MARSHBERRY

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Insurance Distribution Market Report — Europe

On the Cusp of a New Era

"Our goal is to help firms in insurance distribution **amplify value** and **chart strategic courses** towards a future rife with opportunities."

~John Wepler, MarshBerry Chairman & CEO

Time to Focus on Enhancing Growth

Spreading across the globe

Since 1981, MarshBerry has been the leading advocate of insurance brokerage entrepreneurship with a mission to be your trusted advisor. Our goal is to help each firm in insurance distribution amplify value and chart strategic courses towards a future rife with opportunities.

Today, MarshBerry is the market leader in investment banking and corporate finance advisory for insurance and wealth management markets. With a foundation in analytics–backed strategic consulting and peer exchange networks, MarshBerry helps thousands of insurance brokers to outperform, out–earn and outlast their competition. In addition, MarshBerry, headquartered in the U.S., established its global footprint in 2019 in the Netherlands, and now boasts regional advisory teams in Germany, France, and the United Kingdom.

Wave of consolidation

While U.S. insurance brokerage firms have become much more consolidated in recent years, much of Europe is still highly segregated. However, the wave of consolidation is spreading across the Atlantic Ocean. The European insurance brokerage market is transforming at an incredible speed from fragmented to consolidated and from national to international.

In this changing environment quality and growth are the key differentiators. The question to ask is how can you become the higher-performing growth firm that shines brighter than the competition? What path will you choose for your firm? Will you achieve success through strategic growth? Will you evaluate and establish a capital partner? Or will you look to partner, acquire or build your business? Regardless of what you select, it’s time to focus on enhancing the growth capabilities of your firm.

European Industry Insight

In this report you’ll find a panorama of the insurance brokerage market across Europe. Your growth strategy should be reinforced by analyzing and examining evolving market structures and dynamics. With decades at the forefront of M&A activity and strategic planning, MarshBerry advisors can help you propel your strategic growth journey.

John M. Wepler,
MarshBerry Chairman & CEO

Michel Schaft,
MarshBerry Managing Director – Europe

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Executive Summary

- The European insurance market (EU27+UK) is a combination of 28 countries with a total premium volume of €1,438B, equivalent to about 8% of GDP and solid year–over–year (YoY) growth.
- Overall, intermediaries play a pivotal role in the process of selling and delivering insurance products to European households or businesses. Intermediaries account for the distribution of 55% of all insurance premium in Europe. Zooming in on brokers the total share of premium reaches 31%.
- An estimated 901,000 intermediaries are active in the European market, 50% of which are tied agents, 13% of which are brokers and 37% of all registered intermediaries cannot be clearly defined as either. This significant number of intermediaries is inflated due to a large number of Very Small Enterprises (VSEs): only 21% of intermediaries are estimated to be sizable businesses.
- The challenge in getting a grasp on the European insurance distribution market lies in coming to terms with the patchwork –nature of its member countries. National market characteristics and locally transposed regulations intersect to create a variety of distinctive markets.
- **Five trends are reshaping the dynamics of insurance distribution: regulatory compliance, the aging workforce, harnessing technologic capabilities, the strong inflow of Private Equity (PE) activity and the rise of intermediaries with delegated underwriting authorities resulting in an upcoming class of speciality insurance.**
- The European insurance distribution market transforms at an incredible speed from fragmented to consolidated and from national to international. Across countries, a pattern is visible where domestic brokers are scaling from national to cross–border champions. And where international brokers use “deep pockets” (often PE–sponsored) to scale up operations over Europe.
- Consolidation in the European markets has already gained significant momentum in the UK and the Netherlands. Nowadays, consolidation is also well underway in the large and still highly fragmented German and French markets.

€1,438B in combined insurance premium volume in EU27+UK

31% of all gross written premium from brokers

901,000 estimated number of intermediaries active in European market

21% estimated number of active intermediaries to be sizable businesses

15,000 estimated number of active intermediaries to be sizable businesses in top six countries

Data sources, years represented and analysis methodology are available in Appendix I unless otherwise noted. Report has been developed in conjunction with BCON Research.

Introduction

Insurance intermediaries in the shape of brokers and agents are an indispensable link between insurance carriers and insurance customers all over European insurance markets. As consolidation, digitization and changing regulations upend the traditional insurance value chain, MarshBerry surveys the shifting landscape and lays out the opportunities this provides for insurance brokers of all sizes.

In some circles, the end of insurance intermediaries was considered to be "a matter of time."

The rise of online distribution, comparators, and apps, followed by a myriad of insurtech start–ups all seemed to point in one direction: the insurance intermediary was a "middleman" with an office on the corner of the street waiting to be replaced by digital alternatives. Following the financial and Euro–crisis, regulatory authorities have come to exert increasing regulatory pressure on the insurance industry. In terms of insurance distribution, the most notable regulatory impact is visible through the 2018 Insurance Distribution Directive (IDD) which pushed for retail customer protection through remuneration transparency and requirements on professional advice.

Even after a global pandemic shook the world, the collapse of the insurance intermediaries did not materialize. Although the absolute number of intermediaries did decrease in essentially every European country, the intermediary distribution channel, and the profession in general has maintained its relevance. Intermediary business models have continued to be profitable and proven to be resilient through economic cycles. Those able to invest have leveraged the benefits of new technologies to innovate services for customers.

A new era for insurance intermediaries

With those fears of obsolescence in a digital world in the rear–view mirror, intermediaries, and specifically brokers, are now looking ahead towards a future rife with opportunity.

European households and businesses face a “polycrisis” world where risks and uncertainties intermingle and pile upon each other. At the same time, insurance products and distribution models are continuously being reinvented.

> In this digital–physical world with diverse insurance products and suppliers on the one side and increasing demands from end–users on the other, intermediaries can be the local, trusted linchpin.

A deep dive into the insurance intermediary landscape in Europe

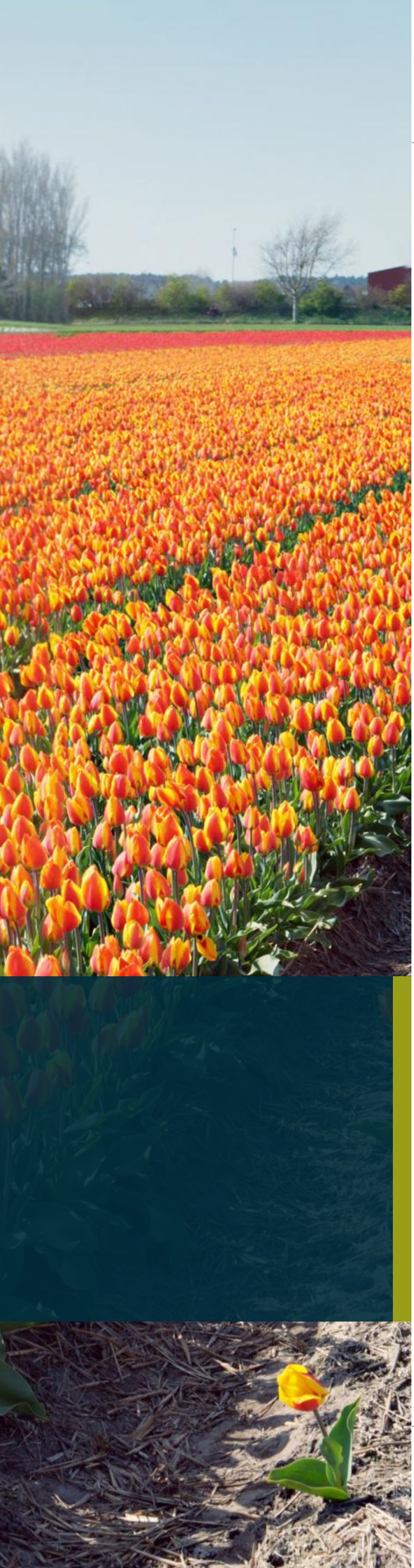
MarshBerry zooms in on the European landscape to provide a quantitative overview, a new perspective on the future of insurance distribution and the growing opportunities for intermediaries.

MarshBerry’s Insurance Distribution Market Report — Europe, in conjunction with BCON Research, starts with a data overview of insurance distribution and intermediaries. This report explores the most relevant trends, like consolidation, digitization and changing regulations, that are reshaping the intermediary market. In addition, a selection of emerging European–level brokers from across different countries are highlighted.

MarshBerry shows how these trends and emerging factors exemplify deeper shifts in the insurance value chain and a new market order that is gradually emerging. **Finally, see how insurance brokers can strengthen their business by seizing the opportunities that this rapidly evolving environment offers.**

CHAPTER 1

Panorama of European Insurance Distribution



Europe is a continent shared by 51 recognized countries and over 740 million people. It is the second largest insurance market worldwide, accounting for almost one third of premium written globally. Europe is a combination of European (EU) and non–European (Non–EU) union countries, each harnessing their own industry structures and dynamics. This European market is highly fragmented with a pivotal role for insurance brokers and agents as they account for more than half of all gross written premium distribution.

In this report, MarshBerry outlines the broad panorama of European insurance distribution with timely data and market overviews.

28 diverse countries combine to make a European market of significant size

In this market report, MarshBerry offers leading data and perspectives on insurance distribution on the European continent. The research focused on the 27 countries that are now part of the European Union, supplemented by the United Kingdom. These 28 countries have a combined insurance premium volume of €1,438B, equivalent to about 8% of GDP.

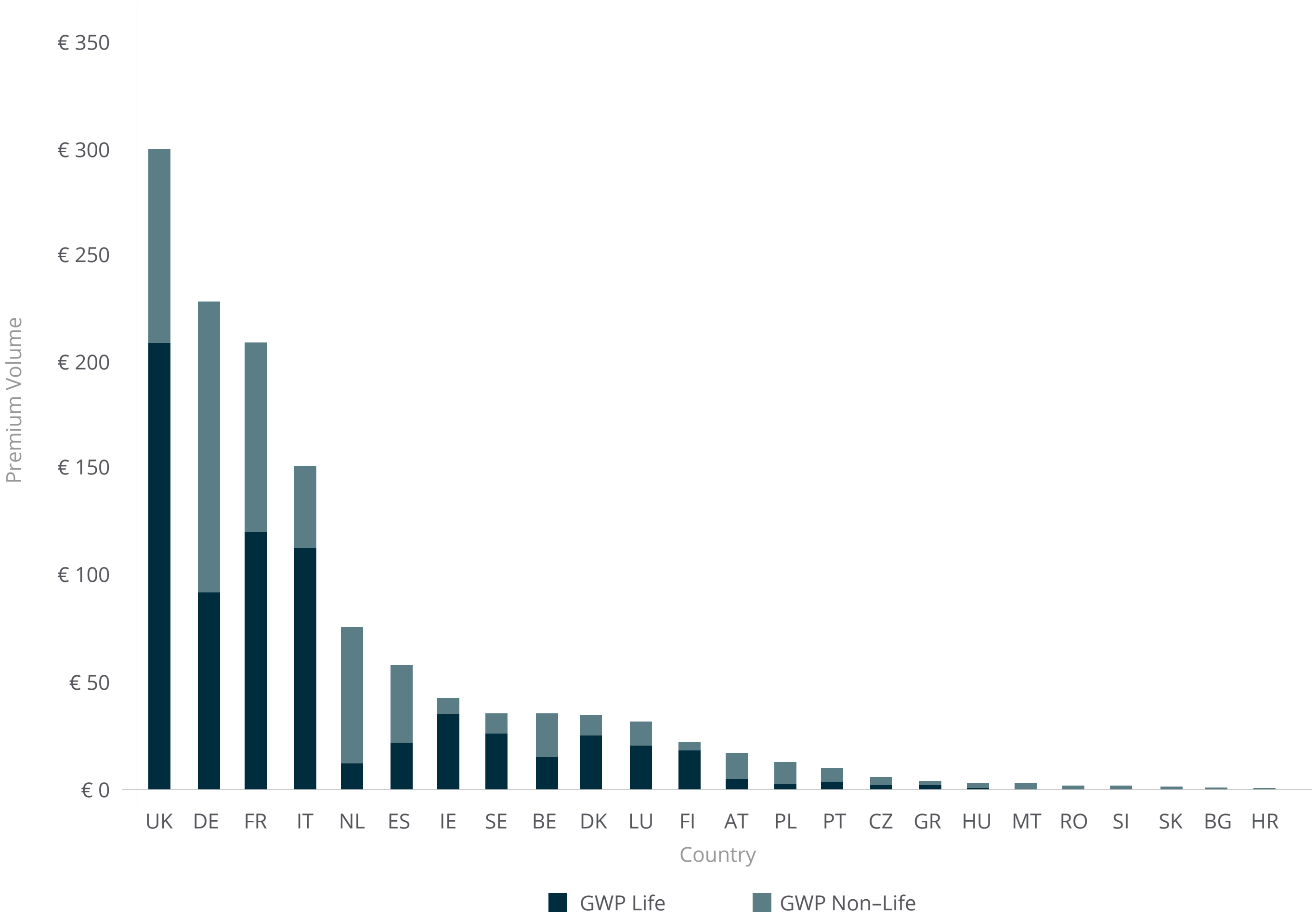
€1,438B in combined insurance premium volume from 28 countries

8% premium volume as % of GDP from 28 countries

Premium as a share of GDP is generally referred to as Insurance Penetration. U.S. and Japan data based on OECD Insurance Statistics (2021).

In alphabetical order, the European market studied in this report consists of the following countries: Austria (AT), Belgium (BE), Bulgaria (BG), Croatia (HR), Cyprus (CY), Czech Republic (CZ), Denmark (DK), Estonia (EE), Finland (FI), France (FR), Germany (DE), Greece (GR), Hungary (HU), Ireland (IE), Italy (IT), Latvia (LV), Lithuania (LT), Luxembourg (LU), Malta (MT), Netherlands (NL), Poland (PL), Portugal (PT), Romania (RO), Slovakia (SK), Slovenia (SI), Spain (ES), Sweden (SE) and the United Kingdom (UK). Where the European market is referenced in the remainder of the report, it refers exclusively to these countries.

Figure 1.1: Total Premium Volume
EUR Billion; 2020. ex. CY, EE, LT,LV



Taken together, these 28 countries amount to a combined GDP of €17,200B and a total of 515 million inhabitants in 2021.

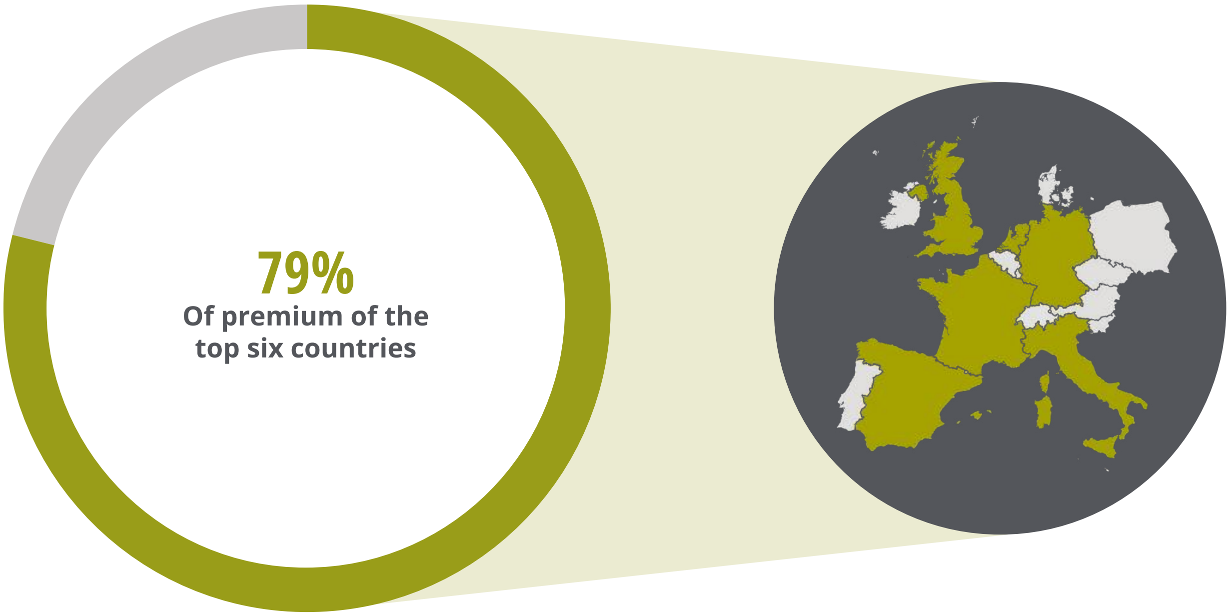
Total insurance premium equals €1,438B, consisting of €591B in Non–Life premium and €847B in Life premium. **With an insurance penetration rate (premium in terms of GDP) of 8%, the European market sits in between the U.S. (12%) and Japan (7%).**

