

## Inside This Issue

<b>“Hales Top 100” U.S. Agents &amp; Brokers + Future Candidates (Through \$20M)</b>	pg 1
Pricing Moving Higher, Albeit Still Low-Single Digits. Highest CLIPS In 3 Yrs	pg 6
A Closer Look At Work Comp Rate Trajectory (By State), Pressures Escalating	pg 8
Ryan Specialty Latest To Get Longer-Term Backing With \$175M From Onex	pg 10
Reinsurers Disappointed As Rate Momentum Weakens Further At 6/1 Renewal	pg 13
The “Insurability” of Cyber...Greenberg vs. Buffett On Fastest Growing Line	pg 14
A.M. Best Sees Improving Direct Growth + Higher Net Retentions Post-Tax Reform	pg 16
Embroker Turns 3, Provides “ <i>Lessons From The Front Line of Insurtech</i> ”	pg 18
Employment Growth For Agents & Brokers (+0.7%) and P/C (-0.1%) Slows	pg 23
Hales Hits & Bindable Quotes	pg 24
Hales Q2 Deal Diary & Broker Valuations	pg 26

## 2017 “Hales Top 100” Commercial Focused Agents/Brokers In The U.S.

This week we release the “Hales Top 100” agents/brokers based on 2017 revenue. The list ranges from #1 **Marsh & McLennan** with \$6.9B of U.S. revenue to the #100 agency with \$23M of revenue. Our 2017 list excludes firms acquired during 2017 (most notably Well Fargo, which we handled by adding ~\$650M of commercial brokerage revenues to USI). We highlight the following points of interest:

- 1) The entire Top 100 represents \$38.8B of aggregate revenue, an increase of 12.7% year-on-year, which includes not only organic growth but significant revenue from acquisitions. Notably, 8 agencies reported *lower* 2017 revenue.
- 2) The top 6 brokers by revenue are all publicly traded and represent \$21.9B of revenue, an increase of 7.6% in 2017, or 56% of the Hales Top 100.
- 3) Within the top 20 are fully **10 private equity backed “aggregators”** which represented \$8.9B of revenue, ~23% of the total, and experienced growth of ~30% in 2017.
- 4) Two of Top 100 agencies highlighted in **red** have been acquired so far in 2018, **#32 Regions Insurance** and **#55 Key Insurance**.
- 5) The threshold to be a “Top 10” broker surpassed \$1B (Alliant with \$1.1B) vs. \$981M last year. The Top 25 hurdle increased to \$190M (vs. \$163M). The Top 50, 75 & 100 hurdles were *down* slightly to \$71M (vs. \$75M), \$38M (vs. \$45M) and \$23M (vs. \$29M), respectively.

## Top U.S. Agents & Brokers

Rank		Company	U.S. Revenue (\$,M)			Ownership Type
'16	'17		2016	2017	% Change	
1	1	Marsh & McLennan	\$6,573	<b>\$6,870</b>	4.5%	Public
2	2	Aon PLC	\$3,981	<b>\$4,425</b>	11.2%	Public
3	3	Willis Towers Watson	\$3,395	<b>\$3,821</b>	12.5%	Public
4	4	Arthur J. Gallagher	\$2,945	<b>\$3,177</b>	7.9%	Public
5	5	Brown & Brown	\$1,749	<b>\$1,865</b>	6.7%	Public
6	6	BB&T Insurance	\$1,713	<b>\$1,754</b>	2.4%	Public
9	7	USI Insurance Svcs	\$1,049	<b>\$1,740</b>	65.9%	Private Equity
7	8	Hub International	\$1,281	<b>\$1,461</b>	14.0%	Private Equity
8	9	Lockton	\$1,055	<b>\$1,171</b>	11.0%	Private
11	10	Alliant Insurance Svcs	\$968	<b>\$1,125</b>	16.2%	Private Equity
12	11	NFP Corp.	\$930	<b>\$1,069</b>	15.0%	Private Equity
14	12	Acrisure LLC	\$649	<b>\$1,042</b>	60.5%	PE/ Management
13	13	AssuredPartners	\$834	<b>\$967</b>	16.0%	Private Equity
15	14	BroadStreet Partners	\$423	<b>\$481</b>	13.6%	Private Equity
17	15	Edgewood Partners / EPIC	\$245	<b>\$386</b>	57.5%	Private Equity
16	16	Jardine Lloyd Thompson	\$275	<b>\$365</b>	32.7%	Public
20	17	Integro Group	\$221	<b>\$347</b>	57.1%	Private Equity
19	18	CBIZ Benefits & Insurance Svcs	\$269	<b>\$286</b>	6.3%	Public
22	19	Risk Strategies	\$198	<b>\$238</b>	20.2%	Private Equity
18	20	Leavitt Group	\$225	<b>\$236</b>	4.7%	Private
21	21	Paychex Insurance Agency	\$171	<b>\$207</b>	21.1%	Public
23	22	Hays Companies	\$195	<b>\$199</b>	2.1%	Private
24	23	Insurance Office of America	\$181	<b>\$199</b>	10.0%	Private
26	24	Alera Group	\$158	<b>\$193</b>	22.3%	Private Equity
30	25	Digital Insurance	\$148	<b>\$190</b>	28.3%	Private Equity
27	26	Holmes Murphy & Associates	\$159	<b>\$177</b>	11.5%	Private
28	27	Higginbotham	\$156	<b>\$173</b>	11.1%	Private Equity
31	28	Cottingham & Butler	\$147	<b>\$170</b>	15.1%	Private
32	29	The IMA Financial Group	\$146	<b>\$158</b>	8.0%	Private
33	30	Cross Insurance	\$144	<b>\$157</b>	8.9%	Private
29	31	Meadowbrook / AmeriTrust	\$154	<b>\$150</b>	-2.5%	Private
<b>34</b>	<b>32</b>	<b>Regions Insurance Group</b>	<b>\$142</b>	<b>\$145</b>	<b>2.2%</b>	<b>Public</b>
36	33	Wortham Insurance & Risk Mgmt	\$128	<b>\$131</b>	2.1%	Private
37	34	Hylant Group	\$121	<b>\$128</b>	6.4%	Private
38	35	Woodruff-Sawyer	\$119	<b>\$128</b>	7.3%	Private

Rank		Company	U.S. Revenue (\$,M)			Ownership Type
'16	'17		2016	2017	% Change	
40	36	PayneWest Insurance	\$109	\$118	8.4%	Private
39	37	BancorpSouth Insurance Svcs	\$116	\$116	0.1%	Public
46	38	The Hilb Group	\$85	\$114	34.1%	Private Equity
41	39	Heffernan Group	\$105	\$112	6.3%	Private
45	40	Prime Risk Partners	\$87	\$108	25.2%	Private Equity
42	41	Assurance Agency	\$100	\$105	5.4%	Private
44	42	Insurica	\$88	\$98	11.6%	Private
43	43	Relation Insurance Services	\$89	\$97	9.5%	Private Equity
48	44	Associated Benefits & Risk Consulting	\$82	\$87	6.1%	Public
50	45	Eastern Insurance	\$75	\$85	12.6%	Private
52	46	Oswald Cos.	\$72	\$83	14.9%	Private
53	47	Propel Insurance	\$71	\$78	9.4%	Private Equity
51	48	Marshall & Sterling Enterprises	\$73	\$73	0.0%	Private
54	49	Horton Group	\$66	\$73	9.4%	Private
55	50	Lawley Service	\$65	\$71	9.6%	Private
56	51	TrueNorth Cos.	\$65	\$67	3.3%	Private
58	52	Huntington Insurance	\$65	\$65	0.8%	Public
64	53	ABD Insurance & Financial Svcs	\$52	\$64	23.3%	Private
57	54	Houchens Insurance Group	\$63	\$63	0.3%	Private
59	55	Key Insurance & Benefits Svcs	\$55	\$60	9.1%	Public
63	56	M3 Insurance Solutions	\$54	\$60	10.6%	Private
62	57	Towne Insurance Agency	\$54	\$60	10.4%	Public
61	58	Scott Insurance	\$55	\$59	7.2%	Private
83	59	Baldwin Risk Partners	\$36	\$58	58.7%	Private
68	60	Parker, Smith & Feek	\$50	\$56	12.0%	Private
60	61	The Graham Co.	\$56	\$56	0.4%	Private
67	62	LMC Insurance & Risk Mgmt	\$50	\$56	10.6%	Private
65	63	SterlingRisk	\$51	\$54	5.6%	Private
66	64	Bowen, Miclette & Britt	\$51	\$49	-2.3%	Private
74	65	Moreton	\$47	\$49	4.5%	Private
71	66	Poms & Associates Insurance Brokers	\$47	\$49	2.7%	Private
70	67	Frost Insurance Agency	\$49	\$48	-1.6%	Public
75	68	Bolton	\$45	\$47	3.0%	Private
73	69	Corporate Synergies	\$47	\$45	-3.0%	Private Equity
72	70	Riggs, Counselman, Michaels & Downes	\$47	\$45	-4.8%	Private

Rank		Company	U.S. Revenue (\$,M)			Ownership Type
'16	'17		2016	2017	% Change	
78	71	Gowrie Group	\$41	\$43	4.7%	Private
80	72	Bouchard Insurance	\$40	\$43	5.9%	Private
77	73	The Mahoney Group	\$42	\$43	1.3%	Private
81	74	Lovitt & Touche	\$37	\$40	9.2%	Private
84	75	Armfield, Harrison & Thomas	\$36	\$40	8.7%	Private
82	76	Fisher Brown Bottrell Insurance	\$37	\$38	3.6%	Public
89	77	Robertson Ryan & Associates	\$35	\$37	5.9%	Private
87	78	The Loomis Co.	\$33	\$36	6.3%	Private
95	79	Sterling Seacrest Partners	\$32	\$35	8.4%	Private
93	80	Sullivan, Curtis, Monroe	\$32	\$35	8.1%	Private
99	81	The Partners Group	\$29	\$35	18.2%	Private
94	82	R&R Insurance Svcs	\$32	\$34	6.6%	Private
92	83	People's United Insurance Agency	\$33	\$33	0.9%	Public
91	84	Tolman & Wiker	\$33	\$33	0.0%	Private
109	85	Cobbs Allen	\$26	\$33	25.4%	Private
102	86	Wood Gutmann & Bogart	\$29	\$33	14.6%	Private
119	87	Sunstar Insurance	\$16	\$32	96.4%	Private
76	88	M&T Insurance Agency	\$31	\$32	3.2%	Public
97	89	MJ Insurance	\$30	\$32	5.3%	Private
98	90	PSA Financial Services	\$30	\$31	2.8%	Private
106	91	Tricor Inc	\$28	\$29	6.7%	Private
107	92	Bukaty	\$27	\$29	7.4%	Private
100	93	Tompkins Insurance Agencies	\$29	\$29	-1.8%	Public
103	94	The Underwriters Group	\$29	\$29	-1.2%	Private
105	95	Kapnick Insurance Group	\$28	\$28	0.9%	Private
111	96	HM Risk	\$25	\$28	11.2%	Private
108	97	Daniel & Henry Co	\$26	\$27	1.3%	Private
110	98	The Buckner Co.	\$26	\$26	-1.4%	Private
112	99	Lipscomb & Pitts	\$24	\$25	3.9%	Private
113	100	InsGroup	\$23	\$25	7.5%	Private
Future Candidates ...						
115	101	Ross & Yerger Insurance	\$21	\$23	11.8%	Private
	102	Gibson Insurance	\$21	\$23	10.9%	Private
114	103	Foa & Son Corporation	\$21	\$23	8.5%	Private
116	104	Swingle Collins & Associates	\$20	\$21	4.2%	Private
118	105	John M Glover	\$19	\$21	10.2%	Private

Source: Dowling Hales proprietary survey, Company Reports. Footnotes: USI shown pro forma for acquisition of Wells Fargo commercial business (\$650M); Lockton Fiscal Year ends 4/30; Paychex Fiscal Year ends 5/31; Relation Insurance Services formerly Ascension Insurance.

