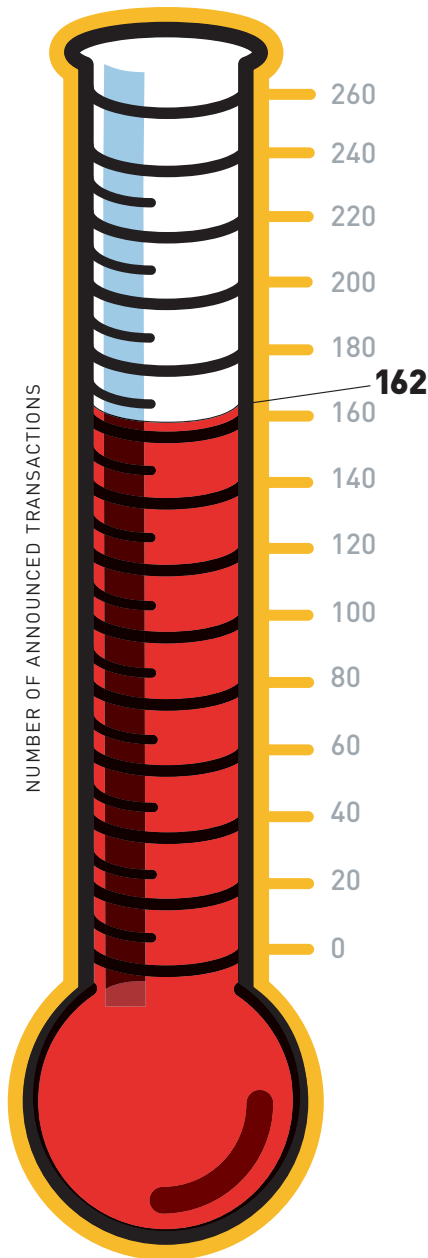


MARKET TEMPERATURE: **HOT AND HUMID**

M&A Activity Heats Up

No summer vacation for deal makers.

M&A Activity
(YTD THROUGH JULY 2008)



A weak economy, a credit crunch, and an overall increase in the cost of living—especially higher gasoline prices—socked it to an American rite of passage: the summer vacation. An old tradition was overtaken by a new trend with many a folk not going on vacation, but doing “stay-cations”—staying home. Maybe they turned the backyard into a tropical paradise. Could stay-cations have been the reason for so much M&A activity in June and July? (They could pull themselves away from the office, but the cell phone and laptop never ventured far from the backyard kiddie pool.) Well, more than likely, M&A activity was bolstered by the convergence of all the catalysts discussed all year: the soft market, stagnant organic growth, impending tax changes, lax perpetuation planning and the need to compete with the bigger guy down the street.

With the exception of January—June and July displayed the most M&A activity this year with 27 and 28 transactions, respectively. The first seven months of 2008 are just slightly ahead of 2007’s pace, but the buyers have changed significantly. Insurance brokerages continue to dominate the consolidation landscape besting last year’s pace by 19%. The largest deal to date—the \$2.1 billion acquisition of the world’s ninth largest brokerage, Hilb Rogal & Hobbs—was made by Willis, the third largest broker.



By Audra Szollosy

A total of 45% of all deals were made in May, June and July, pushing the market barometer to 162 transactions.

Bank and other buyers continue to trail last year’s activity. Insurance and financial services firms have been slightly more acquisitive.

Not only has the buyer concentration changed, but so has the preferred agency category. Benefits firms accounted for 21 purchased firms (27%) for the three-month period. This stat grabs your attention because during the same period in 2007, there were only 10 benefits-related deals (18% of the total).

Although p-c rates are no longer decreasing at a their previously high levels, agencies need to find a way to lessen the pain of declining p-c revenue. Adding on to an existing book of benefits business or expanding into a new product line not only provides diversification but also provides a product line that continues to see rate increases. Additionally, six out of 11 third party administrators purchased in June and July are benefits-related.

A few acquirers continue to be the dominant players. Insurance brokerages are led by Brown & Brown with 17 announced transactions. Arthur J. Gallagher had 15; National Financial Partners had eight; and Hub followed with seven.

