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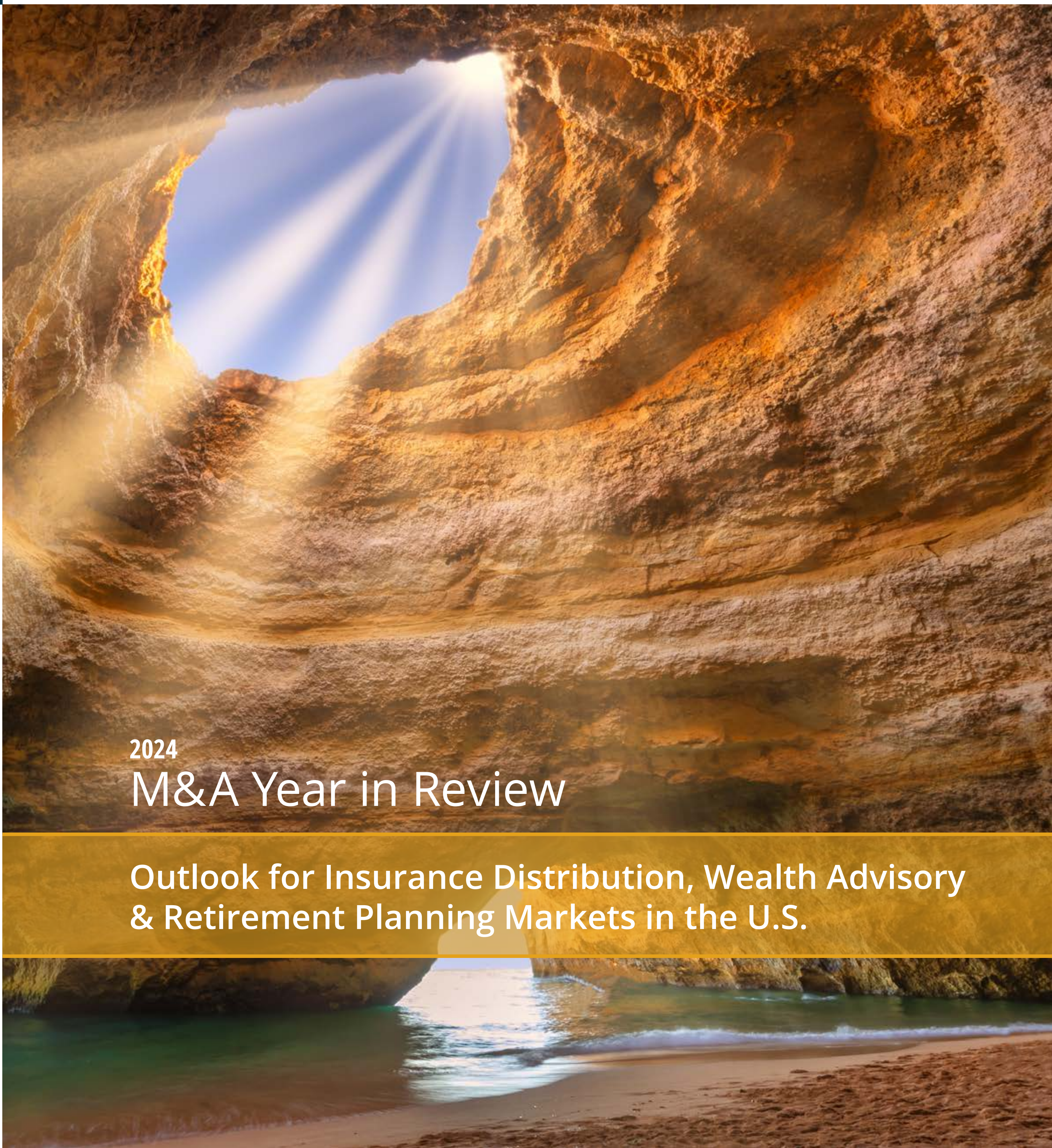

2024

M&A Year in Review

Outlook for Insurance Distribution, Wealth Advisory & Retirement Planning Markets in the U.S.

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Acknowledgments & Contributors

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Special thanks to *Leader's Edge Magazine* for their distribution support.