€1,438B
In total insurance premium

€591B in Non–Life premium

€847B in Life premium

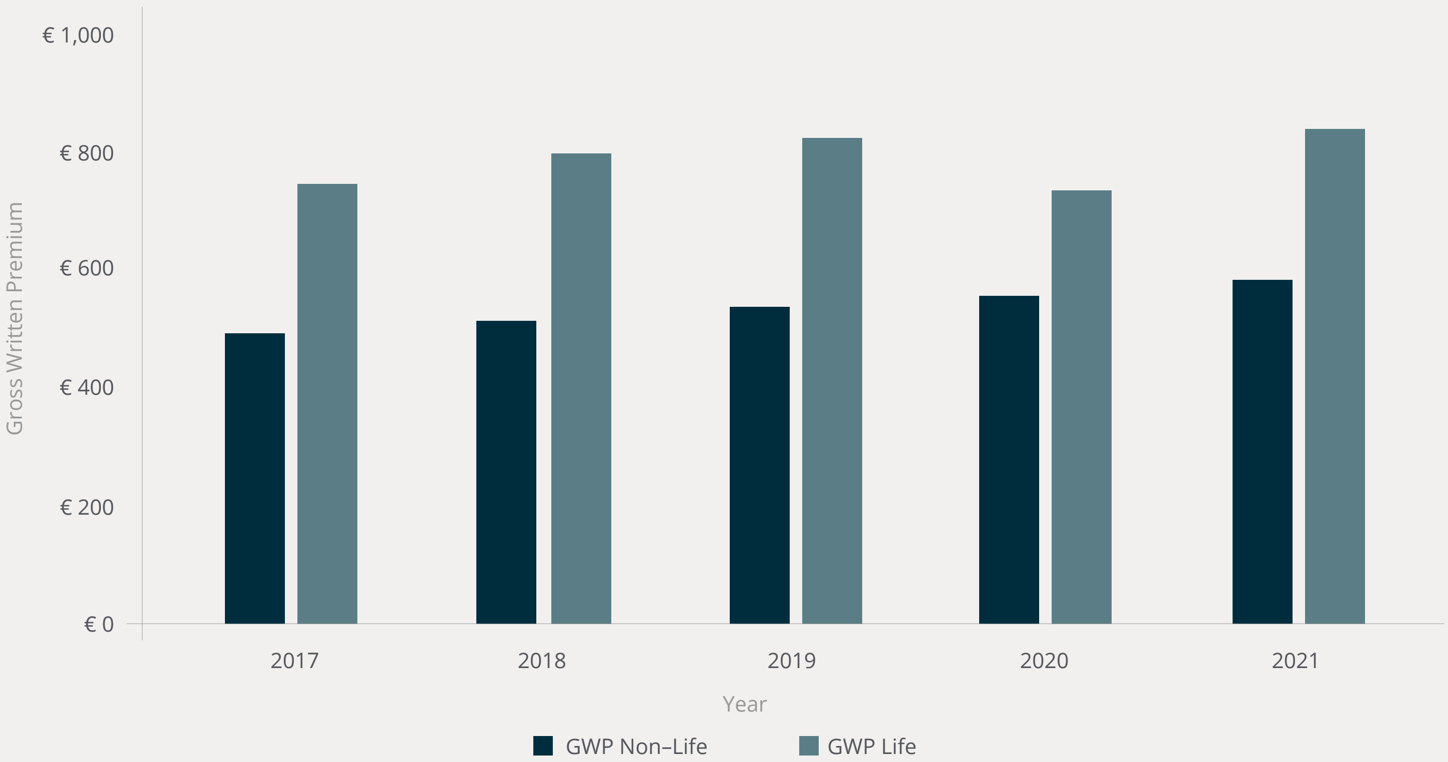
In terms of insurance market structure, the European countries vary significantly across features like premium per capita and distribution channel mix. This already becomes evident from their skewed distribution in terms of size: the top six countries (France, Germany, Italy, Netherlands, Spain and the UK) account for 79% of premium, while the remaining 22 countries provide just 21%.



Since 2017, the European insurance market has experienced a cumulative growth of 16%, representing an average annual growth rate of 3.7%. The only deviation from this consistent growth trend occurred in 2020 when the Life market's Gross Written Premium (GWP) experienced a decline due to the pandemic. However, in 2021, the Life market not only rebounded but also surpassed its pre–pandemic crisis levels, accounting for 59% of total GWP. In comparison to 2017, the Non–Life market has seen the most significant expansion, registering a remarkable 19% increase, as opposed to the 14% growth observed in the Life market.

Figure 1.2: European Market Premium

Gross Written Premium in Billions, EU 27+ UK (ex. CY, EE, LT, LV)



Note: See Appendix for more information on data sources and analysis methodology.

16%
Cumulative growth rate since 2017

19%
Increase in total growth for Non-Life market since 2017

14%
Increase in total growth for Life market since 2017

NETHERLANDS

In the Netherlands, the exceptionally high–density rate for Non–Life is attributable to the inclusion of its substantial private Health insurance market in the Non–Life market.

DENMARK AND UK

Denmark and the UK are noteworthy for their strong insurance density rates in the Life insurance market.

IRELAND, LUXEMBOURG AND MALTA

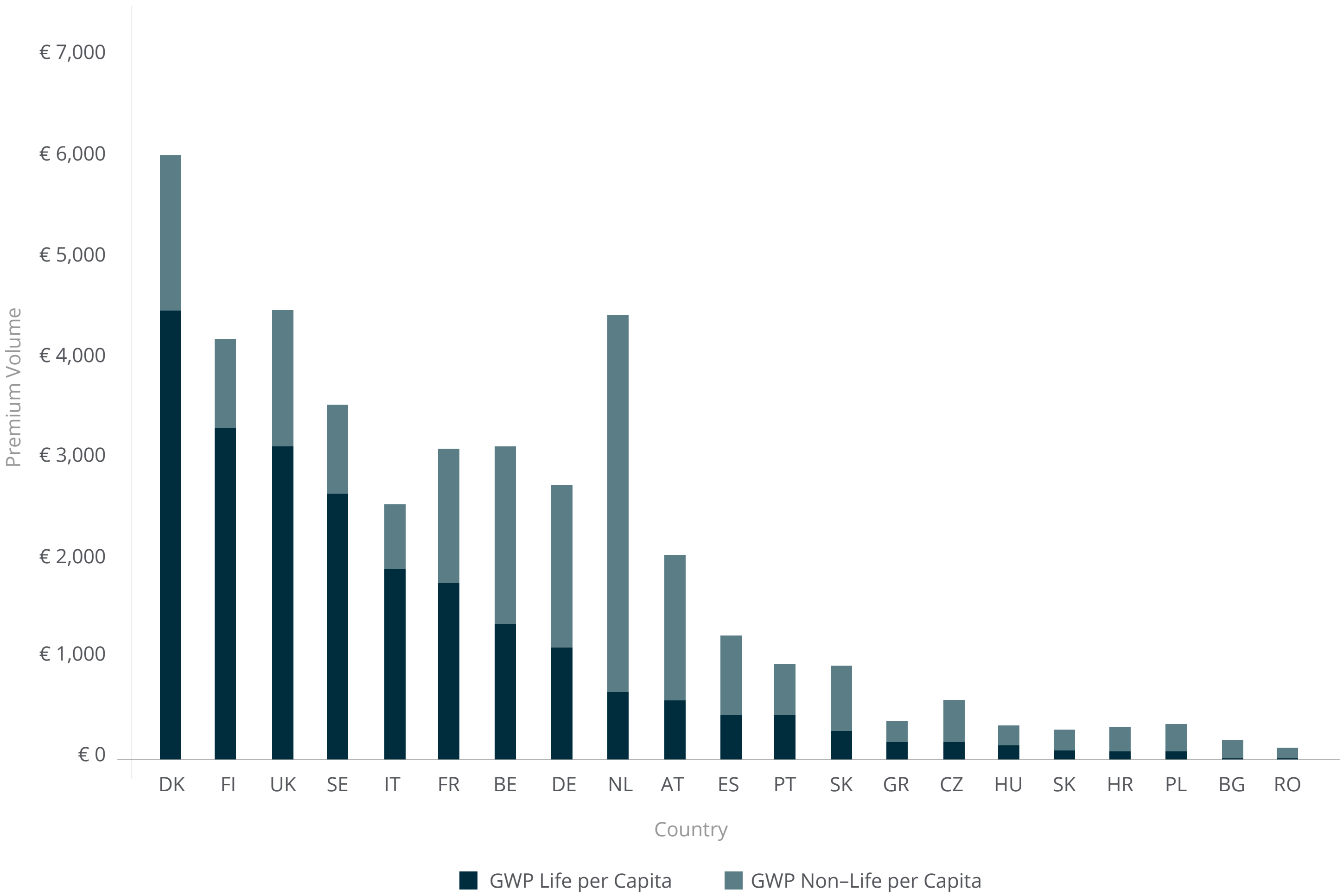
Notably, Ireland, Luxembourg and Malta are not included in this analysis due to their outlier status, characterised by significantly higher gross written premium resulting in an extraordinary high premium per capita. Both Luxembourg and Malta are very small economies, but significant domiciles for captives and reinsurance vehicles with large premium volumes.

IRELAND

Since Brexit, Ireland is a safe haven for many UK based insurance carriers, creating domiciles to underwrite business from the EU.

For Cyprus, Estonia, Lithuania and Latvia no data was available (see appendix).

Figure 1.3: Insurance Density (GWP per Capita)
EUR per Capita; 2021, (ex. CY, EE, IE, LT, LU, LV, MT)



Brokers play a pivotal role in insurance distribution

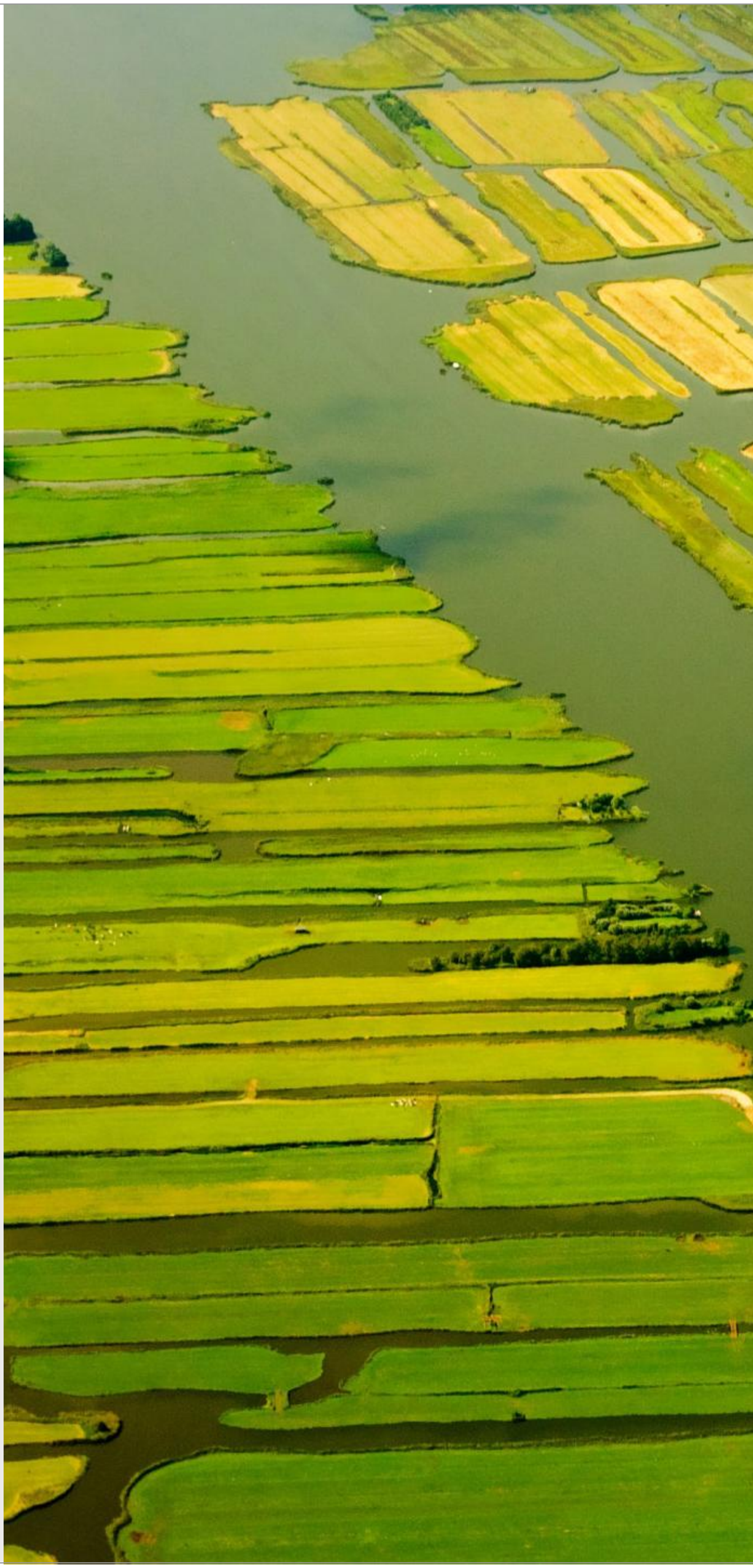
Insurance distribution refers to the process of advising clients and selling and delivering insurance products and services to households or businesses. It encompasses all the activities involved in getting insurance products from insurers to the end–users, including policyholders and clients.

In daily practice, insurance products and services are sold and delivered through a wide variety of channels like insurance agents and brokers to affiliate channels like car dealerships. Generally speaking, all these channels are categorised as one of four types: brokers, tied agents, banks (bancassurance) or direct (online).

Brokers, tied agents, banks (bancassurance) or direct (online)

These four types can be labelled as either intermediated or direct. Brokers, tied agents, bancassurance and all other channels where any physical or digital intermediary sits in between the insurer and customers are considered intermediated. On the other hand, in the direct channel customers get their insurance directly from what is called a direct writer insurer.

Using this classification, online insurance distribution or either e–commerce channels can be understood as both intermediated and direct: with online comparators acting as new digital intermediaries while direct writers operate straight through online channels to sell their insurance products directly to customers.



Distribution Channel Definitions

The options through which individuals and companies can buy insurance are wide and varied. These options are typically grouped into four main categories: brokers, tied agents, banks (bancassurance) or direct distribution.

In practice, the definitions of distribution channels vary to some extent among the 28 European countries and may not always be completely clear or transparent. Ambiguity in definitions or “definition blurring” between direct channels, tied agents and intermediaries (brokers) operating as online aggregators cannot be ruled out in the available data.

INSURANCE BROKER
A licensed and independent insurance professional. Insurance brokers are not employed by an insurer but operate on behalf of their customers to help them find and purchase insurance policies that best meet their needs. Insurance brokers typically offer a wide range of products from multiple insurers.

TIED AGENT
Licensed insurance professional that is appointed by a specific insurer. Unlike an insurance broker who has the flexibility to work with multiple insurers, tied agents are bound to a single (or multiple) insurer(s). The classification of tied agents says nothing about the ownership of the firm. Tied agents may be (partially) owned by insurers or any other ownership arrangement.

BANCASSURANCE
Distribution model in which insurance is sold through banking channels, including traditional brick-and-mortar bank branches or any alternative form of banking institutions. The essence of bancassurance revolves around the synergy between banking and insurance products and services, aiming to provide a more comprehensive and convenient financial experience for customers. Banking institutions can either have the flexibility to work with multiple insurers or be bound to a single insurer.

DIRECT INSURANCE DISTRIBUTION
Method of selling and delivering insurance products and services to customers without the involvement of intermediaries such as insurance brokers, agents or banking channels. Direct insurance distribution can take various forms, including e–commerce, call centres, mobile apps, or even company–owned retail locations.

Brokers are responsible for the distribution of nearly a third of all insurance premium in Europe: 29% for Non–Life and 32% for Life. When combining brokers and tied agents, the total share of premium sold through insurance intermediaries reaches 55%, with 53% for Non–Life and 58% for Life. Looking beyond the aggregated European level statistics, figures 1.4 and 1.5 show the latest distribution mix for almost all European countries.

As the differences between countries become immediately apparent, it is useful to zoom in on the top six countries to provide a better understanding of a (significant) part of the European market as well as insight into some regional distinctions.

