

MARKET TEMPERATURE: THAWING OUT

Deal Momentum, Activity Up

The pursuit of the good deal continues.

May M&A activity wasn't nearly as dreary as April. After 18 transactions were announced, the year's total rose to 107. The M&A barometer is still down 13% from last year with an average of three fewer deals a month.

Insurance brokerages dominated the May buying spree, acquiring 14 of 18 agencies sold. Brokerages accounted for 59% of the purchases through May 2007 but account for 71% for the same period this year. Both bank buyers and the other buyers are off last year's pace. Insurance brokerages are gobbling up agencies to survive the punishing soft market. Acquisitions have become many agencies' organic growth strategy.

Included in the insurance brokerage category are both retail and wholesale brokerages backed by private equity money. And in May, we saw some of that money being put to work. Backed by private equity groups and their investment, Alliant Insurance Services, Ascension Insurance and AmWINS Group were all May shoppers. Alliant purchased a Seattle-based retail benefits brokerage; Ascension, a retail full-service Florida-based agency; and AmWINS, a Seattle-based managing general underwriter of excess-loss benefits insurance.



By Audra Szollosy

Arthur J. Gallagher and Brown & Brown continued to lead the brokerage category with 12 acquisitions each through May. These two brokerages accounted for roughly a third of all brokerage shop-aholic activity. That statistic is telling. In the third spot for the second straight month is National Financial Partners with eight, and in a distant fourth is Hub International with four acquisitions through May.

No private equity group had publicly invested in insurance distribution since August 2007—until now. Evercore Capital Partners of New York announced it had acquired a majority stake in New Jersey-based Bollinger. Founded in 1933, Bollinger

No private equity group had publicly invested in insurance distribution since August 2007—until now.

has revenues of about \$100 million and ranks as the nation's 5th largest privately owned brokerage (based on 2006 revenue). This transaction is significant because, even though private equity investment in insurance distribution has slowed down, the interest in and expectation of an excellent return remain. It also tells us that even a high-performing, high-quality, top-20 U.S. brokerage may be feeling the economic pinch. Having made many agency acquisitions during its rise to the top, even Bollinger-the-acquirer can be Bollinger-the-acquired.

As we relax in the typically slower summer months of M&A activity, the scuttlebutt is that buyers' pipelines are deep. For the average retail and wholesale agency owner, the prolonged soft market has caused many to take a hard look in the mirror. The mission to internally enhance the agency and shareholder value will take priority.

Despite market conditions, buyers and sellers will continue their pursuit of crafting the elusive "win-win" transaction only to settle on the practical and more realistic "fair and reasonable" transaction. Merger and acquisition activity will continue at a moderate pace as buyers and sellers persist in their quest to find the happy medium—while others, unfortunately, won't have a choice.

SEND YOUR M&A ANNOUNCEMENTS TO AUDRA SZOLLOSY AT Audra.Szollosy@LeadersEdgeMagazine.com.

Retail vs. Wholesale Acquisitions

MARCH - MAY 2008

Retail	35	
Wholesale	13	

[THE REAL DEAL] Recent M&A Action

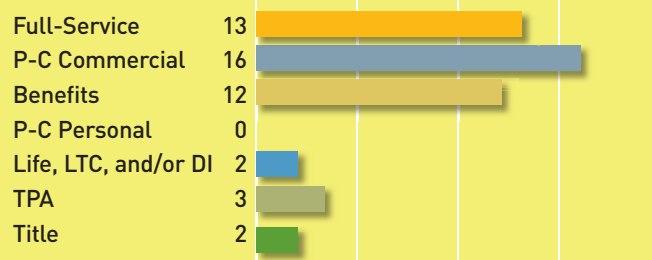
ACQUIRER	ANNOUNCED	TARGET FIRM
BROKERAGES		
Brown & Brown	5 /30/08	Debock & Muth Insurance Agency Calif.-based full-service insurance agency focusing on p-c insurance for individuals and businesses in central California and throughout the U.S. Revenue: \$1.7 million Price: N/A
	5 /1 /08	Nathan Stone Insurance Agency d/b/a Stone, Harris & Stone Calif.-based retail insurance agency serving businesses and individual clients throughout California Revenue: \$3 million Price: N/A
Cherry Creek Ins. Group	5 /23/08	Gaspar-Jones & Associates Colo.-based full-service insurance agency
Lockton Companies	5 /20/08	Schwander Insurance Services Colo.-based broker specializing in executive risk management, including directors and officers liability, fiduciary liability and employment practices liability
Alliant Ins. Services	5 /19/08	ClearPoint Wash.-based benefits brokerage and consulting company Revenue: \$19 million Price: N/A
Ascension Insurance	5 /19/08	Employers Mutual Fla.-based provider of insurance solutions, specializing in self-funded workers comp, property and liability, as well as providing brokerage services in the areas of p-c and employee benefits to the Florida marketplace
Advance Ins. Services	5 /13/08	J.D. Ellington Insurance Services Nev.-based agency specializing in large commercial accounts including manufacturing, dairy and workers compensation
Arthur J. Gallagher & Co.	5 /12/08	Specialty Risk Mo.-based retail insurance broker providing risk management and commercial p-c specializing in occupational accident insurance, corporate and fleet workers compensation, physical damage and non-trucking liability Insurance for independent contractors
	5 /2 /08	RSI N.J.-based employee benefit consulting and brokerage firm offering strategic analysis and plan design, human resource services, benefit outsourcing, retirement plan consulting and employee communications support
Aon Corp.	5 /08 /08	Consecur Re Peru-based reinsurance intermediary
USI Holdings Corp.	5 /7 /08	KD Benefits Insurance Brokerage Mass.-based employee benefit insurance brokerage firm Revenue: \$1.1 million Price: N/A
AmWINS Group	5 /5 /08	Beacon Risk Strategies Wash.-based managing general underwriter of excess-loss benefits insurance
Atlantic Specialty Lines of Pa., a subsidiary of Atlantic Specialty Lines	5 /2 /08	ESL Pa.-based wholesale insurance brokerage subsidiary of Penn National Insurance
Insurance Specialty Group	5 /2 /08	E.L.M. Insurance Brokers Calif.-based wholesale agency specializing in professional and specialty lines