Mergers & Acquisitions

2024 Insurance Brokerage M&A Activity Highlights

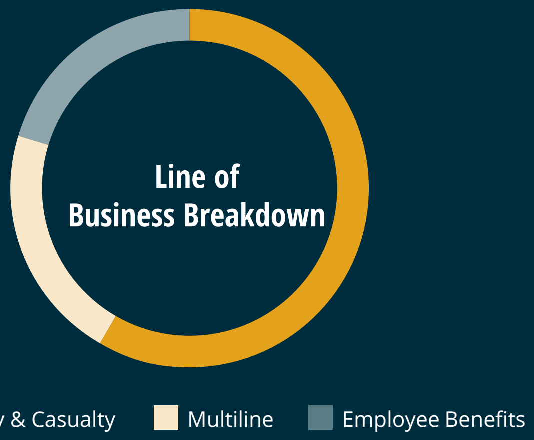
847
TOTAL DEAL COUNT

43.4%
OF TRANSACTIONS FROM TOP 10 BUYERS

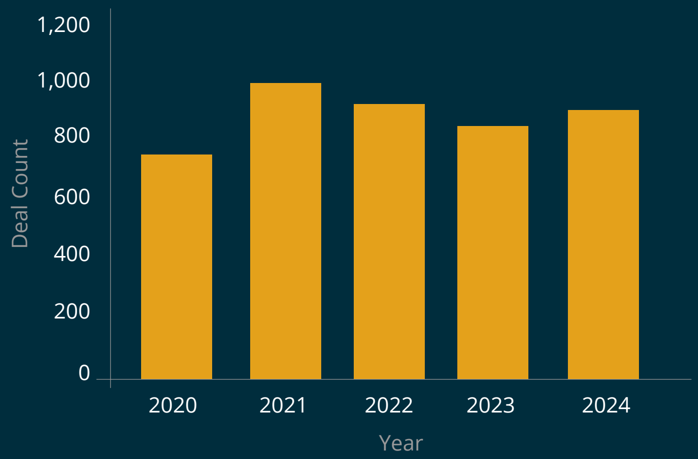
70.0%
OF TRANSACTIONS FROM PRIVATE CAPITAL–BACKED FIRMS

Third
MOST ACTIVE M&A YEAR ON RECORD

$64 Billion
HIGH YIELD DEBT RAISED BY PRIVATE EQUITY–BACKED BUYERS



Total Deal Activity



120
SPECIALTY DISTRIBUTION TRANSACTIONS IN 2024

Most Active Buyers — 2024:

593
PRIVATE CAPITAL BACKED

163
INDEPENDENT FIRMS

91
PUBLIC BROKERAGES, CARRIERS, BANKS & OTHERS

Source: S&P Global Market Intelligence, Insurance Journal, and other publicly available sources. As of December 31, 2024. All transactions are announced deals involving public companies, Private Capital backed brokers, private companies, banks as well as others including Private Capital groups, underwriters, specialty lenders, etc. All targets are U.S. only. This data displays a snapshot at a particular point in time and has not necessarily been updated to reflect subsequent changes in prior years, if any. MarshBerry estimates that historically, a low percentage of transactions were publicly announced, but we believe that this has risen to over 50% today.

INSURANCE BROKERAGE M&A OVERVIEW

The Insurance Brokerage Industry Roars Back In 2024

The insurance brokerage industry in 2024 will mostly be remembered for one thing — some very big deals. The theme of large strategic brokers buying other large strategic brokers was seen with deals like Arthur J. Gallagher & Co's $13.45 billion acquisition of AssuredPartners, Aon's $13 billion acquisition of NFP Corp., and Marsh McLennan's $7.75 billion deal to buy McGriff Insurance Services.

These large deals have the potential to create speculation on the impact to the broader market. It is expected that there will be more volatility in the marketplace than what the market is used to. The last 10–15 years has been a steady state for the insurance industry, but with the new administration and an expectation of more large broker consolidations coming, there may be a trend towards more ups and downs than the market is used to. As we sit back and watch it all unfold, it is important to remember that each firm has its own unique strategy for growth and model for integration. As a result, every deal impacts the broader market differently. **MarshBerry does not believe there will be a slowdown of activity because of the consolidation of buyers and believes 2025 could eclipse 2024 activity levels.** Even with a few less large acquirers in the game, buyer demand is still very strong and outpaces seller supply by two to three times.

With this outlook of continued strong deal activity, it is likely that 2025 will be defined by uncertainty and volatility. The landscape *is* changing. To remain competitive, smaller, independent firms must focus more on value-added services, industry specialization, and data intelligence to help the end client. Whether these firms decide to build these capabilities on their own or partner with (sell to) another firm — will determine the seller supply throughout 2025 and the years to come.

A solid year for M&A activity and the insurance industry

As a footnote to these big deals, overall merger & acquisition (M&A) volume in 2024 came back strong and ended with the third highest deal count on record with 847 announced transactions in the U.S. — up 5% over 2023. It was a solid year, which initially looked to have a chance to challenge the 2021 M&A deal count record. With strong economic tailwinds, large headline-making deals, and a presidential election creating some capital gains tax worries — dealmaking roared into the fourth quarter with high expectations. However, once Donald Trump was re–elected president, those tax fears quickly dissipated and many deals were put on hold to delay their timing on paying taxes and closed in 2025 instead. At the time of publishing this report, deal counts in 2025 are currently up 25% over 2024, with an expectation of a strong trajectory throughout the year.

For the insurance industry overall, financial performance improved markedly in 2024. The U.S. property and casualty (P&C) sector recorded underwriting profits of $4.1B (through Q3) — up significantly from the $32.1B loss reported for the same period in 2023. Insurance companies' surplus (the difference between assets and liabilities) stood at $1.1T through the first three quarters of 2024, further highlighting the industry's financial strength.

2024 Year In Review

MarshBerry's reflective 2024 M&A Year in Review provides you with comprehensive industry and proprietary data, in–depth analysis, and market insights on an extraordinary year — and an outlook on the future of insurance distribution. Enjoy!

We would be delighted to discuss if our reach, experience, and analysis can assist you in achieving your goals.

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The Macroeconomic Environment

THE MACROECONOMIC ENVIRONMENT

2024's Economic Environment Trends Better Than Forecasted

Heading into 2024, forecasters anticipated that real gross domestic product (GDP) growth and inflation would slow as unemployment would rise. The Federal Reserve Bank of Philadelphia's (Philadelphia Fed) "Fourth Quarter 2023 Survey of Professional Forecasters" from November 2023 reported the median expectations for real GDP of 1.7%, headline Consumer Price Index (CPI) of 2.5%, and unemployment of 4.1%.

