# THE HALES REPORT

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**Inside This Issue**



## 2018 "Hales Top 100" Commercial Focused Agents/Brokers In The U.S.

This week we release the **"Hales Top 100" agents/brokers** based on 2018 revenue. The list ranges from #1 **Marsh & McLennan** with $7.2B of U.S. revenue to the #100 agency with $28M of revenue. We highlight the following initial points of interest:

1) The entire Top 100 represents $42.3B of aggregate revenue, an increase of 9.4% year-on-year, which includes not only organic growth but significant revenue from acquisitions. Notably, only 5 agencies reported *lower* 2018 revenue.

2) The top 6 brokers by revenue are all publicly traded and represent $23.4B of revenue, an increase of 6.0% in 2018, or 56% of the Hales Top 100 (stable YOY).

3) Within the top 20 there are **10 private equity backed "aggregators"** which represented $9.2B of revenue (~22% of total), with growth of ~17% in 2018.

4) Six of the Top 100 have recently been acquired and are highlighted in red: #16 **JLT** (Marsh), #23 **Hays** (Brown & Brown), #31 **Integro USA** (EPIC), #70 **Bouchard Insurance** & #76 **Lovitt & Touché** (both Marsh Agency) and #92 **Tolman & Wiker** (AssuredPartners).

5) The threshold to be a "Top 10" broker continued to increase, now >$1.3B (Acrisure with $1.34B pushed out Lockton at $1.3B) vs. $1.1B last year. The Top 25 hurdle increased to $200M (vs. $190M) and the Top 50, 75 & 100 hurdles were also each up to $76M (vs. $71M), $41M (vs. $38M) and $28M (vs. $27M), respectively.

Exhibit 1

# Top U.S. Agents & Brokers

| Rank | | Company | U.S. Revenue ($,M) | | % Change | Ownership Type |
|---|---|---|---|---|---|---|
| '17 | '18 | | 2017 | 2018 | | |
| 1 | 1 | Marsh & McLennan | $6,870 | $7,219 | 5.1% | Public |
| 2 | 2 | Aon PLC | $4,425 | $4,677 | 5.7% | Public |
| 3 | 3 | Willis Towers Watson | $3,821 | $3,970 | 3.9% | Public |
| 4 | 4 | Arthur J. Gallagher | $3,279 | $3,631 | 10.7% | Public |
| 5 | 5 | Brown & Brown | $1,865 | $1,999 | 7.2% | Public |
| 6 | 6 | BB&T Insurance | $1,860 | $1,958 | 5.3% | Bank / Public |
| 7 | 7 | USI Insurance Svcs | $1,740 | $1,795 | 3.2% | Private Equity |
| 8 | 8 | Hub International | $1,461 | $1,685 | 15.3% | Private Equity |
| 10 | 9 | Alliant Insurance Svcs | $1,125 | $1,351 | 20.1% | Private Equity |
| 12 | 10 | Acrisure LLC | $1,042 | $1,336 | 28.2% | PE/ Management |
| 9 | 11 | Lockton* | $1,171 | $1,300 | 11.0% | Private |
| 13 | 12 | AssuredPartners | $967 | $1,223 | 26.4% | Private Equity |
| 11 | 13 | NFP Corp. | $1,069 | $1,175 | 9.9% | Private Equity |
| 14 | 14 | BroadStreet Partners | $481 | $607 | 26.2% | Private Equity |
| 15 | 15 | Edgewood Partners / EPIC | $386 | $437 | 13.2% | Private Equity |
| 16 | 16 | Jardine Lloyd Thompson | $365 | $405 | 11.0% | Public |
| 18 | 17 | Risk Strategies | $238 | $321 | 34.9% | Private Equity |
| 24 | 18 | Digital Insurance | $190 | $313 | 65.1% | Private Equity |
| 17 | 19 | CBIZ Benefits & Insurance Svcs | $286 | $290 | 1.5% | Public |
| 23 | 20 | Alera Group | $193 | $283 | 47.1% | Private Equity |
| 19 | 21 | Leavitt Group | $236 | $255 | 8.0% | Private |
| 20 | 22 | Paychex Insurance Agency | $207 | $226 | 9.3% | Public |
| 21 | 23 | Hays Companies | $199 | $210 | 5.5% | Private |
| 22 | 24 | Insurance Office of America | $199 | $209 | 5.0% | Private |
| 26 | 25 | Higginbotham | $173 | $200 | 15.9% | Private Equity |
| 25 | 26 | Holmes Murphy & Associates | $177 | $195 | 9.7% | Private |
| 27 | 27 | Cottingham & Butler | $170 | $189 | 11.3% | Private |
| 28 | 28 | The IMA Financial Group | $158 | $168 | 6.1% | Private |
| 29 | 29 | Cross Insurance | $157 | $167 | 6.7% | Private |
| 47 | 30 | Foundation Risk Partners | $75 | $155 | 106.7% | Private Equity |
| 31 | 31 | Integro USA | $145 | $152 | 4.7% | Private Equity |
| 37 | 32 | The Hilb Group | $114 | $141 | 24.4% | Private Equity |
| 33 | 33 | Hylant Group | $128 | $141 | 10.1% | Private |
| 34 | 34 | Woodruff-Sawyer | $128 | $139 | 8.7% | Private |
| 35 | 35 | PayneWest Insurance | $118 | $130 | 10.2% | Private |
| 38 | 36 | Heffernan Group | $112 | $128 | 15.0% | Private |
| 36 | 37 | BancorpSouth Insurance Svcs | $116 | $118 | 1.6% | Public |
| 40 | 38 | Assurance Agency | $105 | $116 | 10.0% | Private |
| 30 | 39 | Meadowbrook / AmeriTrust | $150 | $116 | -22.7% | Private |
| 39 | 40 | Prime Risk Partners | $108 | $115 | 6.6% | Private Equity |
| 41 | 41 | Insurica | $98 | $104 | 6.1% | Private |
| 42 | 42 | Relation Insurance Services | $97 | $99 | 1.6% | Private Equity |
| 43 | 43 | Associated Benefits & Risk Consulting | $87 | $96 | 9.9% | Public |
| 44 | 44 | Eastern Insurance | $85 | $94 | 11.0% | Private |
| 45 | 45 | Oswald Cos. | $83 | $89 | 6.6% | Private |
| 46 | 46 | Propel Insurance | $78 | $85 | 9.3% | Private Equity |
| 57 | 47 | Baldwin Risk Partners | $58 | $80 | 37.9% | Private |
| 53 | 48 | ABD Insurance & Financial Svcs | $64 | $80 | 23.4% | Private |
| 50 | 49 | Lawley Service | $71 | $76 | 7.0% | Private |
| 49 | 50 | Horton Group | $73 | $76 | 4.1% | Private |

| Rank | | | U.S. Revenue ($,M) | | | |
|---|---|---|---|---|---|---|
| '17 | '18 | Company | 2017 | 2018 | % Change | Ownership Type |
| 48 | 51 | Marshall & Sterling Enterprises | $73 | $75 | 2.0% | Private |
| 51 | 52 | TrueNorth Cos. | $67 | $75 | 12.1% | Private |
| 55 | 53 | Towne Insurance Agency | $60 | $66 | 9.7% | Public |
| 52 | 54 | Huntington Insurance | $65 | $66 | 0.7% | Public |
| 54 | 55 | Houchens Insurance Group | $63 | $64 | 2.3% | Private |
| 56 | 56 | Scott Insurance | $59 | $62 | 4.4% | Private |
| 58 | 57 | Parker, Smith & Feek | $56 | $61 | 8.8% | Private |
| 59 | 58 | The Graham Co. | $56 | $59 | 5.2% | Private |
| 60 | 59 | LMC Insurance & Risk Mgmt | $56 | $57 | 2.6% | Private |
| 61 | 60 | SterlingRisk | $54 | $57 | 4.6% | Private |
| 62 | 61 | Bowen, Miclette & Britt | $49 | $52 | 5.5% | Private |
| 65 | 62 | Frost Insurance Agency | $48 | $50 | 4.0% | Public |
| 64 | 63 | Poms & Associates Insurance Brokers | $49 | $49 | 1.6% | Private |
| 66 | 64 | Rose & Kiernan Inc. | $47 | $48 | 3.2% | Private |
| 67 | 65 | Bolton | $47 | $48 | 3.0% | Private |
| 70 | 66 | Gowrie Group | $43 | $47 | 9.2% | Private |
| 63 | 67 | Moreton | $49 | $47 | -3.7% | Private |
| 68 | 68 | Corporate Synergies | $45 | $46 | 2.1% | Private Equity |
| 72 | 69 | The Mahoney Group | $43 | $46 | 8.7% | Private |
| 71 | 70 | Bouchard Insurance | $43 | $46 | 6.8% | Private |
| 69 | 71 | Riggs, Counselman, Michaels & Downes | $45 | $45 | 0.8% | Private |
| 74 | 72 | Armfield, Harrison & Thomas | $40 | $45 | 13.4% | Private |
| 88 | 73 | Sunstar Insurance | $32 | $44 | 35.9% | Private |
| 79 | 74 | The Loomis Co. | $36 | $43 | 20.3% | Private |
| 76 | 75 | Charles L. Crane | $38 | $41 | 8.8% | Private |
| 73 | 76 | Lovitt & Touché | $40 | $41 | 0.7% | Private |
| 75 | 77 | Fisher Brown Bottrell Insurance | $38 | $40 | 6.2% | Public |
| 80 | 78 | Sterling Seacrest Partners | $35 | $40 | 12.2% | Private |
| 77 | 79 | Robertson Ryan & Associates | $37 | $39 | 5.5% | Private |
| 82 | 80 | The Partners Group | $35 | $38 | 10.1% | Private |
| 78 | 81 | James G. Parker | $36 | $37 | 1.8% | Private |
| 90 | 82 | M&T Insurance Agency | $32 | $36 | 13.1% | Public |
| 81 | 83 | Sullivan, Curtis, Monroe | $35 | $35 | 0.3% | Private |
| 84 | 84 | People's United Insurance Agency | $33 | $35 | 4.2% | Public |
| 89 | 85 | Christensen Group | $32 | $34 | 6.3% | Private |
| 93 | 86 | Rich & Cartmill | $30 | $34 | 11.0% | Private |
| 86 | 87 | Cobbs Allen | $33 | $33 | 0.8% | Private |
| 91 | 88 | MJ Insurance | $32 | $33 | 5.4% | Private |
| 83 | 89 | R&R Insurance Svcs | $34 | $33 | -1.5% | Private |
| 87 | 90 | Wood Gutmann & Bogart | $33 | $33 | 1.2% | Private |
| 96 | 91 | Bukaty | $29 | $33 | 13.8% | Private |
| 85 | 92 | Tolman & Wiker | $33 | $33 | -1.0% | Private |
| 92 | 93 | PSA Financial Services | $31 | $32 | 4.7% | Private |
| 94 | 94 | Murray Securus | $30 | $31 | 3.5% | Private |
| 99 | 95 | Kapnick Insurance Group | $28 | $31 | 8.8% | Private |
| | 96 | World Insurance Associates LLC | $19 | $30 | 59.5% | PE/ Management |
| 97 | 97 | Tompkins Insurance Agencies | $29 | $29 | 2.2% | Public |
| 95 | 98 | Tricor Inc | $29 | $29 | -0.5% | Private |
| | 99 | InsGroup | $25 | $28 | 15.4% | Private |
| | 100 | The Buckner Co. | $26 | $28 | 8.7% | Private |

*Source: Dowling Hales proprietary survey, Company Reports. Footnotes: *Lockton is a premliminary estimate for fiscal year ending 4/30*

**DOWLING HALES ANNOUNCES ANOTHER SUCCESSFUL TRANSACTION:** ARGENIA, LLC ANNOUNCES ITS SALE TO CRC INSURANCE SERVICES.

**Dowling Hales served as exclusive financial advisor to Argenia, LLC ("Argenia"), a Little Rock, AR-based program manager and managing general agent ("MGA") in its sale to the CRC Insurance Services, Inc. ("CRC"), a subsidiary of BB&T Insurance Holdings, Inc.**

Formed in 1976, Argenia is a program manager and contract binding MGA focused mainly on excess and surplus lines risks in the Southeast and Midwest United States, including key programs in commercial, specialty CAT coverage (e.g., earthquake and flood), and personal risks. Argenia will join CRC's binding authority and transactional wholesale business.