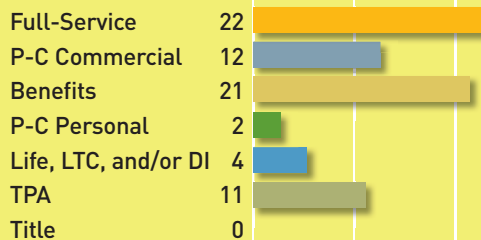
BB&T led the bank buyers with four so far this year, followed by BancorpSouth and Wells Fargo with two each. With these seven accounting for only a third of the buying, the number of first-time buyers and the resurgence of others has become apparent.

Now deal makers really do need a vacation to relax, refresh and prepare for what will likely be a very busy last third of the year.

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

What’s Being Bought

MAY-JULY 2008



Who’s Buying

MAY-JULY 2008



[THE REAL DEAL]
Recent M&A Action

ACQUIRER	ANNOUNCED	TARGET FIRM
BROKERAGES		
Brown & Brown	7/31/08 6/11/08	Great Lakes Risk Mgmt. Ohio benefits agency for Ohio, Michigan, upper-midwest Revenue: \$1m Alpha Benefits Group Pa. agency offers individual and group benefits/services to clients throughout Pa., N.J. and Del. Revenue: \$5m
	6/9/08	HBA Insurance Group Fla. agency in asset protection, financial services, risk mgmt Revenue: \$18.6m
	6/6/08	Dill, Joyce & Thresher and Edward J. Kernan & Co. d/b/a The Kernan Agency Conn. benefits and p-c agencies for individuals, business, non-profits, schools Revenue: \$4.6m
	7/1/08	Taylor Benefit Services and Neonatal Consultation Services Ga. Taylor provides catastrophic financial risks to health plans across U.S. Neonatal provides services for high-risk infants
Apex Global Partners	7/31/08	Benefit Partners and its subsidiaries Texas benefits broker and human resources consultant
York Insurance Services Group	7/25/08 6/30/08	Gregory B. Bragg & Assoc. Calif. TPA, risk mgmt, claims, adjusting, investigative services, safety and risk control, audits, training and med cost containment for self-insured entities American Risk Pooling Consultants Mich. subsidiary of First Mercury Financial Pool admin, underwriting, claims, loss control/risk mgmt, reinsurance to self-insured Midwest public pools
Arthur J. Gallagher & Co.	7/23/08 6/18/08 6/17/08	Gale Smith & Co. Tenn. broker with clients throughout central and mid-southern U.S. Voluntary Benefits Solutions Mich. brokerage designs, administers voluntary benefits programs The Lance Group N.J. benefits consulting and brokerage specializing in the public sector
Mutual Assurance Administrators	7/22/08	Pittman & Associates Tenn.-based employee benefit TPA
PSA Financial Center	7/21/08	Baltimore office of Alliance Benefit Group MidAtlantic from BenefitStreet Retirement plan consulting, daily valuation admin, actuarial and ancillary support services Revenue: \$3.6m
North American Risk Services	7/21/08	Tallahassee divisional assets of Unisource Administrators from Claimetrics Fla. TPA
Management of Barry, Evans, Josephs & Snipes	7/17/08	Barry, Evans, Josephs & Snipes N.C. life broker/financial service Wachovia sub for high net worth
Keenan & Assoc.	7/16/08	Walker & Associates Calif. firm providing insurance and employee benefits to public agencies
Alpha Risk Insurance Services	7/8/08	Pacific Way Insurance Services Calif.-based full-service insurance agency
Warner Pacific Insurance Services	7/8/08 6/3/08	Select Comprehensive Integrated Marketing Services non-WellPoint carrier contracts Price Associates Calif.-based general agency serving agents for more than 30 years
Hub International	7/7/08 6/9/08 6/6/08	United Benefit Consulting N.Y. firm specializing in employee benefit consulting services Falkenberg Agencies British Columbia MGA specializing in life and investment products Nett & Champion Insurance Services Calif. benefits agency
BenefitMall	7/2/08	BenefitPort Southwest Texas full-service general agency for individual, group and senior clients
The Woodlands Financial Group	7/2/08	Renewal rights of the personal lines homeowners biz of Austin Indemnity Lloyds Insurance Co.
Assurance Investment Partners	7/1/08	Arison Insurance Services Ky. agency providing medical, dental, life & disability
USI Holdings Corp.	6/24/08	Benefit Partners Calif.-based employee benefit insurance brokerage firm Revenue: \$2.7m
R.W. Stein & Co.	6/24/08	North Fla. division of Lanier Upshaw ; a full-service insurance agency
BEN-E-LECT	6/23/08	Affiliate Healthcare Administrators' Advantage PLUS Group benefits for Calif., Ariz., La., more
The NIA Group	6/17/08	Taylor Financial Fla. benefits and professional liability agency in northeastern Fla.
LA's Best Insurance Services	6/17/08	Mid-C Insurance Services Calif. personal lines insurance agency
Jardine Lloyd Thompson Group	6/16/08	HWS Holdings Limited United Kingdom wholesale insurance and reinsurance brokerage
Bearence Management Group	6/13/08 6/9/08	Tousley Financial Benefits Merger with Minn. benefits insurance agency Rosenbloom & Rosenbloom Merger with Minn. p-c insurance agency
Marsh & McLennan Cos.	6/10/08	The Nielsen-Wurster Group's Construction Claims & Dispute Resolution. N.J. firm providing mgmt consulting, risk mgmt, dispute resolution
Willis Group Holdings	6/8/08	Hilb Rogal & Hobbs Va. insurance, risk mgmt with 140+ U.S. offices Revenue: \$800m Price: \$2.1b
HealthFirst TPA	6/6/08	TriSurant TPA Texas-based TPA specializing in school districts and municipalities
INSURANCE AND FINANCIAL SERVICES		
SeaBright Insurance Holdings	7/15/08	Black/White & Assoc. of Nev., Black/White & Assoc. , and Black/White Rockridge Insurance Services from Black/White Group Nev. MGA and wholesaler for middle-market Revenue: \$1.4m
Ironshore	7/1/08	Pembroke Managing Agency manages Lloyd's Syndicate 4000 Price: \$33.83 million
PMA Capital Corp.	6/30/08	Webster Risk Services Conn. TPA, unit of Webster Financial Price: \$5.9m
OneBeacon Insurance Group	6/23/08	Entertainment Brokers International Insurance Services Calif. entertainment, sports MGA
Hudson Insurance Group	6/9/08	Hooghuis Group N.Y. underwriting agency specializing in U.S. D&O
Companion Life Insurance Co.	6/9/08	International Specialty Underwriters Fla. MGU of stop loss coverage for employer health plans