29%

Broker distribution of closed insurance premium for Non–Life market

32%

Broker distribution of closed insurance premium for Life market

When combining brokers & tied agents:

55%

Total share of premium sold through intermediaries

53%

Total share of premium sold through intermediaries for Non–Life market

58%

Total share of premium sold through intermediaries for Life market

Figure 1.4: Distribution Mix Non–Life

% of Share of Gross Written Premium By Channel, 2021 or Latest

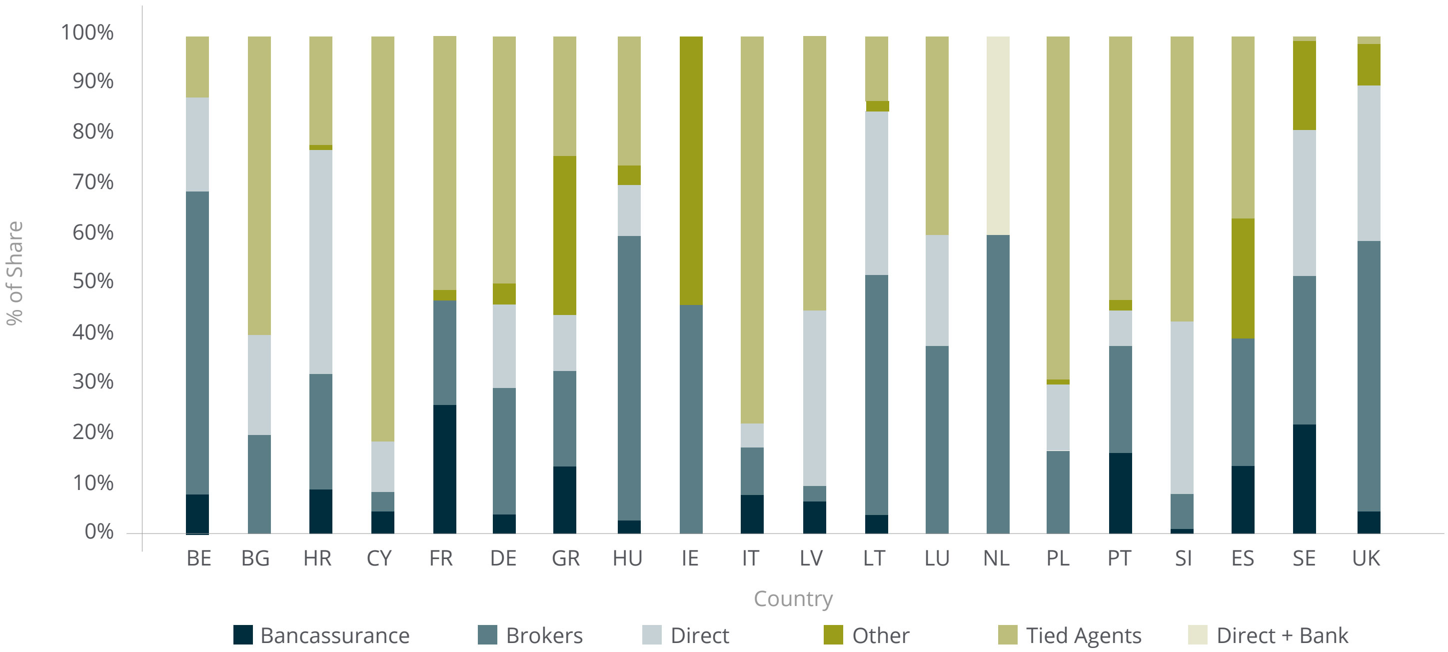
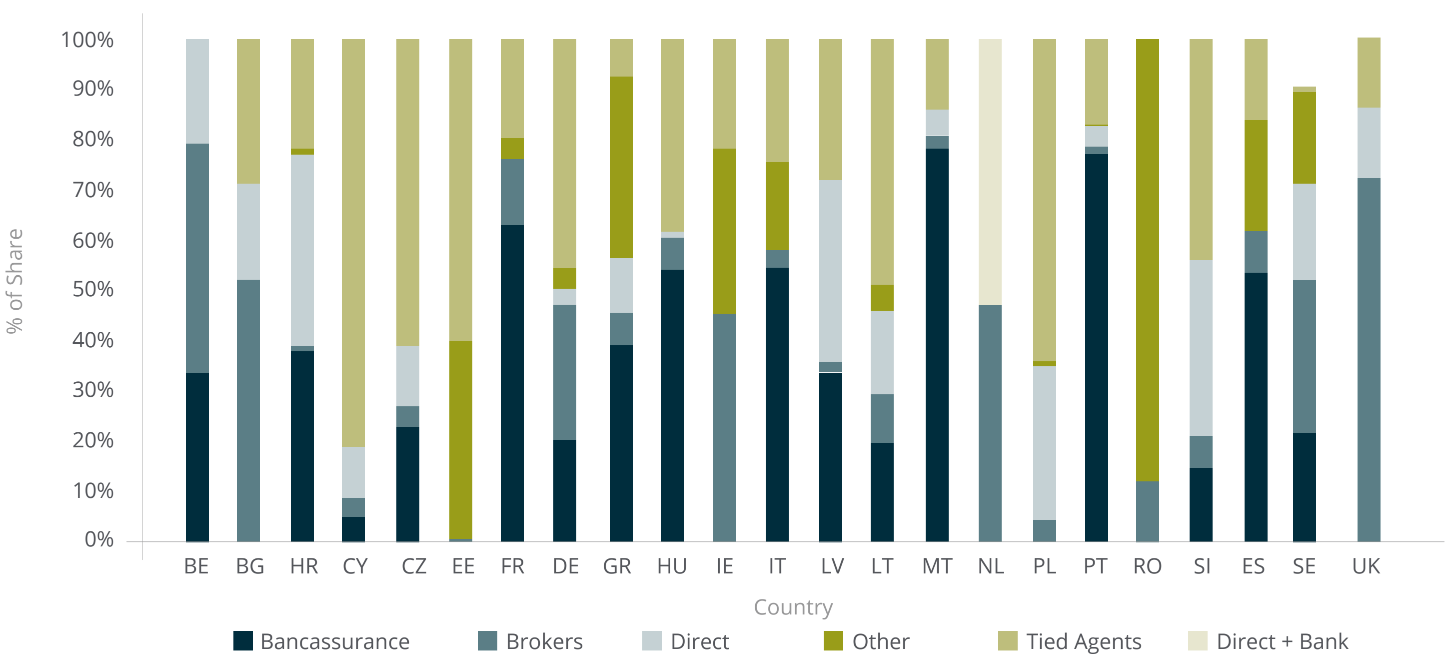


Figure 1.5: Distribution Mix Life

% of Share of Gross Written Premium By Channel, 2021 or Latest



Non–Life distribution in the top six countries

For Non–Life, the UK and The Netherlands are typical broker markets. In Germany, France and Italy tied agents are the dominant distribution channel with brokers growing in importance. In Spain, the mark is divided between tied agents, brokers and banks.

In the UK half of all Non–Life premium moves through brokers, the largest share in the top six. For the Netherlands, figure 1.6 shows the Property & Casualty (P&C) market where brokers have a relatively high market share of 60% if you exclude private health insurance. This drops to 23% if private health insurance is included (where brokers have a little to no presence). In other countries, agents have a dominant share, from 37% in Spain to 9% in Italy.

Broker Share of Wallet

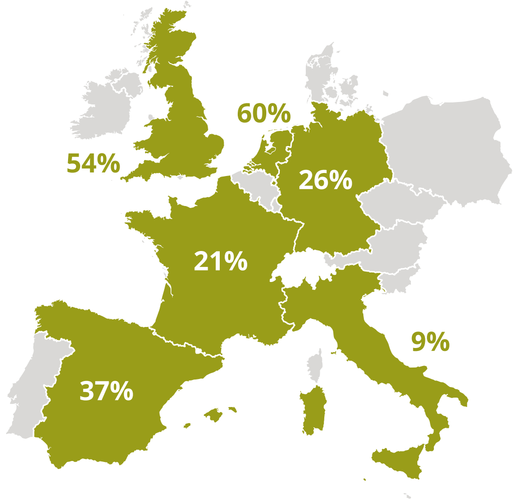
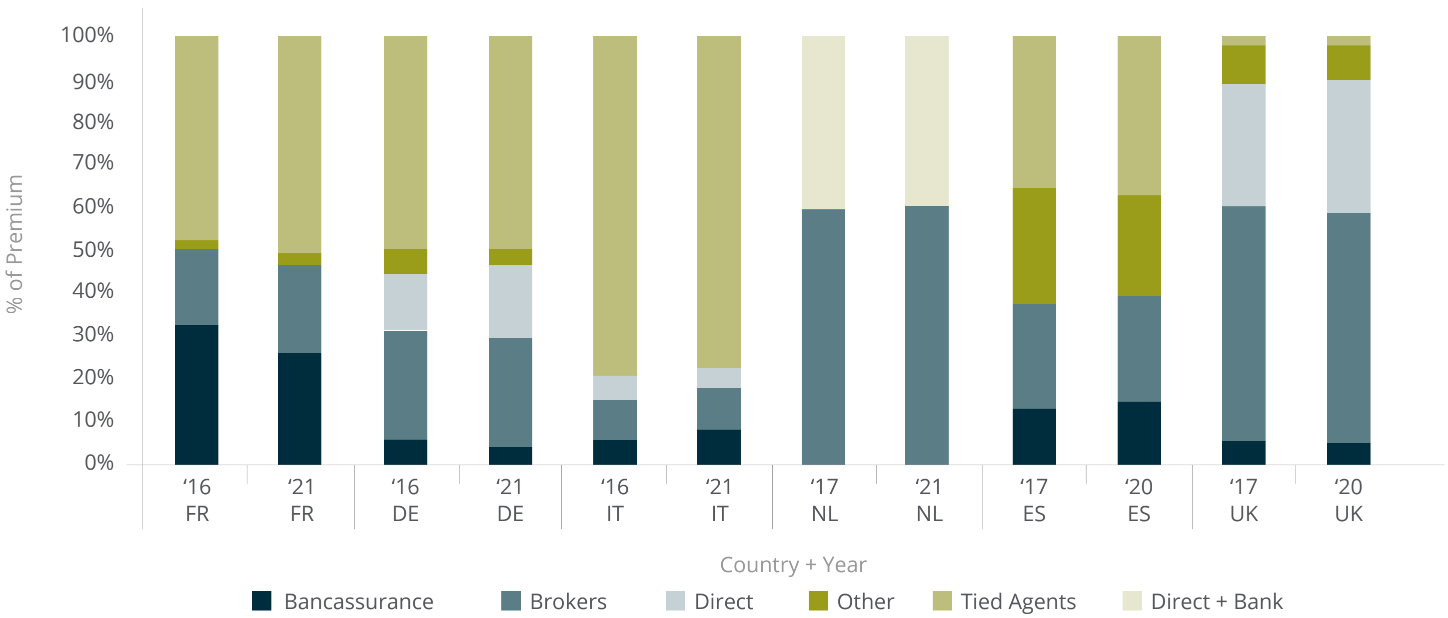


Figure 1.6: Top Six Distribution Mix Non–Life
% of Share of Gross Written Premium By Channel



Life distribution in the top six countries

In Life, bancassurance is by far the most dominant channel in France, Italy and Spain while in Germany tied agents have a strong lead and, in the Netherlands and the UK brokers dominate.

Germany is the only top six country where tied agents have a relatively strong position in both Non–Life and Life. For the Netherlands and the UK a similar picture emerges, but in their case its brokers and not tied agents. In Italy and Spain the dominance of bancassurance has diminished over the last few years: by 7 percentage points in Italy and 16 percentage points in Spain. In France, the bancassurance channel has maintained its very large channel share.

Broker Share of Wallet

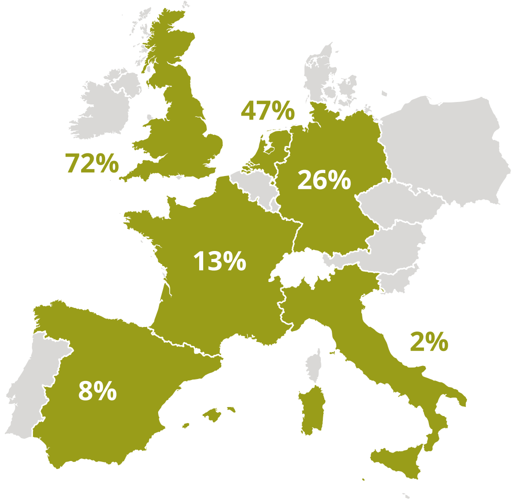
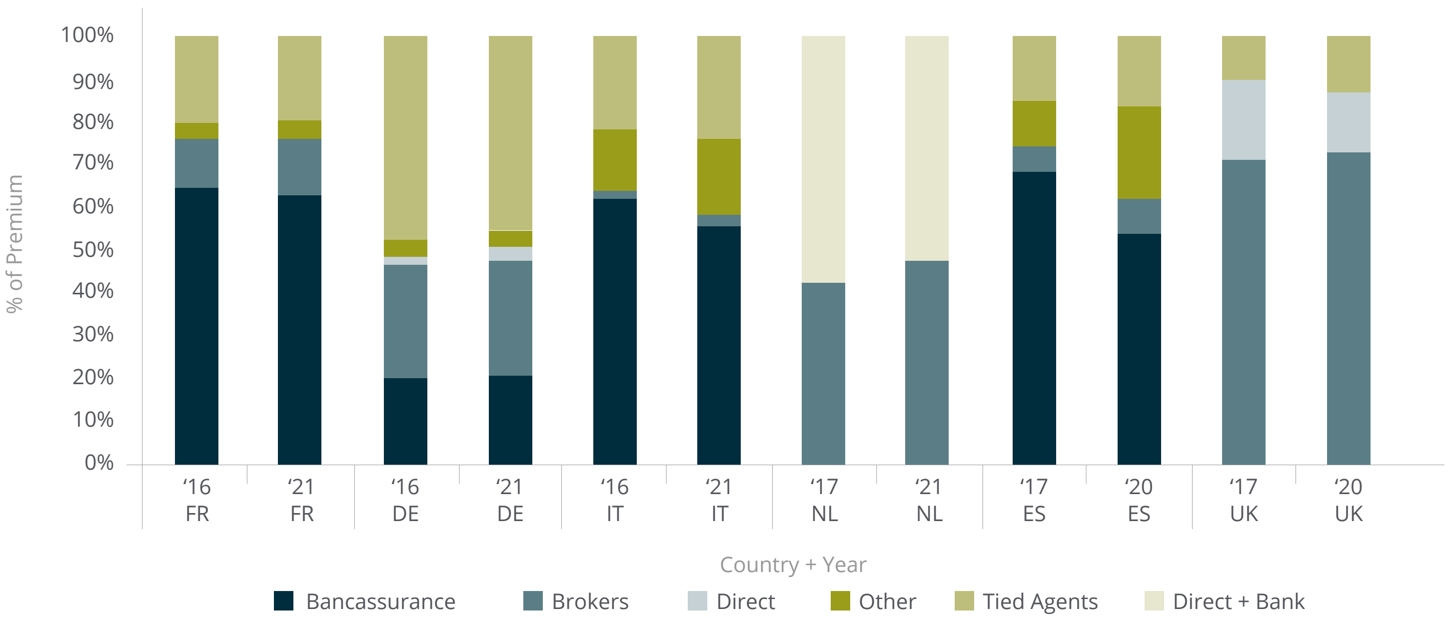


Figure 1.7: Top Six Distribution Mix Life
% of Share of Gross Written Premium By Channel



The complexity of a diverse mix of remuneration models

Insurance intermediaries across Europe, in the form of either brokers, tied agents or bancassurance, typically generate revenue through commissions paid by insurers or (service) fees by customers or a combination of both. Commissions are the most common form of remuneration for intermediaries and are typically a percentage of the premium paid, providing a source of recurring income. Intermediaries often receive recurring commissions for policy renewals.

Commission rates vary strongly across European countries. Commissions for property and casualty insurance range around 10% to 20% of annual premium, with variations based on the complexity of the policy, the insurer's pricing strategy, and the market dynamics in each country. Commission rates for life insurance policies in Europe generally range from 5% to 15% of annual premium, but are often subject to restrictions or regulations. Health insurance commission rates are generally lower than those for life insurance, ranging from 3% to 8% of annual premium.

Typically, commission rates for either commercial and speciality brokerage or placement fees in the reinsurance industry are negotiated per transaction. Commission rates in these industries can vary widely based on the complexity of the coverage and the level of service provided.

Commission–Based Remuneration
Commissions are typically wrapped into the insurance product as a percentage.

10% — 20%
Non–life commission range

5% — 15%
Life commission range

3% — 8%
Health commission range

Fee–Based Remuneration
Fee–based compensation models aren't tied to an insurance product. A fee–based advisor is compensated for their time and financial guidance.

The variety of remuneration models found across different countries and insurance types poses a considerable challenge in determining the market size (total revenue generated) of the European brokerage industry. Consistent and uniform data sources for all 28 countries or even the top six countries are not readily available. For instance, while most countries provide data on the distribution of premium volumes across channels, Germany reports the distribution mix for new production. Consequently, despite having data on the premium volume in Non–Life insurance and Life insurance going through brokers, it is necessary to work with assumptions about the average earnings of brokers.

The estimated size of the total turnover for the broker market in the top six European countries falls within a wide range of approximately €23B to €56 B. This estimate is based on the total insurance premium, the proportion of premium managed by brokers, and a range of average commission rates specific to each market. For the Non–Life market, this commission rate typically falls between 10% and 20%, while for the Life market, it spans from 5% to 15%.

Figure 1.8 Broker Market Size

Top Six EU Countries, Numbers are Rounded, Methodology in Appendix I

	Gross Written Premium (GWP) Non–Life and Life (2020, Millions)	Premium Share by Brokers*	Broker GWP (Millions)
UK	€ 299,600	67%	€ 199,400
Germany	€ 228,100	28%	€ 63,600
France	€ 209,300	17%	€ 35,300
Netherlands**	€ 31,200	55%	€ 17,300
Spain	€ 58,800	19%	€ 11,300
Italy	€ 151,300	4%	€ 6,000
Total	**€ 978,300**	**34%**	**€ 332,900**

*Weighted for Non–Life and Life. **For NL P&C is used instead of Non–Life for GWP and Broker share.