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| | | |
|---|---|---|
| Argenia | Walker Brothers Insurance, Inc. | Insurance Programs of America Inc. |
| REPRESENTED BY DOWLING HALES* | REPRESENTED BY DOWLING HALES* | REPRESENTED BY DOWLING HALES* |
| **HAS BEEN ACQUIRED BY** | **HAS BEEN ACQUIRED BY** | **HAS BEEN ACQUIRED BY** |
| CRC Group Wholesale & Specialty | Hilb Group | Specialty Program Group |
| **MAY 2019** | **APRIL 2019** | **MARCH 2019** |
| *CONDUCTED THROUGH HALES SECURITIES, LLC | *CONDUCTED THROUGH HALES SECURITIES, LLC | *CONDUCTED THROUGH HALES SECURITIES, LLC |
| Tolman Wiker — Innovative Risk Advice Since 1923 — Tolman & Wiker Insurance Services, LLC | KBK Insurance Group | Cambridge Consulting Group |
| REPRESENTED BY DOWLING HALES* | REPRESENTED BY DOWLING HALES* | REPRESENTED BY DOWLING HALES* |
| **HAS BEEN ACQUIRED BY** | **HAS BEEN ACQUIRED BY** | **HAS BEEN ACQUIRED BY** |
| AssuredPartners Inc. | NSM Insurance Group | NFP |
| **FEBRUARY 2019** | **NOVEMBER 2018** | **OCTOBER 2018** |
| *CONDUCTED THROUGH HALES SECURITIES, LLC | *CONDUCTED THROUGH HALES SECURITIES, LLC | *CONDUCTED THROUGH HALES SECURITIES, LLC |

**Securities are offered through Hales Securities LLC, Member FINRA/SIPC*


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## Progressive CEO Letter Pays Homage To Agents, Setting The Stage For Softer Auto Market And Commercial Growth.

**Progressive CEO Tricia Griffith surprised us with her homage to independent agents in her quarterly letter (smart move).** The agent commentary comes as Progressive must defend its position as the #1 personal lines writer through the independent agency channel in a softening personal auto market as it retains ambitions to further build share in the bundled/homeowners market. On the commercial side (#1 commercial auto writer overall and through independent agents) the plan is to break into the small commercial market with a "forthcoming business owners policy (BOP) offering." Its official…Progressive will offer BOP's through both independent agents as well as "direct."

> *"As we continue to work together* <u>*side-by-side with common goals*</u>*, I wanted to* ***devote this quarterly letter to the agents*** *who have been such a central part of Progressive's success…we recognize that agent satisfaction with our products, technology, and service is essential to meeting Progressive's growth and profitability goals… I firmly believe that* ***the combination of product breadth and depth plus professional, local advice that independent agents provide is essential in achieving our goal of becoming consumers' #1 choice*** *and destination for auto and other insurance… We believe the room to grow with our agents is substantial…we have a solid foundation to build upon, but we need to evolve and change how we draw upon our existing resources to nurture established agency relationships, cultivate growth in addressable markets, and take advantage of improving technology…success means we'll defend our lead in the auto market and grow in addressable markets, while continuing to build relationships with small, medium, and large agencies.* ***Over the next several years, we'll continue to plan, collaborate, and gather data that will help us better engage agents, gauge progress, and win together in the independent agency channel.****"*
>
> **-- Progressive Q1 2019 Letter to Shareholders**

Progressive's plan to "win together" is *and will likely continue to be* based on paying lower commission levels to independent agents. We'd be remiss if we did not point out Progressive's recent ($4^{th}$ quarter) statement: *"To grow and ensure the viability of the agency distribution channel, we pay competitive commissions and we target aggregate commission at around 10.5% of agency premium."* It is unclear what "competitive" will mean to Progressive in small commercial, where BOP commissions can run 15-20%.

Griffith added: *"In March, I was honored to spend time with an incredible group of agents who sit on our Agency Council... The Council gives us unfettered feedback, insights, and ideas that enable us to prioritize and make informed investments for agents and our* ***shared customers****."* [emphasis ours]

The description of the policyholder as a "shared" customer stands in stark contrast to peer commercial lines carriers who often view / state the customer *as* the agent (a mantra often touted by Cincinnati Financial as an example). **While small commercial lines today are currently sold almost exclusively through agents (captive & independent), we have acknowledged / discussed a future world where, much like personal lines, multiple distribution models will succeed.** The implication is that traditional "agents" will lose share *over time*.

For some historical perspective, twenty-five years ago Peter Lewis, **CEO** & insurance genius (from 1965-2000), made the decision to "go direct" and take on "channel conflict." Lewis was blunt, saying agents *"add very little value in personal auto…if they can't do business for 5%, they don't belong in the system."* Thereafter, Progressive pursued growth across all distribution sources, and across all segments of the "addressable markets." Just as Progressive's lower commission rates have put downward pressure on industry-wide commissions in personal auto (for example Travelers publically followed suit) we believe Progressive will ultimately have a similar impact on the direction of commissions for small commercial accounts…downward.

Note, Progressive subsequently / separately announced the official launch of its small business quoting platform, BusinessQuote Explorer (BQX) – see separate article.

## Attention PE Firms … Fed Again Sounds Alarm On Rise of High Risk Debt. Will It Become An Issue With A Multi-Billion $ P/E to P/E "Trade"?

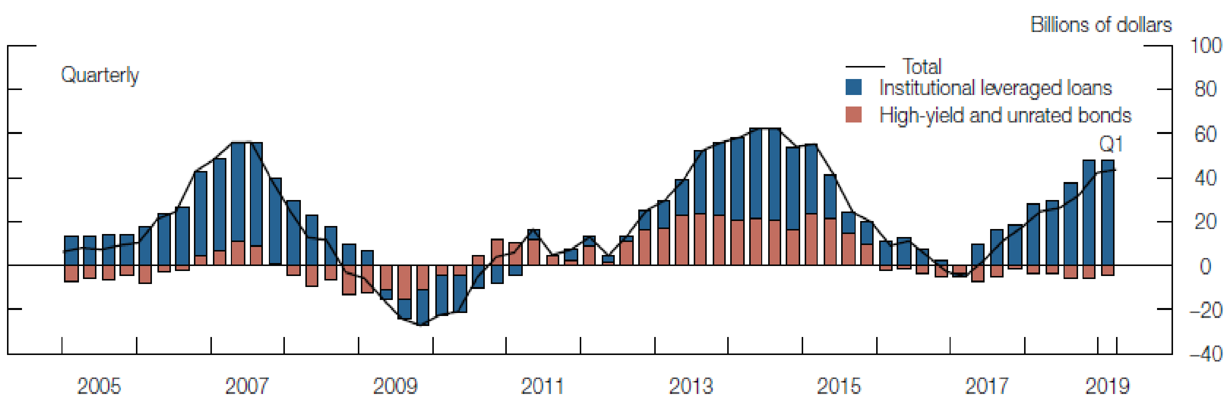
The Federal Reserve, through its latest Financial Stability Report, is reiterating & escalating its concerns related to high risk corporate debt. While growth in business debt has outpaced GDP for ~20 years, The Fed notes **a rapid increase in corporate debt over more recent years and, even more concerning, increased concentration among the riskiest firms** (those with poorer credit profiles and/or already elevated levels of debt).

The Fed's primary concern is the broader impact to financial markets amidst a downturn in economic activity and/or tightening in financial markets. To us, **the report reinforces the precarious position of the highly-levered brokers owned by private equity (leverage near 6.9x EBITDA) and sensitivity to any change in the "status quo."** An economic downturn, contraction in lending standards and/or rise in interest rates could have a substantial impact on the business model of PE backed brokers and, in turn, consequences for the pace/pricing of agency M&A.

Regulatory intervention is also something to watch but, beyond the Fed highlighting the worrisome trend, at this point it does not appear that regulators want to get involved. The Fed had previously communicated guidance to banks advising against loans over certain risk levels (viewing leverage >6x generally inappropriate across most industries), but last year regulators deferred enforcing such guidance. Of course, the 2020 political landscape and views on this issue remain TBD.

Exhibit 2

2-4. Net Issuance of Risky Business Debt




Source: Mergent, Fixed Income Securities Database (FISD); S&P Global, Leveraged Commentary & Data.

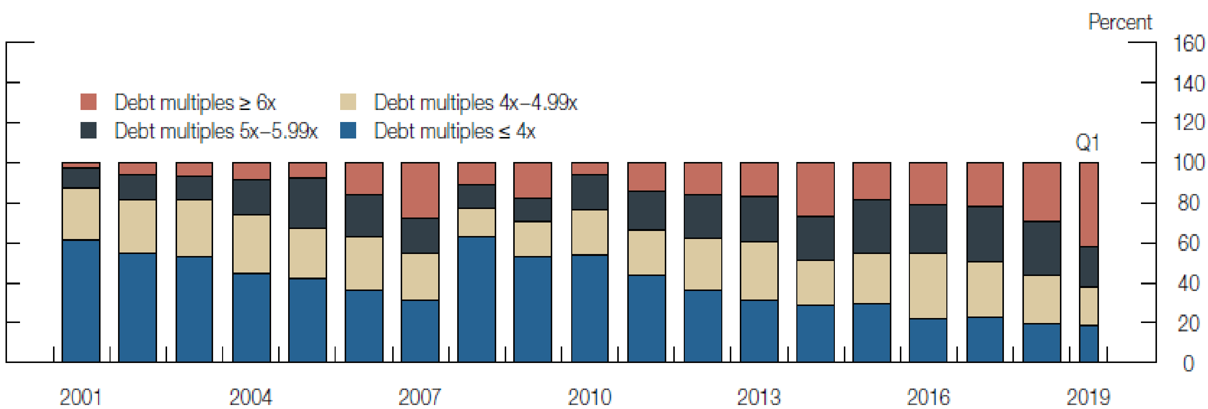
Leveraged-lending issuance grew 20 percent last year. Notably, however, the default rate on leveraged loans has actually *declined* marginally in recent periods, in part reflecting the relatively strong economy.

The report shows that the share of newly issued large loans "high leverage" corporations (debt-to-EBITDA above 6x) increased in the second half of 2018 and YTD 2019 and now exceeds the previous peak levels observed in 2007 and 2014 (amidst poor underwriting quality). *"The firms with the most rapid increases in their debt loads have higher leverage, higher interest expense ratios, and lower cash holdings."*

Also of concern, the Fed notes Moody's Loan Covenant Quality Indicator suggests that the overall strictness of loan covenants is near its weakest level since the index began in 2012, and the fraction of "cov-lite leveraged loans" (leveraged loans with no financial maintenance covenants) has risen substantially since the crisis.

Exhibit 3

2-5. Distribution of Large Institutional Leveraged Loan Volumes, by Debt-to-EBITDA Ratio




Source: S&P Global, Leveraged Commentary & Data.

As *The Hales 100* highlights, there 10 of the top 20 brokers are owned by Private Equity. With total (global) revenue ranging from ~$283M on the low end to ~$2.2B on the high end, the enterprise values of many are well into the billions. While some buyers might seek to put more than 7x debt on a future deal, the new caution in Washington might pose an issue.

## It's Official … Q1 Organic Growth Pushes Trailing 12-Months To Another Peak of 5.2%. External Environment Helps.

Since our last edition of The Hales Report, Willis Towers Watson reported Q1 results and rounded out our composite of publicly traded (re)insurance brokers for the quarter.

**In aggregate, brokerage organic growth was 5.3%, consistent with the ~5.5% seen in the back ½ of 2018** (and much improved vs. the 3.7% reported in Q1:18). **On a trailing 12-month basis, the composite inched higher, to a post-recession peak (again) of 5.2%.**

As noted last week (and expanded in the subsequent article) managements noted an *increasing* benefit to growth from the external environment, including a broader based push for rate increases and ongoing economic expansion.

