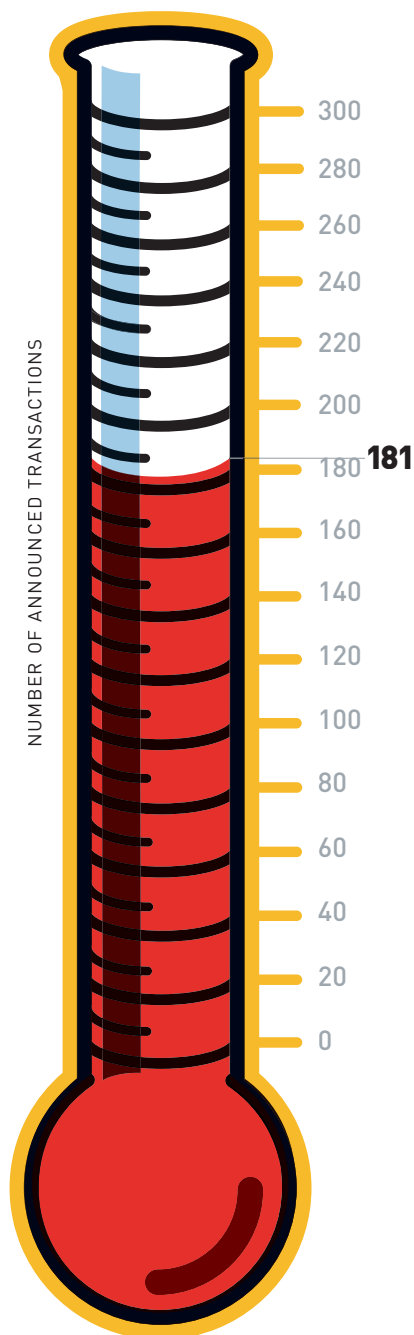


M&A Activity (YTD THROUGH OCT 2010)



MARKET TEMPERATURE: ARCTIC CHILL

Minimal M&A Activity

Parting is such sweet sorrow.

After a busy month of M&A activity in September, October activity slowed substantially. Like Romeo and Juliet, star-crossed buyers and sellers had a difficult time cementing relationships and consummating transactions.

Thirteen transactions were announced—the smallest monthly figure all year (and well short of the 21 in October 2009). From Aug. 1 through Oct. 31, 50 deals were announced. The market barometer now stands at 181—just five deals shy of all of 2009. M&A activity this year will clearly surpass 2009, but it won't set any records.

For the first time in the history of the Big Deal, only one buyer group was active in October: insurance brokerages. Although the other buyer groups have been less active since 2009, there has never been a month in which at least one bank, carrier, conglomerate or



By Audra Szollosy
Senior Vice President
Hales & Co.

private equity firm didn't acquire a brokerage.

For the first time in the history of the Big Deal, only one buyer group was active in October.

The end to the soft market remains elusive and continues to drive consolidation among brokerages. Each month we continue to see new insurance brokerage buyers among the consolidators. In October alone, five new buyers found their names on the Scorecard.

One agency category decreasing in popularity the past several months is employee benefits firms. Many firms realize the future business model of the employee benefits brokerage is in transition. Waiting for finalization on healthcare reform was just the first stumbling block in benefits M&A. Even with passage, a little clarity hasn't eliminated all the uncertainty. The general consensus is that benefits firms focused on large-group accounts (greater than 100 employees) won't be affected as much as benefits firms focusing on small-group accounts, those with fewer than 50 employees. Nonetheless, benefits firms of all sizes and focus will face challenges. The deal count doesn't show it yet, but consolidation among benefits firms will increase when 1+1=3 for some faced with myriad legislative and operative changes. For benefits firms that do not or cannot adapt, 1+0 might = 0.

Brown & Brown (B&B) leapt to number one on the Scorecard with 17 deals, three of which were in October. Both employee benefits acquisitions this month were by B&B. Arthur J. Gallagher is ranked second with a year-to-date deal count of 14. Hub International picked up another deal, bringing its total count to nine. Joining the ranks of fourth place and having acquired three brokerages is Integro, which acquired ReSource Intermediaries, a California-based reinsurance advisory and brokerage firm with an expertise in health-care. R-T Specialty, the wholesale brokerage unit of Ryan Specialty Group, made its second acquisition, buying Florida-based McAuley Woods & Associates, one of two wholesale deals this month. Silent since April, Ascension Insurance acquired Kansas-based Summit America Insurance, specializing in educational, recreational and sports markets.

Fourth-quarter M&A activity is off to a slow start. One driver that may affect activity is the mid-term elections' effect on a final decision on the Bush tax cuts. Only time will tell if dealmakers will suffer the same fate as Romeo and Juliet as we approach year end.

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

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.