[THE REAL DEAL] Recent M&A Action

ACQUIRER	ANNOUNCED	TARGET FIRM
INSURANCE AND FINANCIAL SERVICES		
Church Mutual Ins. Company	5 /2 /08	General Insurance Underwriters Tenn.-based underwriter specializing in insurance for religious organizations
BANKS		
Eastern Bank Corporation	5 /27/08	Anderson Insurance Services Mass.-based agency specializing in musical instrument insurance as well as offering auto, life, home, boat, annuities and business insurance Revenue: \$1.5 million Price: N/A
OTHER		
Evercore Capital Partners	5 /16/08	Majority stake in N.J.-based Bollinger , a full-service insurance agency providing products and services to individuals, businesses, organizations and brokers on a national and international basis Revenue: \$100 million Price: \$250 million
LTC Global Solutions	5 /5 /08	Insurance Producers Alliance and Insurance Producers Alliance of America Fla.-based long-term care agency and affiliate

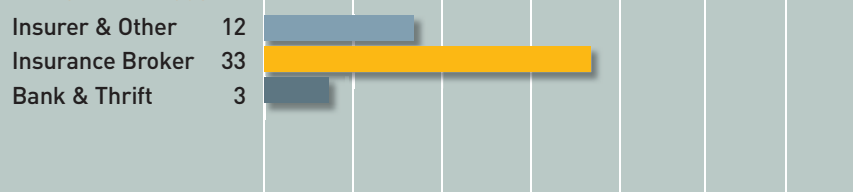
What's Being Bought

MARCH-MAY 2008



Who's Buying

MARCH-MAY 2008



[SCORECARD] Our World in Play

COMPANY	MARCH-MAY	YTD 5/30	COMPANY	MARCH-MAY	YTD 5/30	COMPANY	MARCH-MAY	YTD 5/30
BANKS			BROKERAGES			Edgewood Partners Insurance Center		
BB&T Corp.	1	3	Arthur J. Gallagher & Co.	7	12	Insurance Specialty Group	1	1
BancorpSouth	0	2	Brown & Brown	5	12	J. Smith Lanier & Co.	1	1
Central Bancshares	0	1	National Financial Partners Corp.	0	8	Kinloch Holdings	0	1
Doral Financial Corp.	0	1	Hub International Limited	1	4	Lockton Companies	1	1
Eastern Bank Corporation	1	1	Ascension Insurance	1	3	Mercator Risk Services	0	1
First Financial Holdings	1	1	Aon Corp.	1	2	MOC Insurance (Maroevich, O'Shea & Coghlan)	0	1
First Maniwoc Bancorp	0	1	Hilb Rogal & Hobbs Co.	0	2	Presidio Reinsurance Group	1	1
Regions Financial Corp.	0	1	NSM Insurance Group	1	2	R.E. Chaix & Associates Insurance Brokers	0	1
Wells Fargo & Co.	0	1	USI Holdings Corp.	2	3	Skelton & Carnegie Insurance Specialty Corp.	0	1
Total	3	12	Advance Insurance Services	1	1	The Wright Group Services	1	1
INSURANCE AND FINANCIAL SERVICES			Alliant Insurance Services	1	1	Third Party Title Insurance Agency	1	1
RenaissanceRe Holdings	2	2	American E&S Insurance Brokers	1	1	Thorbahn Associates	0	1
American Independence Corp.	1	1	AmWINS Group	1	1	Titledge Holding Co.	1	1
American Safety Insurance Holdings	0	1	Atlantic Specialty Lines of Pa., a subsidiary of Atlantic Specialty Lines	1	1	Venbrook Group	1	1
Argo Group International Holdings	1	1	Barney & Barney	0	1	Total	33	76
Church Mutual Insurance Company	1	1	Beecher Carlson	0	1	OTHER		
Markel Corp.	1	1	Britt / Paulk Insurance Agency	0	1	LTC Global Solutions	1	3
Munich Re Group	1	1	Casualty & Surety	0	1	Empire American Holdings	0	1
Old Republic International Corp.	0	1	CBIZ	0	1	Evercore Capital Partners	1	1
Philadelphia Consolidated Holding Corp.	1	1	Cherry Creek Insurance Group	1	1	FirstPlus Financial Group	1	1
Republic Companies Group	0	1	Cordova Insurance Center, Inc. d/b/a Independent Solutions United	0	1	Global Risk Holdings	1	1
White Mountains Insurance Group	0	1	Cretcher-Lynch & Co.	0	1	Total	4	7
Total	8	12						

Disclosure: Scorecard year-to-date totals may change from month to month should an acquirer contact Hales to request an earlier acquisition be included in the Scorecard that was not publicly announced. As always, Hales welcomes your announcements.