



Houlihan  
Lokey

# Insurance Brokerage

Market Update—Q2 2024

# Introduction **Insurance Broker Market Update**

Houlihan Lokey is pleased to present its **Insurance Broker Market Update for Q2 2024**.

With this update, we introduce our insurance brokerage coverage, discuss key sector trends, and present the latest public and private transactions and valuation themes across the insurance brokerage and distribution landscape.

We remain bullish about the current and long-term opportunities present for insurance distributors within the rapidly expanding ecosystems. Demand for and interest in insurance assets remains strong as key secular tailwinds continue to propel the sector forward and encourage the adoption of distribution platforms and technology solutions. M&A and financing activity has been frequent, while strong valuations have persisted for publicly traded players.

As our firm remains active in the space, we invite you to contact us to discuss past transactions, future opportunities, or the insurance broker and distribution ecosystems more broadly.

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# Executive Summary

Brokers play a critical role in risk assessment, policy customization, and distribution, making them an indispensable part of the insurance value chain and a highly attractive investment opportunity given their stable business models, adaptability, and strategic growth prospects.

## Recent Trends

- Digital Transformation: Technology adoption has accelerated, with brokers integrating digital platforms, data analytics, and AI tools to enhance customer experience, streamline operations, and offer personalized insurance solutions, all of which *significantly increase valuation*.
- Consolidation: There has been a notable *trend toward consolidation* in the industry, with larger brokers acquiring smaller firms to expand their market presence, diversify their service offerings, and achieve economies of scale, in addition to financial sponsors pursuing roll-up strategies.

## Valuation Themes

- Resilience Across Cycles: Fundamentals among insurance brokers have been *resilient during economic downturns* and recent interest rate spikes due to the recurring nature of premium generation and the essential nature of insurance products.
- Strong Valuation Multiples: Due to their stable and recurring cash flows, low capital expenditure requirements, and increasingly critical role in the insurance industry's distribution chain, brokers have and are expected to command *high valuation multiples in 2024 and 2025*.

## Current Opportunity and Attractiveness

- The current landscape in the insurance brokerage sector provides a fertile ground for both *organic growth and strategic acquisitions*.
- The industry's resilience, combined with the transformative impact of technology and regulatory changes, *creates a compelling case for investment*; for both private equity and strategic buyers, insurance brokers offer a blend of stability, growth potential, and strategic value, making them highly attractive investment opportunities.

Sources: Conning, S&P Global Market Intelligence, PitchBook Research, Bloomberg.

## Overview

Insurance brokers operate at the crossroads of financial services, risk management, and technology, serving as intermediaries between clients and insurance providers.

These entities play a crucial role in the insurance ecosystem by advising clients on risk management and finding the most suitable insurance policies to meet their individualized needs.

Brokers remain in high demand among both financial and strategic buyers, as sponsors and consolidators compete for this sought-after asset class.





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# Growth and Digital Transformation in Insurance Brokerage

The insurance brokerage industry is undergoing a transformation, fueled by digital innovation, market consolidation, and a shift toward personalized insurance solutions. With the global market on a trajectory of growth, brokers are leveraging digital tools, data analytics, and insurtech partnerships to enhance operational efficiency, customer engagement, and risk assessment.

## Market Overview and Digital Transformation

The insurance brokerage market is experiencing steady growth, with the global market size expected to rise from \$98.8 billion in 2022 to \$105.3 billion in 2023, and ultimately reach **\$130.3 billion by 2027**.

Brokers are **adopting digital tools** for enhanced policy management, claims processing, and customer interactions. This digital shift is aimed at improving operational efficiency and enhancing customer experiences.

The increased use of data analytics and AI integration now enables brokers to offer **personalized services, improve risk assessment, and streamline operations**. Partnerships with insurtech firms are facilitating the integration of innovative technologies like AI, blockchain, and IoT.

## Emerging Trends and Opportunities

**Personalization and Customer Engagement:** The move toward offering personalized insurance policies is strengthening broker-client relationships. By leveraging data analytics, brokers can tailor their services to meet individual client needs, enhancing satisfaction and loyalty.

**Embedded insurance**, integrating insurance offerings into non-insurance purchase journeys, is forecasted to grow significantly.

Presents new market segments and distribution channels, offering firms the chance to **innovate product design and delivery**. Additionally, insurers are increasingly collaborating with insurtech firms, leveraging their tech and solutions to enhance the insurance value chain without bearing the sunk cost of technology investments.

The insurance broker industry is poised for transformative growth, leveraging digital innovation, strategic partnerships, and a focus on personalized customer experiences to navigate the complexities of modern risks and market demands. As brokers and MGAs adapt to the evolving landscape with agility and foresight, the sector stands to redefine its value proposition, ensuring resilience and relevance in a rapidly changing world.

Sources: Oliver Wyman, Bain, Bloomberg, S&P Capital IQ Pro.

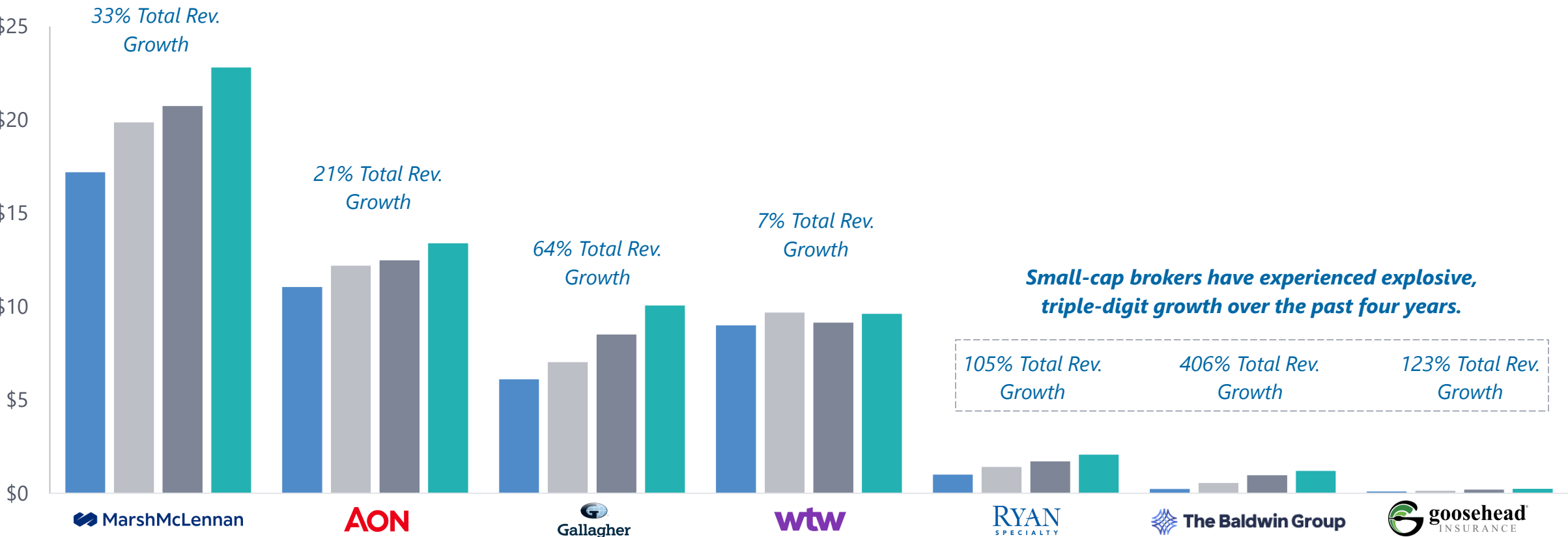
# Expansive Growth Across the Broker Landscape

The largest brokers have outpaced the broader market with strategic growth initiatives and consolidations, a focus on distinctive value propositions, and adaptation to the evolving risk landscape.

## Revenue and Growth (%)

\$ in Billions

■ 2020 ■ 2021 ■ 2022 ■ 2023



Sources: S&P Capital IQ Pro, SNL.





# Increased Market Share for Small-Cap Insurance Brokers

Smaller insurance brokers have been garnering more market share from the larger, multinational incumbents; large-cap strategics in the space are increasingly dependent on inorganic growth to reclaim their lost share.

