

**MARKET TEMPERATURE: NIPPY**

## 2008 M&A Pace Matches 2007

Looking towards the finish line.

Deal activity remained dull with 17 transactions during November—the fifth month in 2008 with fewer than 20 deals. Between Sept. 1 and Nov. 30, 59 deals were announced for a year-to-date market barometer of 253 transactions—even with last year’s pace.

Given the recent M&A slowdown, at first blush it may seem surprising that 2008 has been as active as 2007. Will it surpass 2007’s record 264 deals? The financial turmoil around the globe has effectively frozen many lending sources, which has hampered funding and, consequently, prevented many deals from being consummated.

Active buyers continue to decline while the number of first-time buyers continues to rise. Insurance brokerages account for 63% of consolidation over the three months ending in November. The three usual suspects—Brown & Brown, Arthur J. Gallagher, and Hub International—accounted for a third of the buying. Twelve first-time buyers emerged, each acquiring one agency. A new buyer with a familiar name appeared on the scene. Global insurance broker Marsh is launching its new retail operation Marsh & McLennan Agency in the first quarter of 2009. Marsh chairman and CEO Dan Glaser says the agency will be active in acquisitions of smaller agencies.

Wells Fargo announced one transaction in November, bringing its year-to-date total to eight, equal to BB&T’s efforts. Bank buying is down 25% from last year, and it seems unlikely it will rekindle anytime soon.

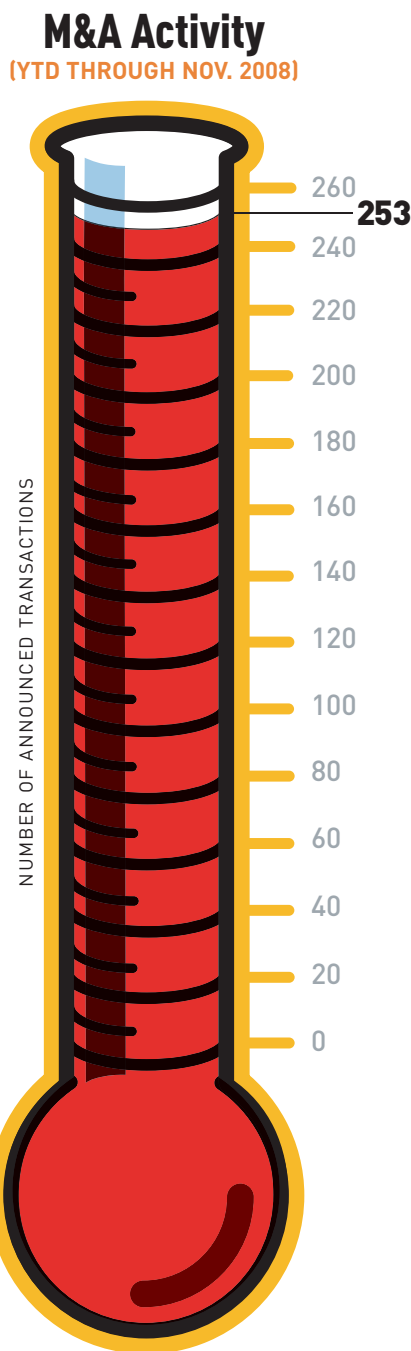
Insurers picked up the pace a bit in November acquiring four agencies. Insurers continue to acquire in their comfort zone—MGAs, MGUs, and program administrators with whom they have done business—or where they can expand specialist distribution channels. Such is the case with this year’s third largest transaction by deal value. QBE Insurance Group acquired ZC Sterling for a total potential purchase price of \$900 million. ZC Sterling is a niche insurance underwriting agency specializing in lender-placed property insurance. Incidentally, ZC Sterling purchased an agency in October. The hunter becomes the hunted.