CHAPTER 2

A Heavily Fragmented Industry

The European insurance distribution landscape is highly fragmented. Thousands of players include well known global brokerage brands, networks of local brokers and a significant number of very small enterprises, operating in fields ranging from private to commercial lines to specialty insurance. All share a drive to offer the best possible services to their clients and grow their business. MarshBerry harnesses in depth market intelligence and deep knowledge on the number of intermediaries active in the European insurance distribution space, the relative size of these businesses and the different national definitions of types of intermediaries.

A total of 901,000 insurance intermediaries

The European insurance market is home to a patchwork of over 901,000 insurance intermediaries, one for every 572 inhabitants. All intermediaries, in some way, sit in between insurance carriers and customers and take part in the process of selling and delivering insurance products and services to households or businesses. The market is a vibrant mix of all sorts of firms and business models from VSEs to global brokerage brands and international consolidators. From independent brokers, tied agents, bancassurance to a multitude of intermediary varieties, some of them with delegated underwriting authorities as well.

The estimate of 901,000 intermediaries is a bottom–up figure, based on extensive MarshBerry research that brings together the latest data from national regulators, local surveys, and various studies. In interpreting this data, however, we must be extremely cautious. Statistics from regulators may count intermediates that are licensed but not actively serving. **Some statistics from local regulators can capture auto dealers and electrical retailers who distribute insurance policies on an ancillary basis.**

MarshBerry's analysis indicates that 50% of intermediaries in the European market are tied agents compared to 13% who can be labeled as brokers. There is thus one broker for every four tied agents. At the same time, 37% of all intermediaries cannot be clearly identified as either agent or broker, based on (open) data of National Competent Authorities (NCAs) and local surveys. This group may include branches of tied agents, branches of brokers, branches (or sub–agents) of banks, ancillary insurance intermediaries and various other national types of intermediaries. However, a direct consequence of this is that the actual number of tied agents and brokers can be considered an underestimation.

Figure 2.1 Number of Intermediaries

Top Six EU Countries, Methodology in Appendix I

	Total Intermediaries	Tied Agents	Other Intermediaries	Brokers	Source
Germany	192,800	140,900	5,200	46,700	GDV
France	64,024	13,802	39,189	11,033	ORIAS
Netherlands	7,684	n/a	n/a	7,684	ADFIZ
Italy	237,193	28,003	203,604	5,586	IVASS
Spain	71,168	65,747	50	5,371	DGFSP
UK	9,332	n/a	5,135	4,197	IMAS
Total Top Six	582,201	453,856	253,178	80,571	
Other 22 countries	318,341	201,642	83,294	33,405	EIOPA, e.a.
Total	**900,542**	**450,094**	**336,472**	**113,976**	

Total number of insurance intermediaries is decreasing

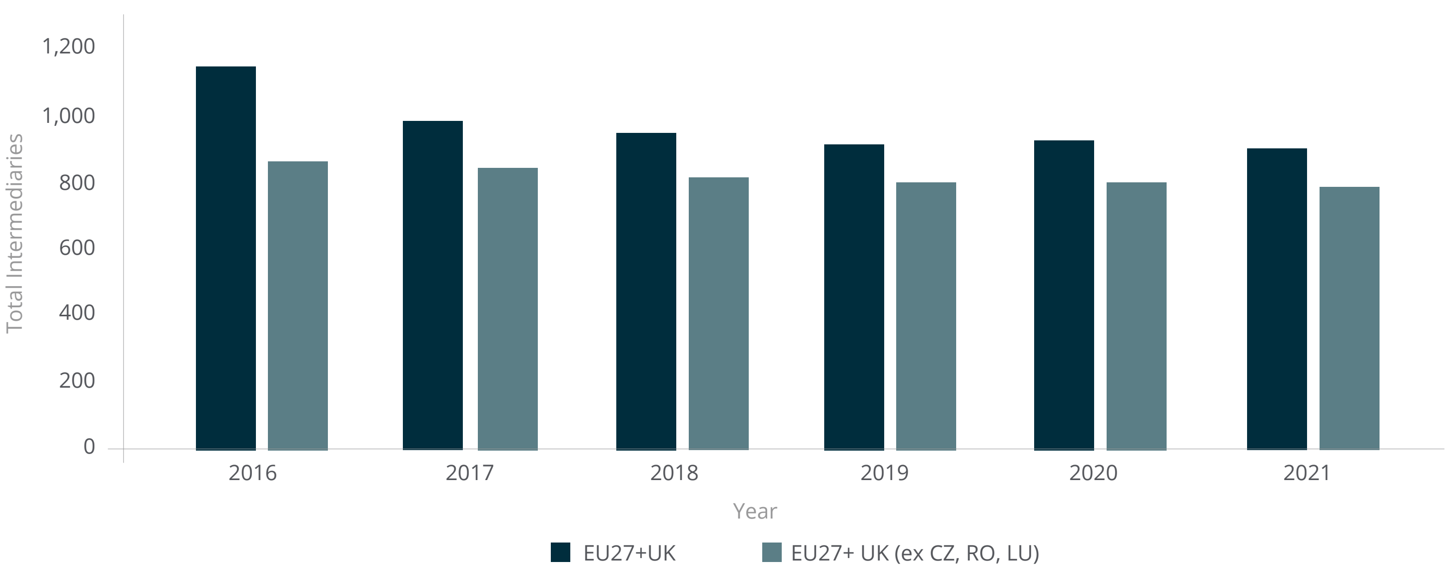
Thus, there is a clear downward trend visible in the number of active intermediaries in insurance distribution.

Historically, the number of insurance intermediaries fluctuates over time due to various factors. This can often be traced to administrative causes, for example a change in registration methods. Over the past few years, various NCAs have made administrative changes to clean–up their registries by removing inactive intermediaries. This has led to substantial fluctuations in reported data between 2016 and 2020 due to updates to the registration framework particularly in Romania, the Czech Republic and Luxembourg.

When removing Romania, the Czech Republic and Luxembourg from the year–over–year comparison, the decrease in the number of intermediaries since 2016 amounts to 8%, or 2% annually. When including these countries, the number of intermediaries decreased by 20% over the same period from 1,130,000 to 901,000.

Thus, there is a clear downward trend visible in the number of active intermediaries in insurance distribution. This decrease, especially at the aggregate EU–level, can primarily be explained by VSEs exiting the market. Main drivers for business discontinuation, especially in the VSE segment, are consolidation, digitalisation costs, increased regulatory compliance and an aging workforce.

Figure 2.2: Total Intermediaries by Year



Breakdown of the number of brokers in the European market

Based on sources from the 28 individual countries, the total number of brokers in the European market is estimated to be at least 114,000. Of these, 80,571 are active in the top six countries.

Countries generally do not report the size distribution of intermediaries. A large selection of countries do report whether intermediaries are registered as natural persons or legal persons. This is a commonly used proxy for business size, as larger businesses register as legal entities while registering as natural persons is generally preferred by smaller businesses and sole entrepreneurs.

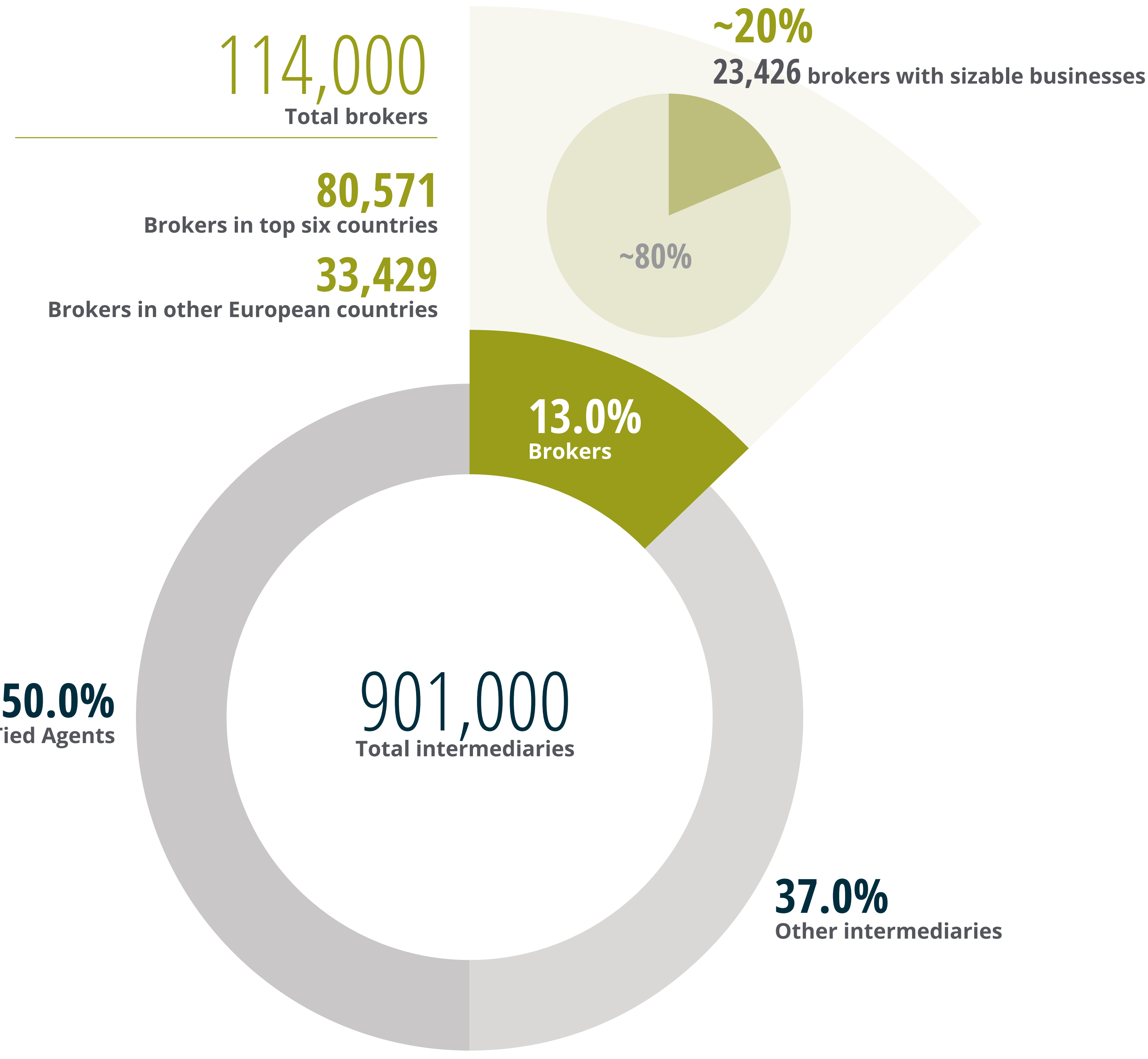
Of the 80,571 broker businesses active in the top six countries, an estimated 20% can be considered sizable businesses. Only for Germany is it not possible to make this split, based on (publicly) available sources.

Figure 2.3 Number of Brokers

Top Six EU Countries, Numbers are Rounded, Methodology in Appendix I

	Total Brokers	Of Which Natural Persons	Of Which Sizable Businesses	Source
Germany	46,700	n/a	7,000	GDV; MARSHBERRY
France	11,033	7,503	3,531	ORIAS
Netherlands	7,684	3,842	3,842	ADFIZ, CBS
Italy	5,586	3,866	1,720	IVASS
Spain	5,371	1,551	3,821	DGFSP
UK	4,197	n/a	1,152	IMAS; FCA
Total Top Six	80,571	16,762	22,066	
Other 22 countries	33,429			EIOPA, e.a.
Total	**114,000**			

Figure 2.4 Intermediaries by Type
2021 or Latest, Methodology in Appendix I



The Challenging, Patchwork–nature of European Insurance Intermediary Data

Practically, each country has a distinctive approach to the regulation of insurance distribution and the registration of intermediaries. National differences exist on issues such as: which intermediaries should be registered and how should they be classified and what remuneration models are allowed. While European–level regulation like the IDD has had some effect in harmonising insurance distribution practices, significant differences continue to exist.

FRANCE

In France, intermediaries are registered by ORIAS (Organisme pour le Registre des Intermédiaires en Assurance or French insurance brokers registry) as belonging to one of four categories: Mandataire d'assurance, Mandataire d'intermédiaire d'assurance, Agent Général d'assurance, and Courtier d'assurance ou de reassurance. The first category is classified as tied agents, while the second is classified as other intermediaries as this group contains branches (subsidiaries) of both brokers and tied agents that cannot be separated. The third and fourth category contain several subcategories which are divided across brokers, tied agents and other intermediaries.

GERMANY

In Germany, data on insurance intermediaries is published by DIHK and covers five categories gebundene Versicherungsvermittle, Versicherungsvertreter mit Erlaubnis, Versicherungsmakler, produktakzessorische Vermittler and Versicherungsberate. The first two categories are tied agents, specifically single–tied and multi–tied agents. Versicherungsmakler and Versicherungsberater are brokers. Produktakzessorische Vermittler are intermediaries who sell insurance as an extra service and thus considered other intermediaries.

ITALY

In Italy, intermediaries are monitored by IVASS across six categories: Agenti, Mediatori, Produttori diretti, Banche, intermediari finanziari., Addetti all'attività di intermediazione al di fuori dei locali dell'intermediario, iscritto nella sezione A, B o D, and finally Intermediari con residenza o sede legale in altro Stato SEE. The first and third categories are considered tied agents while the second category is clearly identifiable as brokers. All other categories are labelled as other intermediaries. The fourth category contains banks and similar intermediaries. The fifth category are branches (subsidiaries) of tied agents, brokers and banks which cannot be separated. Finally, the sixth category contains intermediaries with a foreign headquarter that cannot be categorised as either broker or tied agent.

THE NETHERLANDS

In the Netherlands the total intermediaries reported by the broker association ADFIZ consists entirely of brokers. No tied agents of insurers are active in the Dutch market. The insurer Univé does have local branches of intermediaries, but these also sell products from other insurers and are thus considered brokers. Banks like Rabobank have networks of local insurance agents, but these also commonly sell products of other insurers.

SPAIN

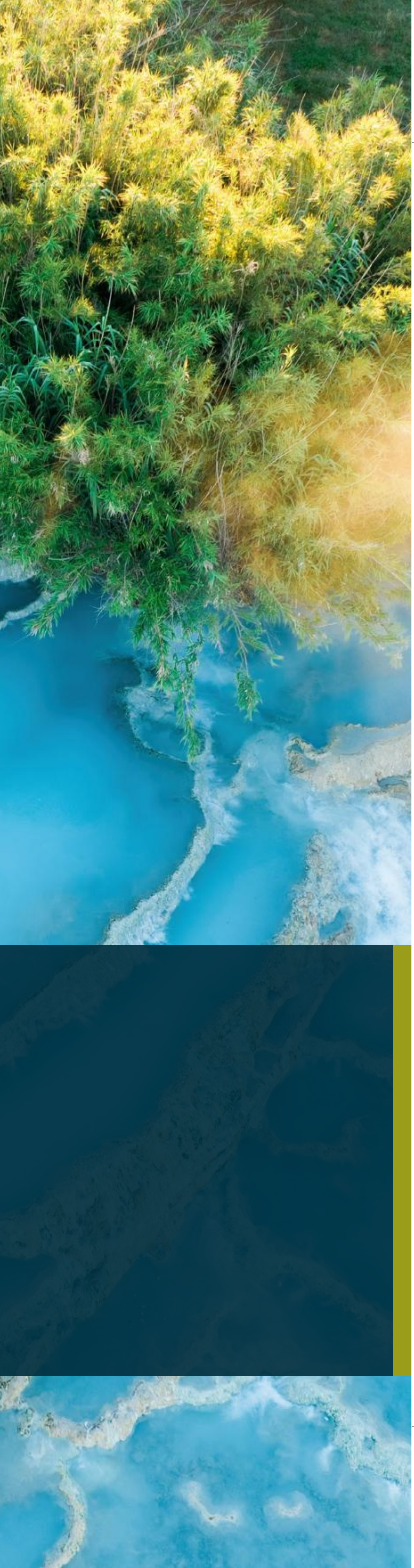
For Spain the primary data source DGFSP which distinguishes six categories: Corredores de seguros, Corredores de Reaseguros, Agentes vinculados, Operadores bancaseguros vinculados, Agentes exclusivos, Operadores bancaseguros exclusivos. The first two Corredores categories are labelled as brokers (insurance and reinsurance). Exclusive agents (Agentes exclusivos) are single–tied agents whereas associated agents (Agentes vinculados) are multi–tied agents; both classified as tied agents. The bancassurance operators (both single– and multi–tied) are considered other intermediaries.