Exhibit 4

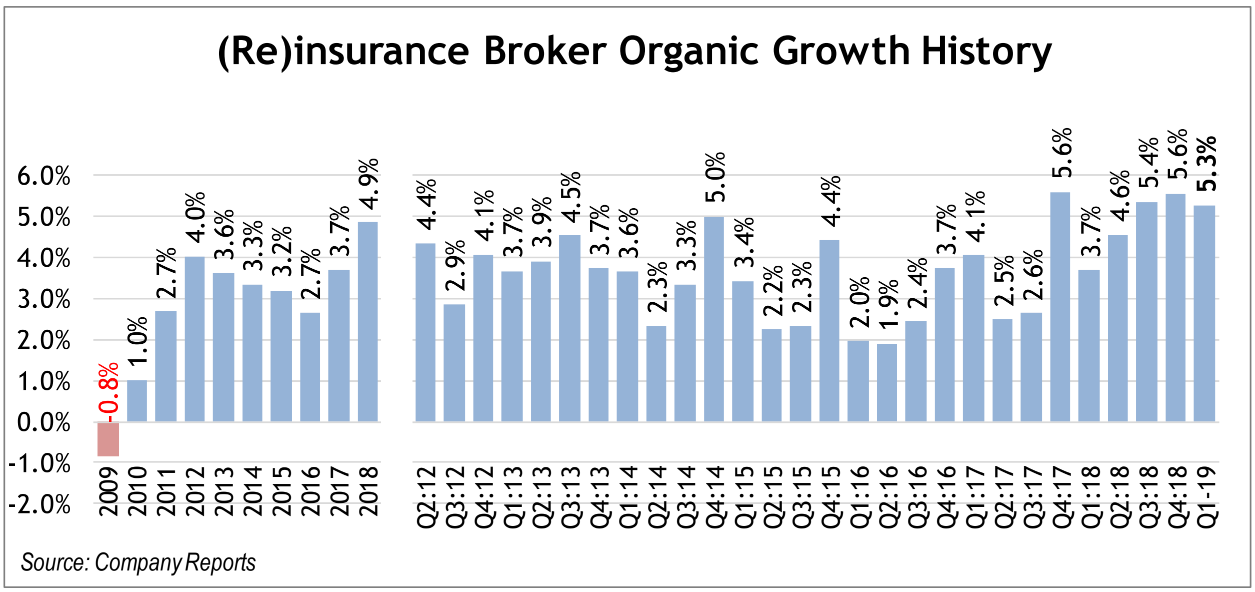
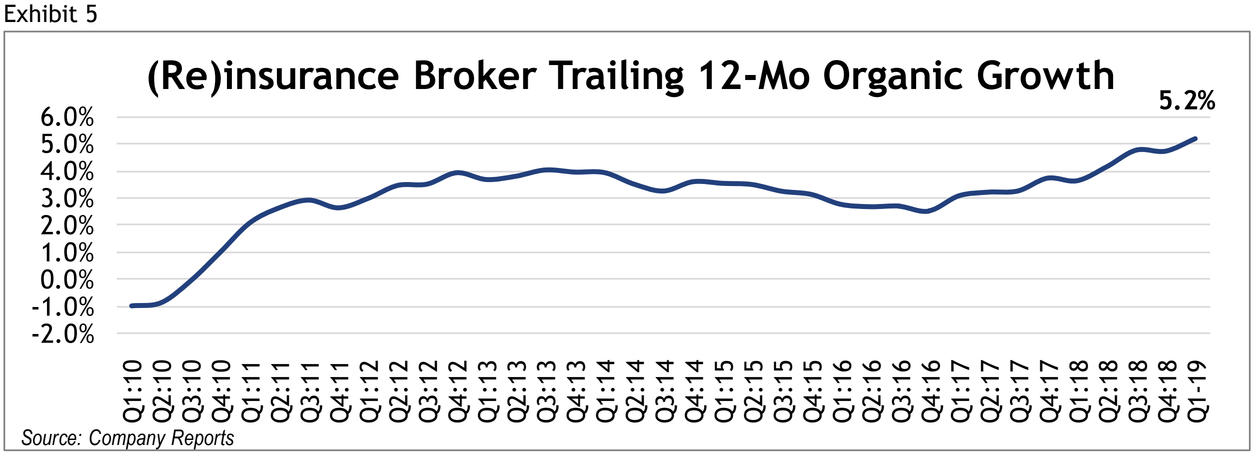



Exhibit 5



Total company organic growth for Willis Towers Watson was 5%, but this was led by the consulting-heavy sub-segments. Looking at the larger brokerage segments (on a blended basis) Willis posted ~4.4% brokerage organic growth, slightly lower than peers **Aon** (+6.0%) and **Marsh Mac** (+5.0%) during Q1.

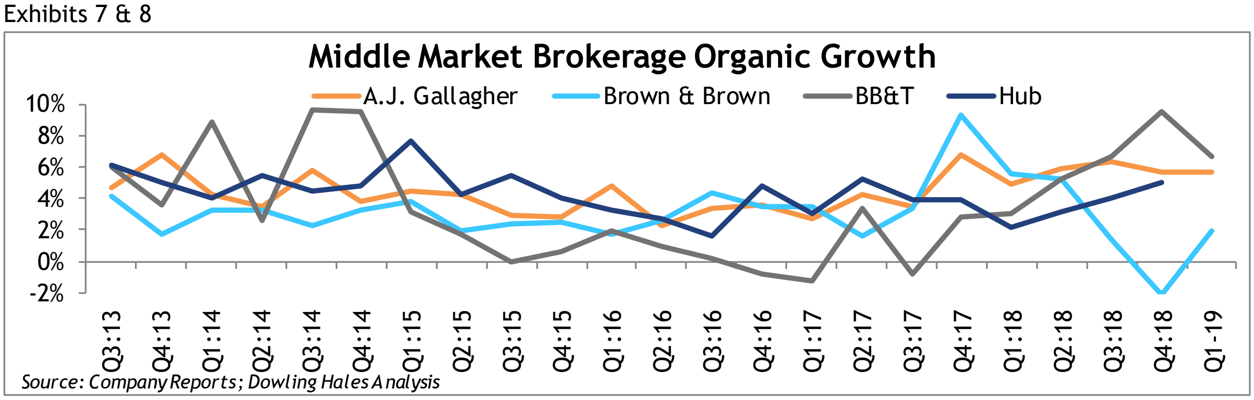
For Willis, the Corporate Risk & Broking (primary brokerage) segment posted 4% organic growth, with strong results in Western Europe (+5%) and other International (+6%) tempering a decline in Great Britain. North America organic growth was 4% against a very difficult comparison of +7% in Q1:18. Within the Investment Risk & Reinsurance segment, 5% organic growth was supported by 6% organic growth in Reinsurance (similar to strong growth at peers; see subsequent article).

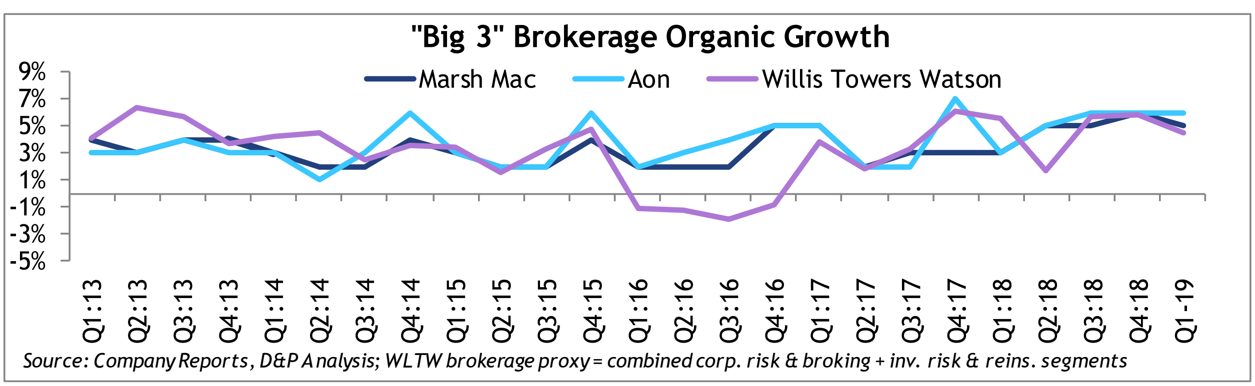
Exhibit 6

| **Brokerage Organic Growth** | **2016** | **2017** | **2018** | **Q1:18** | **Q2:18** | **Q3:18** | **Q4:18** | **Q1-19** |
|---|---|---|---|---|---|---|---|---|
| A.J. Gallagher | 3.6% | 4.4% | 5.6% | 4.9% | 5.9% | 6.3% | 5.6% | 5.7% |
| Aon | 4.0% | 4.0% | 5.0% | 3.0% | 5.0% | 6.0% | 6.0% | 6.0% |
| Brown & Brown | 3.0% | 4.4% | 2.4% | 5.6% | 5.2% | 1.4% | -2.1% | 2.0% |
| Marsh & McLennan | 3.0% | 3.0% | 5.0% | 3.0% | 5.0% | 5.0% | 6.0% | 5.0% |
| Willis Towers Watson* | -1.5% | 4.0% | 4.7% | 5.6% | 1.6% | 5.7% | 5.8% | 4.4% |
| **Public Composite** | **2.9%** | **4.1%** | **4.9%** | **3.8%** | **4.6%** | **5.4%** | **5.4%** | **5.2%** |
| ***Other notable / non-public*** | | | | | | | | |
| JLT | 2.0% | 5.0% | 5.0% | | | | | |
| Hub | 3.1% | 4.0% | 3.6% | 2.2% | 3.2% | 4.0% | 5.0% | |
| BB&T | 0.6% | 1.7% | 6.0% | 3.0% | 5.2% | 6.7% | 9.5% | 6.7% |
| **Total Composite** | **2.7%** | **3.7%** | **4.9%** | **3.7%** | **4.6%** | **5.4%** | **5.6%** | **5.3%** |

*Source: Company Reports; *WLTW brokerage proxy = combined corp. risk & broking + inv. Risk & reins, historical is WSH; Aon total co. 2017 forward;*

Exhibits 7 & 8



## Carriers Tout Much Improved Commercial Market In Q1 But Pricing Surveys Don't Move Much. Goal Is To Meet/Exceed Loss Costs.

**Commercial market commentary was noticeably more positive in the first quarter, particularly in certain areas** (D&O, Auto, Property and E&S broadly). While generally managements were cautious about predicting the extent and duration of commercial rate increases, **many are hopeful the rate trajectory can meet and/or exceed the longer term view of loss-costs (ballpark ~4%)**.

Broadly, several themes have been noted during the quarter as the drivers of the pricing improvements within primary commercial; (1) the ongoing business plan review/ performance review initiatives undertaken at Lloyd's, which as of year-end 2018 removed *"£3B of poorly performing business"* from the market; (2) AIG's continued reduction in both gross and net limits, primarily within E&S (Lexington), driving rate increases and tighter terms & conditions; and (3) the broader response to back-to-back years of elevated catastrophe losses paired with the ongoing issues around adverse development/ loss creep.