In the end, it appears that some of these forecasts did not end up far from reality, with CPI registering below 2.5% in September before starting to drift up and unemployment alternating between 4.1% and 4.2% between August and November.[1]

> **GDP appears to be on track to exceed these expectations for the year. GDP rose at annualized rates of 1.6%, 3.0%, and 3.1% in the first three quarters of 2024.[2]**

The primary contributor to growth for these quarters was household consumption spending on services. Business investment and government spending also supported GDP gains in all three quarters. Consumer spending on goods, and a change in private inventories, varied through the three quarters but had a net positive impact on GDP. Changes in residential investment varied through the three quarters and had mixed results on overall GDP. A decrease in net exports offset further advances.

Supported GDP Gains

- Household consumption spending on services
- Government spending
- Business investment

Varied GDP Gains

- Consumer spending on goods
- Private inventories

Varied GDP Mixed

- Residential investment

Offset GDP Advances

- Net exports

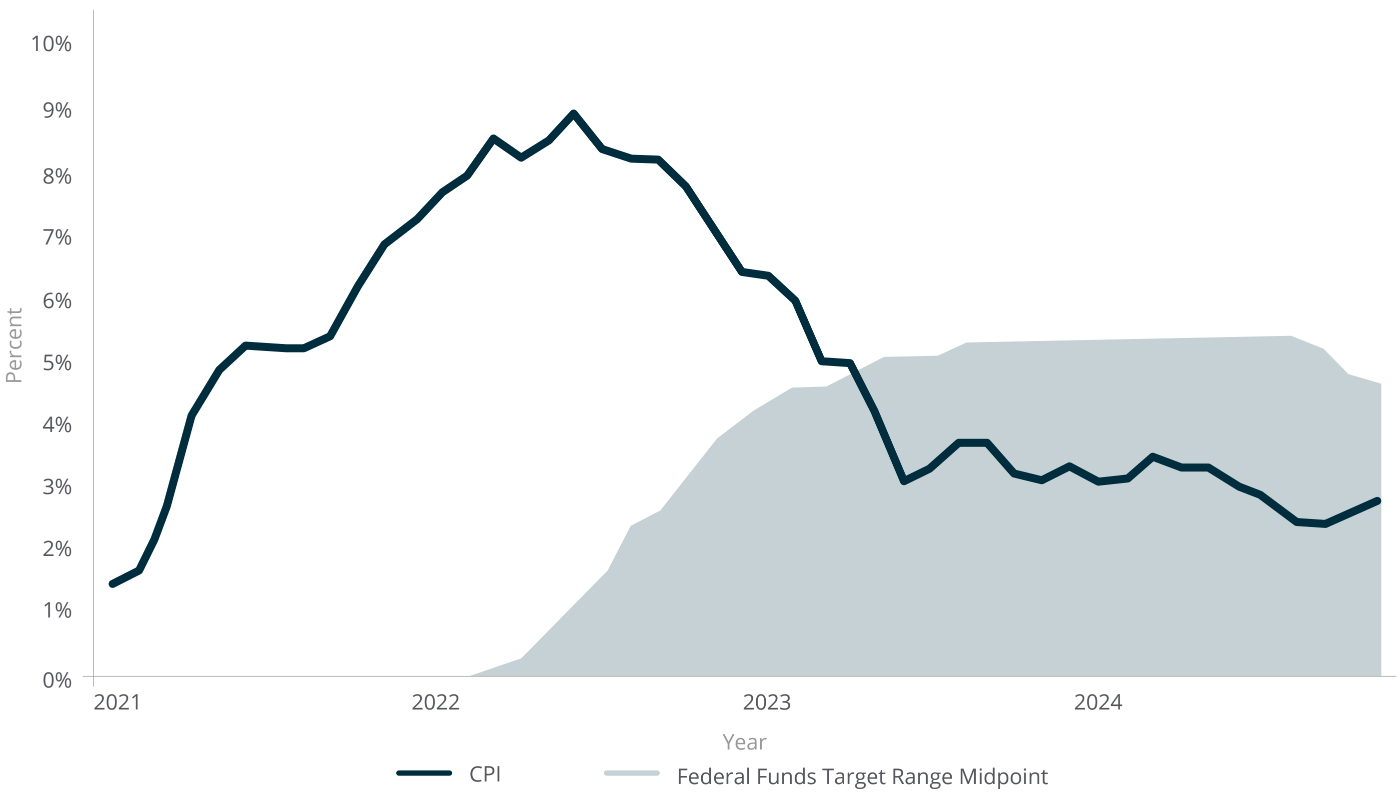
[1]https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/survey-of-professional-forecasters. [2]https://www.bea.gov/news/2024/gross-domestic-product-third-quarter-2024-second-estimate-and-corporate-profits.

The Fed inflation battle ends in 2024

Inflation registered at 3.1% in January, above the Federal Reserve's (Fed) long–term goal of 2%, but an improvement from January 2023's level of 6.4%. Since June 2023, sharp declines in inflation have ceased, and improvements have become more incremental. Through the first 11 months of the year, in seven of those months, inflation fell from the previous month. However, inflation continues to linger at levels above the Fed's long–term goal.