## Large-Cap Broker Revenue Growth: 2020–2024



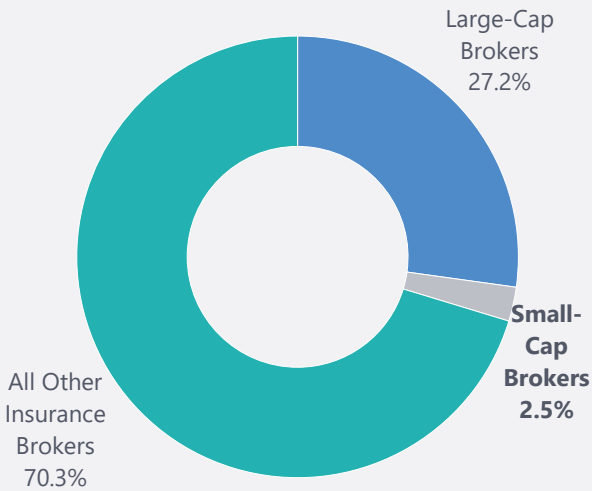
## Small-Cap Broker Revenue Growth: 2020–2024



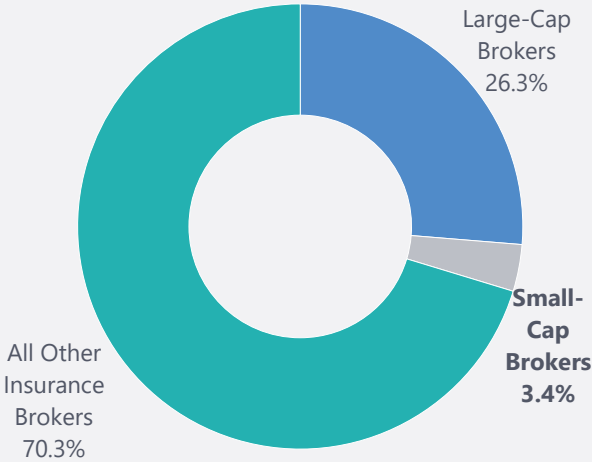
Small-cap brokers have increased their market share from 2.5% in 2020 to 3.4% in 2022, representing a total increase in revenue of 62.3%, whereas large-cap brokers have experienced a decline in market share from 27.2% to 26.3% over the same time period.

Sources: S&P Capital IQ Pro, FRED, SNL.  
Note: Total market share of insurance brokerage assumed to be \$160.4 billion in 2020 and \$191.1 billion in 2022 (FRED).

MARKET SHARE IN FY 2020



MARKET SHARE IN FY 2022



# Featured Insurance Distribution Investments: Sponsor View

## STONE POINT CAPITAL



## AQUILINE

CAPITAL PARTNERS LLC



## WARBURG PINCUS



## CARLYLE



## FLEXPOINT FORD



## CENTURY EQUITY PARTNERS



## HGGC



## SKYKNIGHT



## CIVIC PARTNERS



## J.C. FLOWERS & Co.



## KKR



## GENSTAR CAPITAL

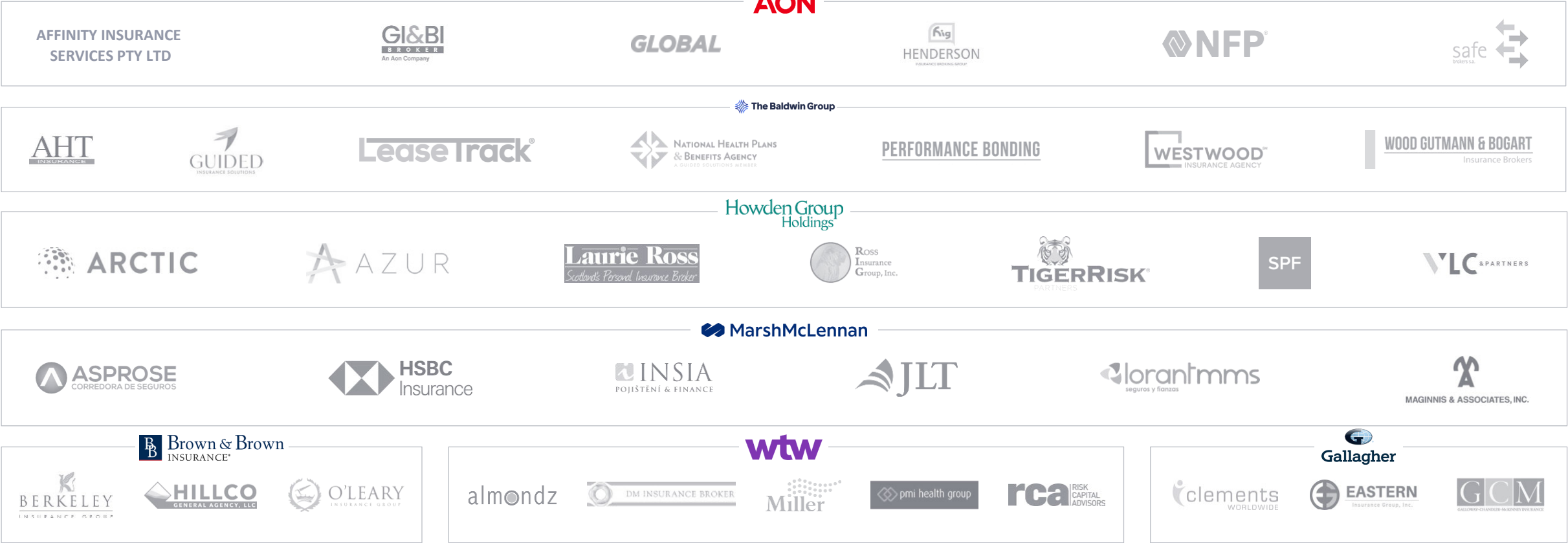


## REDBIRD CAPITAL PARTNERS





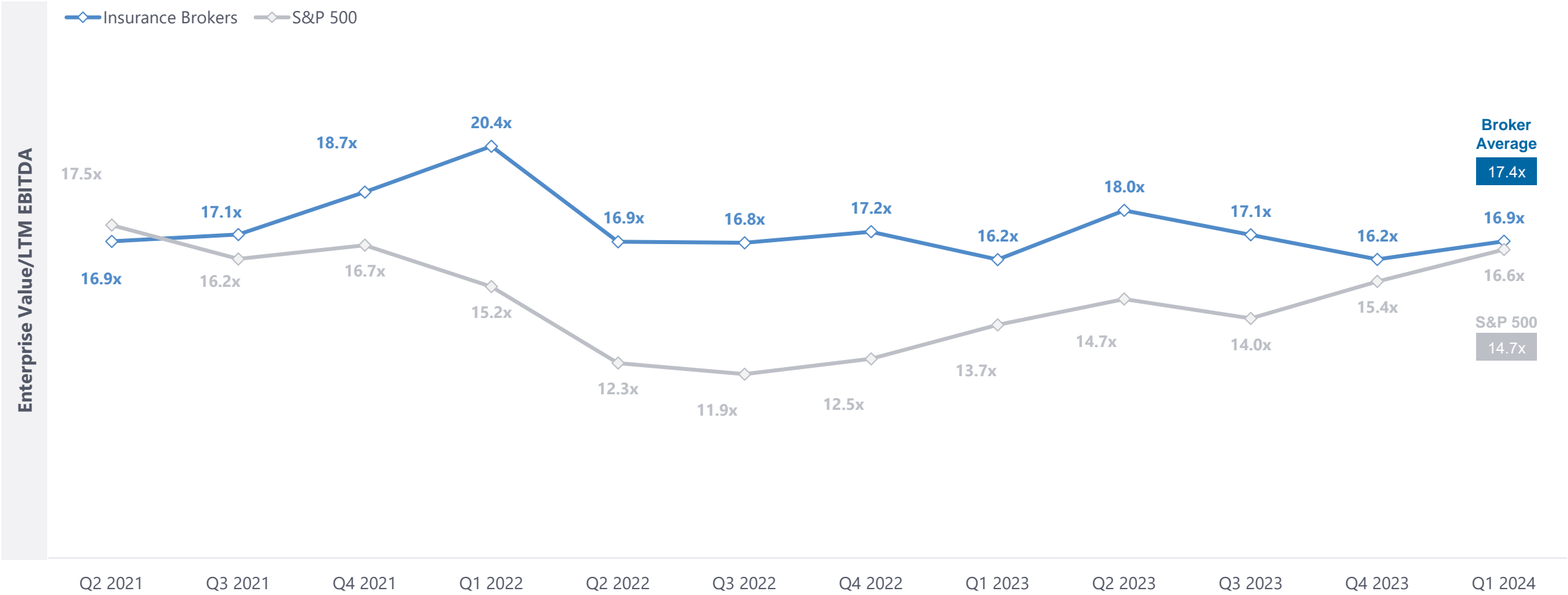
# Featured Insurance Distribution Investments: Strategic View



Sources: PitchBook, S&P Capital IQ Pro, SNL, company websites.  
(1) Number of investments over past 10 years, as of May 17, 2024.