# ALL INSURANCE. ALL THE TIME.

## Dowling Hales Announces its 8th Transaction to Date: Professional Program Insurance Brokerage is Acquired by Specialty Program Group

Dowling Hales served as the exclusive financial advisor to Professional Program Insurance Brokerage (“PPIB” or the “Company”) in its sale to Specialty Program Group, a division of Hub International.

Founded in 1993 and based in Novato, CA, Professional Program Insurance Brokerage is a specialty managing general agent and Lloyds’ coverholder offering proprietary programs for emerging risks. PPIB holds a market leading position in excess and surplus insurance programs for body art and medspa operations. The Company also offers solutions for Cannabis, E-Cigarettes, Carnivals, Smoke Shops, Permanent Cosmetics and more. PPIB President Susan Preston, who is a member of the Insurance Business America Hall of Fame, will continue to head the operation post-transaction.



REPRESENTED BY DOWLING HALES\*

**HAS BEEN ACQUIRED BY**



**JUNE 2018**

\*CONDUCTED THROUGH HALES SECURITIES, LLC

### OTHER RECENT DOWLING HALES TRANSACTIONS

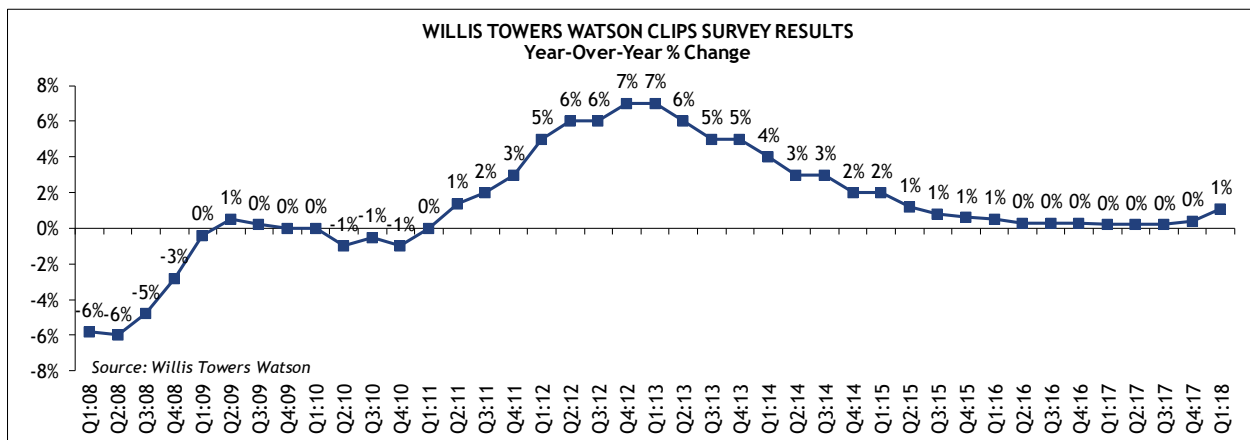
 <p>REPRESENTED BY DOWLING HALES*</p> <p><b>HAS BEEN ACQUIRED BY</b></p>  <p><b>JUNE 2018</b></p> <p>*CONDUCTED THROUGH HALES SECURITIES, LLC</p>	 <p>REPRESENTED BY DOWLING HALES*</p> <p><b>HAS BEEN ACQUIRED BY</b></p>  <p><b>MAY 2018</b></p> <p>*CONDUCTED THROUGH HALES SECURITIES, LLC</p>	 <p>REPRESENTED BY DOWLING HALES*</p> <p><b>HAS BEEN ACQUIRED BY</b></p>  <p><b>APRIL 2018</b></p> <p>*CONDUCTED THROUGH HALES SECURITIES, LLC</p>
 <p>REPRESENTED BY DOWLING HALES*</p> <p><b>HAS PARTNERED WITH</b></p> <p><b>A FAMILY OFFICE</b></p> <p><b>MARCH 2018</b></p> <p>*CONDUCTED THROUGH HALES SECURITIES, LLC</p>	 <p>REPRESENTED BY DOWLING HALES*</p> <p><b>HAS BEEN ACQUIRED BY</b></p>  <p><b>MARCH 2018</b></p> <p>*CONDUCTED THROUGH HALES SECURITIES, LLC</p>	 <p>REPRESENTED BY DOWLING HALES*</p> <p><b>HAS BEEN ACQUIRED BY</b></p>  <p><b>FEBRUARY 2018</b></p> <p>*CONDUCTED THROUGH HALES SECURITIES, LLC</p>

## Commercial Pricing Moving Higher, Albeit Still In Low-Single Digits. CLIPS Exceeds 1% For First Time In 3 Years. Workers' Comp A Drag.

The latest standard market data point for Q1:18 came in this week, with **Willis Towers Watson's Commercial Lines Insurance Pricing Survey (CLIPS)** reporting aggregate price increases in excess of 1% for the first time in nearly 3 years.

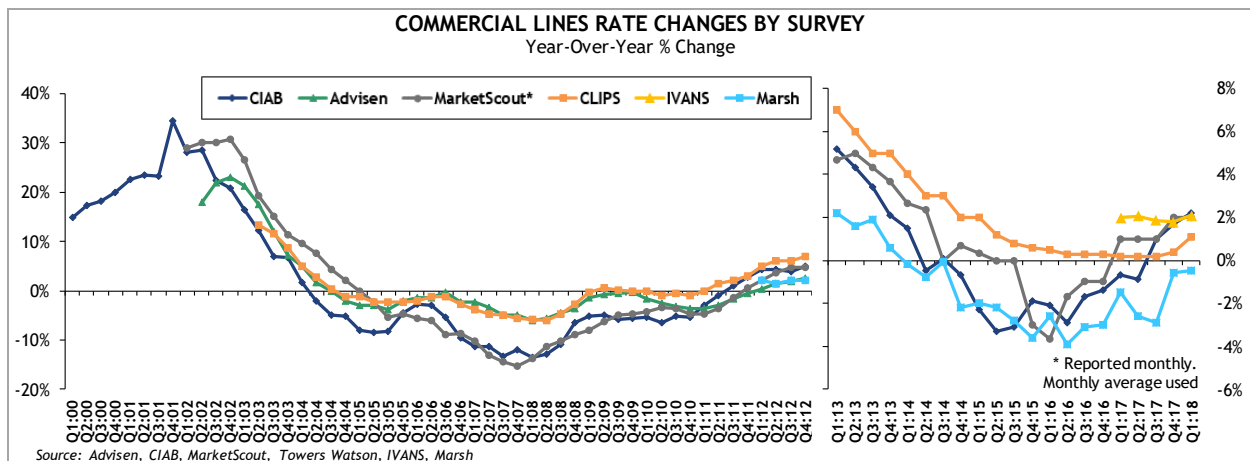
Consistent with the other pricing surveys we track, pricing has increased across nearly all major standard lines, though tempered somewhat by continued declines in Workers' Comp. See the subsequent article for additional insights on the workers comp market, which is likely to see further pressure on rates.

Exhibit 2



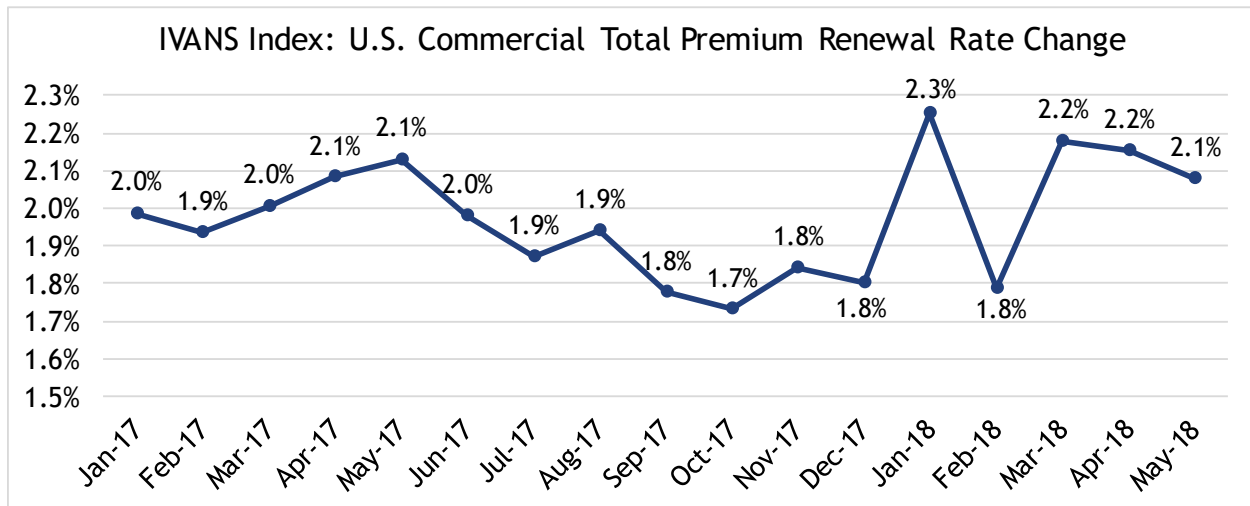
As reported in CLIPS, by line, Commercial Auto pricing increased close to double digits for the second consecutive quarter. Commercial Property also increased for the second consecutive quarter, though in the low- to mid-single digit range. Workers' Comp, continued to remain the outlier, seeing pricing decreases in the quarter. As seen in exhibit 3, the surveys were directionally similar, though with differing magnitudes.

Exhibit 3



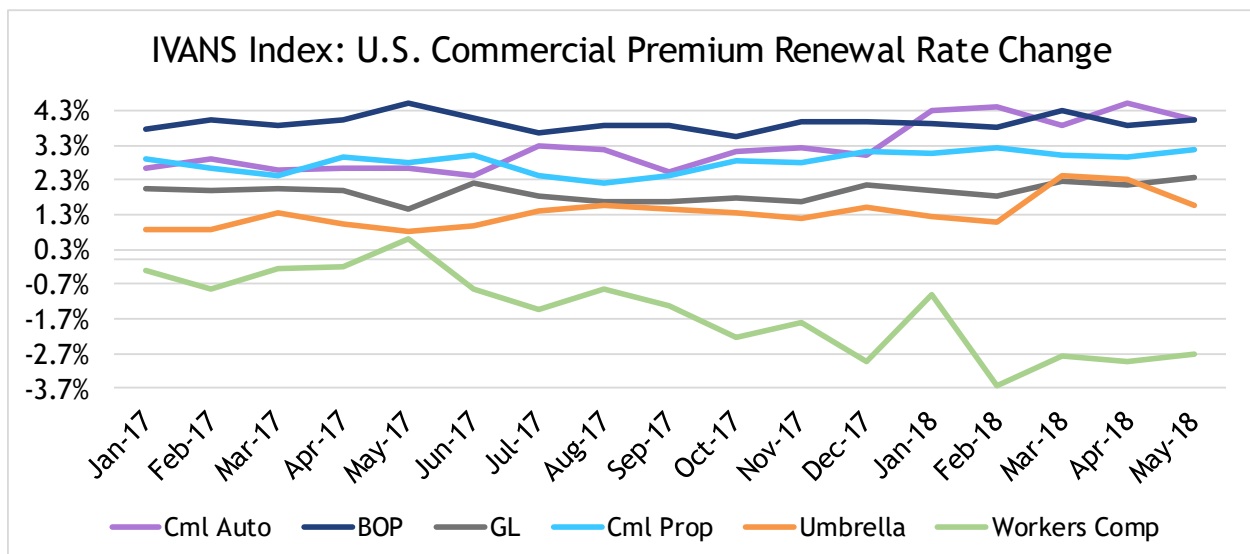
IVANS also released their May Index for U.S. commercial lines pricing, showing an **aggregate ~2% rate increase for May**. This compares to 2.2% in April and 2.1% for Q1 (average of January-March). Increases were reported in most of the major lines, with Workers' Comp being the exception down ~3%.