To combat inflation, the Fed raised its federal funds target range seven times in 2022, including two hikes of a half point and four of three-quarters point. The Fed also raised it four times in 2023. Between July 2023 and September 2024, the federal funds target range remained unchanged. In September, the Fed cut its target range by half a percentage point and in November and December the target was cut by an additional quarter point. The Fed's projection materials released in December indicate that it expects to lower the federal funds rate to a median of 3.9% by the end of 2025, which indicates further cuts are anticipated over the course of the year.[3]

Inflation and the Federal Funds Rate



Sources: Consumer Price Index (CPI) from the U.S. Bureau of Labor Statistics, Federal Funds Target Range from the Board of Governors of the Federal Reserve System (U.S.), retrieved from FRED, Federal Reserve Bank of St. Louis. Accessed 12/11/24.

[3]https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20240918.pdf.

The labor market begins to weaken

In a simplified view of the economy, the interest rate hikes throughout 2023 theoretically should have been a headwind to business investment and growth, resulting in fewer job openings and higher unemployment. Yet, through 2023, unemployment remained low. However, by February 2024, the unemployment rate did begin to rise, and in May it reached 4.0% for the first time since January 2022. While the Fed maintained that labor market conditions remained solid throughout the year, it did deem the economic outlook was uncertain enough to warrant three interest rate cuts bringing the federal funds rate down by 1%.

Additionally, while job openings did decline throughout the year, they continued to register at or above pre–pandemic levels. It is commonly accepted that the economy's reactions lag monetary policy changes, so both inflation and unemployment could certainly continue to change because of the Fed's actions over the past two years.

Labor Market — Job Openings vs. Unemployment Rate

Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis. Accessed 12/11/24.

Equity markets continue growth

Equity markets experienced strong growth in 2024, as evidenced by major indices ending the year in positive territory. The four major U.S. indices — S&P 500, Dow Jones Industrial Average, Nasdaq Composite, and Russell 2000 — rose 23.3%, 12.9%, 28.6%, and 10.0%, respectively. This was the second year of gains following declines in 2022.

Over the course of the year, the S&P 500, Dow Jones, and Nasdaq each hit multiple all–time closing highs. The performance of tech stocks, especially those dubbed the “Magnificent Seven,” was a significant driver of overall results for the S&P 500 and Nasdaq Composites. All four of these indices experienced noticeable rallies following the 2024 presidential election. Other major drivers of market performance this year include the strength of the U.S. economy, the possibility of future interest rate cuts, and investor excitement around artificial intelligence (AI).