# Public Valuations: Insurance Brokers

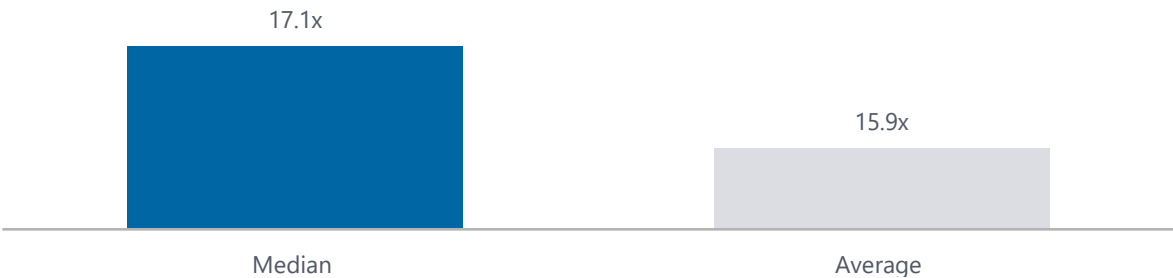
Overall industry multiples retracted in 2022 as interest rates spiked, raising the cost of capital; however, fundamentals remained strong in the brokerage sector throughout 2023.



Notes: Financial data as of latest available. Market data as of May 17, 2024: Insurance brokers include MMC, AON, AJG, BRO, WTW, BWIN, and RYAN.  
Source: S&P Capital IQ.

# Insurance Broker Benchmarking: Public Company Valuation

Enterprise Value/Trailing EBITDA | LTM



Enterprise Value/Forward EBITDA | NTM



Revenue Growth | 2024E



EBITDA Margin | 2024E



## Representative Comparables











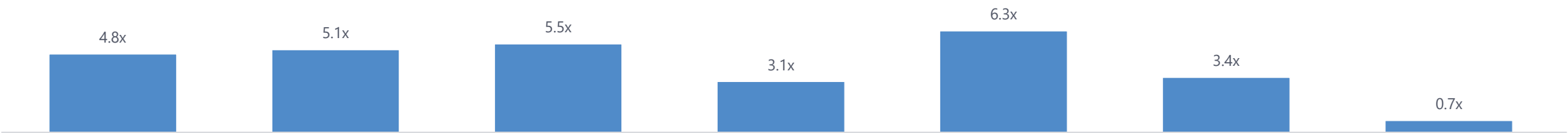




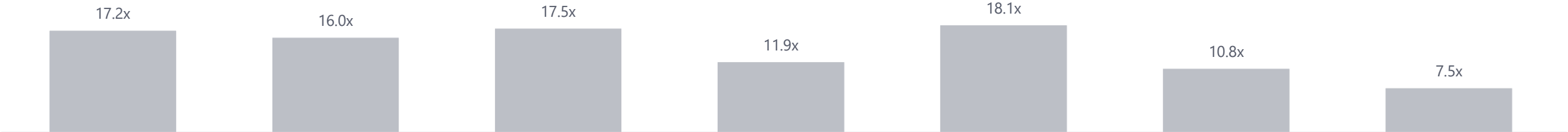
Notes: Financial data as of latest available. Market data as of May 17, 2024.  
Source: S&P Capital IQ.

# Insurance Broker Benchmarking: Public Company Valuation (cont.)

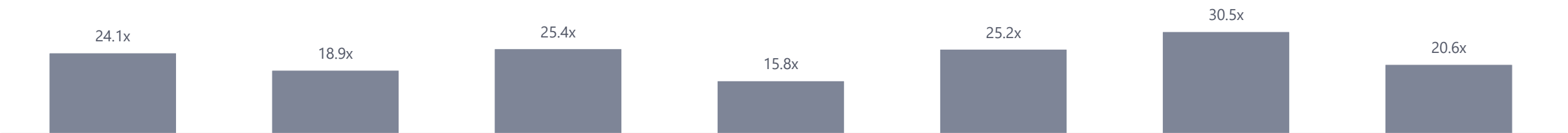
## Enterprise Value/Revenue | 2024E



## Enterprise Value/EBITDA | 2024E



## Price/Earnings | 2024E





Notes: Financial data as of latest available. Market data as of May 17, 2024.  
Source: S&P Capital IQ.

# Insurance Broker Benchmarking: Publicly Traded Comparable Companies

\$ in Millions; Data as of 5/17/2024













\$ in Millions; Data as of 5/17/2024

Performance						Valuation		Profitability		Leverage		
Company Name	Market Cap	Enterprise Value	1-Month Return	1-Year Return	% of 52 Week High	EV/Revenue		EV/EBITDA		EBITDA Margin		Debt/LTM EBITDA
						CY2023A	CY2024E	CY2023A	CY2024E	CY2023A	CY2024E	
Brokers												
Marsh & McLennan	\$103,457	\$117,584	5%	21%	100%	5.2x	4.8x	17.9x	17.2x	29%	28%	2.1x
Aon	63,588	80,057	4%	(5%)	84%	6.0x	5.1x	18.7x	16.0x	32%	32%	3.7x
A.J. Gallagher	56,305	63,206	10%	29%	100%	6.6x	5.5x	21.3x	17.5x	31%	31%	2.6x
Willis Group Holdings	26,316	31,152	2%	18%	92%	3.3x	3.1x	12.9x	11.9x	26%	26%	2.5x
Brown & Brown	25,624	29,159	10%	44%	100%	6.9x	6.3x	21.1x	18.1x	33%	35%	2.7x
Ryan Specialty	6,452	8,356	10%	33%	96%	4.1x	3.4x	16.8x	10.8x	25%	31%	3.8x
The Baldwin Group	1,287	2,020	(2%)	108%	89%	0.7x	0.7x	7.9x	7.5x	9%	10%	1.6x
Median			5%	29%	96%	5.2x	4.8x	17.9x	16.0x	29%	31%	2.6x
Average			6%	35%	94%	4.7x	4.1x	16.6x	14.1x	26%	28%	2.7x

Notes: Financial data as of latest available. Market data as of May 17, 2024.  
Source: S&P Capital IQ.

# Featured M&A Activity

M&A and capital raise activities within the sector have been robust in the past years, with deal values and transaction types vastly varying across all subsectors.









Transaction Type	Date	Target	Investor	Deal Value (\$M)	Target Description
Sponsor Acquisitions	2/20/2024	 Truist Insurance Holdings	STONE POINT CAPITAL	\$7,600	Provider of commercial property and casualty, corporate bonding and surety services, and alternative risk transfer programs.
	7/29/2022	 ambridge	MDP	500	Offers various products, including transactional insurance, complex management liability insurance, and intellectual property insurance.
	12/28/2021	 Velocity Risk	Brookfield	181	Offers residential and commercial property insurance programs that mainly protect homes and businesses.
	9/22/2020	 People's United Insurance Division	GTCR	120	Provides personal, commercial, and employee benefits insurance solutions to people, property, and businesses.
	3/31/2020	 FOY Insurance Division	HGGC	353	Offers a wide range of insurance offerings, including auto, home, health, and life as well as specialized programs for equine and sports insurance.
Strategic Acquisitions	12/20/2023	 NFP	AON	\$13,626	Provider of corporate benefits, insurance, and wealth management services intended to serve middle-market companies.
	10/24/2023	 CADENCE	Gallagher	904	Provides personal, business, and commercial insurance along with employee benefits and private risk management.
	8/6/2022	 MS&AD Insurance Group	transverse INSURANCE GROUP	550	Japan's second-biggest nonlife insurer, trailing industry leader Tokio Marine in the scale of global operations.
	6/20/2022	 CRUM & FORSTER	JAB HOLDING COMPANY	1,400	Products include disability insurance, property insurance, medical insurance, life insurance, travel insurance, and pet insurance.
	3/3/2022	 WESTWOOD INSURANCE AGENCY	The Baldwin Group	400	Services include facilitating seamless home closings by connecting builders, carriers, lenders, and homebuyers with click-to-bind technology.
	8/12/2021	 ALIGN Financial	Howden Group Holdings	800	Products include casualty general insurance, property catastrophe program, personal property underwriting, and claims adjusting services.
	7/15/2021	 abd Insurance & Financial Services	Newfront	1,350	Offers health insurance, managed services, consulting services in risk management, insurance, human resources, and retirement.

Sources: S&P Capital IQ, PitchBook, SNL.





# Insurance Broker Transactions: Significant Investment From Strategic Players

	Number of Total Investments <sup>(1)</sup>	Investments: Past Six Months	Investments: Past 12 Months	Investments: Past Two Years
 <b>Gallagher</b>	222	18	33	62
 <b>ACRISURE</b>	73	6	18	23
 <b>BrokerLink</b>	91	6	16	34
 <b>Brown &amp; Brown INSURANCE</b>	43	5	7	11
 <b>MarshMcLennan</b>	33	1	3	12
 <b>GREAT HARBOR — INSURANCE SERVICES —</b>	31	0	0	0
 <b>PSC INSURANCE GROUP</b>	22	1	3	5
 <b>CROSS INSURANCE</b>	21	0	1	5
 <b>McDougall</b> <small>INSURANCE &amp; FINANCIAL</small>	21	0	1	8
 <b>ONE80 INTERMEDIARIES</b>	19	1	3	4
 <b>AON</b>	18	3	3	4

Sources: PitchBook, S&P Capital IQ Pro.