Exhibit 4



Compared to April, pricing increases were slightly lower in Commercial Auto and Umbrella, while increases were slightly higher vs. April in BOP, GL and Commercial Property. That said, we try not to read too much into the monthly variability. Exhibit 5 helps to better illustrate the trend by line of business.

Exhibit 5



About IVANS: The IVANS Index is a report on current conditions and trends for premium rate renewal change. Measuring the YOY premium difference for a single consistent policy, the report utilizes data from more than 120M data transactions from 30k agencies, and 380 insurers & MGAs.

## Workers' Comp Rate Pressure Escalating, With Pricing Surveys In Low Single Digits But State Indications Point Towards Nearly Double Digits.

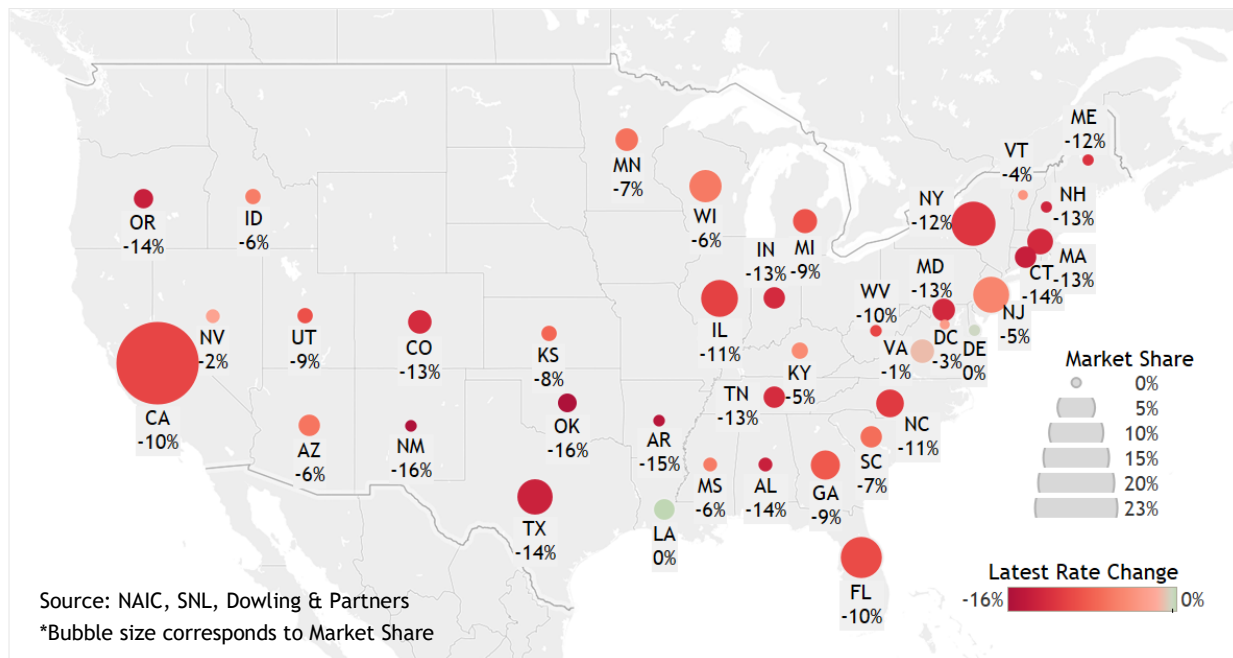
Pricing pressure on workers' compensation business appears to be accelerating. While the latest pricing surveys point towards a low- single digit decline in workers' compensation rates across the U.S. (a *retrospective* view), **state-specific rate indications (loss cost multipliers and commissioner "approved" rate filings) aggregate towards a -9% decline.** See Exhibit 6 for an illustration of *prospective* rate changes by state, also indicating the relative size of each workers' comp market.

It is important to note, however, that carriers' charged rates can differ (sometimes meaningfully) from the state indications and even from carriers' filed rates. Nonetheless, it is obvious that rates will face ongoing (and likely growing) pressure.

The carriers (and commissioners) generally view rate decreases as warranted given recently benign loss costs and better than expected profitability in recent years.

Exhibit 6

### Workers' Comp Rate Change by Market Share





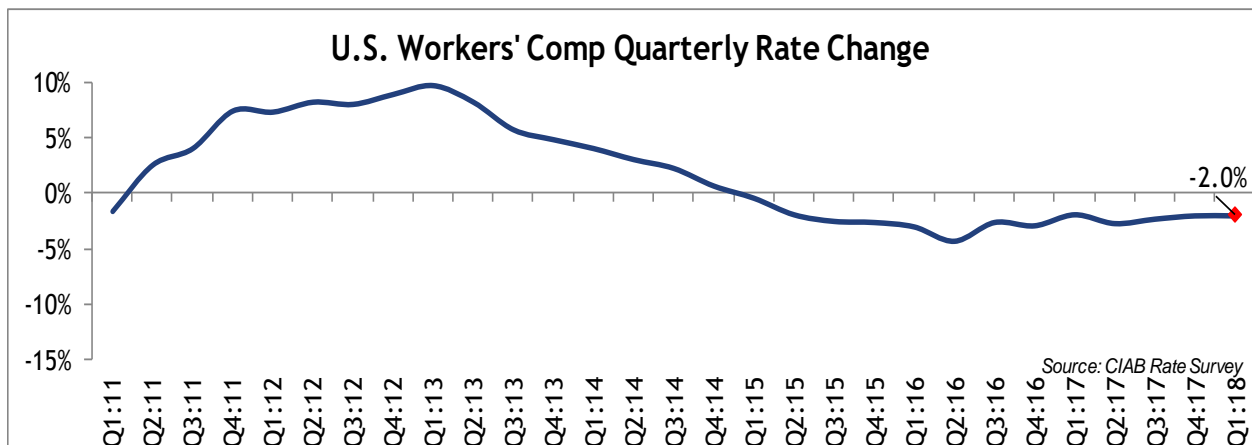
The most recent examples of state-specific rate declines are also the largest / most meaningful.

Specifically, in **#1 California** (with 23% share of U.S. workers comp premium) Insurance Commissioner Jones approved a 7/1/18 advisory workers' comp pure premium rate of \$1.74 per \$100 of payroll, below the WCIRB proposed \$1.80 and 10.3% less than the average approved rates at 1/1/18 (21.6% below the industry average filed rates at 1/1/18).

Similarly, in **#2 New York** (with 6% share) the Workers' Comp Rating Board is seeking an 11.7% reduction in W/C loss costs used by insurers to determine rates, to take effect 10/1. This follows a 4.5% reduction in October.

Per CIAB, workers' comp pricing was -2% in Q1:18, relative to a recent peak of +9.8% in Q1:13 (pricing turned negative in mid-2015). As noted in the prior article, IVANS recently released data notes workers' comp rates were -2.7% in May (vs. -2.9% in April).

Exhibit 7



## Ryan Specialty Is Latest Intermediary To Get Longer-Term Backing With \$175M Investment From Onex.

Leading wholesale broker **Ryan Specialty** announced a “long-term strategic relationship” with Canadian pension fund **Onex Corp**, including a \$175M investment consisting of \$150M of preferred equity and \$25M of common equity.

*“The purpose of this new investment is to provide capital to continue RSG’s successful growth strategy and M&A activity.”*

- Ryan Specialty Group, June 2018

Onex, which previously owned Top 10 Middle Market broker **USI** (2012-2017) prior to its “flip” to KKR & CDPQ, noted the **investment was made directly by Onex, not through one of its sponsored funds**. Of total \$32B in AUM, Onex has \$6.7B of proprietary capital.

In line with our expectations, this continues a trend of longer-term money flowing towards insurance intermediaries, which we believe makes more strategic sense today than the short-term time horizon of PE “flips” (i.e. pressure to “make the #s” over shorter time horizons which may not be in the best interest of the business longer term). Recall, USI similarly arranged longer term backing from KKR (balance sheet investment) and CDPQ (Canadian Pension Fund) in March of 2017. Peer wholesale broker AmWINS also has longer-term backing from Canadian pension manager PSP.

Founded in 2010 by former Aon founder/CEO Pat Ryan, Ryan Specialty Group has quickly grown to the top ranks of wholesale brokers (with the support of Aon PLC, which uses RT as its “single preferred wholesaler” as of 2016). The firm includes a wholesale brokerage firm, RT Specialty, and an underwriting management organization, RSG Underwriting Managers, which is comprised of 22 individual underwriting companies.

Exhibit 8

### Largest P/C Wholesalers - Premium Volume

	2000	Share*		2016	Share
<b>BB&amp;T</b> Swett & Crawford	\$1,050	24%	AmWINS <b>AmWINS</b> Group, Inc.	\$9,902	32%
<b>BB&amp;T</b> Crump Insurance	\$639	15%	CRC / BB&T <b>BB&amp;T</b>	\$7,367	24%
<b>AmWINS</b> Group, Inc. Stewart Smith	\$432	10%	<b>Ryan Specialty</b>	<b>\$5,132</b>	<b>16%</b>
<b>BB&amp;T</b> Cooney, Rikard & Curtin	\$377	9%	Risk Placement Svcs / AJG	\$3,200	10%
Burns & Wilcox	\$350	8%	All Risks	\$1,534	5%
<b>AmWINS</b> Group, Inc. Heath Holdings	\$340	8%	Burns & Wilcox	\$1,500	5%
Risk Placement Services	\$324	7%	Brown & Riding	\$656	2%
<b>BB&amp;T</b> Sherwood Insurance	\$320	7%	Worldwide Facilities	\$649	2%
<b>BB&amp;T</b> Insurance Brokers Services	\$290	7%	U.S. Risk	\$640	2%
<b>BB&amp;T</b> Tri-City Insurance Brokers	\$283	6%	ARC E&S	\$632	2%
<b>Top 10</b>	<b>\$4,404</b>	<b>100%</b>	<b>Top 10</b>	<b>\$31,212</b>	<b>100%</b>

Source: Business Insurance

D&P Analysis; \*Relative share of Top 10

Separately, **Ryan Specialty Group (RSG)** announced the launch of **RyanRe Underwriting Managers**, a reinsurance MGU to be led by Michael D. O'Halleran (most recently executive chairman of Aon Benfield) as executive chairman and Brian Boornazian (most recently chairman of Aspen Re) as CEO and president. The new MGU, which will work through reinsurance brokers, can underwrite treaty & facultative reinsurance and will focus on property, casualty and professional liability. *“A reinsurance MGU is a natural evolution for RSG and expands our strategic underwriting management direction. With RyanRe, we will be able to bring new reinsurance solutions to our agents and brokers.”*

### **In other specialty / wholesale market news ... Schinnerer becomes “VICTOR” ...**

Also, **Marsh & McLennan** wholesale / MGA unit **The Schinnerer Group** announced last week a rebrand to “**Victor**” and a new global operating model that includes the combination of **Victor O. Schinnerer & Co** (“**VOSCO**”) in the U.S., **ENCON** in Canada, **Bluefin** in the UK, **Mees & Zoonen** in Italy/Netherlands, Bermuda operations. While recently acquired MGA **ICAT** and **Dovetail** will be part of **VICTOR** they will retain their existing brands in the marketplace.