We found commentary from Markel on E&S, and AIG on primary commercial, of interest;

***"The E&S market is vibrant, I would say.*** *…* ***Probably one of the more positive environments I've seen in a number of years.*** *… We are seeing low- to mid-single digit price increases in professional and casualty lines, but I would still categorize most of these areas as competitive. About the only major line where pricing is declining at the moment is workers' comp …* ***We are cautiously optimistic that this incremental rating environment improvement will continue during the rest of the year."***

- Richard Whitt, Markel Co-CEO, Q1:19 Earnings Call

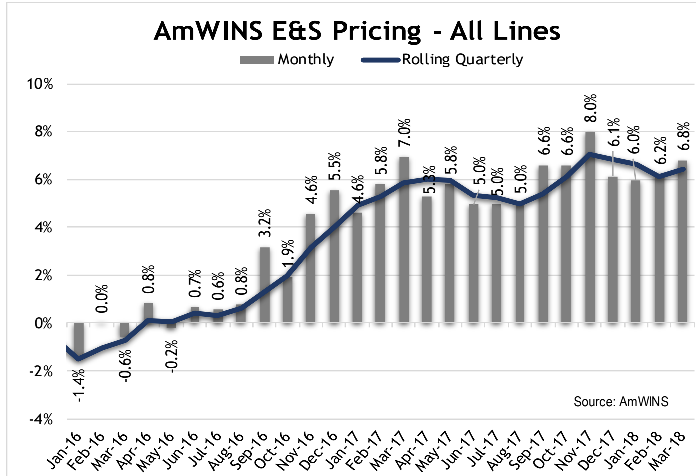
***"We're seeing broad-based market support for premium rate increases across multiple lines at or better than our loss cost trends.*** *At a high level, we obtained* ***rate increases of around 4% in our commercial portfolio****, including over 4% in North American commercial lines, excluding Validus and Glatfelter, and almost 6% in U.K. and 3% in Europe… For North American Commercial in particular, the rate increases have been accelerating and the* ***March increase alone averaged over 7%, which is clearly in excess of loss trend****."*

- Mark Lyons, AIG CFO, Q1:19 Earnings Call

Brokers generally agreed, even #1 **Marsh & McLennan**, which acknowledged: *"The market is more challenging for buyers than it's been in some time. It's definitely different than it was three months ago and six months ago."*

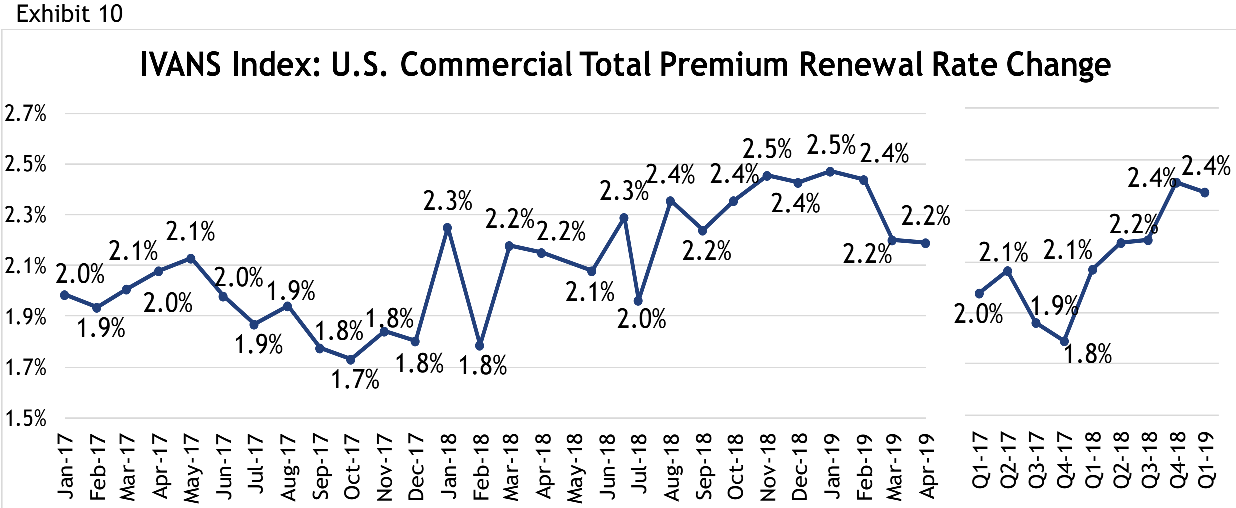
While commentary has clearly shifted, the actual numbers (reflected in pricing surveys) have been generally stable (gradually improving trend). That said, AmWINS E&S pricing survey has clearly moved higher vs. the retail-commercial focused surveys.

Exhibit 9




As shown below, IVANS released their April Index for U.S. commercial lines pricing, showing an **aggregate 2.2% rate increase for the month**, similar to March but slightly below the Q1 average. See additional details on the following page.

Exhibit 10

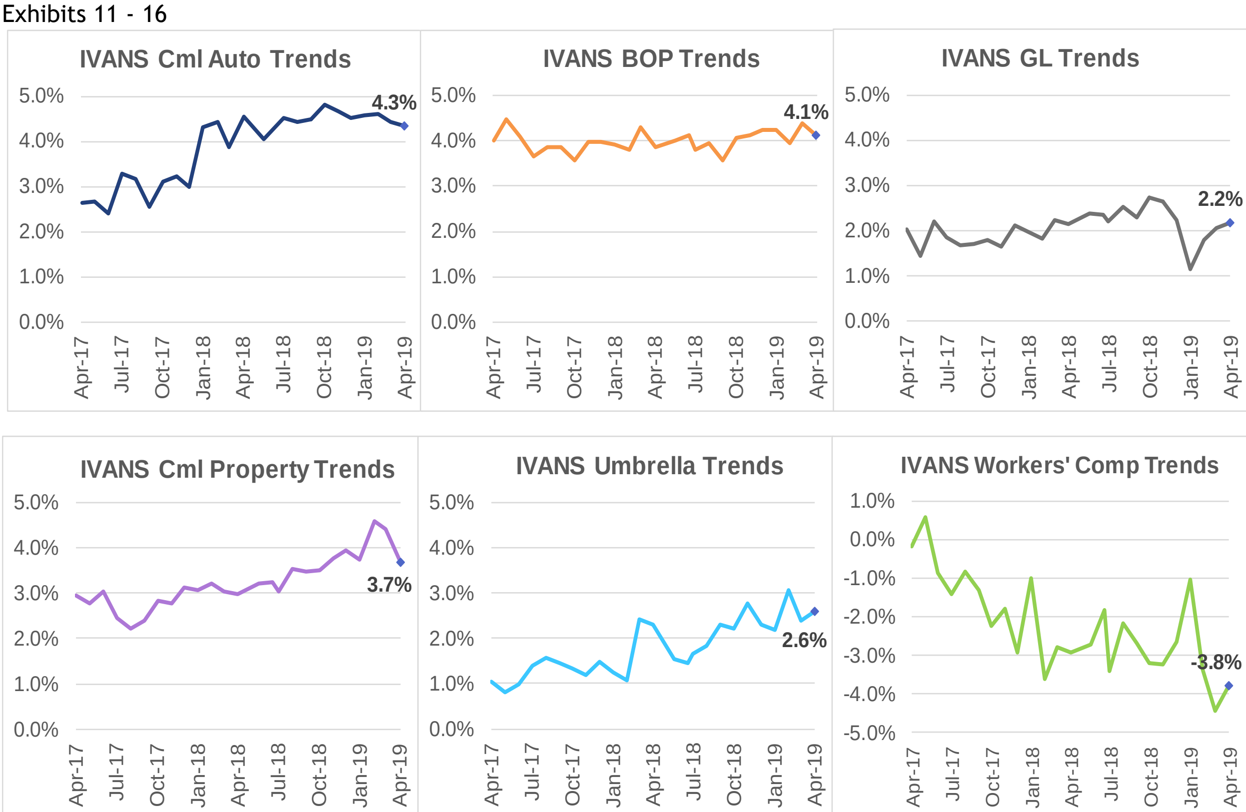


Compared to March, pricing increases were slightly higher in GL and Umbrella, while Workers' Comp remained negative.

Increases in both Commercial Auto and BOP were slightly lower compared to March at +4.3 and +4.1% (both were +4.4% in March), respectively.

Commercial Property saw the most significant deceleration in increases at +3.7% vs +4.4% in March. Our preference remains looking at trends over a longer time period, with quarterly results more indicative of trends.

Exhibits 11 - 16



## From Bad To Worse: June Reinsurance Renewal Heating Up; Florida Facing Substantial Rate Increases. "Tip of Spear" Thesis Playing Out.

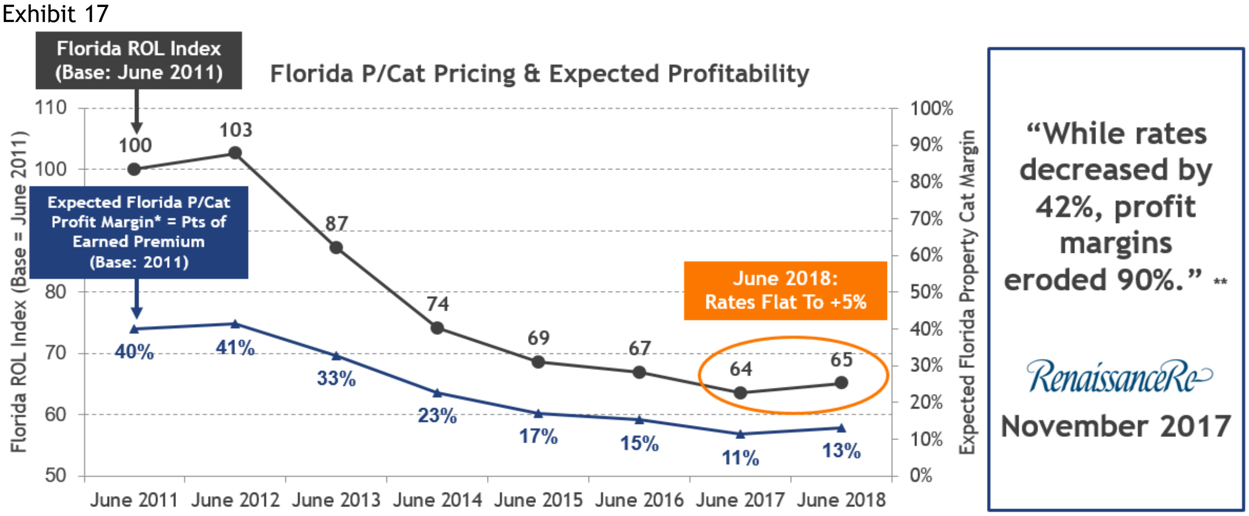
**Reinsurance rates are poised to increase significantly at the upcoming June 1 (Florida / Gulf Coast focused) reinsurance renewal, with the power pendulum swinging <u>further in favor of reinsurers</u> in recent weeks.**

Simply put, reinsurers are looking to take back some of the >40% in rate reductions passed through to the Florida primary market since June 1 2012 (the "tipping point" when alternative capacity first had a measurable impact on reinsurance rates). Following 3 consecutive years of hurricane losses in Florida (Matthew, Irma, Michael), combined with record global catastrophes over the past 24+ months and tightening in the retro reinsurance market, the market appears poised to react. **Double digit rate increases (at a minimum) appear likely.**

<u>Recall, we have viewed **retro as the "tip of the spear" for property markets**, where reduced supply (and increased costs) could trickle down to have an impact on broader reinsurance rates and ultimately primary pricing. Thus, we expect the trend of rising primary property rates will continue, albeit on a lagged basis (and at a lesser magnitude) relative to the retro and reinsurance pricing changes being pushed through the market. Notably, these dynamics are expected to persist into subsequent renewals (including January 1), which could have more wide ranging market implications.</u>

**RenaissanceRe**, a long-term leader in the Florida market (size and sophistication) has highlighted the >40% rate reduction since 2012 as having a <u>~90% impact to expected profit margins</u>. In fact, it is **RenRe** and several of the other sizeable incumbent reinsurers (including **Sompo International** and leading ILS manager **Nephila**) that are holding the line and refusing to allocate the same level of capacity to the market without substantial pricing correction.