UK

In the UK, the FCA registered 5,135 financial advisers and 4,197 insurance intermediaries for a total of 9,332 insurance intermediaries. Intermediaries registered as insurance intermediaries are generally considered brokers.

CHAPTER 3

Five Trends Reshaping Dynamics in the Broker Market



The European insurance brokerage market is at a remarkable stage in its evolution. Changing regulations, aging workforce, growing customer demands, a surge in merger and acquisition (M&A) activity and blurring distribution channels are reshaping insurance distribution markets, impacting countries in various degrees and at different speeds. The combination of these trends is pushing the broker market from fragmented to consolidated and from national to international. MarshBerry brings together a deep understanding of the most ground–breaking trends and their impact on daily businesses.

TREND 1:

Regulators tighten their grip

European–level regulation of insurance distribution is imposing increasingly stringent requirements on intermediaries, specifically brokers, with respect to: professionalisation, transparency of information, data protection and remuneration models.

The impact of the regulatory shifts is particularly felt by smaller intermediaries with retail–oriented books, especially with complex products (e.g., investment–based insurance products, so called IBIP) where regulation is the strictest. The most relevant regulatory directive for insurance distribution is the 2018 EU Insurance IDD. The IDD has the dual objective of fostering a single European insurance market and providing customer protection. Fundamentally, this regulation exists to ensure customers are provided with professionally sound advice not compromised by any financial or other incentive.

The IDD is a European–level regulation which sets minimum standards and is transposed into national regulations by NCAs. This transposition must consider local member state's statutory, legal and market context. As a result, this transposition leads to differences between member states. In addition to the minimum standards, the IDD has provided a list of options over and above said minimum standards, which "allow member states exercising them to introduce general good rules in their context."

The combination of this transposition and the options selected at the discretion of individual member states results in a variety of ways member states regulate insurance distribution in their jurisdiction.

Remuneration provides a clear example. On the one hand, the Nordic countries have (in various degrees) banned commission–based models altogether and (largely) moved to fee–based structures even long before the IDD regulation came in. This has not led to the complete collapse of the insurance brokerage market in the Nordic countries, but it has significantly changed the market dynamics. In the UK and the Netherlands local regulators have imposed commission bans on life and pension insurance. This was prompted by inappropriate market practices and scandals that were heavily publicized in the media.

On the other hand, member states such as Italy, France, and Germany, are reluctant to go this way. Although the latter has imposed a commission cap of 2.5% on complex Life products, Germany recently has clearly expressed it has no intention to adopt a complete commission ban.

Figure 3.1 Headlines on Broker Remuneration Models

Selection of headlines from 2023

REUTERS

EU financial services chief favours banning sales inducements on investment products

Handelsblatt

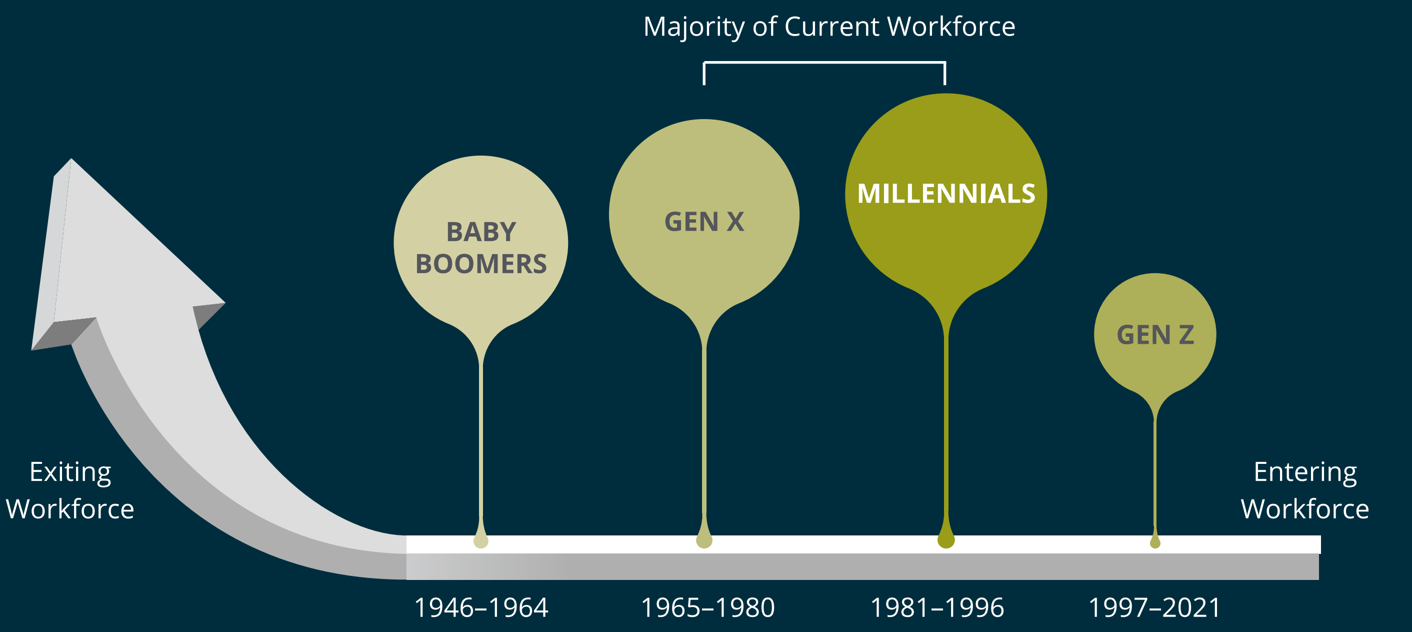
Finanzminister Christian Lindner warnt EU vor Provisionsverbot

L'ARGUS de l'assurance

Interdiction des commissions: la France prend officiellement position

European–level regulation of insurance distribution is imposing increasingly stringent requirements on intermediaries.

Generations in the Workforce



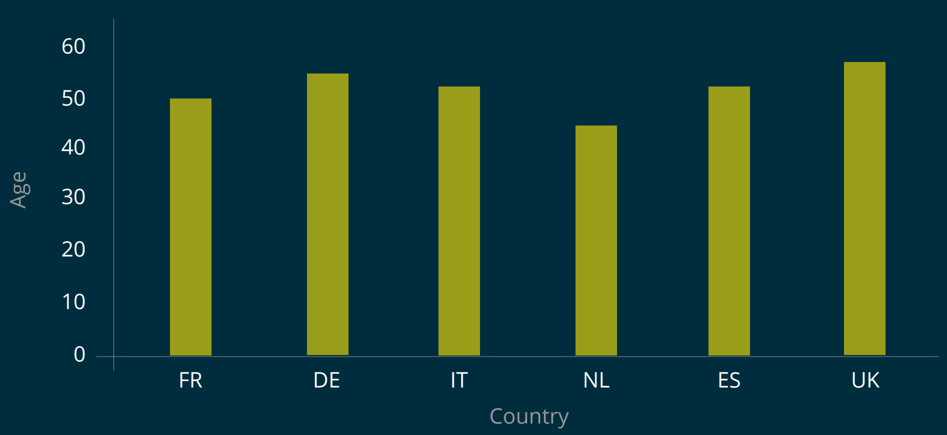
Unemployment Rate *(as of July 2023)*

5.9%
Across the EU

12.0% **Spain**

3.0% **Poland**

Figure 3.2: Average Age of Brokers



2030
ALL BABY BOOMERS WILL BE

65 or Older

Unemployment and youth unemployment rates are at **record lows.**

Source: Purdue University, Pew Research Center, https://firstup.io/blog/key-statistics-millennials-in-the-workplace/, https://zety.com/blog/generation-x-in-the-workplace.

TREND 2:
A looming workforce gap

Demographic trends point to an insurance industry labor crisis. As retirement approaches for a large group of older workers (often called "baby boomers"), the insurance brokerage industry will find themselves with a workforce gap. By 2030, all baby boomers will be 65 or older, which brings the retirement bubble poised to burst in the coming years.

> Intermediaries are having to compete in the "War–for–Talent" to attract new and qualified employees and replace those retiring.

The upcoming labor crisis is expected to hit intermediaries, especially smaller firms, hard for a combination of reasons. Agents and brokers fundamentally operate a relationship business, which makes the process of replacing retiring employees even more critical. And those exiting through retirement often include the owner or owners of the firm, putting the future of the entire agency or brokerage on the line. MarshBerry research shows that approaching retirement is the most important reason for owners to initiate a business sale process. Owners of small intermediaries often start thinking about business perpetuation too late or do not adequately ensure a timely transfer of shares and control to family or management.

Intermediaries are having to compete in the "War–for–Talent" to attract new and qualified employees and replace those retiring. Labor shortages have become a feature of economies across the world. These shortages are driven by sustained economic demand paired with pandemic–related shifts in employment between sectors and a limited availability of untapped labor capacity. Across the EU the unemployment rate as of July 2023 was 5.9%, ranging from close to 12% in Spain to 3% in Poland. Unemployment and youth unemployment rates are at record lows. Under these conditions, employers must fiercely compete for employees by offering attractive job prospects and wages.

Insurance intermediaries are not spared from this trend. On the contrary: a 2022 survey among UK brokers by Aviva found that growth ambitions of brokers were hampered by recruitment issues. According to the survey, 98% of brokers had a vacancy with 53% of vacancies being open for four months or longer.

To have a fighting chance in this "War–for–Talent," brokers will need a business that can:

1. Sustain higher wages through increased productivity.
2. Attract talented employees by offering an enticing work environment and career prospect.

TREND 3:
The new, digitally conscious customer

Growing customer expectations are forcing brokers to continue to invest in and improve their services. Firstly, as customers encounter seamless customer experiences (CX) from the likes of Amazon and Netflix, they come to expect the same from their financial products and services. Secondly, due to the proliferation of direct channels and low–cost alternatives, customers count on differentiated products and services when buying insurance through brokers.

By 2030, Gen Z and Millennials will form the core of target demographics.

A fully online brokerage can benefit from these potential customers through end–to–end policy administration and by fine–tuning the customer journey. On the customer experience front, the competition is strong. Digital native distribution channels like direct writers and online comparators offer apps and websites with smooth, easy–to–use experiences. **Similarly, an improved CX plays an essential role in the multi–access strategy of tied agents and bancassurance channels.**

Considering these alternatives, it becomes of obvious importance that brokers invest in a modern customer experience from offering online access to insurance policies to digitally filing and managing claims. Next to a strong customer experience, customers expect brokers to provide products and services with clear added value. Direct channels offer low–cost alternatives and in general allow customers to orientate and educate themselves more extensively on insurance. Even as closing insurance online remains limited, digital–savvy customers still use these channels, showing that their expectations for non–direct channels are evolving as well. **The need to differentiate becomes more pressing due to increased competition and growing demands by customers confronted with unfamiliar risks from natural catastrophes like floods and droughts to cyber–related risks.**

Consequently, customers expect a differentiated offering in terms of product and service when buying insurance through intermediary channels. This makes expertise, knowledge of product offerings and a focus on service necessities for intermediaries to deliver tangible added value for customers.

TREND 4:
Buy and scale

Over the past 10 years, consolidation within the insurance brokerage space has grown significantly. Global M&A activity in the insurance brokerage space reached its highest point in a decade. Acquiring insurance brokers proves to be a means to drive growth, gain access to new markets and leverage economies of scale. And the European market, in particular, offers (in its highly fragmented form) exciting opportunities. The UK was the first European market where insurance brokers launched a proactive roll–up strategy.
On the European continent, it was in the Netherlands.

The current wave of consolidation among insurance brokers will continue in the coming years, driven largely by the industry's fragmentation and the demands placed on brokers in terms of regulation, workforce gaps and digitization.

A confluence of factors happening simultaneously creates a perfect recipe for consolidation. These include large quantities of readily available capital, low–interest rates (although higher as of late) and all–time high valuation multiples. The insurance brokerage industry is uniquely attractive given recurring turnover from payments customers make in exchange for coverage, high barriers to entry (via relationships), its remarkable stability during economic downturn and its very predictable and robust cash flow.

In recent years, PE firms have increased their involvement in this industry as they look to invest in dependable, cash–generating companies with room for expansion. PE companies can assist insurance brokers seeking strategic acquisitions and expansions while also providing access to finance and experience. Sponsor–backed brokers already overtake corporates as the dominant acquirer of European–based insurance brokers via deal count, driven by growing and record levels of dry powder. Across the European market, brokers of all sizes are consolidating — from small local books joining forces to expanding national champions and international broker platforms. Larger competitors can build efficient, modern businesses and leverage internationalised insurance markets to offer a wider range of products for their customers.

Aside from consolidating national and international brokers, tied agents' and banks' branch networks are being re–organized across European countries. The pandemic has fast–tracked the closure of brick–and–mortar operations and stressed the need for more hybrid operations. Now, physical branches are being more tightly integrated with digital channels to build multi–access customer journeys that support customer acquisition and can serve changing customer needs.

Finally, pressure on brokers is increasing from direct channels and online comparators. These competitors continue to widen their scope beyond heavily commoditised private lines to include (small) commercial market segments like professionals, freelancers, VSEs and small and midsize enterprises (SMEs). VSEs and SMEs are generally considered the core of an intermediaries' book and a path to future growth in line with customers' businesses. Examples of online comparators targeting these segments are +Simple in France and FinanzChef24 in Germany. Due to advances in data and underwriting, products for these segments can be offered directly with the capability of online customization. Though these offerings often target standard risks and relatively easy to insure business activities.

> Scale essentially means that the financial markets will value a bigger business (or an aggregation of several small businesses, as in a "Roll-Up") at a higher multiple than they would value a smaller business.

TREND 5:

Blurring familiar distribution dynamics

Traditionally, insurance products are originated almost exclusively by full–stack carriers. Brokers and agents focus exclusively on distribution and customer relationships, while the insurance carrier deals with the whole (the full stack) of underwriting, policy issuance, claims processing, pricing, and product development. The clear lines between pure–play distribution orientated intermediaries and the full–stack carriers are making way for modular value chains with more complex market structures as a result.

Alternatives to the full–stack carrier model are growing in importance. They do so in two ways. On the one hand, wholesale brokers and similar "distributors" use technology to situate themselves in between existing players, thereby acquiring important positions in the value chain. On the other hand, businesses like Managing General Underwriters (MGUs) and Managing General Administrators (MGAs) build new insurance products, outside of full–stack carriers, that serve unmet or underserved customer needs.

The division of the full–stack carrier model into specialised parts is often referred to as **"value chain unbundling" — where one (integrated) organization used to be responsible for a combination of functions**, these functions are split up across specialised organizations that leverage each other.

Value Chain Unbundling

Figure 3.2 Insurance Stack Shuffle
Illustrative representation of the shift from a full stack carrier model to brokers vertically integrating

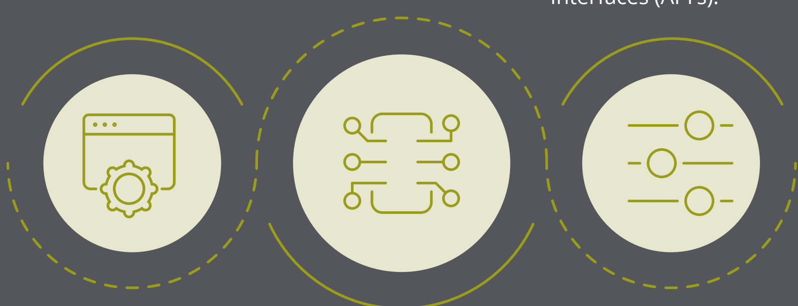
VALUE CHAIN LAYERS / VALUE CHAIN FUNCTIONS	Insurance Distribution	Underwriting / Pricing Risks	Claims Processing	Product Design	Balance Sheet	Reinsurance Balance Sheet
Insurance Brokers	✓					
Managing General Underwriters / Agents (MGA / MGU)	✓	✓	✓	✓	Works with Carrier / Reinsurer	
Full Stack Carriers Insurance Carriers	✓	✓	✓	✓	✓	Works with Reinsurer
Reinsurers					✓	✓

Technology enables movements up and down the stack

Value chain unbundling is fundamentally driven by technology.

Insurance Infrastructure
Underwriting and other insurance operations via As–A–Service propositions.

Open Insurance
Accessing and sharing insurance–related data via Applications Programming Interfaces (API's).



Embedded Insurance
Insurance coverage that is seamlessly integrated into the purchase of a product or a service.

Brokers are moving down the stack

Brokers expand into the insurance value chain to increase margins and control.

Underwriting / Pricing Risks
Brokers expand into the underwriting space via delegated underwriting authorities (DUA's) using the MGA/MGU model.

Product Design
Brokers build new insurance products (outside of a full stack carrier) that serve unmet customer needs, using the MGA/MGU model.

Balance Sheet
Brokers bypass insurance carriers and work directly with reinsurers, using the MGA/MGU model.