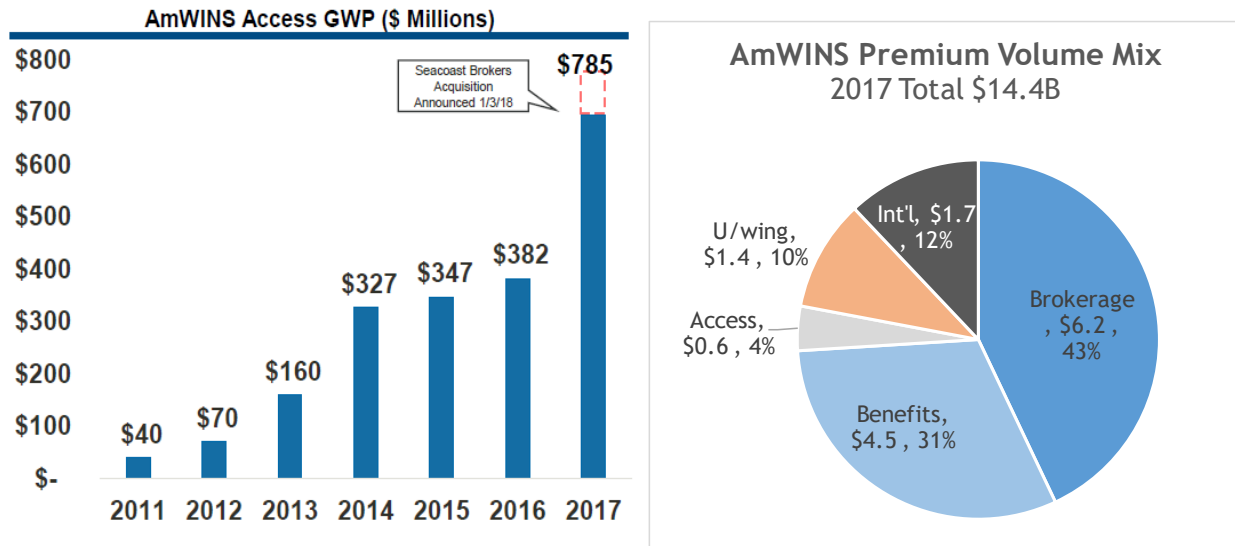
Four strategic components for the group, which will continue to be led by Christopher Schaper are: (i) underwriting (incl. enhanced data & analytics), (ii) technology (faster, cloud-based solutions), (iii) distribution (network of 25K+ agents) & (iv) capital (traditional + alternative).

Recall, **VOSCO** was part of a key macro development/ evolution in 2017 with the “**Alternus**” deal for U.S. property business, where **Nephila** (alternative capital taking cat risk) & **Allianz** (traditional capital taking AOP) take 10% of all eligible layers across MMC’s \$1.5-2B “shared & layered” large commercial property book (at a 7.5% pricing discount + additional fee to **VOSCO**).

**At the end of the day, we continue to view MGAs as a well-placed “link” in the evolving P&C “value chain,” with best in class firms successfully leveraging proximity to customers, access to cheaper capital and improving technology to streamline distribution and prove their worth.**

The combined Victor claims to be the world’s largest MGU, currently serving >\$1B of premium. However, when broadening the definition, (to include all MGAs/program managers) we understand mobile warranty firm **Asurion** would be the largest (with over 305 million customers) followed by **AmWINS** (which places nearly \$1B through its small business “AmWINS Access” unit alone).

Exhibits 9 and 10



Source: AmWINS

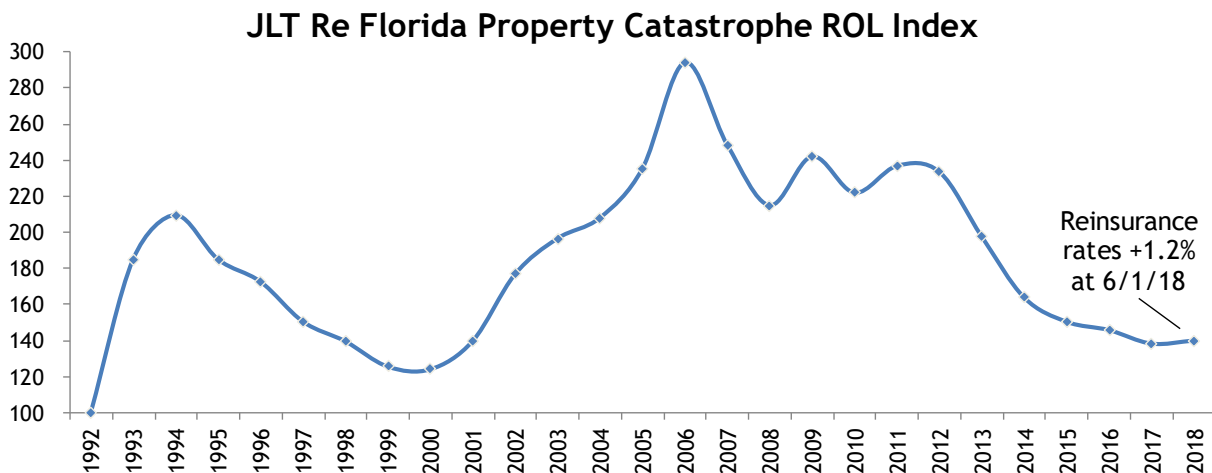
## Reinsurers Disappointed As Rate Momentum Weakens For 6/1 Renewal

It was a disappointing renewal (again) for reinsurers of property catastrophe business at 6/1, which is particularly focused on Florida / wind-exposed business (i.e. business that took losses in 2017). Plentiful capacity (aided by “reloading” of alternative players) and weak demand resulted in less than initially expected rate power and ultimately a **low single digit increase in risk adjusted rates** (+1.2% per broker JLT Re). Of course, less than expected rate increases on reinsurance is likely to translate into weaker pricing on primary property than otherwise would be the case.

The renewal also confirms our expectation that the ABIR (Association of Bermuda Insurers and Reinsurers) would be proven incorrect in its lobbying against U.S. tax reform on the basis that the “BEAT” provisions would have an adverse impact on pricing for consumers because it would reduce reinsurance capacity. This overly simplistic view from a group “talking their own book”, while acknowledging the negative impact on Bermuda reinsurers’ model/returns, did not account for the significant availability & flexibility of capital post the “Tipping Point” in 2012 (when alternative capacity first had a measurable impact on reinsurance rates in Florida).

The property cat business was forever changed when institutional investors / pension funds identified reinsurance as an “asset class” and Bermuda’s capital is **arguably less needed** than at any other point in history. The idea of post event “payback” is also a thing of the past, at least at the \$140B cat loss level seen in 2017.

Exhibit 11



Source: JLT Re

## The “Insurability” of Cyber...Greenberg vs. Buffett, With Differing Views On The Fastest Growing Area of P&C Insurance.

Speaking at an S&P Global Ratings conference last week **Chubb** CEO Evan Greenberg was quoted by the press as disagreeing with Warren Buffett’s recent comments and views regarding the insurability of cyber. Recall, Mr. Buffett effectively suggested there are many “known unknowns” related to cyber liability and explained that the \$400B “1-in-50 year” catastrophe event discussed in his Annual Report reflects the potential for a significant cyber loss.

*“I don’t think we or anybody else really knows what they’re doing when writing cyber...It is just very, very, very early in the game.”*

- Warren Buffett, 2018 Annual Meeting

Mr. Greenberg defended Chubb’s leading position as the top writer of U.S. packaged cyber (e.g. cyber as part of packaged policy).

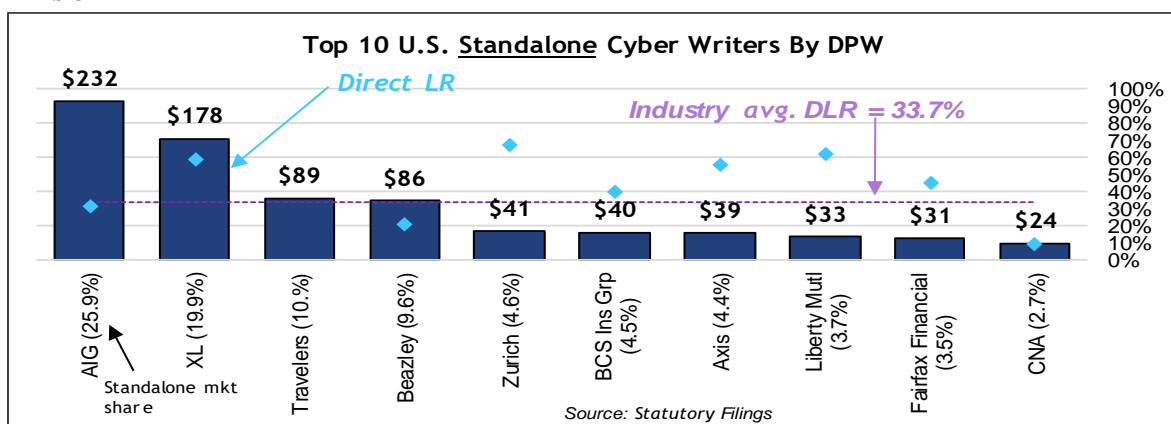
*“I don’t agree with that... I don’t agree with the statement.”*

- Chubb CEO Evan Greenberg, 6/7/18

When thinking about the diverging viewpoints one should keep in mind: (i) **Berkshire Hathaway** does not use reinsurance, thus every exposure written is kept net on the balance sheet, whereas (ii) **Chubb** makes extensive use of reinsurance and, while the largest writer of packaged business on a gross basis, we suspect this is not the case on net basis (Chubb’s cyber specific reinsurance program has not been disclosed).

The following exhibits (from U.S. statutory statements) provide some perspective on the size of the cyber market and key participants. Just this week Aon’s Inpoint (data/analytics team) predicted that **Cyber will see the most rapid growth in premium, reaching \$4B by 2021** (a 14.1% annual growth rate; growth was 23% in 2017 per Aon).

Exhibit 12



Recently released U.S. statutory filings tally up to ~\$2.3B of direct written premium in 2017 that is separately disclosed (up 46% over 2016). On an industry basis, U.S. standalone cyber coverage DPW were up 7% to \$985.6M, while packaged cyber was up fully 153% to \$1.095B.

Note, 2015 was the first year this cyber-specific data was required/available, and includes 4 line items = i) standalone cyber, ii) standalone ID theft, iii) cyber as part of a package policy, and iv) ID theft as part of a package policy.