Other buyers’ activity is down 44% year-over-year. This category is led by LTC Global Solutions having acquired a total of five life and health and long-term care agencies. There have been three private equity investments so far this year compared to seven last year. None compare to the monster transactions of Hub International and USI Holdings being taken private in 2007.

I will summarize full-year 2008 results in the next issue. Look for our in-depth “2008 Year-In-Review” with the April issue of *Leader’s Edge*. While no one knows for sure what 2009 holds for insurance brokerage M&A, a few things are certain. It is estimated that only one fourth to one third of agencies have a formal perpetuation plan; the number of agency owners nearing retirement age continues to increase; and smaller agencies often lack sufficient leverage with carriers. Perhaps consolidation can be added to those other two things we can always count on.

SEND YOUR M&A ANNOUNCEMENTS TO AUDRA SZOLLOSZY AT [Audra.Szolloszy@LeadersEdgeMagazine.com](mailto:Audra.Szolloszy@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.



**By Audra Szolloszy**  
**Vice President**  
**Hales & Co.**

### Retail vs. Wholesale Acquisitions

SEPTEMBER-NOVEMBER 2008

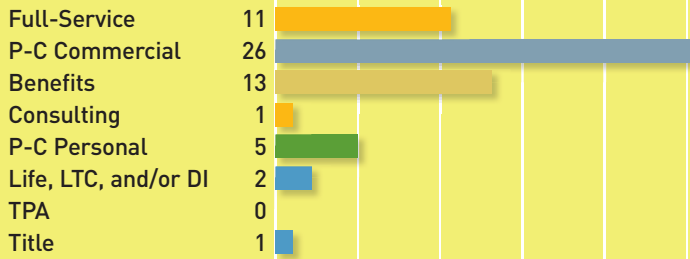
Retail	43	<div style="width: 43%;"></div>
Wholesale	16	<div style="width: 16%;"></div>

**[ THE REAL DEAL ]**  
**Recent M&A Action**

ACQUIRER	ANNOUNCED	TARGET FIRM
<b>BROKERAGES</b>		
Advanced E & S Group	11/24/08	<b>Symons International Group</b> Fla. wholesale brokerage and underwriting manager specializing in commercial marine, yacht, garage and jewelers block
Arthur J. Gallagher & Co.	11/24/08	<b>Continental Special Risks</b> Ga. wholesale insurance broker and managing general agent providing excess and surplus p-c coverage including professional and general liability, commercial package and property, and other specialty insurance products and services for their retail insurance agent clients throughout the Southeast
	11/19/08	<b>The HR Group</b> Tenn. employee benefits brokerage offering employee benefits products and services along with human resource management consulting and outsourced benefits administration services to their clients throughout the U.S.
	11/5 /08	<b>Roberts &amp; Roberts Insurance Services</b> N.C. retail insurance brokerage specializing in insurance coverage for the transportation, construction and manufacturing industries in the Southeast
Brown & Brown	11/17/08	N.J. insurance unit of <b>Conner Strong Cos.</b> providing commercial insurance and employee benefits to small businesses <b>Revenue: \$9.3m</b>
	11/13/08	<b>Agency Associates</b> Ind. agency offering p-c insurance, individual and group employee benefits insurance, and financial planning products and services to individuals and businesses throughout Ind. <b>Revenue: \$5.2m</b>
	11/5 /08	<b>Health Insurance Exchange</b> Wash. agency focusing exclusively on employee benefits insurance for individuals and businesses in the state of Wash. and throughout the U.S. <b>Revenue: \$1.2m</b>
Teague Insurance Agency	11/17/08	<b>Wilson Insurance Agency</b> Merger between two Calif. full-service insurance agencies
Cooper Gay	11/10/08	UK-based Aerospace team and client portfolio of <b>Benfield Group</b>
Hub International	11/6 /08	<b>M&amp;L Insurance Services Corp.</b> Calif. employee benefits agency
<b>INSURANCE AND FINANCIAL SERVICES</b>		
QBE Insurance Group	11/26/08	<b>ZC Sterling Corp.</b> Ga. niche underwriting agency specializing in providing banks and mortgage originators with lender-placed property insurance and also voluntary (conventional) property insurance directly with homeowners <b>Price: \$900m</b>
Agrinational Insurance	11/12/08	50% interest in <b>AgriServe</b> Ill. managing general agent for Agrinational's crop insurance business
HCC Insurance Holdings	11/3 /08	<b>Cox Insurance Group</b> Ind. medical stop-loss managing general underwriter covering the Midwestern U.S.
Maiden Holdings	11/3 /08	N.J. reinsurance operations of <b>GMAC Insurance</b> providing reinsurance to small and regional insurance companies
<b>BANKS</b>		
Wells Fargo & Co.	11/24/08	<b>Doeren Mayhew Risk Management</b> Mich. agency providing insurance and risk management services in the areas of p-c, workers compensation, professional liability, disability and personal lines
<b>OTHER</b>		
Alliance HealthCard	11/14/08	<b>Access Plans USA</b> Texas firm distributing a broad array of health insurance products to individuals and families and non-insurance healthcare discount programs to affordably address the needs of uninsured or underinsured individuals <b>Price: \$5.1m</b>
Undisclosed buyer	11/11/08	<b>Network Insurance Senior Health Division</b> Fla. wholly-owned sub of Penn Treaty Network America Insurance Co., which is Penn Treaty American Corp.'s largest insurance company, distributing life and health insurance products through brokerage operations throughout the U.S.