[THE REAL DEAL] Recent M&A Action

ACQUIRER	ANNOUNCED	TARGET FIRM
BROKERAGES		
Ascension Insurance	10/04/10	Summit America Insurance Kan. firm specializing in risk management, insurance and benefits solutions specifically for the educational, recreational and sports markets
Brown & Brown	10/05/10	Martin Benefits Consulting and Martin Human Resources N.Y. firms offering employee benefits products and services in New York City and throughout N.Y., Conn. and N.J. Revenue: \$3M
	10/08/10	Thomas R. Jones and T. R. Jones & Co. of Broward dba T. R. Jones & Co. Fla. provider of p-c commercial and personal lines as well as employee benefits products and services to individuals, businesses and organizations throughout Fla. Revenue: \$6.7M
	10/25/10	Book of business from Pa. Greystone Benefits consisting primarily of employee benefits products and services offered throughout eastern Pa. and the greater Philadelphia area Revenue: \$1.2M
Clements International	10/14/10	International Vehicle Risk Management business from Mo.-based Lockton Cos. consisting of overseas diplomats and international fleet business
Confie Seguros	10/04/10	Cost-U-Less Insurance Center Calif. provider of non-standard auto insurance in central and northern Calif.
Crump Group	10/01/10	Target Underwriting Management Corp. Conn. managing general underwriter and program administrator specializing in professional liability coverages, including specialty programs for accountants, lawyers, staffing agencies, home inspectors and miscellaneous E&O
Elite Insurance Agency	10/04/10	CNC Insurance Agency Ky. full-service insurance agency and subsidiary of Citizens National Bank of Paintsville
Encore Insurance Group	10/01/10	P-C and health insurance book of businesses from MainSource Insurance , a subsidiary of Ind.-based MainSource Financial Group
Hub International	10/18/10	Burnham + Co. N.J. brokerage serving both commercial and personal clients specializing in insurance for the elevator industry Revenue: \$4M
Integro	10/12/10	ReSource Intermediaries Calif. reinsurance advisory and brokerage firm with an expertise in healthcare providing reinsurance strategies for insurance companies, captives, risk retention groups, managing general agencies, and third party administrators
Rue Insurance	10/01/10	Bittner & Carton Agency N.J. agency primarily focused on commercial and personal p-c insurance as well as employee benefits
Ryan Specialty Group	10/08/10	McAuley Woods & Assoc. Fla. wholesale brokerage specializing in various product lines, including property, casualty, trade name restoration, mold, professional liability, workers compensation, construction, healthcare, transportation, catastrophe, hurricane, hospitality and products liability insurance

[SCORECARD] Our World in Play

COMPANY	AUG-OCT	YTD 10/31	COMPANY	AUG-OCT	YTD 10/31	COMPANY	AUG-OCT	YTD 10/31
BANKS			Arthur J. Gallagher & Co.	3	14	Frank Crystal & Co.	0	1
Alaska USA Federal Credit Union	0	1	Ascension Insurance	1	2	Guaranty Insurance Services	0	1
Arrow Financial Corp.	0	1	Ash Brokerage Corp.	1	1	Gunn-Mowery	0	1
BB&T Corp.	0	1	Barker Phillips Jackson	1	1	Higginbotham & Associates	1	2
Dupaco Community Credit Union	0	1	Bass Underwriters	0	1	Hilb Group	0	2
First Bancorp	0	1	Bell-Anderson Agency	0	1	The Hoffman Group	0	1
First Community Bancshares	1	1	BenefitMall	0	1	Hub International	5	9
First Niagara Financial Group	1	1	Berends Hendricks Stuit Insurance Agency	0	1	Hylant Group	0	1
Northwest Bancshares	0	1	Bollinger	0	3	IMS Insurance Market Solutions	1	1
Wells Fargo & Co.	0	2	Breckenridge IS	0	1	Insurance Office of America	0	1
Total	2	10	Brown & Brown	6	17	InsureZone	0	1
INSURANCE AND FINANCIAL SERVICES			Business Risk Partners	1	1	Integro	2	3
Centene Corp.	0	1	CBIZ	1	2	Investor Group led by Management of Millennium Brokerage Group	0	1
The Hanover Insurance Group	0	1	Century Insurance Agency	0	1	John M. Glover Agency	0	1
Independence Holding Co.	0	1	Clackamas Insurance Agency	0	1	Johnson & Johnson	0	1
Kingsway Financial Services	0	1	Clements International	1	1	Karen & Michael Quigley Insurance Agency	0	1
Markel Corp.	0	1	Co-founder and CEO of Brakke-Schafnitz Insurance Brokers	0	1	Lockton Cos.	0	1
Northwest Farm Credit Services	0	1	Cochrane & Co.	0	1	LQ Acquisition	0	1
OneAmerica Financial Partners	0	1	Confie Seguros	1	2	Management of Alliance Insurance Agency	0	1
QBE Insurance Group	1	1	Cooper Gay	0	1	Marsh & McLennan Cos.	0	3
Securian Financial Group	0	1	Crouse and Associates Insurance Services	1	1	McGrath Insurance Group	0	1
Total	1	9	Crump Group	1	1	MDW Insurance Group	0	2
BROKERAGES			Cunningham Financial Group	1	1	Mid American Group	0	1
Advantage Insurance Services	1	1	Dawson Cos.	1	3	Moody Insurance Agency	0	1
AGIS	0	1	DHR	0	1	Morton & Furbish Insurance Agency	0	1
Alliant Insurance Services	0	1	Digital Insurance	2	2	Mountain West Insurance & Financial Services	0	1
Alltrust Insurance	0	1	EAGIL Financial Group	0	1	Murray Risk Management and Insurance	1	1
American Westbrook Insurance Services	0	1	Edgewood Partners Insurance Center	0	1	Norman-Spencer	0	1
AmWINS Group	1	2	Elite Insurance Agency	1	1	Novak Insurance Agency	0	1
Aon Corp.	0	3	Encore Insurance Group	1	1	NSM Insurance Group	0	1
Apex Brokerage Co.	0	1	Engle Martin & Associates	0	1	One Hundred Years Insurance Solutions	0	1
Aran Insurance Services Group	0	1	Evergreen Insurance Managers	0	1	Pacific Pioneer Insurance Group	1	1
Arison Insurance Services	0	1	Fox Insurance Agency	0	1	Partners Advantage Insurance Services	0	1