While **AIG** is the clear leader with 26% of the standalone share, it reports immaterial package premium. Meanwhile, **Chubb** and **AXIS** each comprise ~28% of the package premium and each posted significant growth in 2017.

Exhibit 13

	2017	YOY	2017	LR YOY		2017	YOY	2017	YOY
<u>Standalone Cyber</u>	DPW	Chg.	Direct LR	Chg	<u>Standalone ID Theft</u>	DPW	Chg	Direct LR	Chg
1 American Intl Grp	\$225.0	-1%	32%	-12.3	Markel Corp	\$11.6	-26%	-79%	-173.5
2 XL Group	\$177.9	11%	58%	-10.0	American Intl Grp	\$7.0	-9%	8%	-11.0
3 Travelers Grp	\$89.1	35%	-5%	-40.0	Western Serv Contract Grp	\$0.2	24%	0%	0.0
4 Beazley Insurance Co.	\$85.6	13%	20%	-1.1	The Warranty Grp	\$0.2	-20%	0%	0.3
5 Zurich Ins Grp	\$40.9	16%	67%	-13.8	Met P&C Grp	\$0.1	N/M	0%	N/M
6 BCS Ins Grp	\$40.3	25%	39%	-3.2	Juniata Mutual Insurance Co.	\$0.04	N/M	0%	N/M
7 AXIS Capital Grp	\$39.1	6%	55%	37.7	Munich Re Grp	\$0.03	286%	0%	0.0
8 Liberty Mutl	\$32.8	1%	62%	-28.2	<b>Grand Total</b>	<b>\$19.1</b>	<b>-20%</b>	<b>-46%</b>	<b>-112.6</b>
9 Fairfax Financial	\$31.0	-4%	45%	-1.3					
10 CNA Ins Grp	\$23.9	0%	9%	0.5					
<b>Top 10</b>	<b>\$785.5</b>	<b>8%</b>	<b>39%</b>	<b>-9.0</b>					
<i>Other</i>	<i>\$200.0</i>	<i>2%</i>	<i>22%</i>	<i>-11.8</i>					
<b>Grand Total</b>	<b>\$985.6</b>	<b>7%</b>	<b>35%</b>	<b>-9.4</b>					

	Quantifi	Est.		YOY		Quantifi	Est.		YOY
<u>Packaged Cyber</u>	ed DPW	DPW	Total DPW	Chg	<u>Packaged ID Theft</u>	ed DPW	DPW	Total DPW	Chg
1 Chubb Ltd.	\$267.9	\$31.8	\$299.7	205%	Nationwide Grp	\$34.0	\$0.0	\$34.0	N/M
2 AXIS Capital Grp	\$269.1	\$18.7	\$287.8	2061%	State Farm Grp	\$29.1	\$0.0	\$29.1	3%
3 CNA Ins Grp	\$49.3	\$0.0	\$49.3	10%	Travelers Grp	\$21.4	\$3.3	\$24.8	1%
4 Hartford Fire & Casualt	\$23.7	\$8.5	\$32.2	60%	Liberty Mutl	\$11.3	\$0.0	\$11.3	8%
5 Travelers Grp	\$30.0	\$0.0	\$30.0	15%	The Hanover Ins Grp	\$0.0	\$11.3	\$11.3	8%
6 BCS Ins Grp	\$29.6	\$0.0	\$29.6	27%	Allstate Ins Grp	\$11.2	\$0.0	\$11.2	-6%
7 Liberty Mutl	\$14.0	\$13.2	\$27.2	14%	Erie Ins Grp	\$8.5	\$0.0	\$8.5	5%
8 Sampo	\$27.1	\$0.0	\$27.1	18%	Farmers Ins Grp	\$8.3	\$0.0	\$8.3	22%
9 Tokio Marine Holdings	\$21.3	\$4.3	\$25.6	8004%	American Family Ins Grp	\$7.9	\$0.0	\$7.9	-25%
10 Allianz Ins Grp	\$22.2	\$3.0	\$25.1	26202%	Mercury General Grp	\$0.0	\$4.8	\$4.8	2%
<b>Top 10</b>	<b>\$754.0</b>	<b>\$79.6</b>	<b>\$833.6</b>	<b>205%</b>	<b>Top 10</b>	<b>\$131.8</b>	<b>\$19.5</b>	<b>\$151.2</b>	<b>31%</b>
<i>Other</i>	<i>\$222.2</i>	<i>\$39.1</i>	<i>\$261.3</i>	<i>63%</i>	<i>Other</i>	<i>\$49.3</i>	<i>\$13.3</i>	<i>\$62.6</i>	<i>-30%</i>
<b>Grand Total</b>	<b>\$976.2</b>	<b>\$118.6</b>	<b>\$1,094.8</b>	<b>153%</b>	<b>Grand Total</b>	<b>\$181.1</b>	<b>\$32.8</b>	<b>\$213.8</b>	<b>4%</b>

Source: Statutory Filings

## A.M. Best Sees Improving Direct Growth In Q1 + Higher Net Retentions Post Tax Reform; Carriers' Underlying Performance Better.

A.M. Best released preliminary Q1:18 results for the Property & Casualty insurance industry. Most notably, the reported combined ratio of ~95% was down 5pts from this time last year and at its lowest in the past 5 years.

The reduction in the combined ratio is in response to a quarter of relatively low catastrophes and higher favorable development, as seen in Exhibit 14. When excluding the aforementioned, the underlying combined ratio of 96.3% was also improved 1.6pts from last year, driven by decreases in both expense and loss ratios. Industry net income increased 136% from last year to \$17.4B with a \$3.9B underwriting gain.

Exhibit 14

<b>A.M. Best U.S. Industry</b>	<b>3M:18</b>	<b>3M:17</b>	<b>Chg</b>	<b>2017</b>
DPW (\$, B)	\$159.2	\$149.7	6.4%	\$614.3
NPW	\$152.2	\$132.2	15.2%	\$539.2
NPE	\$139.8	\$127.5	9.6%	\$527.0
<b>Underwriting Income/(Loss)</b>	<b>\$3.9</b>	<b>(\$0.9)</b>	<b>NM</b>	<b>(\$22.8)</b>
Loss Ratio	67.5%	71.8%	-4.3	76.1%
Expense Ratio	26.7%	27.3%	-0.6	27.1%
PH Dividends	<u>0.6%</u>	<u>0.6%</u>	<u>0.0</u>	<u>0.6%</u>
<b>Combined Ratio</b>	<b>94.8%</b>	<b>99.7%</b>	<b>-4.9</b>	<b>103.7%</b>
Cats	3.4%	6.0%	-2.6	10.0%
<u>Prior Yr Development</u>	<u>-5.1%</u>	<u>-4.5%</u>	<u>-0.6</u>	<u>-2.7%</u>
<b>Ex Cat AY CR</b>	<b>96.3%</b>	<b>97.9%</b>	<b>-1.6</b>	<b>95.8%</b>
<b>P/T Operating Income</b>	<b>\$16.4</b>	<b>\$5.3</b>	<b>212%</b>	<b>\$20.2</b>
<b>Surplus</b>	<b>\$734.1</b>	<b>\$692.9</b>	<b>6.0%</b>	<b>\$736.7</b>

Source: A.M. Best, Hales Analysis

Direct Premium Written (DPW) increased 6% in the quarter to \$159B vs. 5% this time last year, while Net Premium Written (NPW) increased fully 15% in the quarter to \$152B vs. 5% growth last year.

Note, the sizeable growth in net premiums (and divergence vs. gross trends) reflects company-specific actions following U.S. tax reform (i.e. termination of quota share reinsurance with offshore affiliates, given reduced / eliminated benefits of such arrangements).



Exhibit 16 breaks down DPW by industry, with Auto Lines and Inland Marine seeing upper-single digit growth.

The Other Liability Lines, which have experienced adverse reserve development trends and loss cost pressure, increased in the mid-single digits.

Homeowners and Commercial Multi-Peril saw modest growth in the range of 3 to 4%. Primary Workers Comp, seeing increased rate pressure (as noted above), was closer to flat.

Exhibit 15

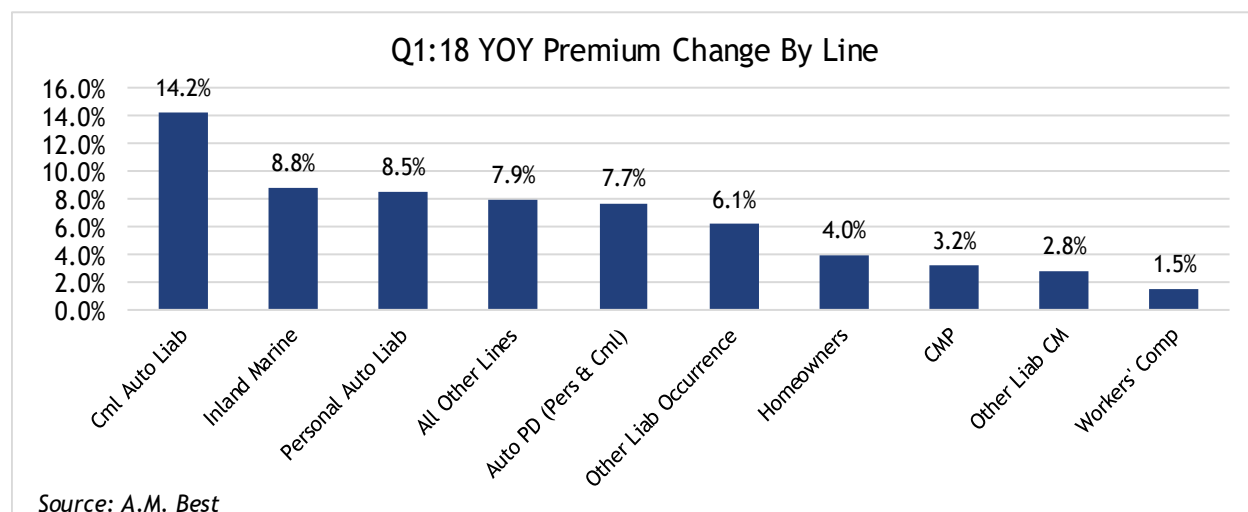


Exhibit 16

U.S. Industry	'17 Mix	DPW (\$,B)		Chg
		3M:18	3M:17	
Homeowners	14%	\$19.6	\$18.8	4.0%
Personal Auto Liab	22%	\$13.6	\$12.5	8.5%
Commercial Auto Liab	4%	\$2.8	\$2.4	14.2%
Auto PD (Pers & Cml)	16%	\$9.9	\$9.1	7.7%
Workers' Comp	9%	\$15.3	\$15.1	1.5%
CMP	7%	\$10.2	\$9.9	3.2%
Other Liab Occurrence	7%	\$10.8	\$10.2	6.1%
Other Liab CM	3%	\$4.9	\$4.8	2.8%
Inland Marine	4%	\$5.7	\$5.3	8.8%
All Other Lines	14%	\$66.4	\$61.5	7.9%
<b>Total DPW</b>	<b>100%</b>	<b>\$159.2</b>	<b>\$149.7</b>	<b>6.4%</b>

Source: A.M. Best, Hales Analysis



**What is Embroker / Business Model:** Embroker is a cloud-based risk and insurance management platform that uses its own software, data and predictive analytics to help businesses buy all types of commercial insurance, ultimately seeking to price/bind in a more efficient transaction.