Value chain unbundling is fundamentally driven by brokers trying to shift from risk management to risk mitigation. Instead of limiting their purview to hindsight, understanding what and with claims occur, focus is expanding to foresight, predicting exposure and prescribing solutions to avoid claims. This shift occurs in tandem with brokers moving rapidly toward industry specialization. As brokers become more specialized, they have a growing desire to take over more of the value chain through vertical integration; to capture more premium, build and distribute proprietary products and to control the customer experience. The movement has been accelerated by technology: the digitalisation of financial services has opened the door to software platforms with modular solutions built on top, communicating through standardised technology like Applications Programming Interfaces (APIs). Drawing from the open banking movements, an era of open insurance is at the horizon. The European Insurance and Occupational Pensions Authority (EIOPA) enables insurance customers (individuals and businesses) to share their data with related third–party providers (TPP) via APIs. It requires insurance carriers and insurance brokers to allow for the exchange of customer information in a more efficient manner.

In general MGUs, MGAs and wholesale brokers are relatively less burdened by legacy systems than full–stack incumbents, making them more open to adopting the latest technologies. **They also avoid "doing everything" and instead specialise in specific operational or market domains while outsourcing non–core activities.** Brokers rely on specialised wholesale brokers for insurance products and sometimes IT systems as well. MGUs and MGAs launch new products through specialised insurance infrastructure providers.

The evolution of insurance products and blurring familiar distribution dynamics in more commodity–based lines is best illustrated by the rise of embedded insurance. Embedded insurance propositions are solutions where insurance products are tightly integrated ("embedded") into non–financial products or services, providing customers with a convenient and holistic solution that addresses both their primary needs and associated risks. Some examples of embedded insurance include device protection, travel insurance, ticket insurance for live events, and more.

Embedded insurance is gaining prominence across Europe, due to increase from a €10B+ market in 2022 to a €30B+ market in 2030.

Capacity providers play a pivotal role in the evolution of insurance products and services. Capacity providers in insurance distribution are entities that offer financial backing and underwriting capabilities to MGAs and wholesalers. In Europe, capacity providers are predominantly reinsurers moving "forward" like MunichRe or dedicated insurers like Accelerant, iptiQ or WAKAM.

Delegated Authorities

Delegated Underwriting Authorities (DUAs), also known as Binding Authorities or Coverholder Authorities, are arrangements within the insurance industry that allow an insurance carrier to delegate certain underwriting responsibilities. Across different countries, varieties of MGAs, MGUs, wholesale brokers and new types of underwriters are found, ranging in size from insurtech start–ups to large, established businesses. Notwithstanding the diversity of their business models and local varieties, a few types of businesses can be described.

MANAGING GENERAL UNDERWRITER (MGU)

MGUs are typically responsible for underwriting and managing insurance policies on behalf of insurance carriers. They act as intermediaries between insurance carriers and insurance brokers. MGUs have delegated authority from carriers to underwrite and issue policies on behalf of the insurer, manufacture products and handle claims. MGUs are compensated through underwriting fees, which are usually paid by the carriers. MGUs often focus on niche markets, such as high–risk industries or unique coverages. Some good examples are the French Descartes (climate insurance) or Eye Cybersecurity (cyber insurance) from the Netherlands.

MANAGING GENERAL AGENT (MGA)

The distinction between MGUs and MGAs is highly gradual and varies widely between countries. Absent DUAs, MGAs combine limited underwriting authority with distribution capabilities and play a more front–facing role in selling insurance to customers. MGAs earn a commission on the insurance policies they sell and earn some sort of an underwriting fee. MGUs, on the other hand, specialize in underwriting and product manufacturing, particularly in niche or complex markets, without engaging directly (or only limited) in distribution.

WHOLESALE BROKER

A wholesale broker is a type of insurance broker who acts as an intermediary between a retail broker and an insurer or insurance syndicates. Wholesale brokers, also known as surplus lines brokers, placing brokers or wholesale intermediaries, typically specialize in providing insurance solutions for complex, high–risk, or non–standard situations. A wholesale insurance broker typically connects retail brokers with clients in need of specialized coverage with surplus lines (speciality) insurance providers or syndicates. The surplus lines market is a segment of the insurance industry that can provide coverage for risks that do not fit within the underwriting guidelines of admitted insurers. Wholesale brokers earn commissions for their role in connecting retail brokers with suitable insurance products and underwriters.

In countries such as France and Italy, wholesale brokers are much less niche oriented and maintain large market share. The so–called grossistes in France bridge the gap on a huge scale between insurance carriers (les assureurs) and the retail distribution network. Retail brokers prefer to collaborate with grossistes, as this enables them to negotiate favourable terms, pricing, and coverage options on behalf of their clients. APRIL is the leading wholesale broker in France with a network of ~ 15,000 partner brokers.

CHAPTER 4

The Emerging Class of European Brokers

Traditionally, insurance brokerage is predominantly a localized industry. Apart from the global (institutional) brokerage brands and a selection of wholesale brokers, cross border brokerage activity was limited across Europe. Capital–led consolidation has totally upended this traditional market order in just a few years. A new class of (sponsor–backed) European brokers is rapidly developing, changing market dynamics significantly. At MarshBerry we help clients navigate these emerging classes of European insurance brokerages.

Across the diverse set of 28 European countries a class of European brokers is emerging. European, or cross–border, brokers typically have a presence in multiple countries or regions. They may have offices, subsidiaries, or partnerships in various jurisdictions (utilising EU–regulation on passporting and single market directives).

Often, though not exclusively, the emerging class of European brokers have private equity or strategic capital backing their growth strategy through a minority or majority equity position. Fuelled by trends like competitive pressure, regulatory compliance and digitization that favor economies of scale, national and international brokers are consolidating fragmented local markets and moving across borders through acquisitions. As they scale their business, these brokers gradually become European–level operations, encroaching on a domain that has traditionally belonged almost exclusively to the largest three global brokers: AON plc (AON), Marsh & McLennan Companies, Inc. (Marsh), and Willis Towers Watson Public Limited Company (WTW).

Local champions are consolidating with an eye on international expansion

Across countries, a pattern is visible where national brokers are consolidating at all levels: from very small local books joining forces to top10 brokers merging. The result is a stream of domestic broker businesses, gradually scaling from small to mid–size to national champions and finally to European brokers.

In these final stages, having established a strong foothold in their domestic market, national champions look for opportunities across borders in neighbouring markets. Examples include the German market leader Ecclesia which now is a truly European broker with operations in Austria, Belgium, the Netherlands, Spain and Turkey. German broker GGW Group is spreading at high speed across Europe. Corporate insurance broker Verlingue Group has spread its wings to the UK and the Dutch broker Alpina Group has entered into the Belgian market. At this stage, these national champions often attract PE financing, if they haven't already, to fuel their international expansion.

International networks of independent brokers have played an important role. Network providers such as TRC, Unison Steadfast, WBN, Assurex, Brokerslink and others have enabled regional brokers (mostly family owned) to handle international business. They offer support through organising independent broker networks which provide on the ground broker services, commission handling and exchange of know–how. These networks have enabled brokers to more seriously challenge large institutional brokers like AON, Marsh and WTW.

Figure 4.1 The Battle for the European Market is in Full Swing
Illustrative, non–exhaustive and non–sorted selection

European Broker Market

€17,200B GDP and **+500M** inhabitants

€1,438B in gross written premium (GWP)

31% sold through brokers

ESTABLISHED MARKET LEADERS
Aon, Marsh and WTW are the only brokers that have significant global reach, each operating in more than 120 countries.

AON | Marsh | wtw

MARKET CHALLENGERS
An emerging class of €1B+ broker platforms with an aggressive international roll–up strategy, challenging established market leaders.*

ACRISURE | Brown & Brown Insurance | bms.
howden | Söderberg & Partners | Gallagher
USI | The Ardonagh Group | NFP

NATIONAL CHAMPIONS
Brokers with leading positions in domestic markets, gradually scaling from national champions to European brokers.*

Germany	France	Netherlands	UK
ECCLESIA GROUP	DiotSiaci	ALPINA GROUP	pib insurance brokers
GGW GROUP	+Simple	You Sure.	cfc
MRH Trowe	april	Quintes Verzekeren en Risicobeheer	Miller

PRIVATE EQUITY
PE investing in the European insurance distribution space.*

Hg | ANACAP | BOWMARK CAPITAL | penta CAPITAL
TA ASSOCIATES | POLLEN STREET | CARLYLE | HPS
KKR | inflexion | MDP | SYNOVA

*Illustrative and non–exhaustive

International brokers are expanding into the European market through local acquisitions

Instead of sprouting locally, international brokers, primarily from the UK and the U.S., travel across borders by acquiring local brokers. These international brokers have different strategies, in some cases merging local brokers under one brand and streamlining operations while in other cases leaving local brokers broadly free to operate as before.

These international brokers have predominantly Anglo–Saxon origins, like Acrisure, Howden, Arthur J. Gallagher & Co., and The Ardonagh Group and are mostly PE–backed. While significant consolidation continues to occur in the U.S. and UK markets, large platforms are now looking toward the European markets, leveraging their established operations and strong capital base.

> PE brokers and PE buyers account for 60% — 70% of European transactions.

A noteworthy international broker platform not from the U.S. or UK but from Scandinavia is the Söderberg Group. Söderberg is active in Finland, Sweden, Norway, Denmark, the Netherlands, the UK, Luxembourg and Spain. Not coincidentally, the group has its origin in the already consolidated Swedish market. The number of intermediaries per capita in Sweden is even lower than that of the UK: 27 intermediaries per 100.000 inhabitants versus 28 for the UK.

Plenty of white space for private equity playbooks

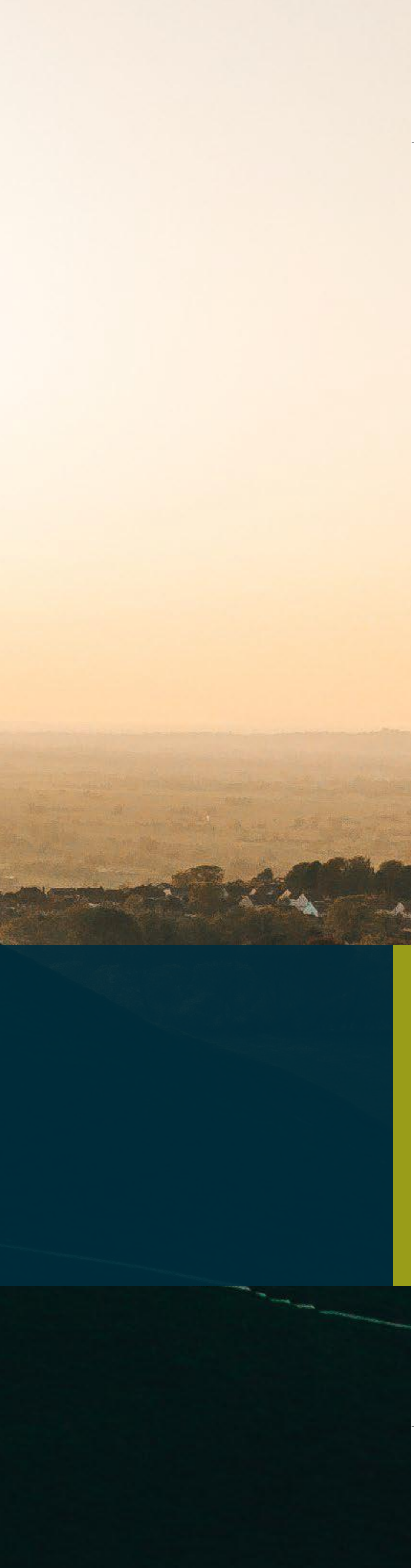
PE brokers and PE buyers are the main drivers of consolidation, accounting for 60–70% of European transactions. The transaction volume of European PE insurance brokers has increased tenfold over the past decade. Sponsors are now overtaking corporates as the dominant acquirer of European–based brokers via the number of transactions, driven by growing and record levels of dry powder.

PE involvement broadly falls into two categories; Sponsors acquiring a brokerage business as a one-off, either wholly owned or with co–investors. Or, sponsors acquiring a broker as a portfolio company and then using it as a platform for a roll–up. In the latter case, often referred to as “buy and build”, has the primary goal to accelerate growth and enhance the value of the platform company by creating a larger, more diversified company with enhanced market presence. This method of financial engineering, along with multiple arbitrage, brings down the firm’s cost of acquisition, while putting capital to work and building additional asset value. The most effective buy–and–build strategies assume that the platform company’s free cash flow will fuel new acquisitions.

Executing a roll–up to create a larger platform, with the support of leverage, is a well–established private equity playbook across many industries. The European insurance distribution market seems ideally suited to rampantly implement this playbook, as it provides an ample supply of acquisition targets and a stable environment in which to pursue them.

CHAPTER 5

A New Era for Insurance Brokers



Picture the Landscape in 2030 with the fear of obsolescence in a digital world in the rear–view mirror, insurance brokers have become vital in European insurance distribution. Consolidation, digitization, specialization, further regulations, and the leverage of the vertically integrated model have created new industry dynamics and new challenges as well as opportunities in insurance distribution. Those with a focus on enhancing growth and the eagerness to pick up the ripest fruit back in 2023, are now reaping the benefits in 2030.

MarshBerry can work with you to propel your strategic growth journey to this new and promising era for insurance brokers.

A long–term growth business

MarshBerry firmly believes that insurance brokerage is among the greatest industries for long–term growth and a solid return–on–investment. Insurance brokerage earns its industry attractiveness from its robust recurring revenue, sticky, long–term customer relationships, asset–light business model remarkable stability during economic adversity, and very predictable high margins and cash conversion cycles. Private capital investors picked up on these points and their dominance in the transaction league tables continues to grow.

A well–known metric that investors use to express the stability imperative of an industry is the beta.

> Insurance brokerage is among the greatest industries for long-term growth and solid return–on–investments.

A high beta indicates that an industry is more volatile and tends to move more with market fluctuations while a low beta suggests it is less sensitive to market changes.

Insurance brokerage scores among the lowest of all betas. In fact, while other related industries, such as banking and health care, are currently feeling the impact of economic headwinds and higher cost of capital on valuations in recent years, the insurance brokerage industry continues to remain strong.

The strong fundamentals of insurance brokerage will become more relevant in the coming years. European households and businesses face a polycrisis world where risk and uncertainties intermingle and pile upon each other.

> Customers' needs are changing significantly (and rapidly) on factors like evolving societal, economic, technological, demographic and environmental conditions.

Extreme weather events are wreaking havoc with increased flooding, wildfires, and droughts challenging traditional risk assessment. Cybersecurity risks and data privacy incidents are on the rise, and many insurance carriers are struggling to properly quantify growing risk exposures. In this hardening market with increasing demands for insurance on the one side and changing insurance products and underwriting on the other side, insurance brokers will gain relevance as the trusted linchpin in helping customers navigate this evolving risk landscape and provide "fit for purpose" insurance solutions.

MarshBerry firmly believes in a value shift toward insurance brokers as the clear winners. As risks mount, technology advances, consolidation perseveres and PE funding rolls in, insurance intermediaries will gain more relevance in both distribution as well as underwriting, pricing risks and product development via the MGA / MGU track. In fact, it will be the insurance carriers themselves who will be increasingly squeezed and might run an even greater risk of becoming pure balance–sheet providers, while intermediaries keep an asset–light client relationship model.

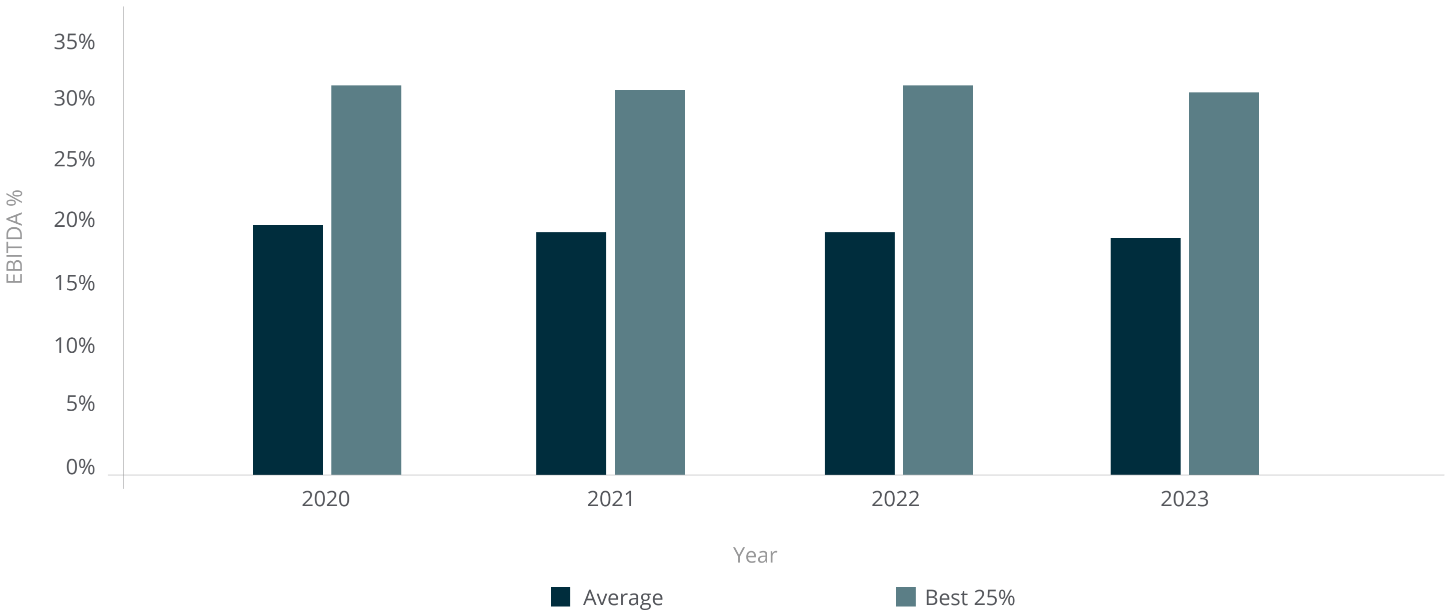
What top performers do

Getting the basics right is essential to reap the opportunities for insurance brokerage. MarshBerry's proprietary financial benchmarking, Perspectives for High Performance (PHP), indicates that an average insurance broker reaches yearly organic growth levels of 6%–10% with a 20% EBITDA margin. Well–run brokers achieve organic growth levels above 20% and can constantly operate at a 25–30% EBITDA margins.