(1) Total investments over all reported corporate history.

# Introduction to Insurance Brokers

Demand for insurance brokers remains high as they continue to profit from their integral role in the overall insurance value chain.

## Overview

- Insurance brokerages act as the professional intermediary between the consumer and an insurance company, helping the consumer to find a policy that best suits their individualized needs.
- Insurance brokers act on behalf of the consumers, not insurance companies, which means they need to partner with insurance agents to bind coverage on behalf of the insurer.
- Distribution plays a critical role in the insurance landscape, determining how effectively insurance products reach and serve target markets. Brokers simplify this complex distribution process by leveraging their market knowledge and networks, ensuring consumers have seamless access to a wide range of insurance options tailored to their unique needs and circumstances.

## Insurance Brokers in the Market

### Recent Notable Broker Transactions

- 1





**Feb. 2024: Stone Point Acquires Truist Insurance Holdings for \$15.5 Billion**
  - Stone Point and CD&R acquired a controlling stake in Truist Insurance Holdings (TIH) for \$7.6 billion in an all-cash transaction (representing an 18.0x purchase multiple on 2023 EBITDA).
  - With the backing of new financial partners, TIH is well-positioned to capitalize on the growth in the evolving insurance brokerage market and will invest in cutting-edge technology to offer even greater value to clients.
- 2

**Dec. 2023: Aon Acquires NFP for \$13.4 Billion**
  - Aon acquired NFP—one of the largest insurance brokers specializing in P&C, employee benefits, and retirement services—to expand its footprint in the middle-market segment and increase its capabilities across risk and benefits.

### Future Outlook for Brokers

- The M&A momentum that the insurance brokerage space has experienced in recent years is expected to persist in 2024, as private equity firms will remain acquisitive by targeting small to mid-sized brokerage entities, undeterred by the prospect of increased premiums.
- We expect the market to remain competitive as private equity goes head-to-head with corporate buyers looking to grow through middle-market M&A, as recent transaction multiples would suggest.
- Pending legislative enhancements by the Department of Labor could catalyze life insurers to re-evaluate the strategic advantage of an autonomous sales force adept in offering comprehensive advisory services across various products, further driving acquisitions in the broker space.

Brokers Remain Popular PE Investments Because of...

-  Minimal Capital Intensity
-  High FCF Conversion
-  Recurring Revenue Models
-  Resilience Across Economic Cycles

Sources: S&P Global Market Intelligence, Deloitte, McKinsey, S&P Capital IQ.

# Introduction to Managing General Agencies

Managing general agencies (MGAs) play an integral role in the insurance distribution value chain by providing a unique value proposition for parties spanning from carriers to brokers.

## Overview

- MGAs are a critical component of the insurance value chain, acting as a third-party distribution and underwriting arm to an insurer's existing operations.
  - In opposition to insurance brokers who act on behalf of the consumer, MGAs act on behalf of the carrier to help brokers bind the policies.
  - MGAs can be thought of as the "intermediary" between insurers and retail/wholesale agents.
- MGAs aggregate certain classes of risks into a "program," which can be collectively placed on an insurer's balance sheet.
  - Insurers benefit from the MGAs' access to a distribution network of retail/wholesale agents and their deep understanding of and underwriting expertise within niche, specialty markets that oftentimes present hard-to-place risks.
- MGAs offer insurers and reinsurers a "plug and play" opportunity to access sought-after businesses without the need for large-scale investments.

## Definitions

### Managing General Agency

- Specialized P&C insurance distributor acting on behalf of the insurer, which handles many of the administrative functions along the insurance buying process.
- Typically granted certain authorities by the insurer, such as underwriting, quoting, binding, and issuing.

### Program Administrator (PA)

- Often interchangeable with MGA, as they perform similar functions.
- Administers programs consisting of homogenous risks and provides back-office support services such as binding and premium collection.

### Managing General Underwriter (MGU)

- MGUs possess broader underwriting guidelines than MGAs due to their expertise with a given program or line of business.
- Underwrite risks with certain characteristics that are unique and difficult for insurers to provide predefined underwriting parameters.

Sources: S&P Global Market Intelligence, Conning.

## Benefits and Risks of Forming an MGA Partnership

*When evaluating a potential partnership with an MGA, insurers consider a variety of factors relating to the benefit and risk profile of outsourcing their underwriting responsibilities versus keeping them in-house.*



- Access to Alternative Lines of Business
- Underwriting Expertise
- Access to a Network of Agents
- Operational Expense Savings
- Exit Strategy



- "Giving Away the Pen"
- Cost to Acquire Business
- Control of Business

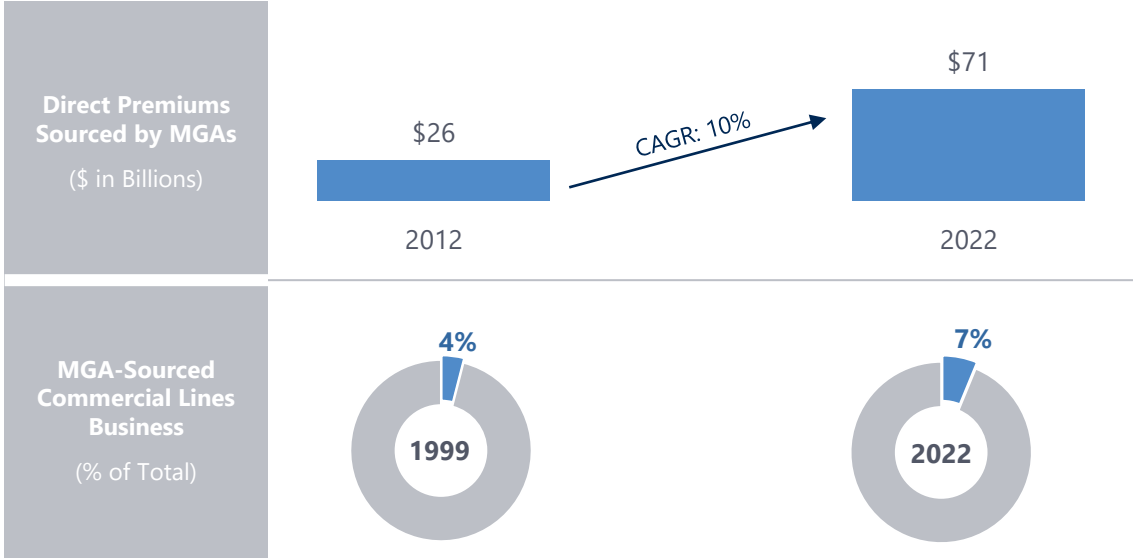


# Addressing the Need for Growth and Innovation for MGAs

MGAs have become the drivers of innovation and profitable underwriting for the P&C industry, with a unique combination of executorial agency, a large addressable TAM, and a pivotal role in the value chain.

## MGAs Represent a Sizeable and Growing Market...

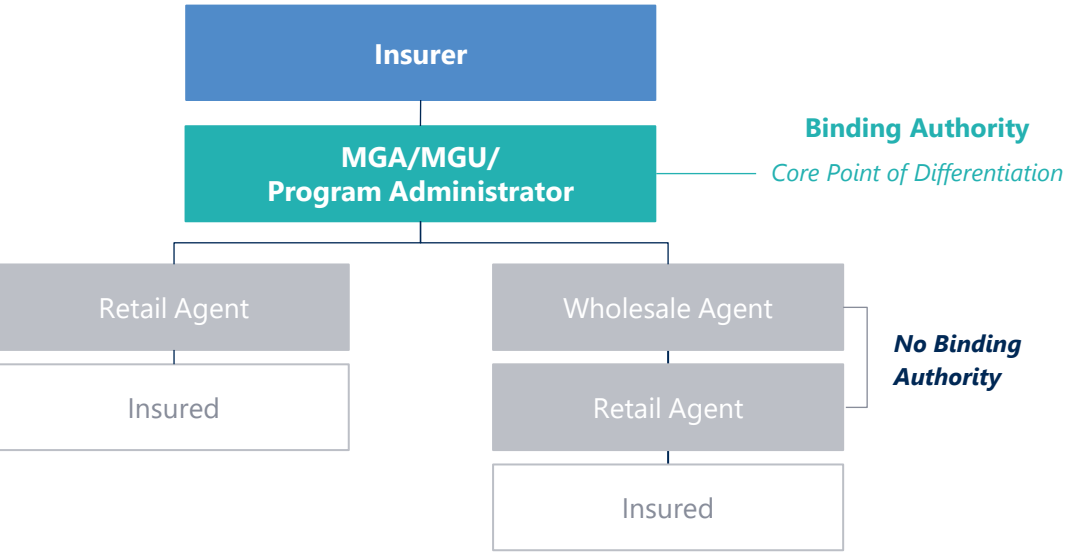
- **Direct Premiums:** MGAs sourced \$71 billion in direct premiums in 2022, representing a 10% CAGR from 2010.
- **P&C Market Share:** MGAs have steadily gained a share of the P&C market, growing from 4% of commercial lines business in 1999 to 7% in 2022.
- **Growth Catalyst:** Specialization in niche markets allows MGAs to offer access to opportunities without making large-scale investments in talent and operations, driving accelerated growth.