The four major U.S. indices rose

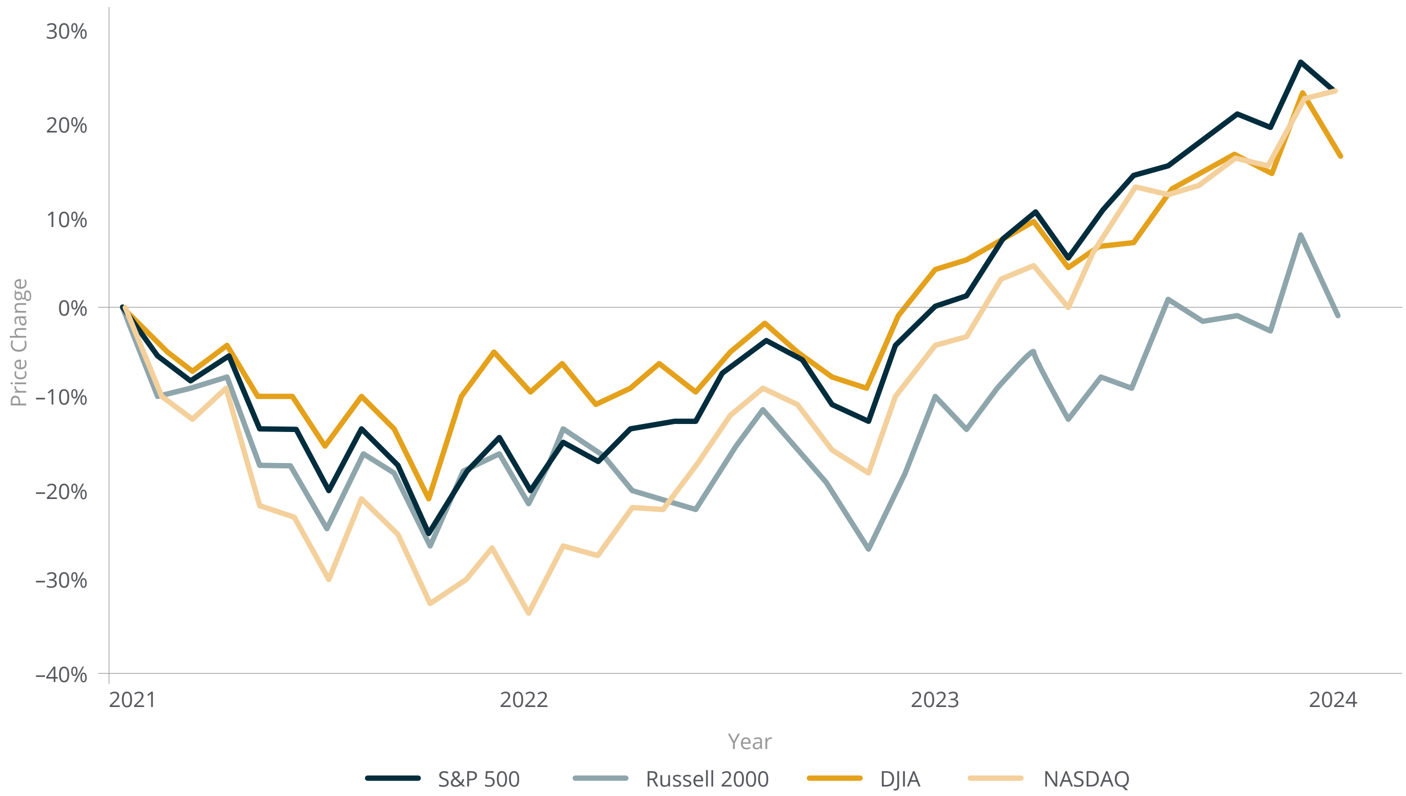
↑23.3% **S&P 500**

↑28.6% **Nasdaq Composite**

↑12.9% **Dow Jones Industrial Average**

↑10.0% **Russell 2000**

Major U.S. Stock Indices



Source: S&P Capital IQ. Accessed 1/3/25. Chart displays month-end data.

Organic growth begins to fall — but still strong compared to historic averages

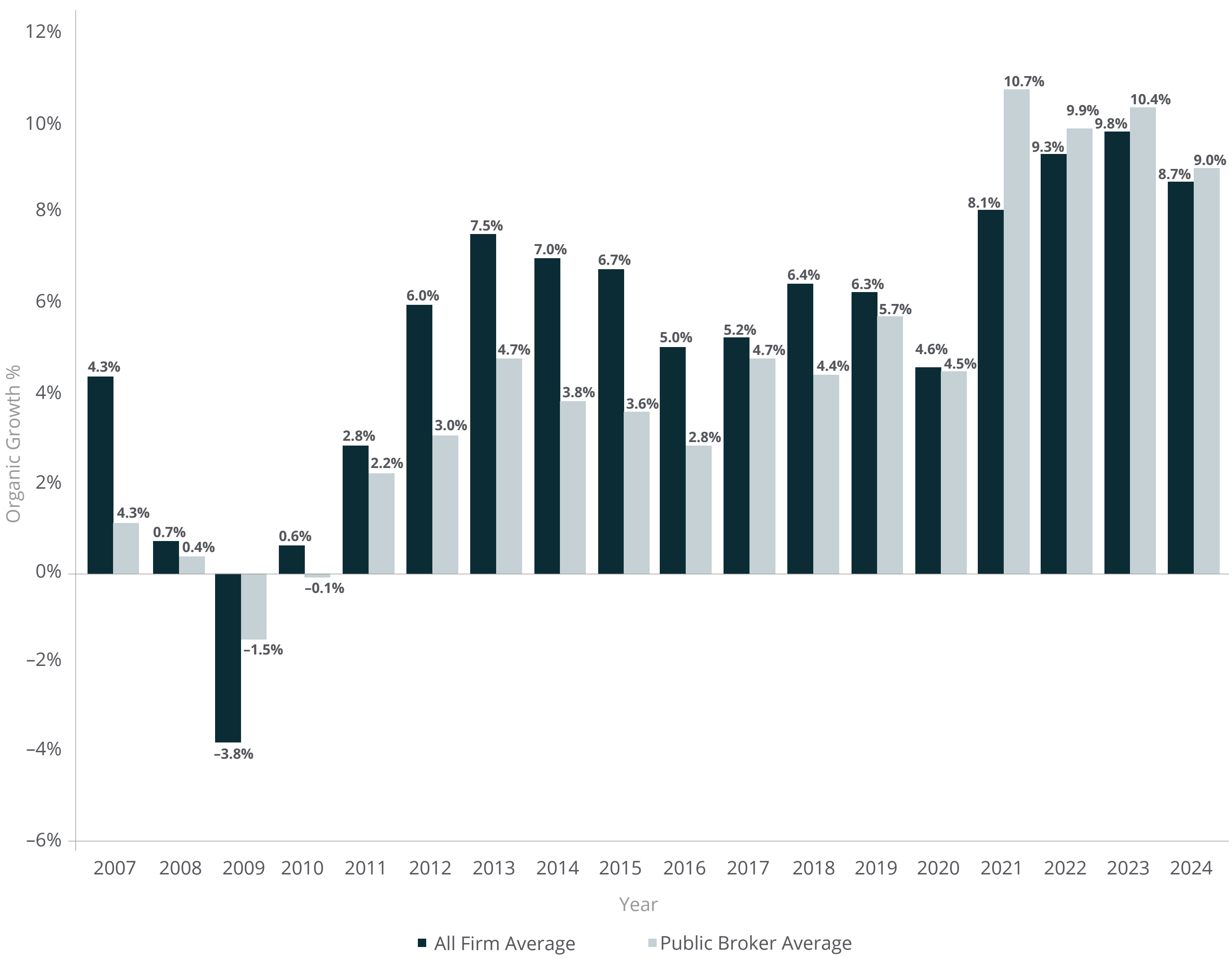
2024 was another year of strong growth for the insurance industry. However, while total written P&C premium rose to a new high — organic growth rates for both public and independent brokers saw a decline from 2022 and 2023 levels. In 2024, public brokers averaged 9.0% organic growth (down from 10.4% in 2023), while all agencies averaged 8.7% (down from 9.8% in 2023).