[THE REAL DEAL]
Recent M&A Action

ACQUIRER	ANNOUNCED	TARGET FIRM
BANKS		
BB&T Corp.	7/30/08	Puckett, Scheetz & Hogan S.C. coastal property specialist
Cullen/Frost Bankers	7/11/08	Seeberger Insurance Associates Texas agency specializing in group employee benefit plans
NBT Bancorp	7/9/08	Mang Insurance Agency N.Y. agency offering all types of insurance to 16 upstate N.Y. communities
Community Bank System	7/9/08	Philadelphia division of Alliance Benefit Group MidAtlantic from BenefitStreet
Wells Fargo & Co.	7/8/08	American Med-Scan Ind.-based benefits insurance agency
Pinnacle Financial Partners	7/2/08	Beach & Gentry Insurance Tenn. full-service insurance agency
Central Bancorp	6/9/08	Colorado Springs office of Van Gilder Insurance
High Point Bank Corp.	6/3/08	Robins & Weill N.C. agency offering a wide range of insurance services
OTHER		
National Investment Managers	7/17/08	Alan N. Kanter & Associates Md.-based TPA retirement plan design, admin, actuarial Price: \$1.7m
	7/1/08	Alaska Pension Services TPA providing retirement planning to small biz, non-profits Price: \$1.3m
Management team and private equity group	7/1/08	Banc Insurance Services from Jack Henry & Assoc. Enables financial institutions to own an insurance agency without the capital investments to build or buy
LTC Global Solutions	7/1/08	American Insurance Agency Tenn.-based life and health insurance agency
Allied Solutions	6/3/08	MJB Insurance Services Mo. agency providing insurance and financial services to credit unions