Sources: S&P Global Market Intelligence, Conning, McKinsey.

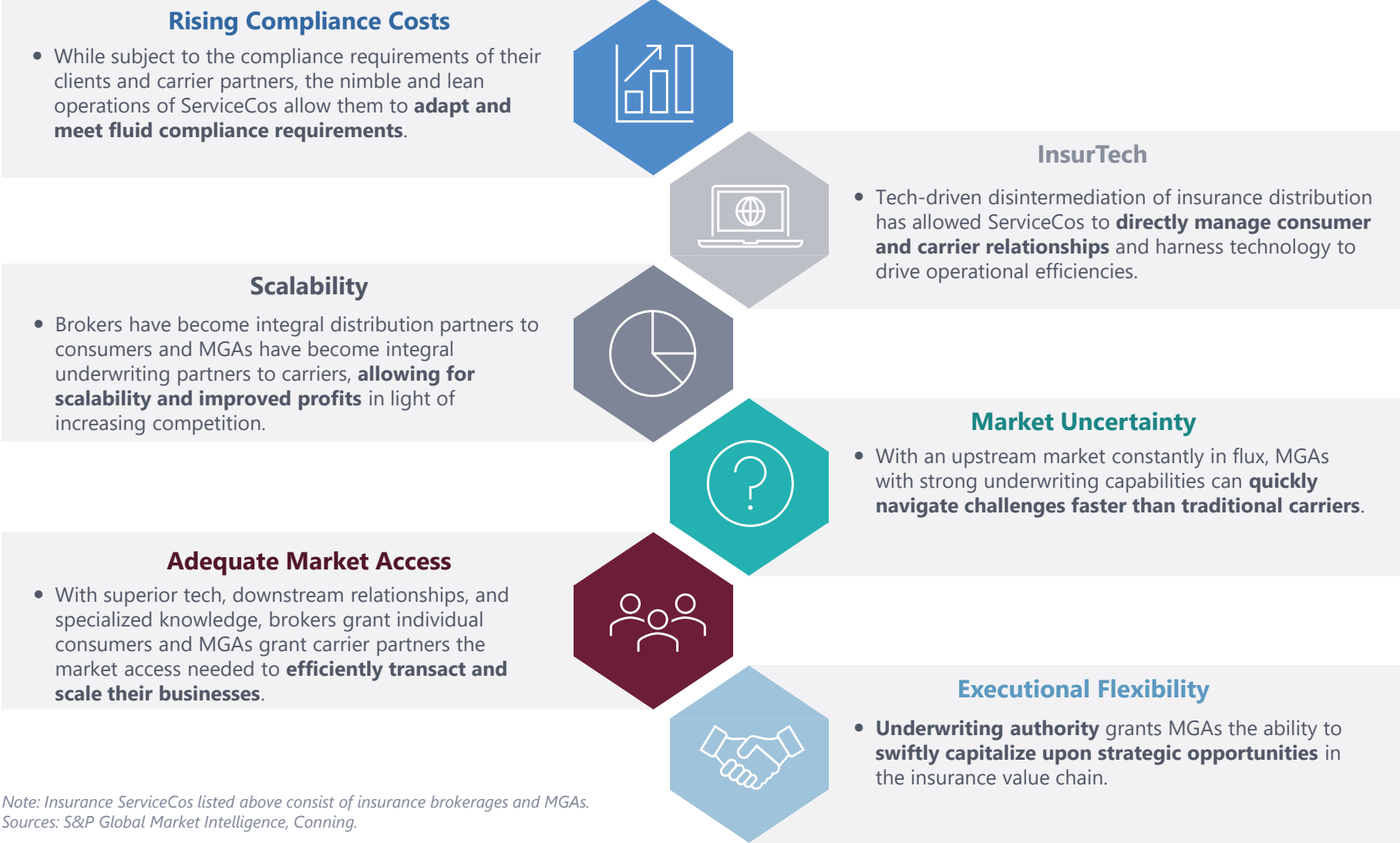
## And Play a Key Role in the Broader P&C Landscape

- MGAs, MGUs, and Program Administrators are critical to the underwriting and distribution of specialty insurance products.
- **Carrier Value Proposition:** Specialized underwriting and claims knowledge/capabilities, as well as access to agent networks.
  - **Express Authority:** Authority to underwrite, bind, and collect on behalf of the carrier removes a layer of inefficiency, enabling swift execution.
- **Broker/Agent Value Proposition:** Specialized products and access to highly rated carriers.



# Common Characteristics of Successful Insurance ServiceCos

The most successful insurance ServiceCos can adapt to a constantly changing environment and turn challenges into opportunities.



*Note: Insurance ServiceCos listed above consist of insurance brokerages and MGAs.  
Sources: S&P Global Market Intelligence, Conning.*

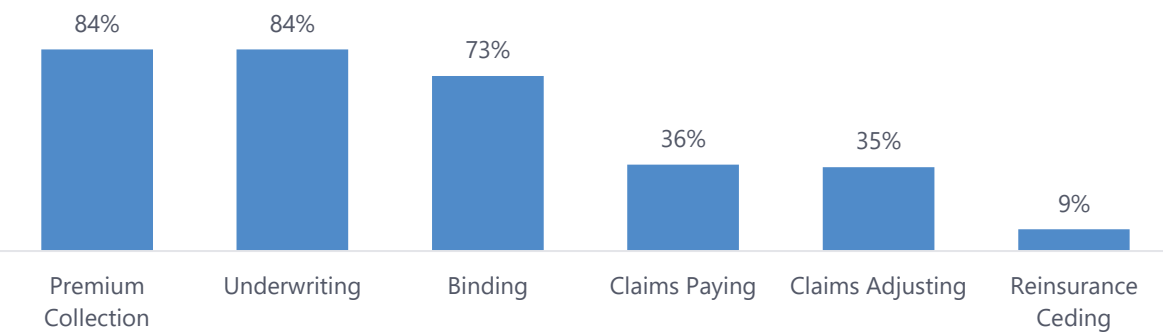


# Broker/MGA Business Model: Distribution

## Overview

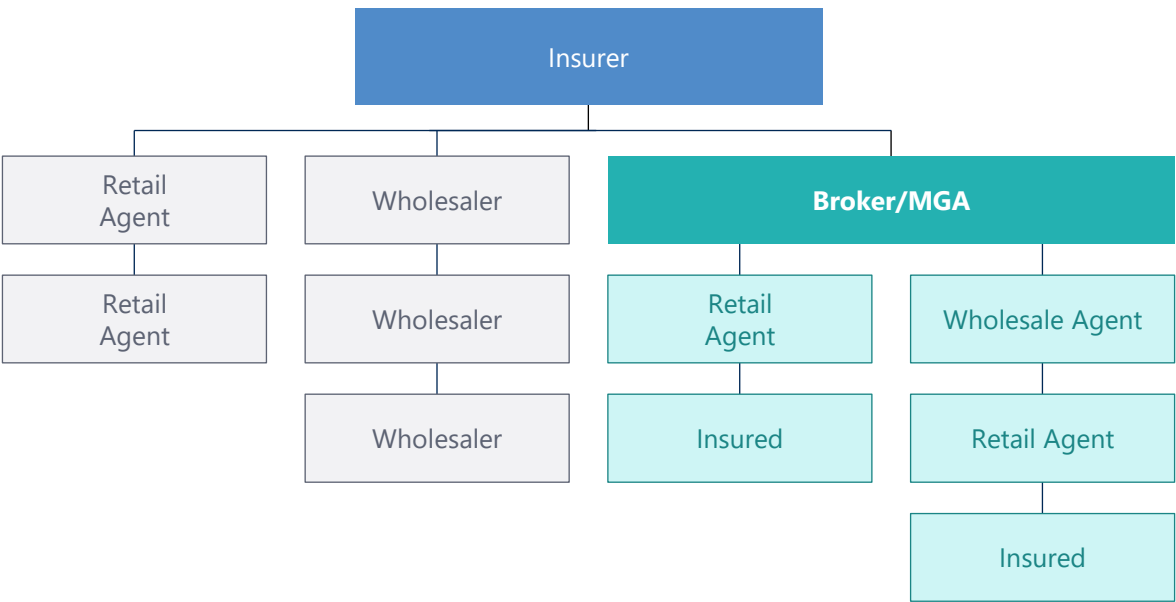
- Brokers establish relationships with consumers and vice versa to assist in the education and sale of an insurance product.
- Insurers establish relationships with MGAs to access specialty markets that are underserved by traditional outlets.
  - Much of the business written by MGAs naturally skews toward the excess and surplus lines market, where more volatile risks are typically placed.
- MGAs aggregate premiums produced through their networks of retail and wholesale agents into programs that can be written on the insurer’s paper.
  - A commission is paid by insurers based on premium volume and in certain circumstances, program performance.
- MGAs source most of their premium through retail agents, who offer direct relationships with the insureds.

