh McLennan Agency and increased activity from Arthur J. Gallagher and Hub Group. All in all, the number of completed deals in 2010 was a strong showing and this trend is expected to continue in 2011 and 2012. Pricing is also on the rebound with an increase in multiples paid in 2010 compared to 2009. More on this in our next publication.

MarshBerry M&A Advisory Services

Deal Strategy

1. Acquisition Planning
2. Deal Return Modeling
3. Strategic Options Analysis
4. Alternative Buyer Comparison

Deal Preparation

1. Sale Preparation Management
2. Offering Memorandum Development
3. Strategic Pitch Book Design
4. Candidate Profile Creation

Deal Representation

1. Buy Side Representation (inc. Search & Screen)
2. Sell Side Representation
3. Letter of Intent Development / Negotiation
4. Creative Deal Structure Alternatives

Deal Analysis

1. Agency Fair Market Valuation
2. Market Comparables / Deal Benchmarking
3. After-Tax Return Optimization
4. IRR, ROI and EPS Analysis

Deal Execution

1. Diagnostic and Confirmatory Due Diligence
2. Intangible Asset Allocation - GAAP Reporting
3. Fairness Opinion
4. Definitive Agreement Best Terms / Conditions

Post-Deal Management

1. Post-Closing Integration
2. Goodwill Impairment Testing
3. Peer-to-Peer CEO Exchange
4. Earn-Out Maximum Consultation

SNL Financial M&A Advisor Rankings

Insurance Broker Merger & Acquisition Deals
1997-2010

Rank	Firm	1997 - 2010 # of Deals	2010 # of Deals
1	Marsh, Berry & Co. Inc.*	307	32
2	Hales & Company, Inc.	141	18
3	Reagan Consulting, Inc.	126	4
4	Mystic Capital Advisors Group, LLC	111	16
5	Macquarie Capital Advisors Grp., LLC	48	4
6	Bank of America Merrill Lynch	22	0
7	Sica Consultants, Inc.	20	2
8	B.H. Burke & Company, Inc.	17	1
9	Harbor Capital Advisors, Inc.	16	0
9	Keefe Bruyette & Woods, Inc.	16	1
11	North Bridge Advisors, Inc.	13	0
11	Philo Smith & Company	13	3
13	Sandler O'Neill & Partners, L.P.	12	1
14	Credit Suisse (USA), Inc.	9	0
15	Business Management Group, Inc.	8	0
15	Curtis Financial Group, LLC	8	0
15	J.P. Morgan Securities, Inc.	8	0
18	Boenning & Scattergood, Inc.	7	0
18	Gill and Roeser Holdings, Inc.	7	0
18	Nexus Group, Inc.	7	0
21	2nd Generation Capital Corporation	6	0
21	Garland McPherson & Assoc., Inc.	6	0
21	Goldman, Sachs & Company	6	0
21	Optis Partners, LLC	6	3
25	Austin Associates, LLC	5	1
25	Lazard Freres & Company, LLC	5	0
25	Piper Jaffray & Company	5	1
25	Wells Fargo Securities, LLC	5	0

All States // Completed Transactions
Whole deals as reported by SNL Financial, January 12, 2011
* MarshBerry has closed 28% of total deal flow since 1997

MarshBerry's clients are committed to realizing their fullest potential with respect to growth, profit, survival and shareholder value. Our agent, broker, bank and carrier clientele engage us to achieve their goals within the retail and wholesale channels of the insurance distribution system. Our unparalleled industry-specific services include consulting, performance benchmarking, peer-to-peer exchange networks, merger and acquisition intermediation and producer recruiting.