[SCORECARD]
Our World in Play

COMPANY	AUG-OCT	YTD 10/31	COMPANY	AUG-OCT	YTD 10/31	COMPANY	AUG-OCT	YTD 10/31
Preferred Concepts	0	1	Stemler Insurance	0	1	OTHER		
Private Investor	0	1	Strongwood Insurance Holdings Corp.	0	2	C.V. Starr & Co.	0	1
Professional Risk Solutions	1	1	U.S. Risk Insurance Group	1	1	DJSP Enterprises	0	1
Propel Insurance	2	2	USI Holdings Corp.	0	2	Hewitt Associates	0	1
R.E. Chaix & Associates Insurance Brokers	0	1	W. Brown & Associates	0	1	The RLJ Cos.	1	1
Risk Strategies Company	0	1	William Gallagher Associates	1	1	Stone Point Capital, Hellman & Friedman, and management of Sedgwick Claims Management Services	0	1
RSI International	0	1	Willis Group Holdings	0	2	U.S. Retirement Partners	1	1
Rue Insurance	1	1	The Woodlands Financial Group	0	1	Total	2	6
Ryan Specialty Group	1	2	York Insurance Services Group	0	1			
Smith Brothers Insurance	1	1	Total	45	156			
Smith Gatta Gelok Agency	0	1						

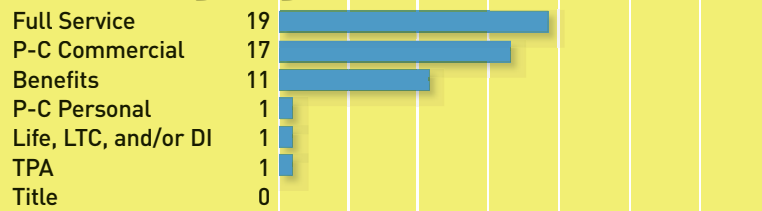
Retail vs. Wholesale Acquisitions

AUGUST-OCTOBER 2010



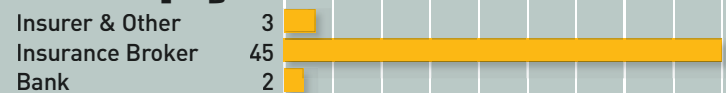
What's Being Bought

AUGUST-OCTOBER 2010



Who's Buying

AUGUST-OCTOBER 2010



SINCE 1992 WESTROPE HAS PLACED BILLIONS WITH MAJOR CARRIERS IN THE U.S. AND GLOBAL MARKETS IN THE BELIEF THAT THE WORLD NEEDS THE BEST WHOLESALE INSURANCE SOLUTIONS.

**PROPERTY | CASUALTY | TRANSPORTATION | CONSTRUCTION | AGRIBUSINESS
HEALTHCARE | EXECUTIVE & PROFESSIONAL LIABILITY | BINDING AUTHORITY
WORKERS' COMP | CLAIMS SERVICES | LIFE SCIENCES**

WESTROPE.COM



WESTROPE

ENSURING INSURANCE

BRAINS & BRAWN