According to founder/CEO, Matt Miller, Embroker is “building the world’s first commercial insurance management system.” The firm looks to go beyond simply digitizing the quoting process (a key focus of many others), rather leveraging technology to build a better experience and optimize the outcome/coverage across all types of firms (i.e. interest/appetite also extends beyond just small commercial).

*“Unlike traditional brokers, we’ve built technology from the ground up that allows us to deliver improved coverages and lower premiums for our customers. For our users, our platform offers an improved experience at every touchpoint, providing the easiest and fastest way to deal with insurance.”*

- [www.embroker.com](http://www.embroker.com)

Embroker’s software has several useful features, including the ability to aggregate and compare various policies, summarize documents, and track certificates of insurance and claims all on one platform. The company’s aim is to give businesses (customers in all 50 states) the tools to understand their insurance spending and improve risk management programs.

The system is accessed by small businesses (owners, risk managers, CFOs, etc.) where users can upload their firm’s current policies and coverage documents to be analyzed and benchmarked vs. peers. From there, Embroker uses its technology (big data / machine learning / predictive analytics) to recommend coverage and optimize pricing, all designed to save time and money.

The firm also hopes to be part of the “blurring” of industry roles, in terms of intermediaries designing more desirable products/placement mechanisms with dedicated capital (often times coming from “cheaper”/alternative sources).

In the aforementioned blog post CEO Matt Miller hinted at a new program to be unveiled this summer (details TBD). *“I’m excited to announce that this summer we will be launching our first proprietary insurance program, one we’ve built from the ground up, from the policy form to the underwriting, to be truly digital, and a step change improvement to any other competitive product in the market.”*

That said, Embroker acknowledged from the start that this is part of a longer-term evolution in the insurance industry. **“We’re in this for the very long game...we see it as a 10- to 20-year evolution of the industry and we’re just getting started.”**

The website describes the entire process in 3 easy steps: **(i) create an account, (ii) upload documents, & (iii) transfer / sign the BOR letter.** Renewals are also streamlined: **“At renewal, we’ll digitize your information so all you need to do is “Review and Approve,” without any needless paperwork. We’ve completely streamlined buying business insurance, and our expert brokers are here to help you anytime.”**

The firm has partnered with **10 of the leading commercial insurance carriers**, often citing **The Hartford** and **Travelers** as key partners.

***“It’s just the beginning. Over time, our predictive analytics and machine learning will make our platform even smarter. We’ll be able to customize your coverage with impeccable precision and speed, saving you even more time, money, and inevitable hassle. We value your time, and we want to empower every company to take the risks that will help them thrive.”***

- [www.embroker.com](http://www.embroker.com)

Exhibit 18

The screenshot displays the Embroker website's user interface. At the top, there is a navigation bar with a blue button labeled "Upload a policy" and a text prompt "or drag & drop your PDF file" with a "Learn more" link. Below this is a section titled "Upgrade your insurance experience" which contains three steps: 1. "You've uploaded your policy" (illustrated with a document icon), 2. "Now transfer it to Embroker" (illustrated with two dog icons and a dashed arrow), and 3. "Get the best coverage, premiums, and service" (illustrated with a document icon and various service icons). Below this section is a heading "Policies we don't manage" with a sub-heading "Select policies you'd like to transfer" and a "Transfer selected policies" button. The main content area features four policy cards, each with a title, carrier name, policy period, premium amount, and a "Transfer" button with a checked checkbox. The cards are: Crime (Travelers, Apr 01, 2017 - Apr 01, 2018, \$37,837 premium per year), Cyber / Data Breach (Chubb, Apr 01, 2017 - Apr 01, 2018, \$80,898 premium per year), Excess (Torus, Jul 22, 2017 - Jul 22, 2018, \$43,200 premium per year), and Professional Liabil... (AmTrust, Aug 13, 2017 - Aug 13, 2018, \$25,000 premium per year).

Source: Embroker.com

Embroker has several **channel partners** to help with leads, most notably **Zenefits** for P&C business (beginning June 2017), as part of the firm's exit from insurance brokerage. In March, Embroker also partnered with **Clio** to offer law firms better / faster access to E&O insurance (Clio is a Canadian legal practice management software provider).

*“Two of the things we’re most proud of at Embroker are the number of customer referrals we get and our incredibly high renewal rate, both of which we do not take for granted but instead work each day anew on re-earning that trust and loyalty.”*

- Matt Miller, Embroker Founder & CEO, 5/31/18

**Management Team / Talent Acquisition:** Headquartered in San Francisco, Embroker has offices in Chicago and Boston.

Embroker was founded in 2015 by CEO Matt Miller, formerly a principal at private equity firm Hellman & Friedman, which has interests in numerous insurance-related firms. Miller served on the boards of both Middle Market Broker **Hub** (#8 in Hales Top 100) and insurance/agent software specialist **Applied Systems**.

The firm has ~60 employees per LinkedIn, but ~ ½ of these are Serbia-based software engineers. We tally 23 domestic employees, of which ~ 10 appear to be sales focused and 6 have prior experience at the top global brokers (Embroker's key target for producer talent).

Like many of the large middle market brokers, Embroker focuses on industry verticals / specialties when sourcing leads, and the talent acquisition strategy similarly focuses on deep industry expertise.

*“Our leadership team brings expertise. They have held senior and board level positions at AON, Marsh, Willis, and HUB International, and all our brokers have over 10 years of experience at top commercial brokers.”*

- [www.embroker.com](http://www.embroker.com)

**Funding / Investors:** Embroker has raised a total of \$14.4M from investors with both **technology & financial services/insurance expertise**. A May 2016 \$12.2M Series A funding round was led by **Canaan Partners**, with participation from **Nyca Partners**, **XL Innovate**, and a new debt facility from **Silicon Valley Bank**. Prior investors also participated, including **Bee Partners**, **FinTech Collective**, **Vertical Venture Partners** and **500 Startups**, previously part of a \$2.2M series seed round in July 2015.

Investors are primarily financial in nature, but strategic investors could be a future prospect (i.e. existing insurance underwriters and/or brokers, etc.). To our minds a partnership with a large financial institution (that could also support business generation/leads; i.e. the “keiretsu model”) or large broker (partnership/servicing smaller accounts) could be a game changer / in some ways needed to support continued strong growth.

It’s hard to deny the current inefficiencies of traditional insurance placements and *need* to leverage technology to bring down costs. It remains to be seen, however, if Embroker will be a key player in such an evolution. Many smart ideas that look great on a white board are unable to overcome incumbents both in terms of money to spend (tough to go head-to-head with the brokers at the top of our Hales 100) and existing relationships (i.e. lead generation). *He Who Controls The Customer Wins.*

We nonetheless look forward to tracking Embroker’s future partnerships and product development; we plan to follow up when the new “proprietary program” is announced this summer.

*“As a venture-backed business, it’s also crucial to remember that investors are not our customers... while investors have every incentive to flatter you, your customers will always tell you the truth - through their actions if nothing else.”*

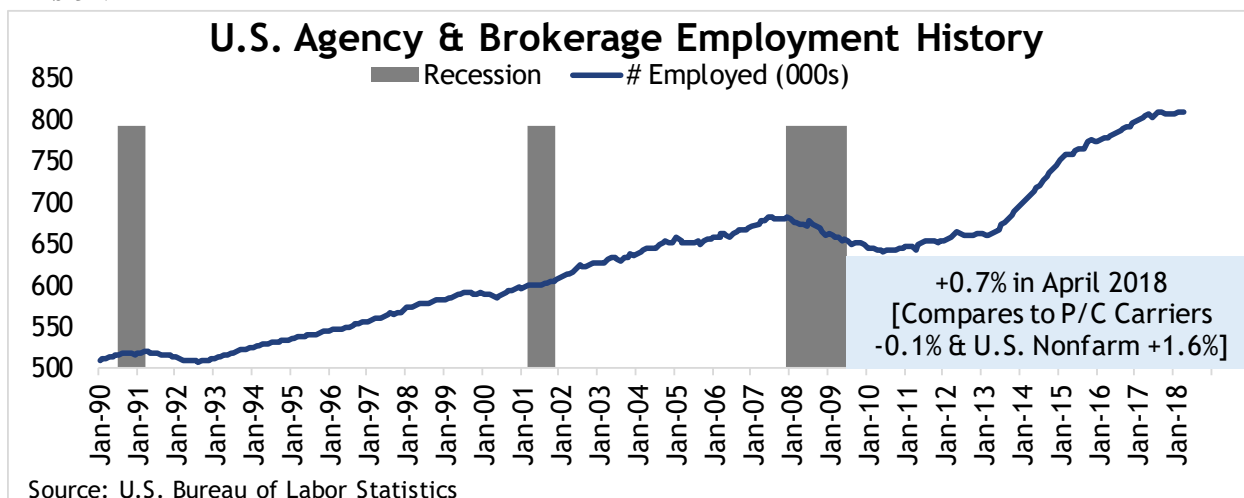
- *Matt Miller, Embroker Founder & CEO, 5/31/18*

## Employment Growth For Agents & Brokers (+0.7%) and P/C (-0.1%) Slows

The latest U.S. Labor Department's Bureau of Labor Statistics (BLS) employment data shows the **agent/broker segment gained 5,500 jobs in April 2018 vs. April 2017, an increase of 0.7% YOY**. A total of 809,100 are employed.

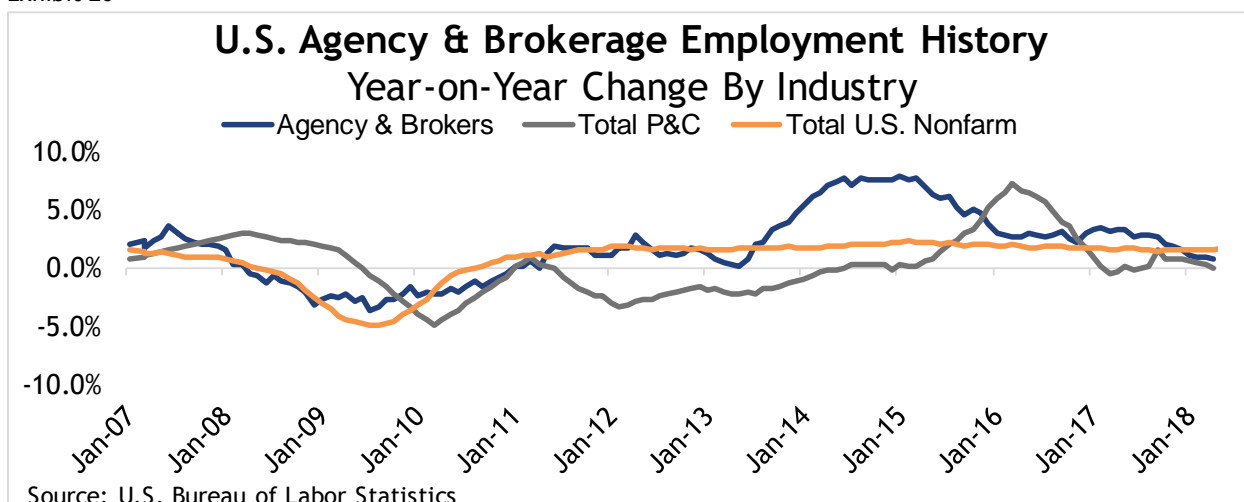
The trend of low, sub-2% employment growth seen for over ~12 months continued in April. Agency and broker growth also again lagged total nonfarm U.S. employment which was +1.6% for May.