Exhibit 17

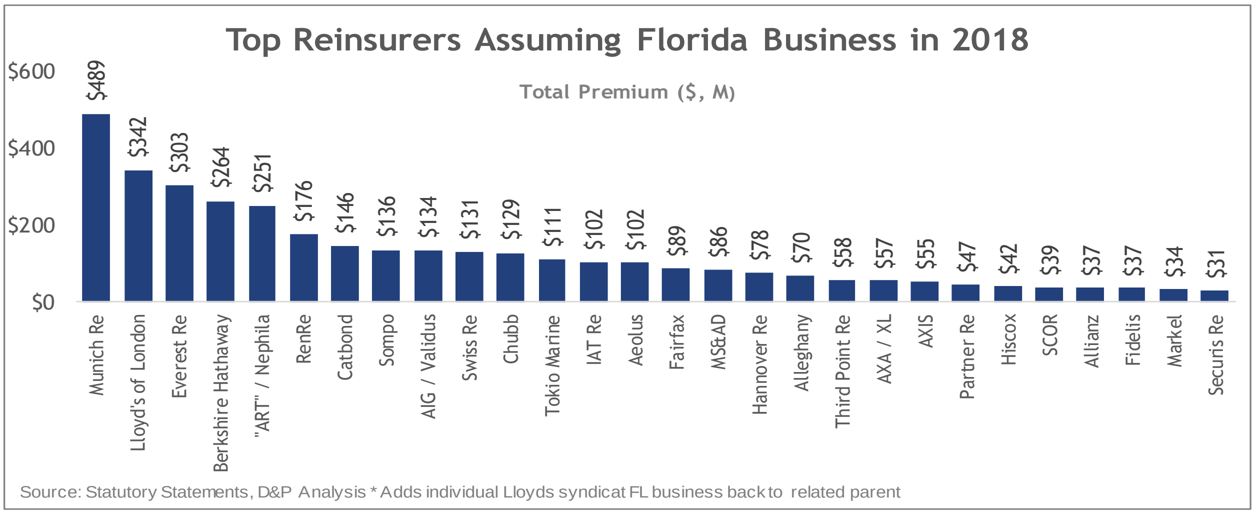



Note: Based on an expected c. ratio base which assumes dollars of loss and G&A expenses are held constant. 2011 base c. ratio considers a 45% loss ratio, 10% commission ratio and 5% G&A. ratio. ** RenRe on Florida reinsurance (2011-2017) per Florida Chamber of Commerce JOK presentation given Nov-17. *Source: Dowling Hales Analysis*

**It's not just about "pay back," market <u>psychology</u> has changed (including views on the underlying risk).** A key precipitating factor has been the substantial adverse development on recent Florida cats (the largest Florida "event" in 2018 was actually adverse development on Irma), in part due to (i) unprecedented levels of <u>loss adjustment expense</u> and (ii) rampant <u>fraud / "social inflation"</u> (the legislature has taken action to address AOB, but it's a matter of time until the plaintiff's bar finds a workaround). The "exuberance" of alternative capital / ILS managers has also been dramatically reined in.

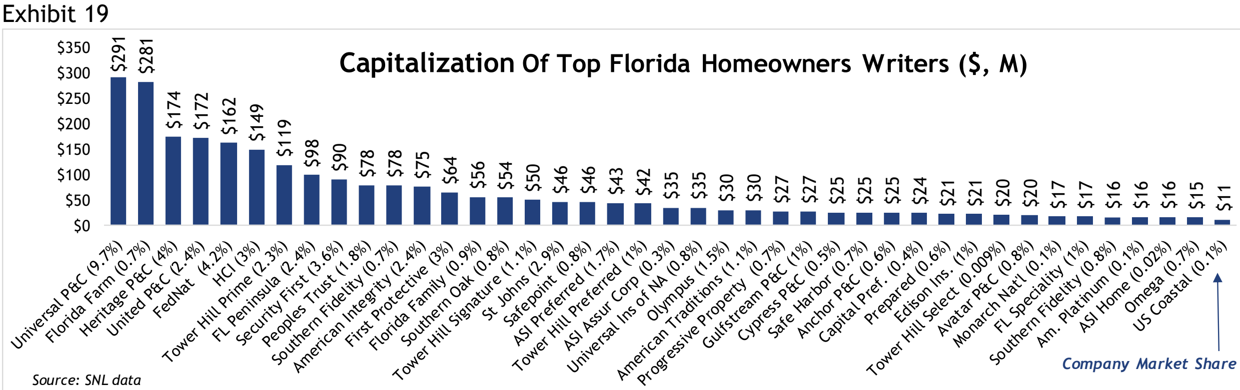
A key caveat: There are still 3+ weeks to go in what is expected to be a late and very "messy" renewal. At this point we cannot rule out some rate relief coming from a reinsurer looking to gain share as others retrench (think Europeans such as **Swiss Re** or **Munich Re**) or (less likely) "opportunistic" reinsurers (**Berkshire, DE Shaw**) coming in to capitalize on a dislocated market.

Exhibit 18




**The primary residential market in Florida is in a precarious position.** Unfortunately, the market is dominated by 50+ homegrown "specialist" insurers (control >3/4 of the market) which are <u>thinly capitalized</u>, and highly reliant on reinsurance. <u>It is likely many companies will reduce reinsurance protection (to absorb the higher rates) and / or will face insolvency over the next ~12 months.</u>

Exhibit 19



## Reinsurance Brokers Post ~7% Organic Growth In Q1, In Line With 2018

In addition to strong domestic U.S. primary results, **trends in reinsurance brokerage have been increasingly favorable over the last 12-18 months**, supported by rate increases following elevated catastrophes in 2017/2018 and (more importantly in our view) increased buying from cedant companies. New areas of risk transfer (flood, mortgage, cyber) have also helped. **Our reinsurance brokerage composite posted organic growth of ~7.4% in Q1:19, marginally above FY 2018.**

**Aon Reinsurance**, the #1 reinsurance broker worldwide, posted 9% organic growth in Q1, attributed to new treaty business and double-digit growth in facultative placements. #2 **Guy Carpenter** (closes in on Aon with the acquisition of JLT) reported 6% organic growth, as did #3 **Willis Re** (now considerably smaller vs. peers).

Willis management acknowledged the favorable external trends: ***"…I wouldn't underestimate the impact of just a change in reinsurance buying behavior among clients…that definitely is an element of [the growth]."***

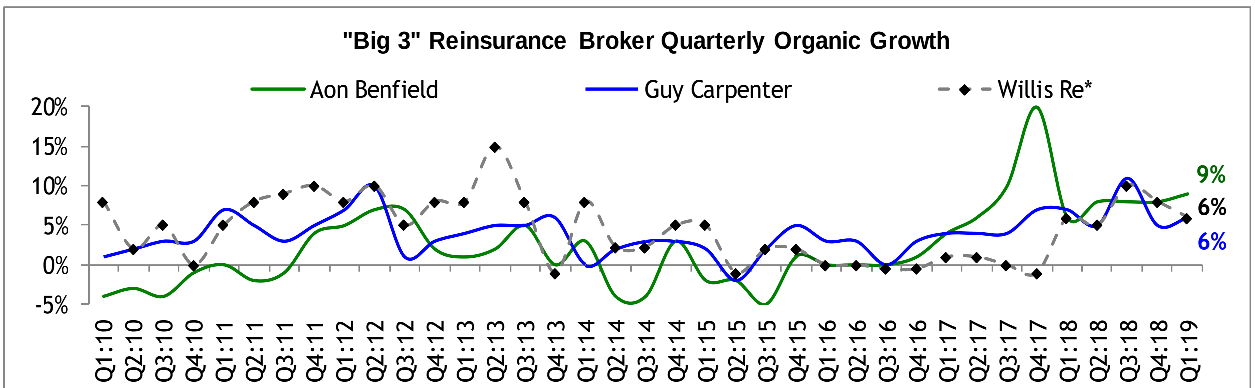
Note, reinsurance distribution is extremely concentrated with the Top 3 (formerly 4 including JLT) reinsurance brokers controlling ~90% of the world's reinsurance business.

Exhibits 20 & 21

### Reinsurance Brokerage Organic Growth

| Rank | Name | '18 Revs ($M) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Q1:19 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Aon Benfield | $1,563 | 2% | -1% | -1% | 1% | 7% | 7% | 9% |
| 2 | Guy Carpenter | $1,286 | 5% | 2% | 2% | 2% | 4% | 7% | 6% |
| 3 | Willis Re* (Est.) | ~$900 | 8% | 5% | 2% | ↓ | ~flat | 7% | 6% |
| 4 | JLT Re | $295* | 25% | 6% | 1% | 4% | 4% | 10% | - |
| Composite | | | 5.0% | 1.5% | 1.0% | 2.0% | 4.0% | 7.0% | 7.4% |

Source Company Reports, D&P Analysis; *JLT based on Interim Report Revenues




Source: Company Reports; Dowling Hales Analysis; WLTW (est.) noted "softness" in Q3-16, "declines" in Q4-16, growth in Q1-17 and Q2-17

## Progressive's Official Launch of BusinessQuote Explorer.

Last week Progressive announced the official launch of the small business quoting platform, **BusinessQuote Explorer (BQX)**, following the "soft launch" in September 2018. BQX currently offers quotes for BOP, professional liability, workers' comp and general liability. *"By simply entering information through the online platform, users will gain access to multiple business insurance quotes in an average of 11 minutes or less..."*

Since the company's soft launch in November 2018 (see Hales #23 in 2018) Progressive's small business platform is now available in most states and **Markel Specialty** was added as a carrier partner. This brings total carrier partners to 4, with the others being **Hiscox**, **Homesite**, and **Liberty Mutual.**

Recall, Progressive will initially serve as an "aggregator" (earning a commission) and a direct writer (keeping the business it wants, but only BOP in Ohio right now). Instead of directing the customer to a comparative rater (like an Insureon) for jettisoned risks, BusinessQuote Explorer will act as the rater (for a fee). If a business does not "match" with a partner it could then move to the general market, potentially through a wholesaler (the Bold Penguin marketplace can help find a market for risks that are put onto its platform).

We continue to reiterate our view that **Progressive represents a true disruptive threat to the $80-100B small commercial market in the U.S.**, with 4 key attributes supporting likely success (i) a recognized/respected brand (ii) significant flow (iii) direct marketing expertise and (iv) leading edge data analytics capabilities.

*"We understand the number of demands today's small business owners are faced with and are constantly looking at ways we can innovate the process of quoting business insurance to save them time and alleviate their questions and concerns…With BusinessQuote Explorer®, we help make the process of selecting an insurer and getting an accurate quote fast and easy so small business owners can get back to what matters most – running their business."*

- John Barbagallo, Progressive's Commercial Lines President

Progressive's move into direct commercial lines will complement the ~$550M book of "direct" commercial auto business (1.6% of total). As it stands today Progressive has 12% of its total $33.9B in premium in commercial auto, and the company is the largest writer of commercial auto premium in the U.S. through independent agents.

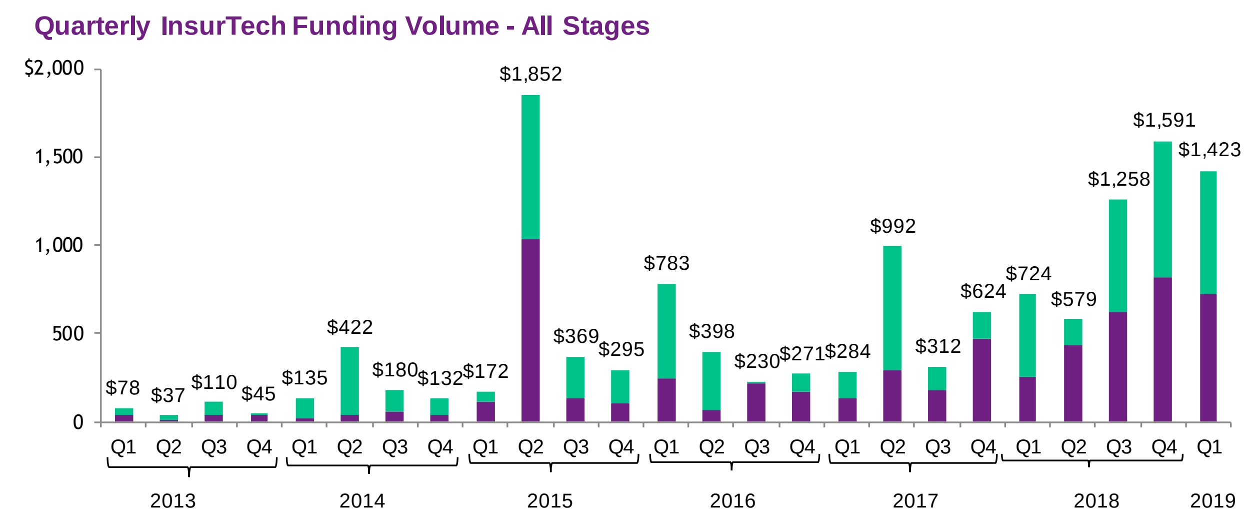
## WLTW Quarterly InsurTech Transactions Accelerates 35% Sequentially To Record High. Funding Down 11%. Strategic Partnerships Continue.