## Authority Granted to Nonaffiliated MGAs by Insurers (2022)



Sources: S&P Global Market Intelligence, Conning.

## Value Chain at a Glance



- Brokers manage relationships with the individual consumers while MGAs manage relationships with retail and wholesale agents, which serve as important access points to specialized risks.
  - Retail agents maintain direct relationships with insureds and act as the point of contact.
- The retail agent controls the renewals; however, the MGA controls the market as the retail agent’s means of access to rated insurers.
  - As such, **the MGA holds significant influence over the placement of risk with an insurer.**





# MGA Business Model: Ownership and Affiliation

## Types of Ownership

MGAs may be owned by insurance carriers or brokers, or they may be independently owned.

### Broker-Owned

- Often established by brokers who seek to expand their participation in the value chain and take a larger share of end-to-end revenue by servicing a particular insured base.
- Alternatively, brokers may acquire MGAs that possess underwriting expertise in niche lines of risk in which they may be struggling to find traditional sources of capital with the capacity to meet their clients' needs.

### Insurer-Owned

- Oftentimes, carriers will purchase MGAs or brokers to add expense-light revenue streams, flexibility, and an additional breadth of product offerings.
- Significant, lower-risk step toward participating in specific areas of risk where an insurer might not already operate.
- Opportunity to tap into the MGAs' lucrative commission structure from its core activity of managing third-party capacity.

### Independent

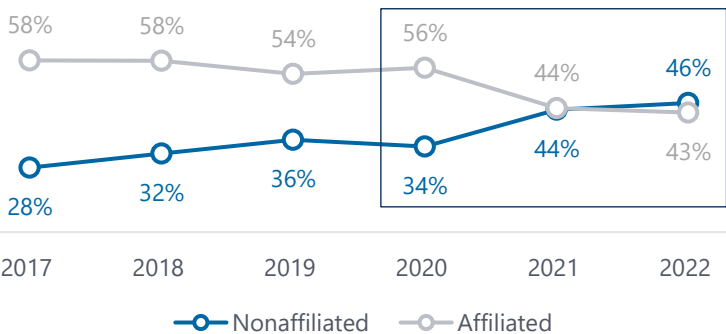
- Established to address available market opportunities directly where an organization with underwriting expertise wishes to deploy this skill without having to provide its own capital or bear the associated risks.
  - Increasing opportunities as technology and access to distribution have allowed specific niches to be underwritten at a smaller scale.

## Mix of Premium by Affiliation

\$ in Millions	2017	2018	2019	2020	2021	2022
Nonaffiliated	\$12.9	\$14.5	\$16.2	\$15.9	\$24.5	\$32.7
Affiliated	26.5	26.2	24.6	26.2	24.8	30.8
Crop	6.6	4.8	4.7	4.9	6.4	7.7
<b>Total</b>	<b>\$46.0</b>	<b>\$45.4</b>	<b>\$45.4</b>	<b>\$47.0</b>	<b>\$55.7</b>	<b>\$71.2</b>
% Growth		(1.2%)	(0.0%)	3.5%	18.5%	27.8%

Nonaffiliated MGA premiums have shown strong growth since 2020 and have outpaced those of affiliated MGAs in 2022. This trend in nonaffiliated MGA premiums has been anchored by the top five insurers, which collectively grew 111% from 2021 to 2022.

% of Total U.S. P&C Premium (Excl. Crop)



Sources: S&P Global Market Intelligence, Conning.

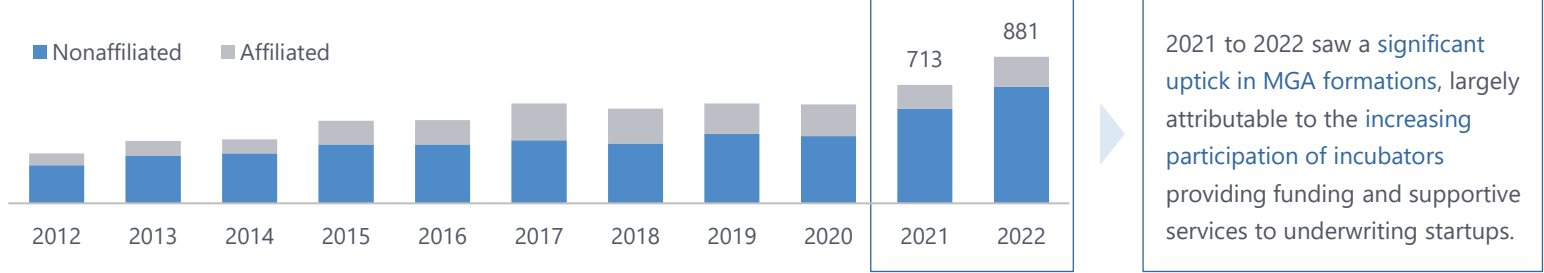


# MGA Market Snapshot

## Overview

- The program market is a diverse blend of P&C lines of business, industry sectors, and geographies.
  - Often at the forefront of product development, the underwriting expertise and entrepreneurial spirit of MGA owners, underwriters, and PAs continue to deliver both above-market growth and innovation to the insurance market, all while remaining an attractive investment to private equity.
  - Brokers and MGAs have become a relied-upon distribution channel for both insureds and insurers of all types: large nationals, reinsurers, fronting insurers, international markets, and smaller specialty insurers.

## Number of Active P&C MGAs<sup>(1)</sup>



## Transaction Spotlight

Dec-22

**Acquired by**

**WARBURG PINCUS**

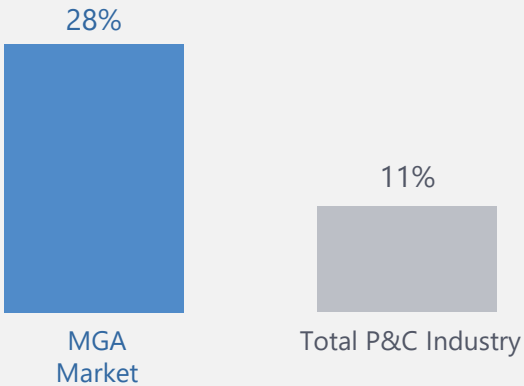
**\$1.25 Billion**

- In December 2022, private equity firm Warburg Pincus acquired K2 Insurance Services (K2) from its previous owner, Lee Equity Partners.
- K2 is an insurance services holding company that owns and controls a diverse set of specialty program administrators.
  - Through its MGA partners, K2 markets, underwrites, and services more than \$1 billion annually in niche commercial and personal insurance premiums.
- K2’s success over the years has inspired several other ventures to move into the MGA platform or incubator space; many of which have acquired ownership stakes in the MGAs they provide centralized support services to.

Sources: S&P Global Market Intelligence, Conning.  
(1) Per Conning’s proprietary MGA database; Active MGAs defined as those listed in key annual statement filings.

## Growth Profile

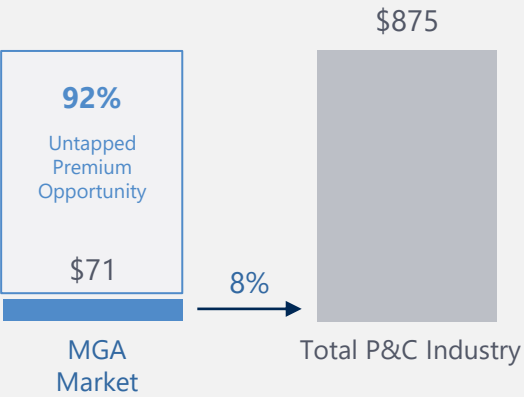
2021–2022 U.S. P&C Insurance  
Premium Growth