Organic growth often tracks with movements in GDP growth. While still considered a hard market environment, 2024 showed some signs of rate stabilization, with commercial P&C premium rising slightly in Q4 2024 by an average of 5.4% across all lines of business — up from 5.1% and 5.2% in Q2 and Q3 respectively, but down from 7.7% in Q1.[4] Inflation and an increase in demand for some lines of coverage have expanded the total insurable value of the U.S. economy even as economic growth has settled between 2.5% to 3% for the past few years.

[4] https://www.ciab.com/download/46129/?tmstv=1731962059.

In 2024, public brokers averaged 9.0% organic growth (down from 10.4% in 2023), while all agencies averaged 8.7% (down from 9.8% in 2023).

Organic Growth Rates



Sources: MarshBerry proprietary financial management system Perspectives for High Performance (PHP) and S&P Global Market Intelligence. "Average" is the average of all U.S. agencies in the PHP database. Public broker data is from quarterly or annual public filings (10-Q or 10-K) or earnings releases published by each broker. Public brokers are Aon plc, Arthur J. Gallagher & Co., Brown & Brown, Inc., The Baldwin Group, Inc., Marsh & McLennan Companies, Inc., and Willis Towers Watson Public Limited Company. 2024 represents last twelve months 9/30/24.

Commercial P&C premium across all lines of business in 2024

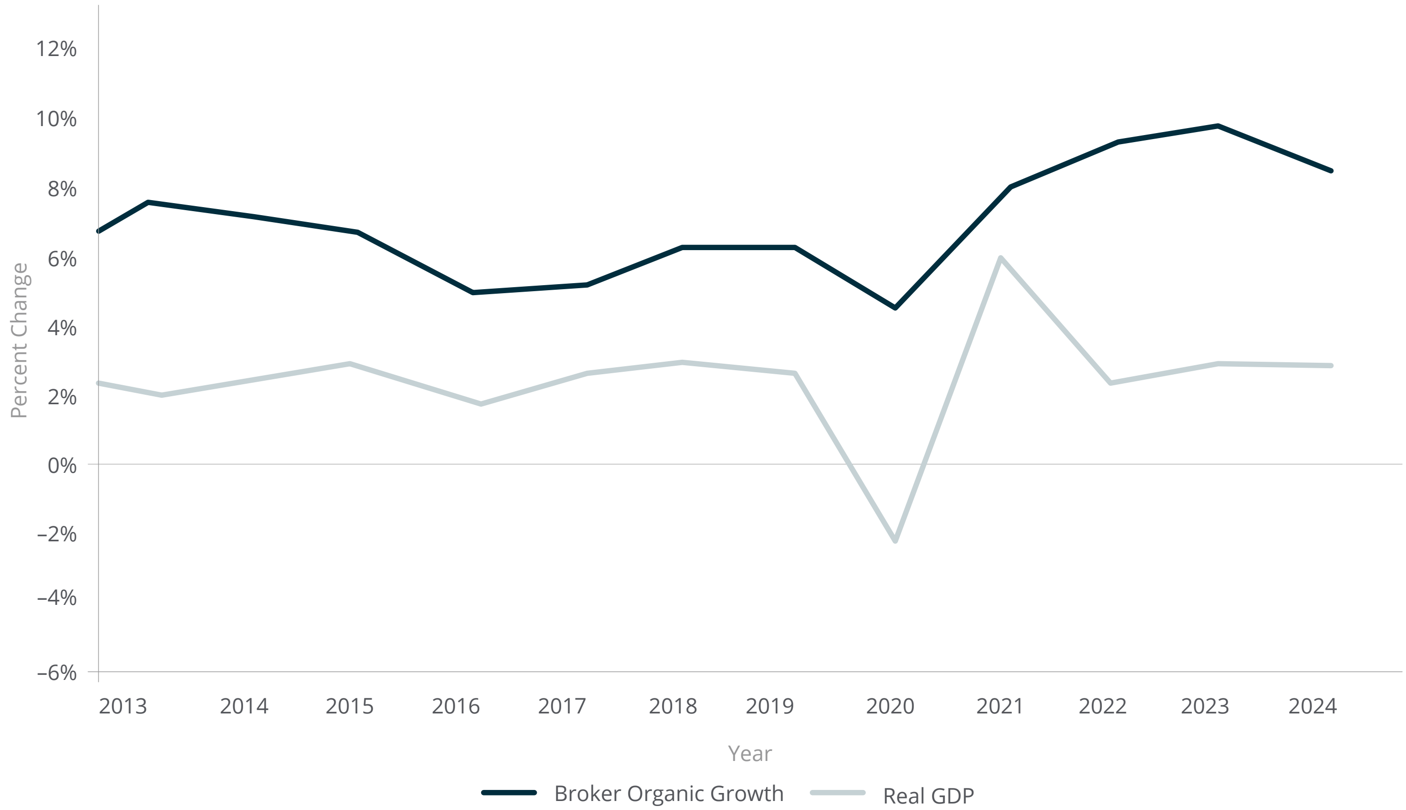
7.7%
in Q1

5.1%
in Q2

5.2%
in Q3

5.4%
in Q4

Industry Average TC&F Organic Growth vs. GDP



Sources: Average broker organic growth from MarshBerry proprietary financial management system Perspectives for High Performance (PHP); GDP from U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis. Accessed 12/16/24. 2024 represents last twelve months 9/30/24 growth from last twelve months 9/30/23. TC&F: Total Commissions & Fees.