According to Willis Towers Watson's recently published Q1 2019 Quarterly InsurTech Briefing, the number of insurtech transactions accelerated 35% sequentially to 85 in Q1:19, the highest tally ever recorded. P&C transactions were also a record (56 transactions vs. 41 in Q4) while Life & Health increased but were shy of a record (29 transactions vs. 22 in Q4).

Strategic partnerships between (re)insurers and insurtech companies also continued, amounting to 22 in Q1 (down from 31 in Q4). Partnerships in the P/C market accounted for the majority, with **Berkshire Hathaway GUARD (Planck)/ GEICO (Lyft), Travelers (Lyft & Lexus), Nationwide (Slice Labs, BlueVine), & AXA (Assurely & Carousell)** being the most active with 2 strategic partnerships each in the quarter.

While the number of strategic partnerships declined in Q1, **(re)insurers activity as investors was ~flat.** Investments in technology by (re)insurers totaled 30 in Q1 vs. 31 in Q4 (27 YOY).

Exhibit 22




**Deal Count**

| | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| P&C | 5 | 4 | 11 | 8 | 8 | 6 | 10 | 8 | 12 | 12 | 13 | 19 | 41 | 18 | 30 | 28 | 22 | 33 | 25 | 41 | 43 | 44 | 40 | 41 | 56 |
| L&H | 15 | 8 | 10 | 4 | 11 | 16 | 20 | 15 | 13 | 19 | 15 | 21 | 18 | 16 | 8 | 15 | 16 | 32 | 23 | 10 | 23 | 27 | 17 | 22 | 29 |

*Source: Willis Towers Watson Securities*

Some private technology investments of interest in Q1 were **Chubb's** participation in a **CoverHound** funding round, as well as **White Mountains**' investment in **Noblr**, the personal auto insurer providing real-time rates and real-time feedback on driving behavior using telematics. Other active (re)insurers in Q1 were **Munich Re** and **AXA**.

**Interestingly, this quarter also included the highest volume of Series B and Series C funding rounds** (12 & 6 respectively) as more "nascent" Insurtechs reach "adolescence."

Exhibit 23

| Investments by (Re)insurers | Strategic (Re)insurer Partnerships |
|---|---|
| Allianz, AXA Strategic Ventures, Zurich, Munich RE, Hartford Steam Boiler, Hiscox business insurance, American Family Ventures, Argo Group, White Mountains Insurance Group, Sirius Group, Chubb | AXA, CNA, Munich RE, Berkshire Hathaway GUARD Insurance Companies, GEICO, State Auto Insurance Companies, Nationwide, Liberty Mutual Insurance, Zurich, Travelers, Allianz, SCOR |

*Source: Willis Towers Watson Securities*

Overall, insurtech funding decreased sequentially to ~$1.4B in Q1:19 compared to $1.6B in Q4:18, driven by a 27% decrease in P&C, while Life & Health funding volume was up 10%. The slight decrease this quarter was driven by a smaller number of high-dollar transactions, with only 5 transactions amounting to at least $50M. WeFox's $125M funding round represented the largest P&C transaction in Q1. The 27% decrease in P&C was largely driven by the fact Q4 included the $500M investment made by SoftBank in Cambridge Mobile Telematics, which had accounted for ~31% of Q4's entire funding volume.

Exhibit 24

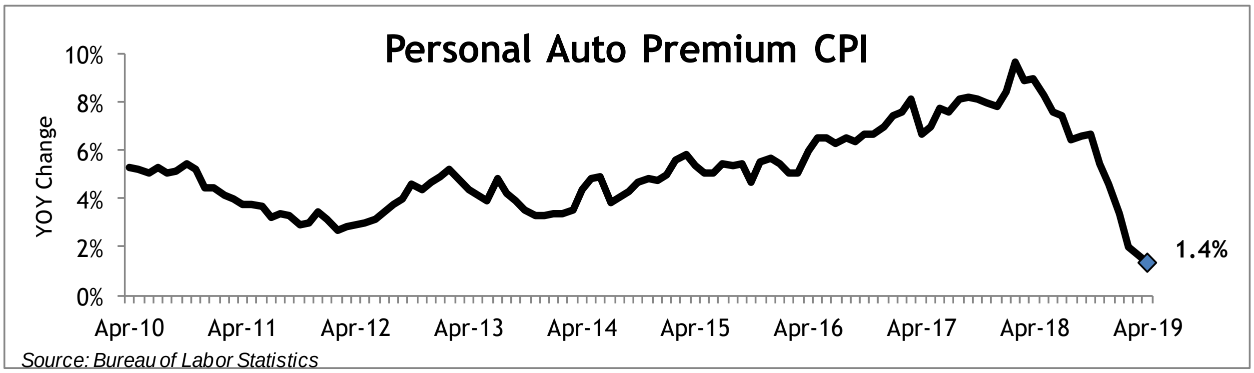
**Top 8 Largest P&C Funding Rounds in Q1:19**

| | Funding ($mm) | | |
|---|---|---|---|
| **Company** | **Round** | **Total** | **Description** |
| wefox | $125.0M | $164.3M | Enables customers, brokers and providers to transact and manage insurance products digitally. |
| FRI:DAY | $84.3M | $84.3M | Digital auto insurance with features including: kilometer accurate billing, monthly terminations and paperless administration. |
| acko | $65.0M | $107.0M | Digital insurer which provides policies ranging from auto insurance to two-wheeler insurance (scooters, motorcycles). |
| Shift. | $60.0M | $99.7M | Develops SaaS designed to detect insurance fraud. |
| CoverHound Insurance | $58.0M | $114.3M | Online platform built to compare and purchase insurance. |
| Pie | $45.0M | $60.3M | Workers' Compensation to small businesses. |
| Clearcover | $43.0M | $57.0M | API-first approach to enable customers to receive quality insurance at affordable rates. |
| Jetty | $25.0M | $40.5M | Renters' insurance startup founded in 2015. Underwritten by State National Cos. and reinsured by Munich Re. |

## Personal Auto Premium CPI Remains In Decline; Gap Relative To Loss Severity Stays "In The Red."

**The Personal Auto Premium CPI** (our proxy for rates) continued to decline, though the pace of deceleration has slowed in recent months, after falling sharply in late 2018 / early 2019. The index now stands at +1.4% vs. +1.7% in March and +2.0% in Feb. We continue to assume the CPI will remain positive given the still-positive severity trends (rising auto repair costs) that may only be partly offset by frequency decreases. That said, assuming frequency decreases are modest, we expect the Premium CPI to remain in the 0-2% range for the next few months.

Exhibit 25




The Dowling & Partners' CPI "Loss Cost Index" ticked up to 2.3% in April vs. 1.9% in March, driving the spread between premium and loss costs further into the red. Recall, in March the spread was negative for the first time since July 2008.

Exhibit 26

| | 2018 Apr | 2018 May | 2018 June | 2018 July | 2018 Aug | 2018 Sep | 2018 Oct | 2018 Nov | 2018 Dec | 2019 Jan | 2019 Feb | 2019 Mar | 2019 Apr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CPI - Auto Related | | | | | | | | | | | | | |
| **Motor Vehicle Ins. Premium** | **9.0%** | **8.3%** | **7.6%** | **7.4%** | **6.4%** | **6.6%** | **6.7%** | **5.5%** | **4.6%** | **3.4%** | **2.0%** | **1.7%** | **1.4%** |
| Medical Care (Bodily Injury - 50%) | 2.2% | 2.4% | 2.5% | 1.9% | 1.5% | 1.7% | 1.7% | 2.0% | 2.0% | 1.9% | 1.7% | 1.7% | 1.9% |
| Auto. Body Work (PD - 40%) | 2.2% | 2.5% | 2.9% | 2.9% | 3.3% | 2.7% | 3.2% | 3.2% | 3.2% | 2.5% | 2.6% | 2.4% | 3.2% |
| Used Cars & Trucks (PD - 10%) | -0.9% | -1.7% | -0.7% | 0.8% | 1.3% | -1.5% | 0.4% | 2.3% | 1.4% | 1.6% | 1.1% | 0.4% | 0.8% |
| *Weighted Avg. Phys. Dam.* | *1.6%* | *1.7%* | *2.2%* | *2.5%* | *2.9%* | *1.9%* | *2.7%* | *3.1%* | *2.8%* | *2.4%* | *2.3%* | *2.0%* | *2.7%* |
| **D&P Loss Cost Index** | **1.9%** | **2.0%** | **2.3%** | **2.2%** | **2.2%** | **1.8%** | **2.2%** | **2.5%** | **2.4%** | **2.1%** | **2.0%** | **1.9%** | **2.3%** |
| **Premium-Loss Severity Gap** | **7.1%** | **6.3%** | **5.3%** | **5.3%** | **4.2%** | **4.8%** | **4.5%** | **2.9%** | **2.2%** | **1.3%** | **0.0%** | **-0.2%** | **-0.9%** |
| **Other Auto Related** | | | | | | | | | | | | | |
| Motor Vehicle Main. & Repair | 1.5% | 1.6% | 2.3% | 2.3% | 2.3% | 2.2% | 2.0% | 2.7% | 2.3% | 2.6% | 2.8% | 3.7% | 3.8% |
| Motor Vehicle Parts & Equip. ex Tires | 1.7% | 1.8% | 3.0% | 2.7% | 3.4% | 3.3% | 3.1% | 3.6% | 3.5% | 3.7% | 3.3% | 2.8% | 0.0% |
| Prof. Medical Services | 1.3% | 1.1% | 1.5% | 1.4% | 0.8% | 0.9% | 0.8% | 1.0% | 1.0% | 1.2% | 1.0% | 0.4% | 0.4% |
| Hospital & Related Services | 4.2% | 4.5% | 4.5% | 4.3% | 4.1% | 3.7% | 3.2% | 3.5% | 3.6% | 2.4% | 2.1% | 1.9% | 1.4% |
| New Vehicles | -1.6% | -1.1% | -0.5% | 0.2% | 0.3% | 0.5% | 0.5% | 0.3% | -1.5% | 0.0% | 0.3% | 0.7% | 1.2% |

*Source: Bureau of Labor Statistics, Dowling & Partners*

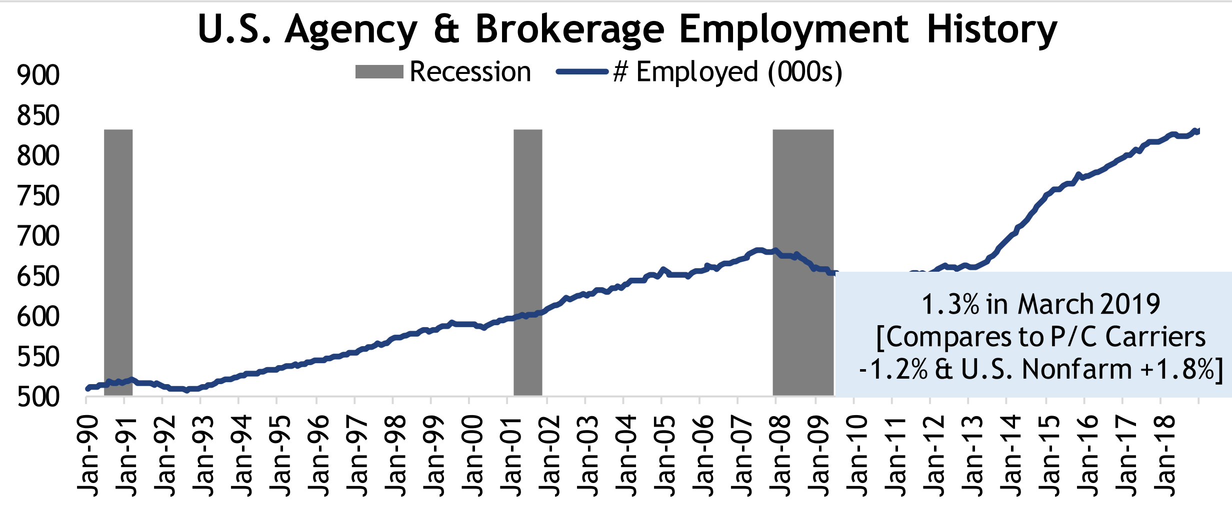
There are 3 key components to the Loss Cost Index: Medical Care (50%), Auto Body Work (40%) & Used Cars & Trucks (10%). The Loss Cost Index has been ~stable over the last 12mos (at ~2.2% vs. April's 2.3%), with Auto Body work driving many of the fluctuations.