**Rapidly Growing Program Segment**

## Market Sizing

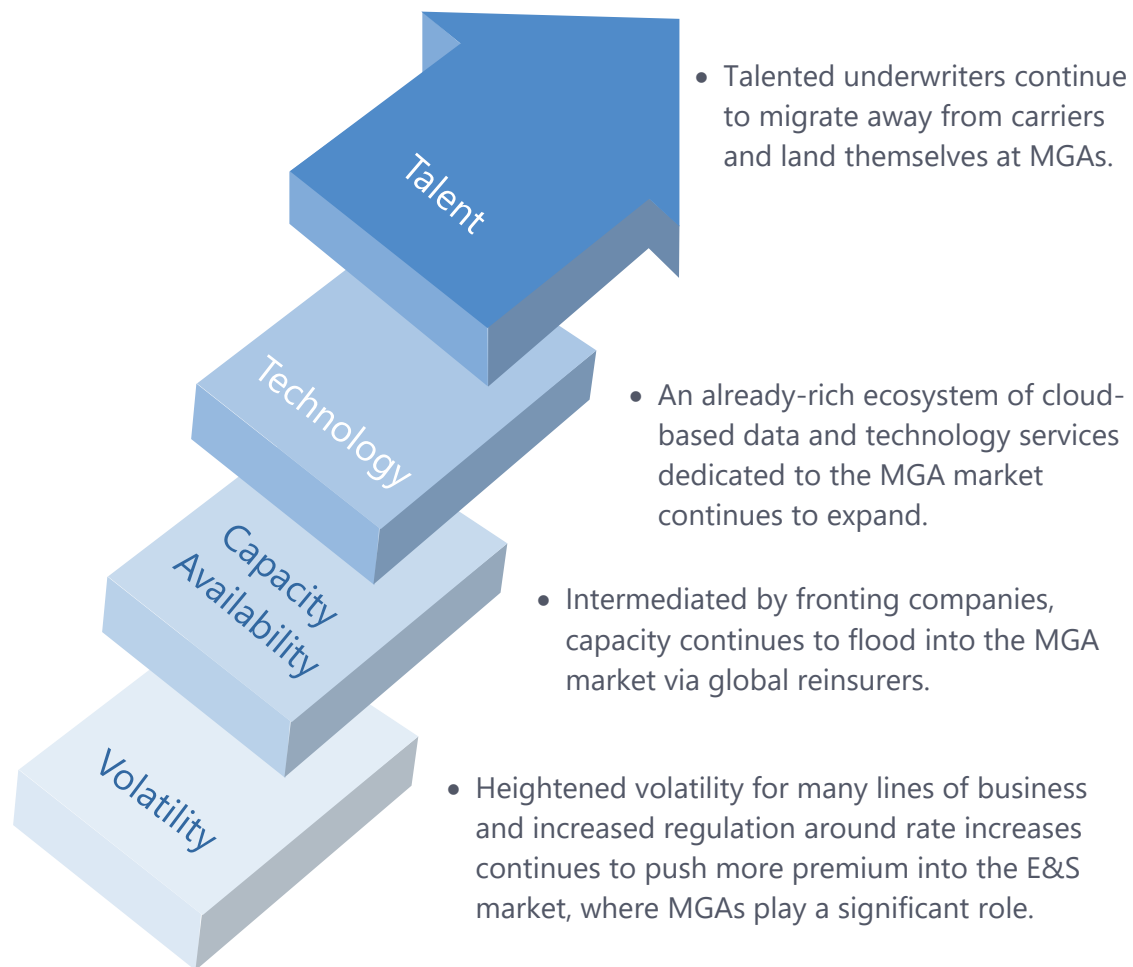
2022 Direct Premiums; \$ in Billions



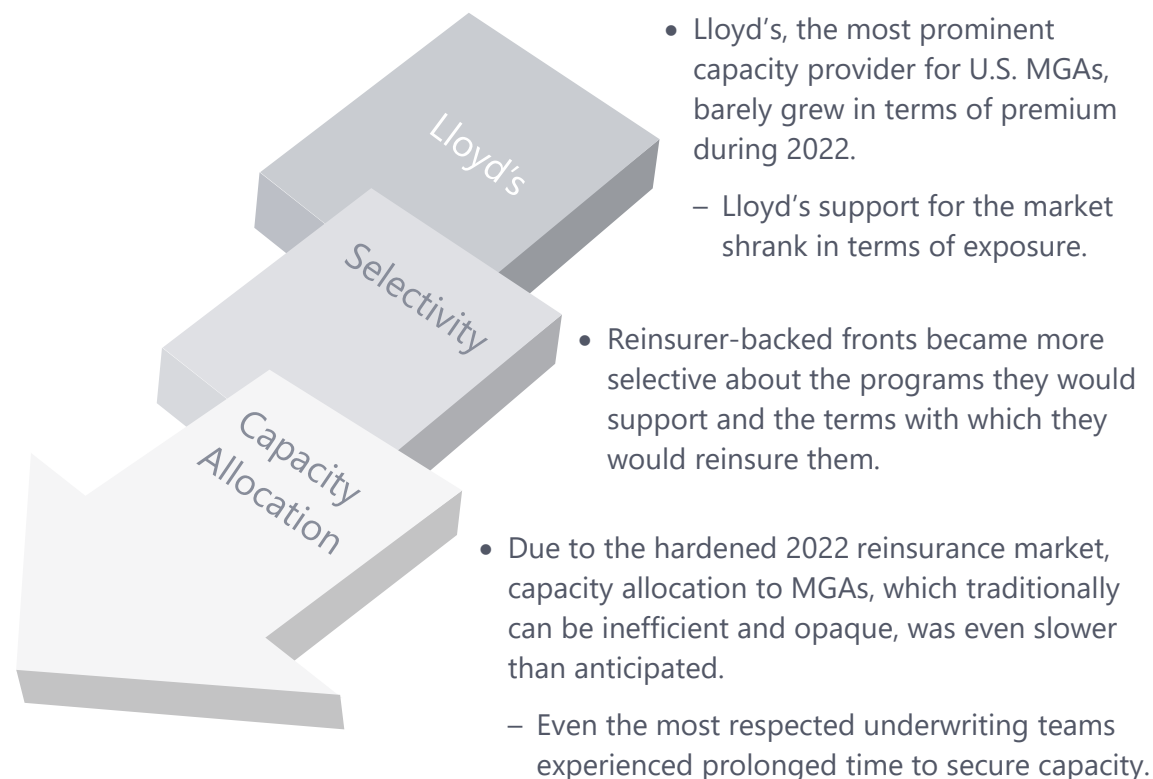
**With Significant Future Runway**

# Market Dynamics: Growth Catalysts and Deterrents

## — Four Key Trends Catalyzed the Growth of MGAs in 2022: —



## — Countering These Trends Were Three Headwinds: —



Sources: S&P Global Market Intelligence, Conning.

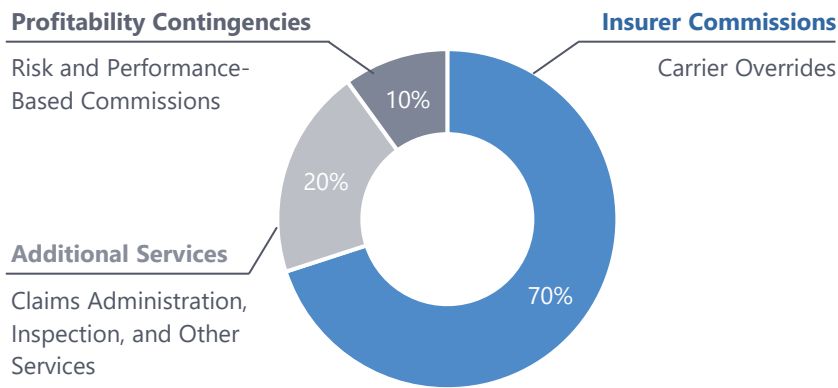
# Key Investment Considerations

Acquisition appetite for specialty MGAs has increased as investors seek out the attractive financial profile and competitive moat that characterize the business model.

## Investment Profile

- Investment in the MGA market originates from multiple sources, including carriers, financial investors, and brokers.
- While MGA acquisitions by financial investors were less common historically, valuations have been on the rise over the past five years as the private equity community has taken note of the industry's favorable cash-flow dynamics.
- MGAs maintain attractive financial profiles, with EBITDA margins in the 20% to 30% range, low capital intensity, and high FCF conversion.
- With the competition for high-quality assets on the rise, delivering value creation has become a vital differentiator for investors in the space.

## Revenue Economics



Sources: Bloomberg, PitchBook.

# Buyer Considerations and Rationale

## Insurance Carriers

- Earn-outs based on future underwriting profits are becoming more common.
- Growth from expansion of agency relationships as well as through expanding targets' product portfolios, helping to justify higher valuations.

Representative Transactions



## Brokers

- Roll-up strategies are gaining favor as smaller brokers and MGA valuations are becoming depressed.
- More discipline around expertise and capabilities is being acquired.

Representative Transactions



## Financial Sponsors

- Roll-up strategies are gaining favor as smaller MGA valuations are significantly depressed.
- De novo/backing an industry veteran becoming more prevalent.
- Selective assumption of underwriting risk is being considered, although still less common.

Representative Transactions



# Private Equity Perspective

Except for a small handful of firms, the private equity world “discovered” insurance distribution over a decade ago. According to Reagan Consulting, in 1995, there were only two sponsor-backed brokers among the top 20 brokers. Today there are nine.

Several characteristics of the insurance ServiceCo business model appeal to the private equity investment profile, including:

## Cash Flow

Reliable annual renewals of insurance policies, often with renewal rates in the ~90% range, translate into a [predictable revenue stream](#).