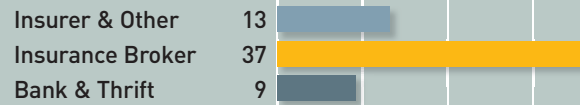
## What's Being Bought

SEPTEMBER-NOVEMBER 2008



## Who's Buying

SEPTEMBER-NOVEMBER 2008



## SCORECARD Our World in Play

COMPANY	SEP-NOV	YTD 11/30	COMPANY	SEP-NOV	YTD 11/30	COMPANY	SEP-NOV	YTD 11/30
<b>BANKS</b>			Hub International Limited	6	15	Lockton Companies	0	1
BB&T Corp.	2	8	National Financial Partners	0	8	Management of Barry, Evans, Josephs & Snipes	0	1
Wells Fargo & Co.	5	8	USI Holdings Corp.	0	6	Marsh & McLennan Cos.	0	1
BancorpSouth	0	2	Aon Corp.	0	3	Mercator Risk Services	0	1
Eastern Bank Corp.	0	2	Ascension Insurance	0	3	MOC Insurance (Maroevich, O'Shea & Coghlan)	0	1
Arrow Financial Corp.	1	1	Confie Seguros	2	3	Mutual Assurance Administrators	0	1
Central Bancorp	0	1	Hilb Rogal & Hobbs Co.	1	3	North American Group of Ins. Agencies	0	1
Central Bancshares	0	1	Apex Global Partners	1	2	North American Risk Services	0	1
Community Bank System	0	1	Bearence Management Group	0	2	Premier Financial II	0	1
Cullen/Frost Bankers	0	1	Cherry Creek Insurance Group	0	2	Presidio Reinsurance Group	0	1
Doral Financial Corp.	0	1	Cooper Gay	1	2	Provider Insurance Group	1	1
First Financial Holdings	0	1	NSM Insurance Group	0	2	PSA Financial Center	0	1
First Manitowoc Bancorp	0	1	Warner Pacific Insurance Services	0	2	R.E. Chaix & Associates Insurance Brokers	0	1
High Point Bank Corp.	0	1	York Insurance Services Group	0	2	R.W. Stein & Co.	0	1
NBT Bancorp	0	1	Advance Insurance Services	0	1	Risk Strategies Co.	0	1
Pinnacle Financial Partners	0	1	Advanced E&S Group	1	1	Skelton & Carnegie Insurance Specialty Corp.	0	1
Regions Financial Corp.	0	1	Alliant Insurance Services	0	1	Teague Insurance Agency	1	1
VIST Financial Corp. (formerly Leesport Fin. Corp.)	1	1	Alpha Risk Insurance Services	0	1	The NIA Group	0	1
<b>Total</b>	<b>9</b>	<b>33</b>	American E&S Insurance Brokers	0	1	The Treiber Group	0	1
<b>INSURANCE AND FINANCIAL SERVICES</b>			AmWINS Group	0	1	The Woodlands Financial Group	0	1
Argo Group International Holdings	1	2	Appalachian Underwriters	1	1	The Wright Group Services	0	1
Hudson Insurance Group	1	2	Armstrong/Robitaille/Riegle Business and Ins. Solutions	1	1	Third party title insurance agency	0	1