## Agent & Broker Employment Increases +1.3% While P&C Continues To Shrink (-1.2% YOY).

The latest U.S. Labor Department's Bureau of Labor Statistics (BLS) employment data shows the **agent/broker segment gained ~11,000 jobs in March 2019, an inc*rease* of 1.3% YOY.** A total of 835,000 are employed.

Agency and Broker growth continues to marginally lag total nonfarm U.S. employment, which was +1.8% for April (+0.1% sequentially). Note, BLS restated historical data, so graphs below may differ from previous reports.

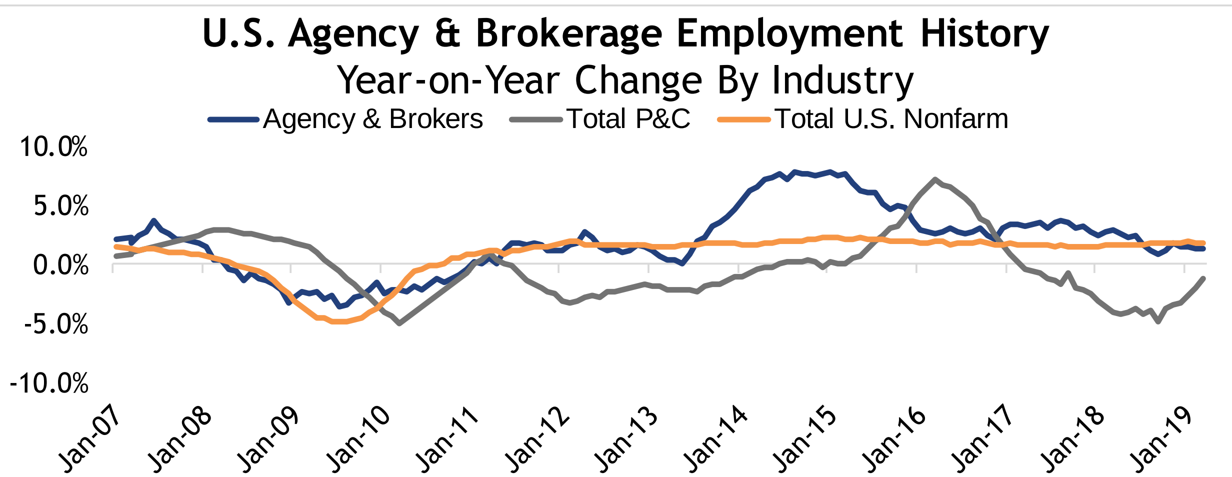
Exhibit 27




Source: U.S. Bureau of Labor Statistics

Comparatively, **P/C carrier employment experienced another decrease of 1.2%**. **Life/annuity** carrier employment increased 0.3% YOY (rebounding from a -0.1% YOY decline in February), while **Health** carriers continue to lead the pack at +3.0%.

Exhibit 28




Source: U.S. Bureau of Labor Statistics

## Hales Hits:

- At the **Berkshire Hathaway** annual meeting Warren Buffett was much less dismissive of Progressive's competitive strengths in personal auto (leading growth & loss ratio advantage) vs. GEICO. He noted "it's a two-horse race" to see which company overtakes State Farm as the #1 writer (GEICO has 13.4% share and Progressive 11.0% vs. State Farm's 17.0%). Progressive gained 1.2pts of share in 2018 vs. GEICO's 0.6pts. Mr. Buffet also noted Progressive is a bigger competitive threat than companies like Tesla offering auto insurance: *"I would say that the success of the auto companies getting in the insurance business are probably about as likely as the success of the insurance companies getting into the auto business."*

- (Re)insurance start-up **Convex Group**, led by industry veterans Stephen Catlin and Paul Brand, officially launched 5/1/19 with "A-" ratings for both its Bermuda and London platforms. The company has $1.8B of initial committed capital with "access to further capital as the business expands." Founding investors include the management team, Onex Partners V, PSP Investments and a consortium of co-investors. The focus will be specialty (re)insurance. Targeted premium mix: ~60% insurance / ~40% reinsurance. *"…We begin unencumbered by legacy but rich with expertise and the strength of independence. There is evidence of pricing momentum in many classes and we are well equipped to prosper in a challenging market."*

- **Ryan Specialty Group** will acquire **Atlantic Specialty Lines (ASL)**, a privately owned wholesale insurance brokerage based in Richmond, VA (with locations in IL, FL, LA, NY, PA & TX). The ASL team will become part of R-T Specialty, expanding the group's footprint in the Mid-Atlantic and Southeast regions. ASL will be a "major factor" in the national expansion of RT's Binding Authority strategy. Note, Ryan Specialty is the 3rd largest p/c wholesale broker in the U.S. (with ~$6B of premium placed). This is RSG's 5th deal YTD.

- Separately, **Ryan Specialty** and **Nationwide** entered into a strategic partnership that includes forming a JV to create Bermuda-based reinsurer **Geneva Re**, expected to commence underwriting at 6/1. Nationwide will appoint RSG affiliate Ryan Re as its exclusive underwriting manager for 3rd party P&C treaty reinsurance.

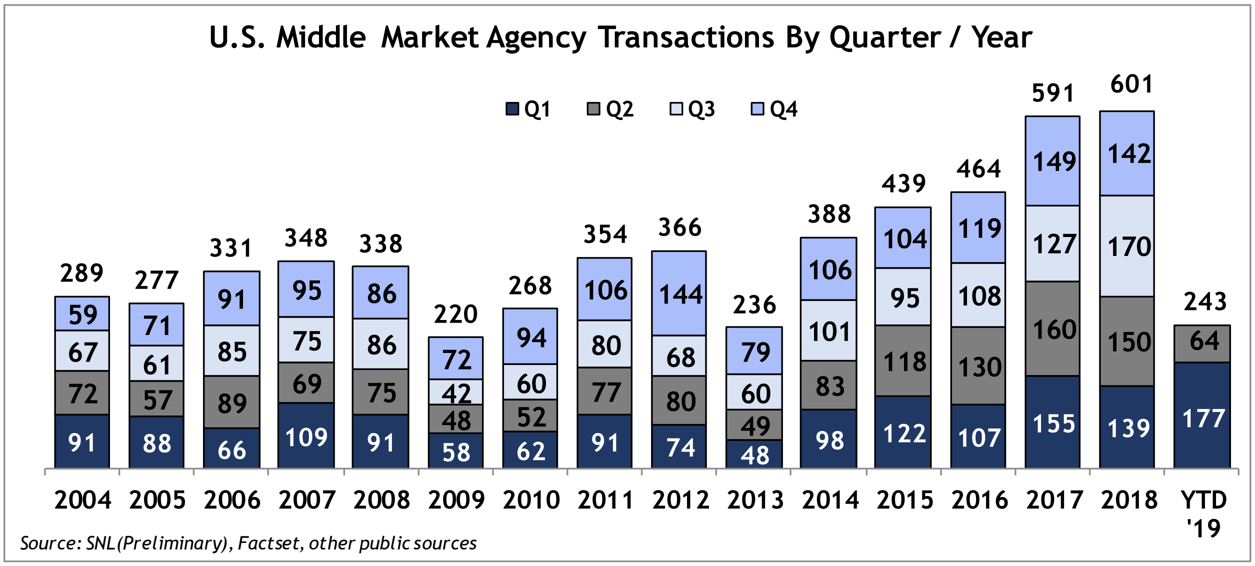
- **Lemonade**, the renters and homeowners startup, disclosed in its most recent blog post (Nearly There) that the company's gross loss & LAE ratio improved 12pts sequentially in Q1:19 to 87%. The company's CUO commented, *"An 87% loss ratio is still not good enough –but it's not only about the number, it's the trend. We improved 12 points in the last quarter alone, and averaged 15 points quarter-over-quarter improvement in the past year. In that context, 87% is not that daunting."*

- On 5/3 the FL legislature approved the Omnibus Insurance Bill (HB 301), which includes changes to the amount of LAE that may be recovered from the Florida Hurricane Cat Fund (FHCF) from 5% to 10% of reimbursed losses (effective June 1). This bill now heads to the Governor's desk. Further, the legislature approved an amendment to the recently approved AOB legislation (HB 7065) that would change the effective date of the attorney fee provision to when the bill is signed into law (prior effective date was July 1).

- The **CA DOI** updated insured loss data for the 2018 CA wildfires, with a $614M or 4% increase in insured losses since January, bringing total incurred losses to $13B ($12B from Nov. '18 fires, $981M from July '18 fires; 88% personal). Claims total 58,323, of which 14,475 are total losses. Current industry loss estimates range from $15.5-20B.

**U.S. Deal Diary – Q2 Updates:** The 21 deals over the past 2 weeks put the total Q2 count of deals at 64 (vs. 150 total in Q2 2018). So far this year, the deal tally of 243 is slightly higher than 223 at this time last year.

Exhibit 29 & 30




**2019 Most Active Acquiring Brokers - Monthly (Domestic Deals)**

| | 2018 | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | 19 YTD |
|---|---|---|---|---|---|---|---|
| **National Brokers** | | | | | | | |
| Acrisure, LLC | 100 | 4 | 5 | 8 | 9 | 5 | 31 |
| Patriot Growth | - | 18 | 1 | - | - | - | 19 |
| Hub International | 28 | 1 | 3 | 5 | 3 | 3 | 15 |
| AssuredPartners, Inc. | 33 | 4 | 3 | 2 | 3 | 1 | 13 |
| Broadstreet Partners | 30 | 4 | 3 | 3 | 2 | - | 12 |
| Brown & Brown | 23 | 1 | 4 | 3 | 2 | - | 10 |
| Arthur J. Gallagher & Co. | 32 | 5 | 1 | 3 | - | - | 9 |
| Hilb Group, LLC | 11 | 1 | - | 1 | 2 | 1 | 5 |
| Seeman Holtz | 26 | 2 | - | 2 | - | - | 4 |
| NFP Corp. | 16 | 2 | - | 2 | - | - | 4 |
| Marsh & McLennan Companies | 7 | 1 | - | 1 | 2 | - | 4 |
| Alera Group | 28 | - | 2 | - | - | - | 2 |
| RSC Insurance Brokerage, Inc. | 8 | 1 | - | 1 | - | - | 2 |
| USI, Inc. | 4 | - | 2 | - | - | - | 2 |
| **Sub-Total** | **346** | **44** | **24** | **31** | **23** | **10** | **132** |
| *Other* | *255* | *39* | *24* | *17* | *20* | *11* | *111* |
| **Total Broker Deals** | **601** | **83** | **48** | **48** | **43** | **21** | **243** |