The best firms in the industry look beyond their own results and seek to understand how they compare with peers to drive top performance. Staying ahead requires constant learning and feedback loops through data, KPIs and benchmarking. Strong organic growth always begins with the core, and top performers understand the importance of optimizing core activities and core markets. They constantly turbocharge their core through a mix of strategic initiatives to target higher growth pockets (for example increased accounts sizes, vertical specialization, vertical integration and finding cost–cutting technology solutions). Subsequently, high organic growth and high margins generate capacity to invest and innovate into adjacent segments and geographies.

Having a growth mindset and strong leadership is especially important for a relationship business like insurance brokerage. MarshBerry research shows that insurance brokers with strong culture and strong leadership achieve higher organic growth levels than others. Based on MarshBerry's proprietary data, analysts conducted extensive research to determine what mindsets and practices distinguish excellent CEOs and what helps insurance brokers to excel through all stages of ownership.

Figure 5.1: Insurance Brokerage EBITDA as a % of Net Revenue



Source: MarshBerry proprietary financial management system, Perspectives for High Performance (PHP). Data as of 30.6.23.

Breaking Down Performances in Five Key Areas

Performance benchmarking is a key pillar for a holistic growth blueprint. MarshBerry harnesses over 40 years of industry–specific data to help insurance brokers learn from the best and drive performance. MarshBerry calculates critical financial and productivity ratios and compares these ratios to the Average Performance and Best 25% of the data set. Performance is ranked and weighted to determine a Performance Indicator Number (PIN) into 5 key areas.

PROFIT PERSPECTIVES
Analysis of income statement revenue and expenses on a line–by–line basis.

EQUITY PERSPECTIVES
Showing the proficiency in managing the balance sheet, including asset management, debt leverage, coverage ratios, free cash flow and collection performance.

GROWTH PERSPECTIVES
Measuring the effectiveness of your firm's business model and growth strategy by benchmarking sales performance by firm and individual producer, including new business written, organic growth, book size, average account size and sales velocity rate.

OPERATIONAL PERSPECTIVES
Analysing the ability to leverage employees to sustain growth in earnings and set goals to improve employee productivity by department. Benchmarks by line of business, role, and cost effectiveness.

CEO PERSPECTIVES
Benchmarking CEO performance, providing a well–balanced representation of the competencies that are necessary to manage an insurance brokerage or wealth management firm successfully.

A perfect recipe for further consolidation

As this report highlights, a confluence of factors happening simultaneously creates a perfect recipe for further consolidation in the European insurance brokerage market. These factors include ample room for further growth in total premium volume, a large European patchwork of independent brokers and growing pressure on firms through changing regulations, aging workforce, growing customer demands, digitization and increasing demand of high quality and well differentiated services for clients.

Deal activity and valuations are strong among almost all European countries with financial investors leading the way. Germany and France probably offer the most attractive consolidation opportunities, as large markets with solid growth, a relatively high premium share of brokers and many brokers owned by private operators, many of whom are nearing retirement and are likely ready for an exit in the next ten years. The consolidation trend still has a long way to go in these markets (the UK and the Netherlands started consolidating about 5–10 years ago).

The pool of M&A targets in these markets remain robust, but have significantly shrunk. While that may seem to foreshadow the beginning of the end for the roll–up model, we believe Europe will follow the U.S. market and the decline in the number of brokers will lag behind the number of closed deals. Many factors can slow consolidation and cause the market to regenerate (displaced talent starting new firms, small operations combining, or liberating tied agents). Opportunities in the European market are certainly not limited to the top six countries, hidden gems can be found all over Europe.

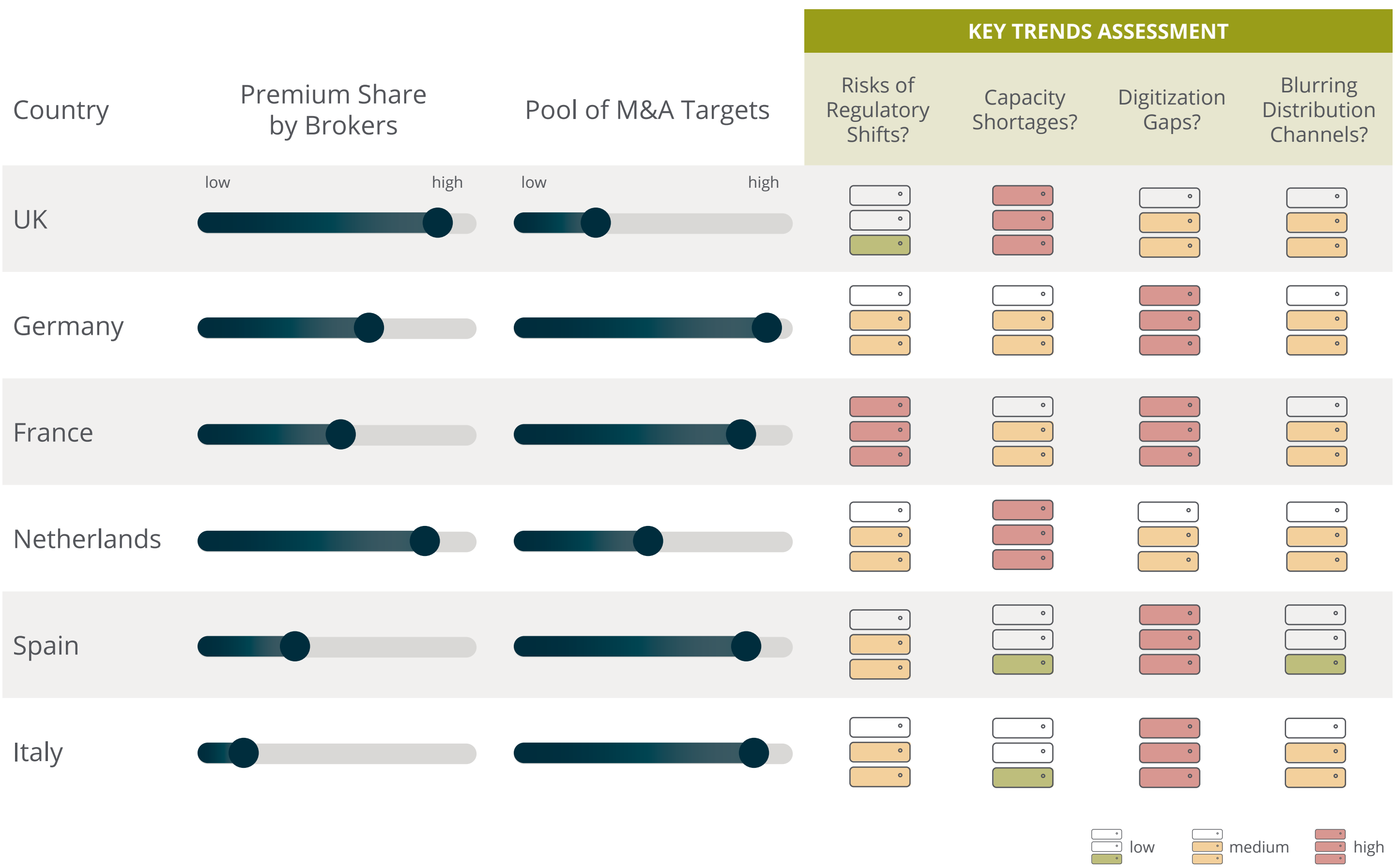
Whether your thoughts go to selling or buying, a profound M&A strategy is a necessity in these European market dynamics. Insurance brokers, strategic buyers and investors do not have the time to sit back and watch the industry around them become transformed and consolidated. Robust strategic planning, with an eye on M&A, is crucial to pursue opportunities in this ever–changing environment.

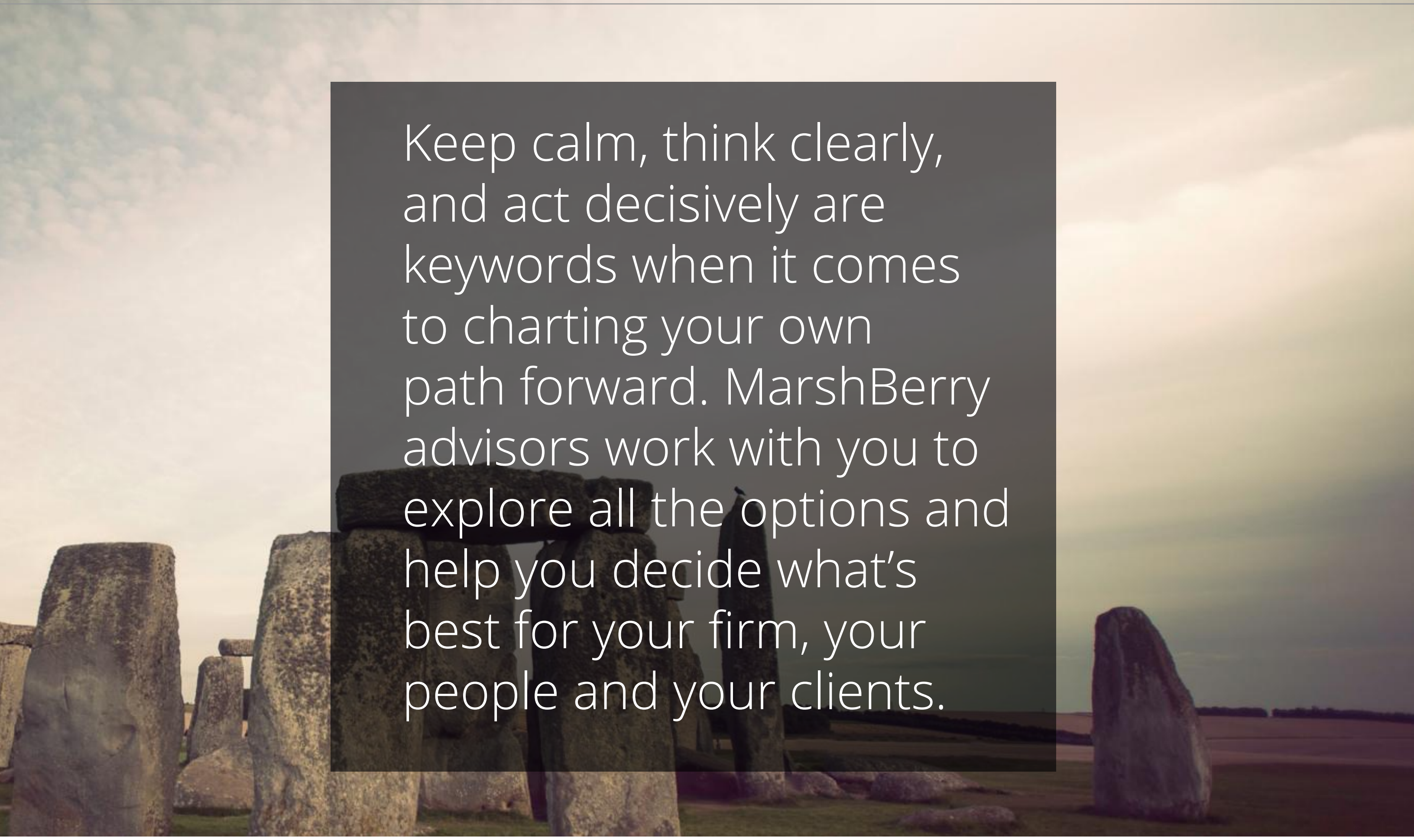
An M&A strategy should be a logical extension of a broker's corporate strategy and growth agenda. The fear of missing out but lacking solid ratios and a clear mindset of priorities, is a dangerous recipe for M&A activity.

Potential buyers must articulate exactly why and where they need M&A to deliver their overarching corporate strategies and potential sellers must have the confidence and peace of mind of knowing they are doing the right thing in the lifecycle of the firm and for the benefit of all stakeholders involved. MarshBerry works with both buyers and sellers to develop a strategic rationale for M&A, made up of thorough self–assessments along with comprehensive market assessments.

Figure 5.3: Market Assessment

Top–6 EU countries, premium share by brokers, pool of M&A targets and key trends





Keep calm, think clearly, and act decisively are keywords when it comes to charting your own path forward. MarshBerry advisors work with you to explore all the options and help you decide what’s best for your firm, your people and your clients.

Keep calm and act decisively

The European broker market is at a remarkable stage of its evolution. Its fragmented landscape is rapidly consolidating, moving across borders and looking forward to an opportune future.

- Chapter 1 and 2 surveyed the European market from up high, showing how across this diverse patchwork of 28 countries a relatively high number of tied agents yet brokers play a decisive role in insurance distribution.
- Regardless of local distinctions, chapter 3 showed five common trends driving the consolidation and internationalization of brokers: increased competition, tightening regulation, blurring distribution channels, expanding customer demands and a challenging “War–for–Talent.”
- As chapter 4 highlighted consolidation and internationalization are leading local brokers to become national champions and international broker platforms to travel across borders, resulting in the emergence of a new class of European–level brokers.

Insurance brokers wanting to succeed in a new era require a deep understanding of their business, a dedication to organic growth and EBITDA and eagerness to purposefully pursuing opportunities for inorganic growth through new–business building or M&A.

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1. Completed sell side transactions in the Merger & Acquisition Transactions in Insurance Brokerage 1999-2022 in which a financial advisor was used; Ranked by Total Number of Deals. 2. These totals include certain transactions completed by MarshBerry professionals while employed at another firm, whereby substantially all of the assets were acquired by MarshBerry. Total completed buy side and sell side transactions in the United States as reported by S&P Global Market Intelligence. This data displays a snapshot at a particular point in time each year, of the total number of buy side and sell side deals as reported by S&P Global Market Intelligence. It has not been updated to reflect subsequent changes, if any. 3. Based upon maximum purchase price; MarshBerry advised deals through 12/31/22.

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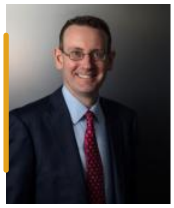

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Appendix

Appendix I

General methodology

- European market. The European market for this report is defined as 27 countries from the EU and the UK. In alphabetical order, the European market studied in this report consists of the following 28 countries: Austria (AT), Belgium (BE), Bulgaria (BG), Croatia (HR), Cyprus (CY), Czech Republic (CZ), Denmark (DK), Estonia (EE), Finland (FI), France (FR), Germany (DE), Greece (GR), Hungary (HU), Ireland (IE), Italy (IT), Latvia (LV), Lithuania (LT), Luxembourg (LU), Malta (MT), Netherlands (NL), Poland (PL), Portugal (PT), Romania (RO), Slovakia (SK), Slovenia (SI), Spain (ES), Sweden (SE) and the United Kingdom (UK).
- Gross domestic product (GDP). Gross domestic product (GDP) data referenced in the report is based on Eurostat for EU countries and the Office for National Statistics (ONS) in the case of the UK. All GDP data is in Euros and current prices.
- Population. Population data referenced in the report is based on Eurostat for EU countries and the Office for National Statistics (ONS) in the case of the UK.
- Gross written premium (GWP). Gross written premium is based on SwissRe, specifically the Sigma reports.

Sources

Figure 1.1, Figure 1.2

- See detailed explanation on GWP statistics.
- Sources: SwissRe.
- Regions and Years: For 24 countries data is available from 2017 to 2021. For Cyprus, Estonia, Lithuania and Latvia data is unavailable.

Figure 1.3

- Insurance density is commonly defined as insurance premium per capita. Figure excludes Ireland, Luxembourg, and Malta due to their status as outliers with abnormally high rates of premium per capita. This abnormality is related to their status as tax havens.
- Sources: SwissRe, Eurostat, ONS (UK).
- Regions and years: for 24 countries data is available from 2017 to 2021. For Cyprus, Estonia, Lithuania and Latvia data is unavailable.