Exhibit 19



Comparatively, the 0.7% increase for agents/brokers is greater than the 0.1% *decrease* in P/C carrier employment (first decrease since June 2017). Life/annuity carrier employment *decreased* 1.2%. Health carriers remain in the lead at +2.3%, though continuing its decline and at its lowest growth since 2016.

Exhibit 20



## Hales Hits:

- ❖ Cat modeling agency **Karen Clark & Co.** estimates insured losses from **Subtropical Storm Alberto** (made landfall on 5/28) to be just \$50M. The current ISO PCS estimate of U.S. cat losses in Q2 is \$3.5B with 5 events pending an estimate. In other news, **ISO PCS** continued to revise its estimate on **Hurricane Irma** higher, currently \$21.2B from \$20.4B previously (and \$19.7B initially).
- ❖ **Tropical Storm Risk (TSR)** lowered its hurricane forecast from its prior April prediction due to “considerable cooling” of sea surface temperatures in the tropical North Atlantic and Caribbean Sea. TSR’s forecast calls for 9 named storms / 4 hurricanes / 1 major (was 12 / 6 / 2 as of early April). **CSU** lowered its hurricane forecast predictions to 13 named storms / 6 hurricanes / 2 major hurricanes vs. 14 / 7 / 3 as of early April.
- ❖ Banked owned **BB&T Insurance** (#6 in Hales 100) announced a rebranding to **McGriff Insurance Services** effective 6/25/18. The new name comes from affiliate McGriff, Seibels & Williams, which dates back to 1886 (acquired by BB&T in 2003) in providing a mix of p/c, benefits, life, and other financial services and specialty insurance programs. The rebranding comes just prior to the close of the Regions Insurance acquisition (#32). BB&T Insurance of CA and BridgeTrust Title are not included in the initial rebranding.
- ❖ **The looming threat of Amazon on the (re)insurance industry reappeared in press reports last week suggesting** Amazon.com has contemplated offering home insurance as an offshoot to its work on connected home devices. It’s one of many “natural extensions” as Amazon’s Alexa-enabled smart speakers appear in an increasing # of U.S. households (smart speaker adoption estimated at ~20% as of 2018 with incredibly fast adoption expected to continue, and with Amazon clearly benefitting from a first mover advantage). It’s a matter of when (not if) Amazon ultimately “enters” insurance...but the when / where / how remains TBD.
- ❖ **Berkshire Hathaway CEO Warren Buffett** and **JPMorgan CEO Jamie Dimon** teamed up (in a joint Wall Street Journal editorial) to reiterate / caution that corporate earnings guidance is hurting the economy. *“Quarterly earnings guidance often leads to an unhealthy focus on short-term profits at the expense of long-term strategy, growth and sustainability.”* The CEOs also argue that the focus/pressure of short-term earnings reporting has contributed to a decline in the # of U.S. public companies. *“Short-term-oriented capital markets have discouraged companies with a longer-term view from going public at all, depriving the economy of innovation and opportunity.”*
- ❖ Carl Icahn succeeded in the proxy battle against **AmTrust**, which will still go private (with Stone Point) but now for a total consideration of \$2.95B (\$14.75/sh) vs. \$2.7B previously (\$13.50/sh). The shareholder vote has been scheduled for 6/21. **Arca Captial**, 2.4% holder, continues to believe the amended buyout undervalues the troubled firm.
- ❖ **Aon** appointed Andrew Marcell CEO of Reinsurance Solutions, as the company integrates Aon Risk Solutions (primary business) and Aon Benfield (reinsurance) under a single brand. Andrew, who joined Aon Benfield in 2015 (from Guy Carpenter) as Head of Strategy, was appointed President of Aon Benfield in 2017.

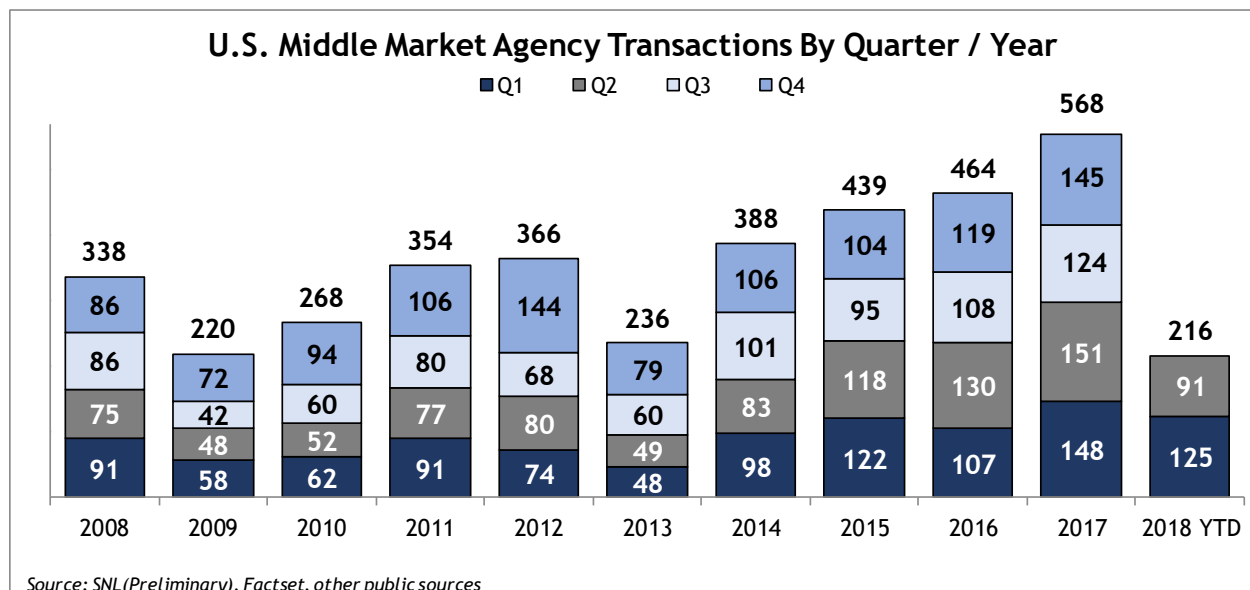


- ❖ CA approved the first Cannabis Business Owners Policy (**CannaBOP**) in the State, designed for dispensaries, storage facilities, processors, manufacturers, distributors & other businesses. This is part of the commissioner’s initiative launched last year to encourage commercial insurance companies to fill coverage gaps for the cannabis industry.
- ❖ The **Insurance Council of Texas** estimates \$425M of insured losses related to severe storms which damaged the Carrollton to Coppell to Arlington area on early Wednesday. The top 5 groups with Texas cat-exposed market shares include State Farm, Allstate, Farmers, USAA and Liberty Mutual. Based on the ISO PCS data to date, other industry data points and historical ISO PCS loss data, our “best guess” of the Q2-to date cat loss tally is \$5-6.5B vs. the 10 year Q2 average and median of \$9.4B and \$8.1B, respectively.
- ❖ **American Traditions** plans to merge with its affiliate **Modern USA** with no change in management or ownership. The company commented that, “*Combining the affiliates will allow management to better plan for future opportunities. The merger means a larger company with more surplus for our policyholders.*” Combined company will be a top 25 FL specialist (#24) with >\$100M of DPW and ~\$40M or surplus.
- ❖ Press reports suggest the **Treasury Department** has picked Steve Dreyer, formerly of credit ratings firm S&P, to be the next director of its Federal Insurance Office (FIO). The office has played a major role in negotiating international regulatory standards. Treasury recommended realigning its priorities to promote the state-based regulatory system while continuing to advocate for the U.S insurance sector in international negotiations.
- ❖ **Zurich** acquired a minority stake in **CoverWallet**. In February, Zurich began leveraging CoverWallet’s B2B platform to sell its policies directly to small businesses online. Subsequently, Hanover became the 1<sup>st</sup> carrier to use the technology to “white label” the system, providing the platform to agents for “emerging micro-small commercial.”
- ❖ Tom Curtin, founding partner of Cooney, Rikard & Curtin (BB&T’s wholesale broking platform “CRC”), passed away last week. Our thoughts & prayers are with his family.

## U.S. Deal Diary - Q2 Updates:

The 11 deals over the past 2 weeks put the total Q2 deal count at 91 (vs. 151 total in Q2 2017). Year-to-date, the deal tally of 216 is lower than 267 at this time last year.

Exhibits 21 and 22



### 2018 Most Active Acquiring Brokers - Monthly (Domestic Deals)

	2017	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	2018 YTD
<b>National Brokers</b>								
Acrisure, LLC	92	9	7	13	6	3	-	38
Hub International	42	1	3	3	3	3	2	15
Broadstreet Partners	35	3	2	2	5	3	-	15
Alera Group	16	1	3	2	1	4	-	11
AssuredPartners, Inc.	23	2	1	-	3	3	-	9
Arthur J. Gallagher & Co.	26	3	1	1	1	3	-	9
NFP Corp.	26	-	1	2	3	2	-	8
Seeman Holtz	19	-	1	1	2	2	-	6
Brown & Brown	6	-	1	1	1	1	-	4
USI, Inc.	8	-	-	1	-	1	-	2
RSC Insurance Brokerage, Inc.	8	-	1	-	-	-	1	2
Marsh & McLennan Companies	6	-	1	-	-	-	-	1
Hilb Group, LLC	13	-	-	-	-	1	-	1
<b>Sub-Total</b>	<b>320</b>	<b>19</b>	<b>22</b>	<b>26</b>	<b>25</b>	<b>26</b>	<b>3</b>	<b>121</b>
<i>Other</i>	<i>271</i>	<i>23</i>	<i>21</i>	<i>14</i>	<i>17</i>	<i>17</i>	<i>3</i>	<i>95</i>
<b>Total Broker Deals</b>	<b>591</b>	<b>42</b>	<b>43</b>	<b>40</b>	<b>42</b>	<b>43</b>	<b>6</b>	<b>216</b>