RenaissanceRe Holdings	0	2	Assurance Investment Partners	0	1	Thorbahn Associates	0	1
Agrinational Insurance Co.	1	1	Atlantic Specialty Lines of Pa., a subsidiary of Atlantic Specialty Lines	0	1	Titledge Holding Co.	0	1
American Independence Corp.	0	1	Barney & Barney	0	1	Venbrook Group	0	1
American Safety Insurance Holdings	0	1	Beecher Carlson	0	1	Willis Group Holdings Limited	0	1
Church Mutual Insurance Co.	0	1	BenefitMall	0	1	ZC Sterling Corp.	1	1
Companion Life Insurance Co.	0	1	BEN-E-LECT	0	1	<b>Total</b>	<b>37</b>	<b>173</b>
Flagstone Reinsurance Holdings	1	1	Bollinger	1	1	<b>OTHER</b>		
Hallmark Financial Svcs..	1	1	Britt / Paulk Insurance Agency	0	1	LTC Global Solutions	1	5
HCC Insurance Holdings	1	1	Business Benefits	1	1	National Investment Managers	0	2
Ironshore	0	1	Casualty & Surety	0	1	Alliance HealthCard	1	1
Maiden Holdings	1	1	CBIZ	0	1	Allied Solutions	0	1
Markel Corp.	0	1	Comegys Insurance Agency	1	1	Empire American Holdings	0	1
Medical Mutual of Ohio	0	1	Cordova Insurance Center d/b/a Independent Solutions United	0	1	Evercore Capital Partners	0	1
Mercury General Corp.	1	1	Cretcher-Lynch & Co.	0	1	Fidelity National Financial	0	1
Munich Re Group	0	1	Edgewood Partners Insurance Center	0	1	FirstPlus Financial Group	0	1
Old Republic International Corp.	0	1	Gunn Mowery	0	1	Global Risk Holdings	0	1
OneBeacon Insurance Group	0	1	HealthFirst TPA	0	1	Management team and private equity group	0	1
Philadelphia Consolidated Holding Corp.	0	1	Higginbotham & Assoc.	1	1	McCarthy Group and mgmt.	0	1
PMA Capital Corp.	0	1	HSM Insurance Assoc.	1	1	Pentegra Retirement Svcs.	0	1
Prudential Financial	1	1	Insurance Specialty Group	0	1	Undisclosed buyer	1	1
QBE Insurance Group	1	1	ISU Insurance Services-The Roger Stone Agency	1	1	<b>Total</b>	<b>3</b>	<b>18</b>
Republic Companies Group	0	1	J. Smith Lanier & Co.	0	1			
SeaBright Insurance Holdings	0	1	Jardine Lloyd Thompson Group plc	0	1			
White Mountains Insurance Group	0	1	Keenan & Associates	0	1			
<b>Total</b>	<b>10</b>	<b>29</b>	Kinloch Holdings	0	1			
<b>BROKERAGES</b>			LA's Best Insurance Service	0	1			
Brown & Brown	6	33						
Arthur J. Gallagher & Co.	8	24						