*Source: SNL, Factset, and other public sources through YTD*

Exhibit 31

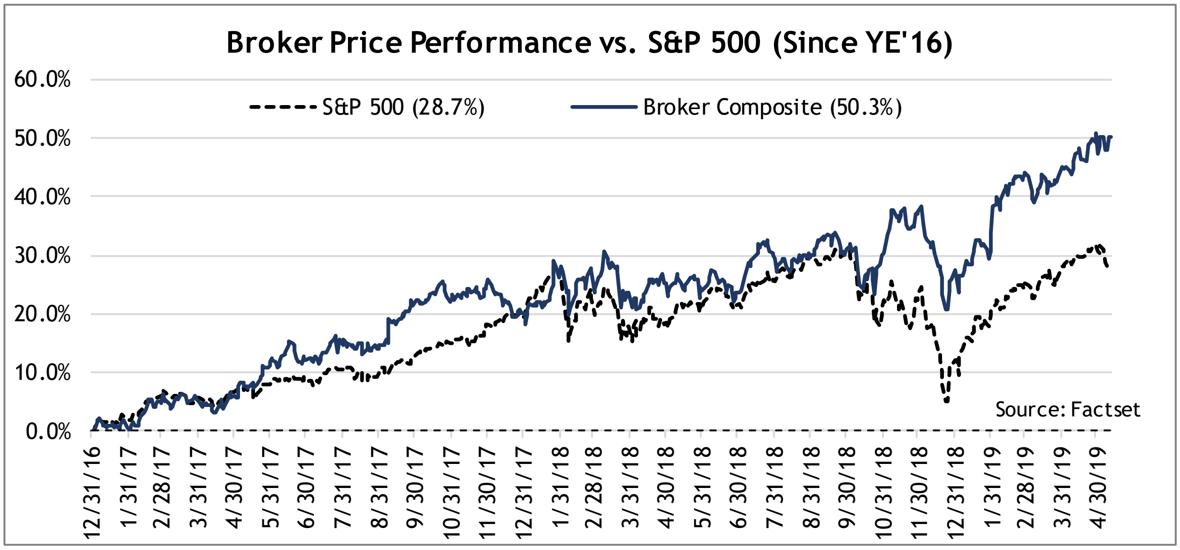
**2019 U.S. Middle Market Brokerage M&A Since April**

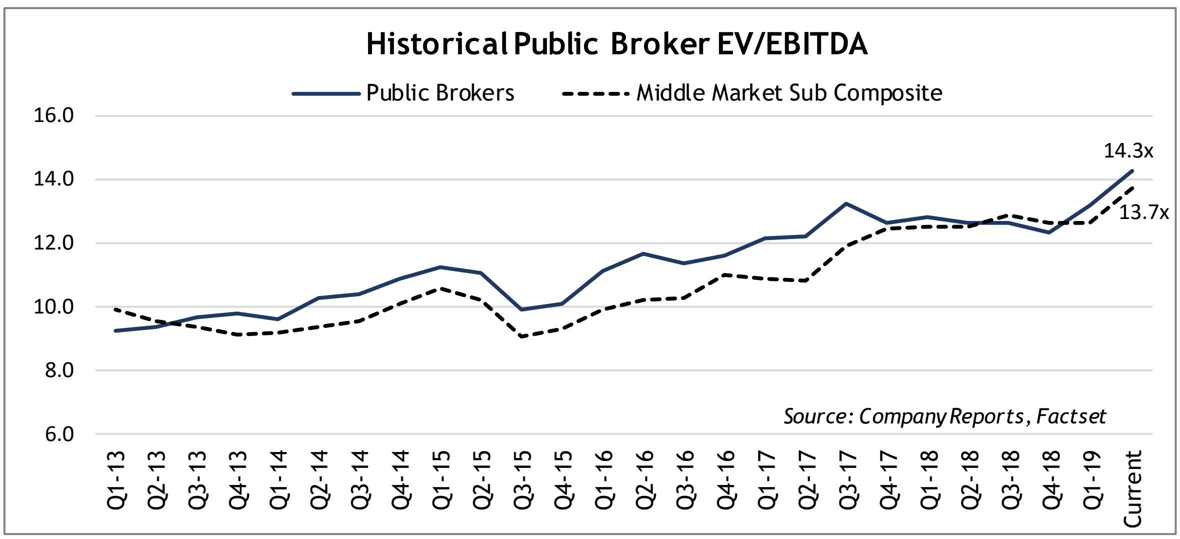
| Date | Acquirer | Acquiree | Acquiree State |
|---|---|---|---|
| 1-Apr | Hilb Group LLC | *eBenefits Group LLC* | *CT* |
| 1-Apr | Peter C. Foy & Associates Insurance Services, LLC | *Broadfield Group LLC* | *NY* |
| 1-Apr | Peter C. Foy & Associates Insurance Services, LLC | *Grosslight Insurance, Inc.* | *CA* |
| 1-Apr | Tokio Marine & Nichido Fire Insurance Co., Ltd. | *NAS Insurance Services, LLC* | *CA* |
| 1-Apr | White Mountains Insurance Group, Ltd. | *Embrace Pet Insurance Agency LLC* | *OH* |
| 1-Apr | Brown & Brown, Inc. | *Undisclosed Business* | *N/A* |
| 1-Apr | Hilb Group LLC | *Walker Brothers Insurance Inc.* | *AR* |
| 1-Apr | World Insurance Associates LLC | *Lampe-Batkin Associates, LLC* | *CT* |
| 1-Apr | BroadStreet Partners, Inc. | *assets of undisclosed insurance agency* | *OH* |
| 1-Apr | BroadStreet Partners, Inc. | *Certain insurance assets* | *AZ* |
| 1-Apr | World Insurance Associates LLC | *Joseph A. Britton Agency Inc.* | *NJ* |
| 2-Apr | Integrity Marketing Group, LLC | *Multi-State Insurance Center Inc.* | *MI* |
| 2-Apr | Marsh & McLennan Companies, Inc. | *Lovitt & Touché, Inc.* | *AZ* |
| 2-Apr | Distinguished Programs Holdings LLC | *ProHost USA* | *MN* |
| 3-Apr | Hub International | *Premiere Risk Management* | *IL* |
| 4-Apr | Hub International | *M.B.I. Group LLC* | *MS* |
| 5-Apr | Hub International | *Assets of Corey Steinbach Insurance Agency LLC* | *MN* |
| 5-Apr | OceanPoint Financial Partners, MHC | *Paquin Insurance Agency* | *RI* |
| 8-Apr | Valley Insurance Agency Alliance, LLC | *Nichols Insurance Agency LLC* | *MO* |
| 9-Apr | Peter C. Foy & Associates Insurance Services, LLC | *Hipskind Seyfarth Risk Solutions, LLC* | *IL* |
| 11-Apr | Integrated Specialty Coverages, LLC | *Paramount General Agency/Paramount Acceptance Corp.* | *TX* |
| 15-Apr | Brown & Brown, Inc. | *ALMEA Insurance, Inc.* | *WA* |
| 15-Apr | AssuredPartners, Inc. | *Baldwin-Cox Agency, LLC* | *TX* |
| 15-Apr | Edgewood Partners Insurance Center, Inc. | *Book of business* | *CA* |
| 16-Apr | AssuredPartners, Inc. | *Cohen-Bailie Insurance, LLC* | *GA* |
| 16-Apr | Starkweather & Shepley Insurance Brokerage, Inc. | *Wilson Agency, Inc.* | *CT* |
| 16-Apr | Flinn Financial, Inc. | *Northern Michigan Benefits & Insurance Services, Inc.* | *MI* |
| 17-Apr | Integrity Marketing Group, LLC | *Savers Management Group, Inc.* | *NC* |
| 17-Apr | OneDigital Health and Benefits, Inc. | *Captiva Benefit Solutions, LLC* | *TX* |
| 18-Apr | Montgomery Insurance & Investment Agency, Inc. | *Champion Insurance Associates, Inc.* | *OH* |
| 19-Apr | AssuredPartners, Inc. | *Premier Insurance Corporation, Inc.* | *FL* |
| 22-Apr | Tokio Marine & Nichido Fire Insurance Co., Ltd. | *AmTrust Agriculture Insurance Services, LLC* | *KS* |
| 24-Apr | Seeman Holtz Property and Casualty, Inc., Inc. | *Schwarz Insurance Agency, Inc.* | *WI* |
| 24-Apr | OneDigital Health and Benefits, Inc. | *Northwest General Insurance Agency Inc.* | *TX* |
| 1-May | CRC Group | *Argenia, LLC* | *AR* |
| 1-May | Hilb Group LLC | *Summit Insurance Services, LLC* | *VA* |
| 1-May | OneDigital Health and Benefits, Inc. | *Benefit Group, LLC* | *CO* |
| 2-May | Hub International | *all assets of First Western Insurance Agency, Inc.* | *ND* |
| 2-May | KKR & Co. Inc. | *North County Insurance* | *CA* |
| 3-May | Hub International | *Resource Insurance Services, Inc.* | *TX* |
| 3-May | Reliance Global Group, Inc. | *Fortman Insurance Agency, LLC* | *OH* |
| 6-May | AssuredPartners, Inc. | *Esser Hayes Insurance Group, Inc.* | *IL* |
| 6-May | Morneau Shepell Limited | *Health and Defined Benefit Administration Business* | *NY* |
| 7-May | Aon plc | *Book of business* | *TX* |
| 7-May | W.N. Tuscano Agency, Inc. | *Insurance Markets, Inc.* | *PA* |
| 8-May | Hub International | *Rims Insurance Brokerage Corp.* | *RI* |
| 8-May | Reliance Global Group, Inc. | *Niche Medicare insurance agency* | *N/A* |
| 8-May | Ryan Specialty Group, LLC | *Atlantic Specialty Lines, Inc.* | *VA* |
| 8-May | Sunstar Insurance Group, LLC | *Todd Agency, Inc.* | *AR* |
| 9-May | Relation Insurance, Inc. | *Service First Insurance* | *VA* |

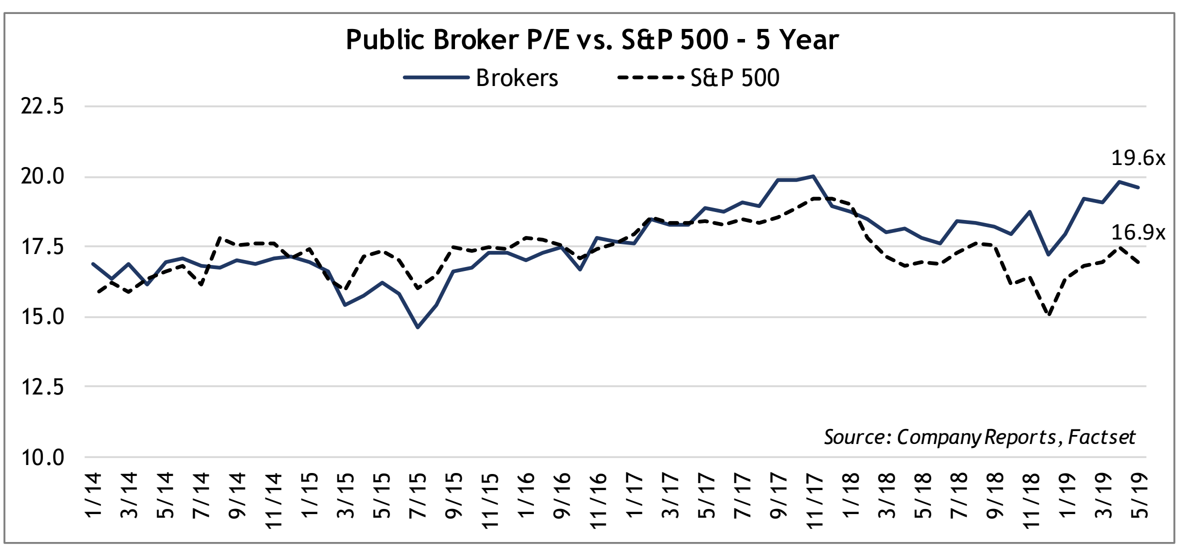
Source: SNL, Factset, other public sources;  Note: Does not include some deals where target was not disclosed; Excl. Acrisure Deals.

## Public Broker Valuations:

Exhibit 32, 33 & 34



# Important Disclosures