[SCORECARD]
Our World in Play

COMPANY	MAY-JULY	YTD 7/31	COMPANY	MAY-JULY	YTD 7/31	COMPANY	MAY-JULY	YTD 7/31
BANKS			BROKERAGES					
BB&T Corp.	1	4	Brown & Brown	7	17	Kinloch Holdings	0	1
BancorpSouth	0	2	Arthur J. Gallagher & Co.	5	15	LA's Best Insurance Service	1	1
Wells Fargo & Co.	1	2	National Financial Partners	0	8	Lockton Companies	1	1
Central Bancorp	1	1	Hub International Limited	3	7	Mgt of Barry, Evans, Josephs & Snipes	1	1
Central Bancshares	0	1	USI Holdings Corp.	2	4	Marsh & McLennan Cos.	1	1
Community Bank System	1	1	Ascension Insurance	1	3	Mercator Risk Services	0	1
Cullen/Frost Bankers	1	1	Aon Corp.	1	2	MOC Insurance	0	1
Doral Financial Corp.	0	1	Bearenc Management Group	2	2	Mutual Assurance Admin.	1	1
Eastern Bank Corp.	1	1	Hilb Rogal & Hobbs Co.	0	2	North American Risk Services	1	1
First Financial Holdings	0	1	NSM Insurance Group	0	2	Presidio Reinsurance Group	0	1
First Manitowoc Bancorp	0	1	Warner Pacific Insurance	2	2	PSA Financial Center	1	1
High Point Bank Corp.	1	1	York Insurance Services Group	2	2	R.E. Chaix & Associates	0	1
NBT Bancorp	1	1	Advance Insurance Services	1	1	R.W. Stein & Co.	1	1
Pinnacle Financial Partners	1	1	Alliant Insurance Services	1	1	Skelton & Carnegie Specialty	0	1
Regions Financial Corp.	0	1	Alpha Risk Insurance Services	1	1	The NIA Group	1	1
Total	9	20	American E&S Insurance Brokers	0	1	The Woodlands Financial Group	1	1
INSURANCE AND FINANCIAL SERVICES			AmWINS Group	1	1	The Wright Group Services	0	1
RenaissanceRe Holdings	0	2	Apex Global Partners	1	1	Third party title insurance	0	1
American Independence Corp.	0	1	Assurance Investment Partners	1	1	Thorbahn Associates	0	1
American Safety Insurance	0	1	Atlantic Specialty Lines of Pa.	1	1	Titledge Holding Co.	0	1
Argo Group International	0	1	Barney & Barney	0	1	Venbrook Group	0	1
Church Mutual Insurance Co.	1	1	Beecher Carlson	0	1	Willis Group Holdings Limited	1	1
Companion Life Insurance Co.	1	1	BenefitMall	1	1	Total	50	112
Hudson Insurance Group	1	1	BEN-E-LECT	1	1	OTHER		
Ironshore	1	1	Britt / Paulk Insurance Agency	0	1	LTC Global Solutions	2	4
Merkel Corp.	0	1	Casualty & Surety	0	1	National Investment Managers	2	2
Munich Re Group	0	1	CBIZ, Inc.	0	1	Allied Solutions	1	1
Old Republic International Corp.	0	1	Cherry Creek Insurance Group	1	1	Empire American Holdings	0	1
OneBeacon Insurance Group	1	1	Cordova Insurance Center	0	1	Evercore Capital Partners	1	1
Philadelphia Consolidated	0	1	Cretcher-Lynch & Co.	0	1	FirstPlus Financial Group	0	1
PMA Capital Corp.	1	1	Edgewood Partners Insurance Center	0	1	Global Risk Holdings	0	1
Republic Companies Group	0	1	HealthFirst TPA	1	1	Mgmt team and private equity	1	1
SeaBright Insurance Holdings	1	1	Insurance Specialty Group	1	1	Total	7	12
White Mountains Insurance Group	0	1	J. Smith Lanier & Co.	0	1			
Total	7	18	Jardine Lloyd Thompson Group	1	1			
			Keenan & Associates	1	1			

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.