Underwriting profits begin to rebound in 2024

The industry is beginning to adjust to the increasing regularity of extreme weather events.

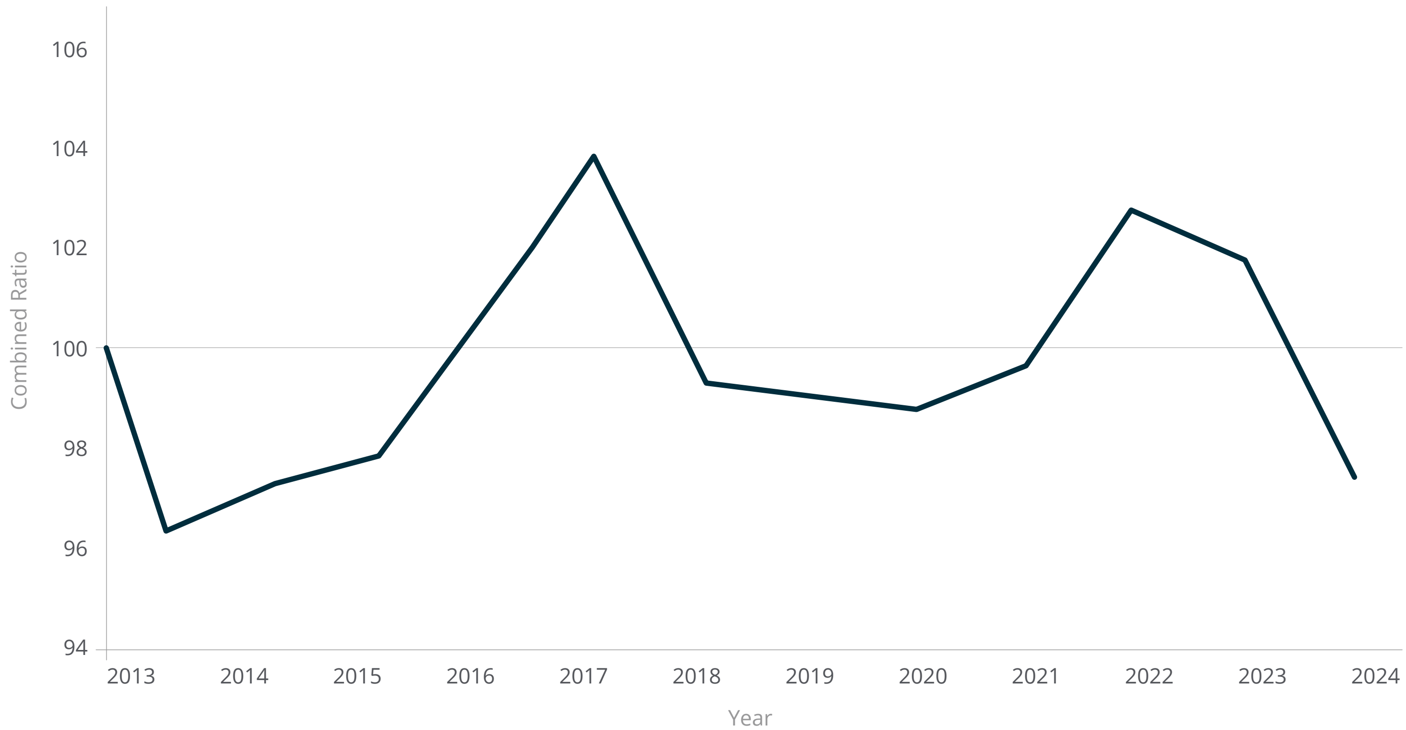
In the previous few years, the P&C combined ratio registered over 100, indicating underwriting losses for the year. These losses were driven primarily by weakness in personal lines, with commercial lines as an aggregate registering combined ratios below 100 in 2022 and 2023. Catastrophe losses had driven much of the unprofitability in those years. Combined ratios under 100 indicate underwriting gains, while ratios over 100 indicate losses.

Through the first three quarters of 2024, the P&C combined ratio registered well below 100, with preliminary results indicating a ratio of 97.5. However, with hurricanes Helene and Milton making landfall in the U.S. on September 26 and October 9, it is yet to be seen how losses from these events will impact the combined ratio. In general, it does seem as if the industry is beginning to adjust to the increasing regularity of extreme weather events, as evidenced by the significant rise in the size of the excess and surplus (E&S) lines market. MarshBerry estimates the E&S market generated ~$210 billion in premium in 2024, which comprises nearly one in every five dollars of premium placed in the U.S. P&C market. This is up from a 10% market share a decade ago. As a result, the negative impacts of these catastrophes may be minimized, but underwriting profitability for the year will certainly be weaker than it had looked prior to these events.