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

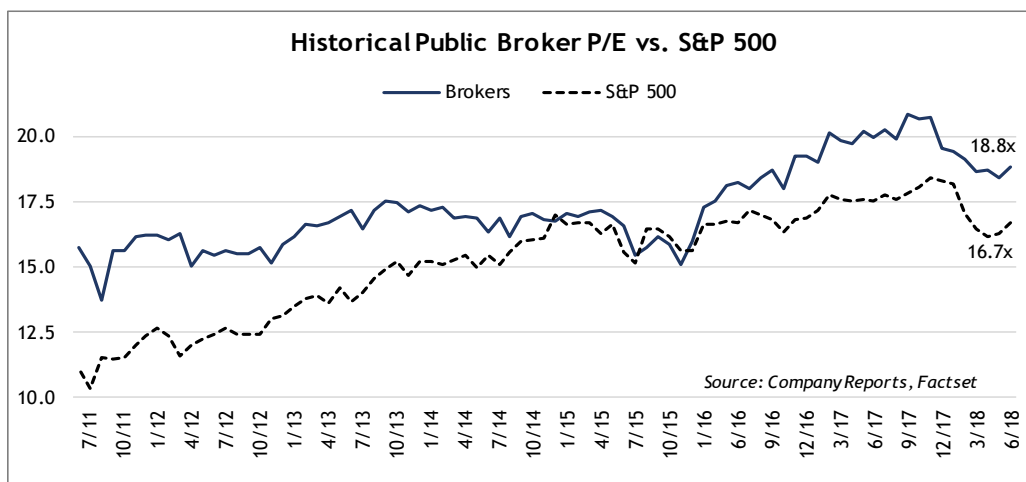
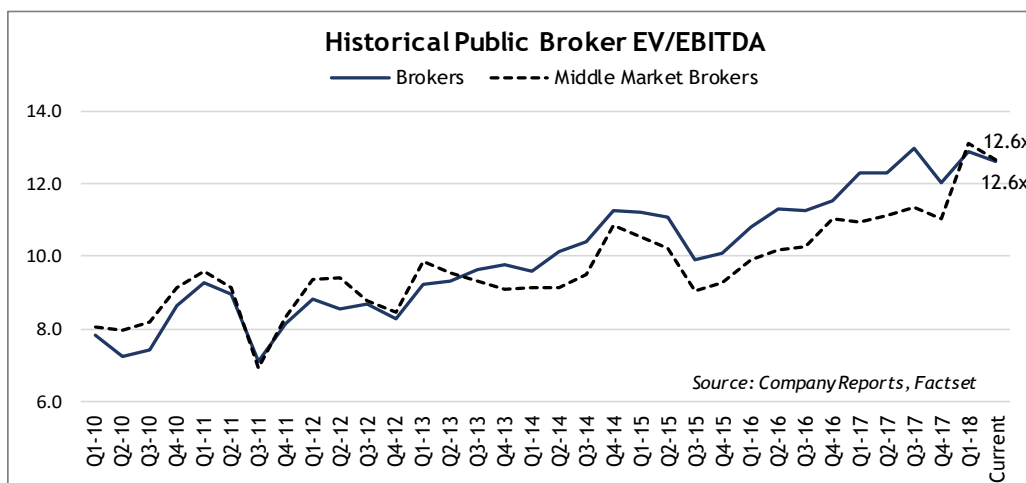
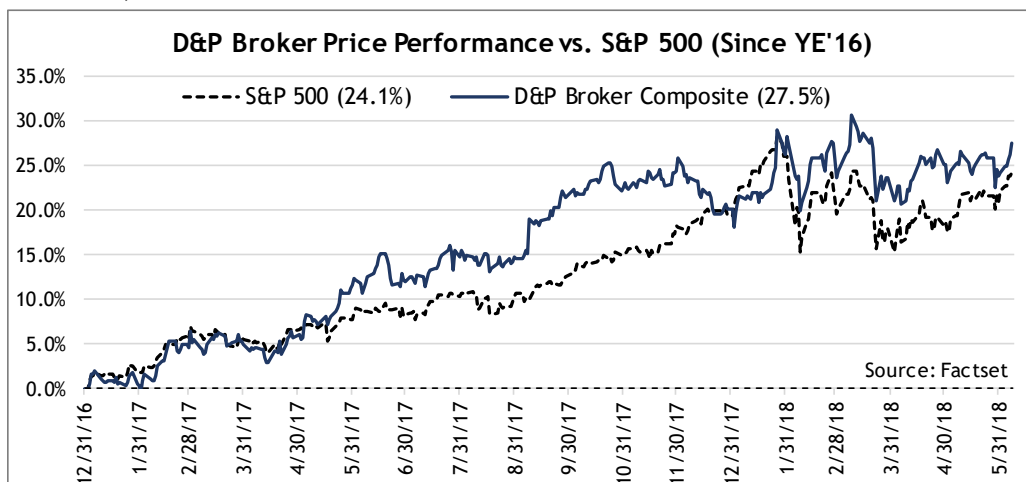
## 2018 U.S. Middle Market Brokerage M&amp;A Since April

Date	Acquirer	Acquiree	Acquiree State
1-Apr	Dean & Draper Insurance Agency, LP	Texas Printers Insurance Agency	TX
1-Apr	Broadstreet Partners	Book of Business	N/A
1-Apr	Broadstreet Partners	Certain insurance assets	IN
1-Apr	Broadstreet Partners	Certain insurance assets	IL
1-Apr	Broadstreet Partners	Certain Insurance Assets	CT
2-Apr	AssuredPartners, Inc.	AgentLink, Inc.	KY
2-Apr	NFP Corp.	Western Risk Insurance Agency, Inc.	NV
2-Apr	White Mountains Insurance Group, Ltd.	NSM Insurance Group, Inc.	PA
2-Apr	Worldwide Facilities, LLC	Tennant Risk Services Insurance Agency LLC	CT
3-Apr	Aquiline Holdings LLC	InsurMark Inc.	TX
3-Apr	AssuredPartners, Inc.	Insurance Associates of Magee, Inc.	MS
3-Apr	Prime Risk Partners, Inc.	Rosenthal Insurance Group Inc.	NJ
4-Apr	Alera Group, Inc.	Rich & Cartmill Insurance of Colorado, LLC	CO
4-Apr	Alliant Insurance Services, Inc.	Dumortier Risk Management, Inc.	CA
5-Apr	Hub International	Saffe's Houston operations	TX
5-Apr	Seeman Holtz Property and Casualty, Inc.	Federal Employee Insurance business	OK
6-Apr	BB&T Corporation	Regions Insurance Group Inc.	TN
6-Apr	OneDigital Health and Benefits, Inc.	Providence Insurance Group, Inc.	GA
9-Apr	Arthur J. Gallagher & Co.	Integrity Transportation Insurance Agency, LLC	TX
9-Apr	Broadstreet Partners	Bailey Agencies, Inc.	CT
9-Apr	Worldwide Facilities, LLC	Gerald J. Sullivan & Associates, Inc.	CA
11-Apr	Brown & Brown, Inc.	Manning & Nozick Insurance Agency	GA
11-Apr	LTC Financial Partners, LLC	Smith Companies, Limited	MA
12-Apr	Alliant Insurance Services, Inc.	Crystal & Company	NY
12-Apr	Hub International	Marine & crane businesses	OH
16-Apr	Carlyle Group L.P.	Slattery GA	NJ
17-Apr	Leavitt Group Enterprises, Inc.	PFG Holding Inc.	WA
19-Apr	AssuredPartners, Inc.	RDD Holdings, Inc.	FL
23-Apr	Midland Commerce Insurance, LLC	Dublin Agency, Inc.	MO
24-Apr	Hub International	BK-JET Group, LLC	WA
25-Apr	Higginbotham Insurance Agency, Inc.	Butler Carson Tate Insurance Agency, LLC	TX
26-Apr	Seeman Holtz Property and Casualty, Inc.	Elton Porter Marine Insurance Agency, Inc.	TX
30-Apr	Peter C. Foy & Associates Insurance Services, LLC	Clark & Associates of Nevada, Inc.	NV
30-Apr	Peter C. Foy & Associates Insurance Services, LLC	R. L. Milsner, Inc. Insurance Brokerage	CA
30-Apr	Peter C. Foy & Associates Insurance Services, LLC	Senex Insurance Services, Inc.	CA
30-Apr	Peter C. Foy & Associates Insurance Services, LLC	Stratton Agency	CA
1-May	Alera Group, Inc.	Benefit Plan Strategies, Inc.	OK
1-May	Alera Group, Inc.	Courtney Group, Ltd.	IL
1-May	Alera Group, Inc.	Dickerson Employee Benefits, Inc.	CA
1-May	Alera Group, Inc.	Strategic Employee Benefit Services of Pittsburgh, Inc.	PA
1-May	Associated Banc-Corp	Anderson Insurance & Investment Agency, Inc.	MN
1-May	AssuredPartners, Inc.	Cornerstone Insurance Group, LLC	MO
1-May	Brown & Brown, Inc.	Servco Pacific Insurance	HI
1-May	Bryn Mawr Bank Corporation	Domenick & Company, Inc.	PA
1-May	Hilb Group, LLC	Allen C. Benton Agency, Inc.	NY
1-May	Broadstreet Partners	Certain insurance assets	OH
1-May	Broadstreet Partners	Certain insurance assets	MA
2-May	Hub International	Kelly King Insurance Services	CA
3-May	Alliant Insurance Services, Inc.	Engel Agency, Inc.	IL
3-May	AssuredPartners, Inc.	National Insurance Services of Wisconsin, Inc.	WI
3-May	Mark Edward Partners, LLC	Kaplow Insurance Agency, LLC	NY
3-May	Salem Five Bancorp	Fabri & Rourke Insurance Agency, Inc.	MA
4-May	Cochrane & Company, Inc.	MJN Inc.	CO
4-May	Hub International	Easy Truck Insurance Services, Inc.	CA
7-May	NFP Corp.	The Hyde Agency	NJ
8-May	Hub International	Barnett Corporate Insurers, LLC	TN
8-May	Prime Risk Partners, Inc.	Roblin Insurance Agency, Inc.	MA
8-May	USI Insurance Services, LLC	CHS Insurance Services LLC	MN
8-May	Integrity Marketing Group, LLC	GoldenCare USA, Inc.	MN
9-May	Arthur J. Gallagher & Co.	A.J. Amer Agency, Inc.	OH
10-May	Arthur J. Gallagher & Co.	Pronto General Agency, Ltd.	TX
10-May	Seeman Holtz Property and Casualty, Inc.	Affiliated Insurance Managers - book of business	LA
14-May	AssuredPartners, Inc.	Peoples Insurance Agency Limited	IA
14-May	CPro Associates, Inc.	Non-subscription book of business	TX
14-May	Seeman Holtz Property and Casualty, Inc.	First Choice Insurance Agency, Inc.	MO
14-May	NFP Corp.	1st Community Insurance Services Inc.	CA
15-May	Evans Bancorp, Inc.	Richardson & Stout, Inc.	NY
15-May	Broadstreet Partners	G.M. Abodeely Insurance Agency, Inc.	MA
15-May	Undisclosed Buyer	Town & Country Insurance Agency, Inc.	TX
16-May	RSC Insurance Brokerage Inc.	Costello Benefits Group Insurance Brokerage Inc.	MA
17-May	Insurance Group of St. Charles County, LLC	Insurance of Ellisville, LLC	MO
21-May	RightSure Insurance Group	ETNA INSURANCE AGENCY, INC.	AZ
22-May	Integrity Marketing Group, LLC	Senior Market division of Cornerstone Broker Insurance Services Agency, Inc.	OH
23-May	INSURICA, Inc.	Zadow and Neighbors Insurance LLC	OK
29-May	Arthur J. Gallagher & Co.	Thomas Costello Insurance Agency, Inc.	CA
30-May	SUNZ Holdings, LLC	Risk Management America, LLC	IL
31-May	Worldwide Facilities, LLC	RIC Insurance General Agency, Inc.	CA
4-Jun	Hub International	Professional Program Insurance Brokerage	CA
4-Jun	RSC Insurance Brokerage, Inc.	Cincinnati Intermediaries, LLC	OH
4-Jun	Sun Life Financial Inc.	Maxwell Health	MA
5-Jun	Hub International	Flather & Perkins, Inc.	DC
5-Jun	Shoreline Financial Group LLC	Abrens Insurance	CT

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

## Public Broker Valuations:

Exhibits 24, 25 and 26



## Important Disclosures

This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. This report is not an offer to buy or sell any security or to participate in any investment. The firm has no obligation to tell you when the opinions or information in this report change. The information and statistics contained herein are based upon sources which we believe to be reliable, but have not been independently verified by us. The firm makes every effort to use reliable comprehensive information, but makes no representation that it is accurate or complete. The firm may, at any time, hold a position in the public shares or private equity of any companies discussed in this report.