## Cycle Agnostic

Insureds will [continue to buy insurance in economic down periods](#), as most types of personal insurance are mandatory and commercial insurance buyers would not forego various types of property and liability insurance.

## No Tail

Unlike insurance carriers, distributors are [not risk-bearing](#). The typical private equity hold period is far shorter than the tail on many longer-tailed insurance lines.

## High-Margin Business

Insurance intermediation requires [modest capital expenditure](#) and typically has a [high-profit margin](#); well-run agents and MGAs can have margins in the 20% to 30% range.

## Growth Opportunity

Organic insurance intermediary revenue and profit spike in markets and rise with economic growth. Inorganic growth is available via the acquisition of additional agencies; the roll-up model has [no shortage of targets](#), as nearly [30,000 agencies](#) exist in the U.S.

- Private equity investors have been active in the broker, MGA, and other insurance ServiceCo space for several years.
- The interest from private equity lies in the capital lite, headcount lite, high-margin, and contractual cash-flow business model of insurance ServiceCos.
- Their interest is likely enhanced by the hardening market, which implies rising margins at insurance intermediaries such as MGAs.
- Private equity’s involvement in MGA acquisitions comes in two forms:
  - 1 | Outright acquisition.
  - 2 | Acquisition by sponsor-backed brokers.

Sources: S&P Global Market Intelligence, Conning, Reagan Consulting.



# About Our Firm

Houlihan Lokey, Inc. (NYSE:HLI) is a leading global investment bank with expertise in mergers and acquisitions, capital markets, financial restructuring, and financial and valuation advisory.

Our firm is the trusted advisor to more top decision-makers than any other independent global investment bank.

## CORPORATE FINANCE

2023 M&A Advisory Rankings  
All Global Transactions

Advisor	Deals
1 Houlihan Lokey	352
2 Rothschild & Co	349
3 Goldman Sachs & Co	300
3 JP Morgan	300
5 Morgan Stanley	253

Source: LSEG (formerly Refinitiv).  
Excludes accounting firms and brokers.

No. 1  
Global M&A Advisor

Leading  
Capital Markets Advisor

## FINANCIAL RESTRUCTURING

2023 Global Distressed Debt &  
Bankruptcy Restructuring Rankings

Advisor	Deals
1 Houlihan Lokey	73
2 PJT Partners Inc	64
3 Rothschild & Co	51
4 Lazard	37
5 Evercore Partners	27

Source: LSEG (formerly Refinitiv).

No. 1  
Global Restructuring Advisor

1,700+  
Transactions Completed Valued at  
More Than \$3.5 Trillion Collectively

## FINANCIAL AND VALUATION ADVISORY

1999–2023 Global M&A  
Fairness Advisory Rankings

Advisor	Deals
1 Houlihan Lokey	1,247
2 JP Morgan	1,035
3 Duff & Phelps, A Kroll Business	977
4 UBS	884
5 Morgan Stanley	716

Source: LSEG (formerly Refinitiv).  
Announced or completed transactions.

No. 1  
Global M&A Fairness Opinion  
Advisor Over the Past 25 Years

2,000+  
Annual Valuation Engagements



Learn more about how  
our advisors can serve  
your needs

Corporate Finance →

Financial Restructuring →

Financial and  
Valuation Advisory →

Our Industry Coverage →





Our clients benefit from our local presence and global reach.

36

Locations  
Worldwide

~2,000

Total Financial  
Professionals

316

Managing  
Directors<sup>(1)</sup>

2,000+

Clients Served  
Annually

\$9.3B

Market  
Cap<sup>(2)</sup>

\$1.9B

Annual  
Revenue<sup>(3)</sup>

#### AMERICAS

Atlanta	Los Angeles
Baltimore	Miami
Boston	Minneapolis
Charlotte	New York
Chicago	San Francisco
Dallas	São Paulo
Houston	Washington, D.C.

#### EUROPE AND MIDDLE EAST

Amsterdam	Milan
Antwerp	Munich
Dubai	Paris
Frankfurt	Stockholm
London	Tel Aviv
Madrid	Zurich
Manchester	

#### ASIA- PACIFIC

Beijing	Shanghai
Fukuoka	Singapore
Gurugram	Sydney
Hong Kong SAR	Tokyo
Mumbai	

(1) As of March 31, 2024; excludes corporate MDs.

(2) As of June 30, 2024.

(3) LTM ended March 31, 2024.

## Fully Integrated Financial Sponsor Coverage

29

Senior officers dedicated to the sponsor community in the Americas and Europe.

1,300+

Sponsors covered, providing market insights and knowledge of buyer behavior.

800+

Companies sold to financial sponsors over the past five years.



# Highly Collaborative, Cross-Functional Global Insurance Coverage Team

## Dedicated Insurance Coverage Team



**Arik Rashkes**  
Managing Director  
Co-Head of U.S. Financial Services  
Head of Insurance  
[ARashkes@HL.com](mailto:ARashkes@HL.com)



**Craig Tessimond**  
Managing Director  
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**Juan Guzman**  
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**Faiz Vahidy**  
Director  
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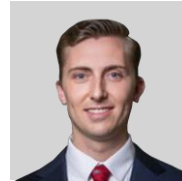
**Matt Cornish**  
Director  
[MCornish@HL.com](mailto:MCornish@HL.com)



**Mufaro Dube**  
Vice President  
[Mufaro.Dube@HL.com](mailto:Mufaro.Dube@HL.com)



**Conor Hanratty**  
Vice President  
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**Andy Scheideman**  
Vice President  
[AScheideman@HL.com](mailto:AScheideman@HL.com)

## InsurTech Coverage

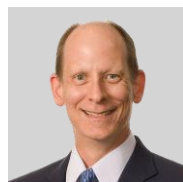


**Alec Ellison**  
Managing Director  
Global Head of FinTech  
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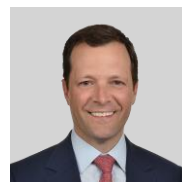


**Mike Capocci**  
Director  
[Michael.Capocci@HL.com](mailto:Michael.Capocci@HL.com)

## Unparalleled Senior Support



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**Chris Dunlop**  
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## European Insurance Coverage



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**Tim Shortland**  
Managing Director  
[TShortland@HL.com](mailto:TShortland@HL.com)



**Christian Kent**  
Managing Director  
[CKent@HL.com](mailto:CKent@HL.com)

## Capabilities and Expertise

- Established international practice comprising of 13 team members dedicated exclusively to insurance sector coverage.
- Deep sector knowledge and comprehensive coverage across all verticals of insurance:



Property and Casualty



Life and Health



Insurance Services



**Insurance Distribution**



Warranty



Title



Reinsurance

















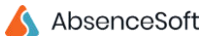








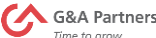





Life Settlements

- Expertise and executional capabilities displayed across all verticals of insurance.



# How We Cover Insurance Distribution


































The broad spectrum of business models that comprise the insurance distribution sector is critical to understanding market activity, investor/acquirer appetite, and key valuation catalysts.

	 <b>Brokers</b>	 <b>MGAs</b>
Business Model Overview	Act as an intermediary between consumers and insurance providers, utilizing market expertise and networks to distribute and tailor insurance products to fit customer needs.	Specialized intermediaries have been granted underwriting authority by insurers and can administer programs, underwrite risks, and settle claims.
Key Characteristics	Client Representation	Insurer Representation
	Broad Optionality	Specialized Reports and Niche Expertise
	Multiline/Generalist LOB Offering	Underwriting and Binding Authority
Selected Vendors	<div>     </div> <div>     </div> <div>    </div>	<div>      </div> <div>    </div> <div>     </div> <div>     </div>
Lines of Business	Personal and Commercial	



# Insurance Services and Distribution Featured Transaction Experience

Houlihan Lokey has driven exceptional client outcomes throughout the insurance distribution ecosystem.

 has been acquired by  Sellside Advisor	 a subsidiary of  has been acquired by  Sellside Advisor	 has been acquired by ALTARIS Sellside Advisor	 has been acquired by  Sellside Advisor	 has been acquired by  a portfolio company of  Sellside Advisor	 a portfolio company of NAUTIC has been acquired by  Sellside Advisor	 has formed a strategic partnership with Cressey & Company to accelerate growth for Guardian's subsidiary  Sellside Advisor	 has been acquired by  Sellside Advisor	 has been acquired by  Fairness Opinion
 has acquired  Buyside Advisor	 has been acquired by  Sellside Advisor	 has been acquired by  Sellside Advisor	 has been acquired by  a portfolio company of GI PARTNERS Sellside Advisor	 has been recapitalized by STONE POINT CAPITAL Sellside Advisor	 has issued and sold \$80.0 million of Series D Convertible Preferred stock to  Fairness Opinion	 has sold its subsidiary, Trustmark Health Benefits, to Health Care Service Corporation Sellside Advisor	 has been acquired by  Sellside Advisor*	

Tombstones included herein represent transactions closed from 2014 forward.

\*Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company.

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