Figure 1.4, Figure 1.5

- The distribution mix refers to either the proportion of total gross written premium distributed (e.g. sold) by channel or the proportion of new insurance policies sold by channel. Across countries, this can result in various, sometimes contradictory distribution mix statistics. The data reported here is directly based on reported data by individual countries. Generally, detailed insight into the methodology behind these statistics is fairly limited. Due to this limited transparency, caution is recommended when comparing countries. As far as could be identified, the distribution mix presented here is considered to be based on the percentage of total gross written premium; with the exception of Germany which is based on new policies sold. The category labelled as 'Other' is a container term used across countries for the proportion of premium that cannot not be clearly identified as Bancassurance/Tied agent/Broker/Direct channel and/or the proportion of premium that flows from distinctive national channels. For the Netherlands, distribution share is based on P&C and not Non–Life in order to exclude the substantial private Health market where brokers have little to no presence.

- Sources: IVASS (IT), France Assureurs (FR), MAPFRE (ES), ADFIZ (NL), GDV (DE), APS (PT), Assuralia (BE), ABI (UK), IMF (IE), Insurance Europe (HR), EIOPA (BG, CY, LV, PL, SI, SE).
- Regions and years: Belgium, France, Germany, Italy, Netherlands, Portugal data from 2021. Cyprus, Latvia, Slovenia, Spain, UK from 2020. Ireland data from 2019. Croatia data from 2018. Bulgaria, Greece, Hungary, Lithuania, Luxembourg, Poland, Sweden from 2017. Excluded regions due to lack of data: Austria, Denmark, Estonia, Finland, Luxembourg, Romania, Slovakia.

Figure 1.6, Figure 1.7

- The distribution mix refers to either the proportion of total gross written premium distributed (e.g. sold) by channel or the proportion of new insurance policies sold by channel. Across countries, this can result in various, sometimes contradictory distribution mix statistics. The data reported here is directly based on reported data by individual countries (see below). Generally, detailed insight into the methodology behind these statistics is fairly limited. Due to this limited transparency, caution is recommended when comparing countries. As far as could be identified, the distribution mix presented here is considered to be based on the percentage of total gross written premium; with the exception of Germany which is based on new policies sold. The category labelled as “Other” is a container term used across countries for the proportion of premium that cannot not be clearly identified as Bancassurance/Tied agent/Broker/Direct channel and/or the proportion of premium that flows from distinctive national channels. For the Netherlands, distribution share is based on P&C and not Non–Life in order to exclude the substantial private Health market where brokers have little to no presence.
- Sources: IVASS (IT), France Assureurs (FR), MAPFRE (ES), ADFIZ (NL), GDV (DE), ABI (UK).
- Regions and years: stated in chart.

Figure 1.8: Broker market size

- Broker GWP is estimated by taking gross written premium and multiplying these with brokers’ share in the distribution mix. In the case of the Non–Life market, the average commission rate is considered to fall between 10% and 20%. In the Life market the range is considered from ± 5% to ± 15%. The results presented in the figure are rounded to the nearest hundred thousand. It’s worth noting that for the Netherlands, the GWP for Non–Life insurance includes Health insurance, but this is excluded when calculating the Broker GWP based on the share of brokers in the distribution mix for Non–Life insurance.
- Sources: Gross written premium data from EIOPA. Broker share of premium from: IVASS (IT), France Assureurs (FR), MAPFRE (ES), ADFIZ (NL), GDV (DE) and ABI (UK). Bandwidths of average commission rates from MarshBerry.
- Region and years: for all regions data refers to 2021.

Figure 2.1

- Data represents the total number of businesses engaged in insurance distribution activities. Data is predominantly based on official statistics from country NCAs of registered insurance distribution entities. On top of this, some additional assumptions were made for individual countries which are detailed below.
- A noteworthy aspect of this data is that sources generally include intermediaries of all sizes: from sole entrepreneurs and small businesses to larger established intermediaries.

France

- The French NCA ORIAS reports data on registered insurance intermediaries, divided across four categories: General insurance agent (Catégorie Agent Général d’assurance), Insurance intermediary agent (Catégorie Mandataire d’intermédiaire d’assurance), Tied insurance agents (Catégorie Mandataire d’assurance) and

Insurance or reinsurance broker (Catégorie Courtier d'assurance ou de réassurance).

- "Insurance intermediary agents" are classified as "Other intermediaries" since we do not know if these "subagents" are either brokers or tied agents.
- Tied insurance agents are classified as tied agents.
- For the category "Insurance or reinsurance broker" the broker subcategories are used. Only the subcategory "only insurance broker" are counted as brokers. Other broker subtypes (excluding "Insurance broker and general insurance agent (non–MIA)" and "Insurance broker and general agent and insurance intermediary representative") are classified as Other Intermediaries.
- For the category "General insurance agent" again the subcategories are used. The subcategories "General agent without broker category or MIA" and "General agent and insurance broker and other non–MIA categories" are classified as tied agents. The subcategories "General agent and MIA" and "General agent and insurance broker and MIA" are considered to be Other Intermediaries, not clearly identifiable as either Broker or Tied Agent.
- Most notably, the broker subtypes "Insurance broker and general insurance agent (non–MIA)" and "Insurance broker and general agent and insurance intermediary representative" are excluded from the total count. These broker subtypes appear to be identical to the General agent subtypes of "General agent without broker category or MIA" and "General agent and insurance broker and other non–MIA categories."
- As a result of the previous steps, the estimate for the total number of intermediaries in the French market deviates somewhat from the headline number presented by ORIAS (64.024 compared to 71.295).

Germany

- The total number of intermediaries is derived from GDV (which uses data from DIHK).
- Insurance intermediaries are categorised in five categories: gebundene Versicherungsvermittler; Versicherungsvertreter mit Erlaubnis; Versicherungsmakler; produktakzessorische Vermittler; and Versicherungsberater. The first two categories are tied agents, specifically single–tied and multi–tied agents. Versicherungsmakler and Versicherungsberater are brokers. Produktakzessorische Vermittler are intermediaries who sell insurance as an extra service and thus considered other intermediaries.

Italy

- The Italian NCA IVASS reports 237.193 registered intermediary businesses in 2021.
- Intermediaries are divided across six categories: Agenti, Mediatori (Broker), Produttori diretti, Banche, intermediari finanziari..., Addetti all'attività di intermediazione al di fuori dei locali dell'intermediario, iscritto nella sezione A, B o D ..., and finally Intermediari con residenza o sede legale in altro Stato SEE. The first and third categories are considered tied agents while the second category is clearly identifiable as brokers. All other categories are labelled as "Other Intermediaries. The fourth category contains banks and similar intermediaries. The fifth category are branches (subsidiaries) of tied agents, brokers and banks which cannot be separated. Finally the sixth category contains intermediaries with a foreign headquarter that cannot be categorised as either broker or tied agent.

Netherlands

- The Dutch broker association ADFIZ reports 7.684 registered intermediaries (brokers) in 2021.
- In the Netherlands the number of intermediaries is assumed to be equal to the number of brokers. Though tied agents from insurers are not present in the market bancassurance agents are. Data on the number of these agents is not considered.

Spain

- MAPFRE (based on DGFSP) reports 68.910 total intermediaries.

- DGFSP does not cover the autonomous Spanish regions where 2.258 intermediaries operate.
- MAPFRE/DGFSP distinguishes six categories: Corredores de seguros, Corredores de Reaseguros, Agentes vinculados, Operadores bancaseguros vinculados, Agentes exclusivos, Operadores bancaseguros exclusivos. The first two Corredores categories are labelled as brokers (insurance and reinsurance). Exclusive agents (Agentes exclusivos) are single–tied agents whereas associated agents (Agentes vinculados) are multi–tied agents; both classified as tied agents. The bancassurance operators (both single–and multi–tied) are considered Other Intermediaries.

UK

- The NCA of the UK (the FCA) registered in 2021 5.135 financial advisers and 4.197 insurance intermediaries for a total of 9.332 insurance intermediaries.

Other European countries

- Austria data comes from the WKO and BIPAR. They distinguish insurance agents, insurance brokers and intermediaries with both authorizations. The latter is labelled as other intermediaries.
- Data for Bulgaria is derived from the FSC. The FSC distinguishes insurance agents, insurance brokers and Intermediaries offering insurance products as an ancillary activity. The latter is labelled as other intermediaries.
- For Belgium, data is from FSMA. FSMA distinguishes insurance agents, insurance brokers and Sub–agents. The last category is labelled as other intermediaries.
- For all other countries, data is derived from the Report on the application of the Insurance Distribution Directive (IDD) by EIOPA.
- EIOPA distinguishes intermediaries into five distinct categories based on who they act on behalf of: a Single insurance undertaking labelled as single–tied agents, more than one insurance undertaking labeled as multi –tied agents, a single insurance intermediary labelled as other intermediaries, more than one insurance intermediary labelled as other intermediaries, and the customer labelled as brokers.
- Sources: ORIAS (FR), GDV (DE), IVASS (IT), ADFIZ and CBS (NL), MAPFRE (ES), FCA (UK), WKO & BIPAR (AT), FSMA (BE), FSC (BG), EIOPA (CZ, CY, DK, HR, EE, FI, GR, HU, IE, LT, LU, LV, MT, PL, PT, RO, SK, SI, SE).
- Region and years: Austria, Belgium, Bulgaria, France, Germany, Italy, Netherlands, Spain, UK data from 2021. Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Sweden data from 2020.

Figure 2.2

- Total intermediaries for each year are based on the sources discussed in the methodology for figure 2.1. As detailed in the text, adjusted series excluding several countries is made to account for large fluctuations in the underlying data.
- Sources: ORIAS (FR), GDV (DE), IVASS (IT), ADFIZ (NL), MAPFRE (ES), FCA (UK), WKO & BIPAR (AT), FSMA (BE), FSC (BG), EIOPA (CZ, CY, DK, HR, EE, FI, GR, HU, IE, LT, LU, LV, MT, PL, PT, RO, SK, SI, SE).
- Region and years: Austria, Belgium, Bulgaria, France, Germany, Italy, Netherlands, Spain, UK data from 2021. Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Sweden data from 2020.

Figure 2.3

- Sources: ORIAS (FR), GDV (DE), IVASS (IT), ADFIZ & CBS (NL), DGSFP & MAPFRE (ES), FCA (UK), EIOPA (Other). WKO, FSMA, FSC.

Figure 2.4

- Total number of brokers follows from the methodology for total number of intermediaries and classification of intermediaries discussed in the methodology of figure 2.1.

France

- The total number of 11,033 brokers follows from the classification of intermediary data from ORIAS (see methodology figure 2.1).
- ORIAS does not report the subdivision of natural and legal persons for the subcategory Only brokers. ORIAS does report this for the higher category of Insurance or reinsurance broker (Catégorie Courtier d'assurance ou de réassurance) where the proportion is 68% natural persons and 32% legal persons. These proportions are applied to the subcategory of Only brokers to arrive at the estimated number of brokers registered as natural persons and brokers with sizable business.

Germany

- The German NCA GDV (using data from DIHK) reports a total of 46,700 intermediaries registered as brokers (Versicherungsmakler or Versicherungsberater).
- For Germany, no data is available on the proportion of brokers registered as natural or legal persons. The estimate of about 1,000 brokers with sizable business is based on the ± 1,000 brokers who are members of the German broker association BDVM.

Italy

- The Italian NCA IVASS reports 5,586 intermediaries registered as Mediatori (Broker) of which 3,866 are registered as natural persons and 1,720 as legal entities.

Netherlands

- In the Netherlands the number of intermediaries is assumed to be equal to the number of brokers. Methodology is discussed in Figure 2.1.

Spain

- MAPFRE (based on DGFSP) reports 3,734 Corredores de seguros (and Corredores de Reaseguros) of which DGFSP reports there are 2,641 legal persons (70%).
- DGFSP does not cover the autonomous Spanish regions where 1,637 brokers operate. For these brokers the same proportion of legal persons is applied as derived from DGFSP. The total number of intermediaries registered as legal persons in the Spanish market is therefore considered to be 2,641 + 1,180 = 3,820.

UK

- FCA reports 4,197 intermediaries registered as insurance intermediaries which are considered to be brokers. The UK consultancy IMAS estimates the number of brokers with a headcount of five or more to be 1,150. This estimate is used as a proxy for the number of brokers registered as legal entities.

Other European countries

- Austria data comes from the WKO. Data for Bulgaria is derived from the FSC. For Belgium, data is from FSMA.
- For all other countries, data is derived from the Report on the application of the Insurance Distribution Directive (IDD) by EIOPA.
- Methodology is discussed in Figure 2.1.
- Sources: ORIAS (FR), GDV (DE), IVASS (IT), ADFIZ and CBS (NL), MAPFRE (ES), FCA (UK), WKO & BIPAR (AT), FSMA (BE), FSC (BG), EIOPA (CZ, CY, DK, HR, EE, FI, GR, HU, IE, LT, LU, LV, MT, PL, PT, RO, SK, SI, SE).

- Region and years: Austria, Belgium, Bulgaria, France, Germany, Italy, Netherlands, Spain, UK data from 2021. Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Sweden data from 2020.

Figure 3.2

- The average workforce among brokers follows from different national sources and surveys (see sources). In the case of Italy, IVASS supplies information regarding age groups and the respective percentages of individuals employed within those age brackets. This data is used to estimate the average age of the workforce in the broker business.
- Sources: ORIAS (FR), IVASS (IT), ADFIZ (NL), Clark (DE), IMAS (UK), Seguro News (ES).

Figure 4.1

- See detailed explanations on GDP, GWP and broker share statistic in figures 1.1, 1.2, 1.4, 1.5, 1.6 and 1.7 Illustrative, non–exhaustive and non–sorted list of companies.
- Selection based on observations of contributors and not based on market research or market consultations. No conclusions can be drawn about the (market) strategy of named companies.

Figure 5.1

- MarshBerry proprietary financial management system Perspectives for High Performance (PHP).
- "Average" is the average of all agencies in the database, while "Best 25%" is the best 25% of all agencies in the data set. Only includes agencies from U.S. and Canada.

Figure 5.3

- The premium share of brokers follows from the methodology of figure 1.8.
- The pool of M&A targets follows from the methodology of figures 2.1 and 2.3, in conjunction with an expert opinion of MarshBerry consultants from which in no way conclusions or rights may be derived.
- The key trend assessment follows form the methodology of chapter 3, in conjunction with an expert opinion of MarshBerry consultants from which in no way conclusions or rights may be derived.

Appendix II: Glossary

Bancassurance: Distribution of insurance products through banking institutions or bank branches.

Brokers: Independent intermediaries who work on behalf of the customers and typically have a wide range of products from different insurance companies.

Capacity Provider: Entity that offers financial backing (balance sheet), risk–bearing capacity, and underwriting support to insurance companies, syndicates, MGA/MGUs and wholesalers.

DUA: Delegated underwriting authorities, also known as Binding Authorities or Cover holder Authorities, are arrangements within the industry that allows an insurance carrier to delegate certain underwriting responsibilities.

Embedded Insurance: Embedded insurance refers to insurance coverage that is seamlessly integrated into the purchase of a product or service.

GWP: Gross Written Premium, the total amount of money an insurer collects from its customers in exchange for insurance policies.

IDD: The Insurance Distribution Directive (IDD), updated 2018, regulates how insurance products are designed and distributed in the EU.

Full–stack carrier: A full–stack carrier refers to an insurance company that handles the entire insurance process from underwriting and policy issuance to claims processing and customer service.

Intermediaries: Entities that act as middlemen or facilitators in a transaction between two or more parties.

MGA: Managing General Agent is a specialized type of insurance broker that, unlike traditional brokers, is vested with (limited) delegated authority from carriers to underwrite policies on behalf of the insurer.

MGU: Managing General Underwriter is an insurance industry intermediary or firm that has (limited) delegated authority from carriers to underwrite and administer insurance programs for the insurer(s). The terms MGU and MGA are used interchangeably; though, historically, MGAs were more engaged in distribution, while MGUs are more involved in product manufacturing.

NCAs: National Competent Authorities refers to government agencies or bodies within a country responsible for regulating and overseeing specific industries or sectors to ensure compliance with laws and regulations.

PE: Private Equity Investors are entities that invest capital in privately held companies. Private equity providers raise funds from various sources, such as institutional investors, high–net–worth individuals, and their own partners.

Placing Broker: A specialized type of insurance broker that typically connect retail brokers with clients in need of specialized coverage with surplus line insurance providers.

Service Providers: An entity that offers various support services to insurance brokers and agents (e.g policy administration, technological support and customer services and are ‘often’ also distributors of insurance products connecting individual brokers with insurers).

Surplus Line Insurance Providers: Coverage for risks that are typically considered too complex, specialized, or high–risk for standard admitted insurance carriers to underwrite.

Syndicates: A pool of insurance companies who join forces to provide coverage that may be of such total value or high hazard that it can be covered more safely on a cooperative basis. Syndicates are often associated with the Lloyd’s of London insurance market, although similar syndicate structures can exist in other insurance markets as well.

Tied–agents: tied agents are entities who exclusively represent and sell insurance or financial products from a single insurance company or financial institution.

Wholesale Broker: wholesale brokers are distributors of an assortment of insurance products connecting individual brokers with insurers.

MARSHBERRY

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