Q1–Q3 of 2024, the P&C combined ratio registered well below 100, with preliminary results of

97.5

P&C Combined Ratio



Source: S&P Global Market Intelligence. Accessed 12/16/24. 2024 represents last twelve months 9/30/24.

Deteriorating underwriting profitability can have mixed effects on the insurance brokerage space. An unprofitable year means less profit–sharing paid to brokers. On the other hand, carriers often increase premiums to account for an increase in losses, which means higher commission income for brokers. However, increased premiums also could prompt insureds to seek coverage elsewhere or even drop coverage entirely, resulting in lost business for brokers. MarshBerry's data indicate that, in general, brokers have benefitted overall from rising premiums, with organic growth rates in recent years registering near record highs despite low levels of sales velocity.

According to data from the Council of Insurance Agents & Brokers' (CIAB) Market Index Surveys, **the strongest commercial lines rate increases in the first three quarters of 2024 were in commercial auto, commercial property, and umbrella coverage.** Drivers cited for the increases in these lines included reduced carrier capacity and reduced limits, repair costs, nuclear verdicts, and increased claims.

2025 economic outlook

Consumers are feeling positive about inflation and the labor market.

Forecasters were more optimistic about 2025 than they had been going into 2024.

Most forecasters expect GDP growth to slow slightly from 2024:

- Remain at healthy levels overall
- Consensus being in the range slightly above 2%

The Philadelphia Fed's "Fourth Quarter 2024 Survey of Professional Forecasters" from November 2024 shows a median forecast of 2.2% real GDP growth in 2025, a slowdown from growth in 2024, but still a more optimistic projection than the 1.7% forecast for 2024.

Recession fears have diminished, inflation is trending back toward 2%, and the labor market has rebalanced but remains strong. Both consumer and business confidence have improved at the end of the year, with indices including the University of Michigan Index of Consumer Sentiment, The Conference Board's Consumer Confidence Index, and the NFIB Small Business Optimism Index all seeing sharp increases in the final few months. **Generally, it seems that consumers are feeling positive about inflation and the labor market while businesses are optimistic about the introduction of beneficial tax and regulatory policies, as well as relief from inflation.**

While the Fed has begun cutting interest rates, with plans for additional cuts in 2025, due to the economic outlook being uncertain, there does seem to be less uncertainty among forecasters than there was last year. The Philadelphia Fed's fourth quarter survey reported a median risk of a negative quarter ranging from 15.0% to 23.3% for each quarter of 2025, compared to a range of 34.7% to 40.9% for each quarter of 2024, indicating that fears of recession have receded back towards a normal range. Over the previous ten years, the fourth quarter's outlook for the following year on average has been in a range from 17.9% to 23.9%.

Insurance Brokerage Buyers, Sellers & Transaction Review

INSURANCE BROKERAGE BUYERS, SELLERS & TRANSACTIONS REVIEW

By The Numbers: The 2024 Insurance Brokerage M&A Market

In 2024, there were 847 insurance brokerage transactions in the U.S. This deal count represents a 5.0% increase from 2023 and the third most active year on record.

Private capital–backed buyers were again the most active group involved M&A transactions accounting for 70% of deals. Other groups such as independent firms, public brokers, carriers, and banks rounded out the remaining 30%.

P&C brokers as acquisition targets accounted for 59% of deals in 2024, with employee benefits (EB) & consulting brokers taking 20%, and multiline brokers with 21% of the market.

5.0%

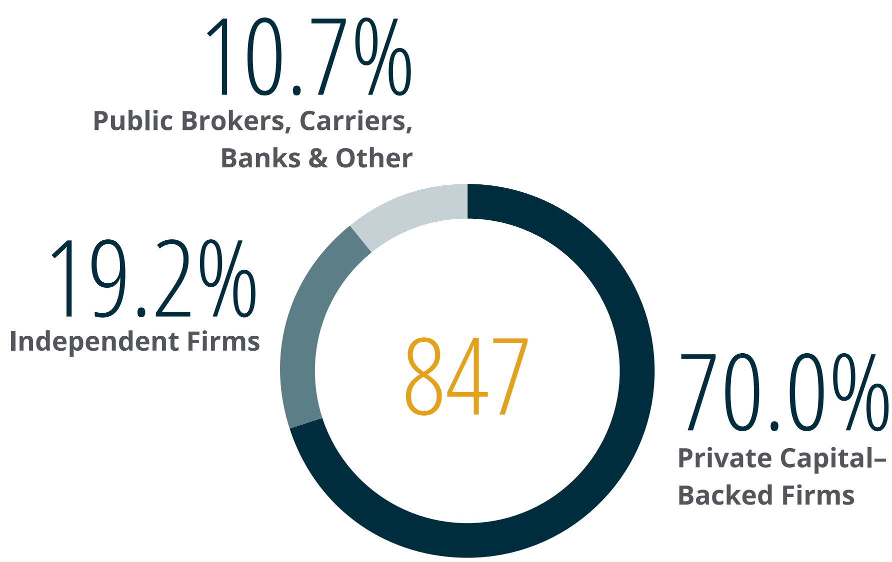
Year-Over-Year (YoY) in Announced Transactions

3rd

Most Active Year on Record for Insurance Brokerage Transactions in the U.S. in 2024

M&A Transaction Review

Who's Buying? Insurance Brokerage Announced Transactions



59%

P&C brokers as acquisition targets

20%

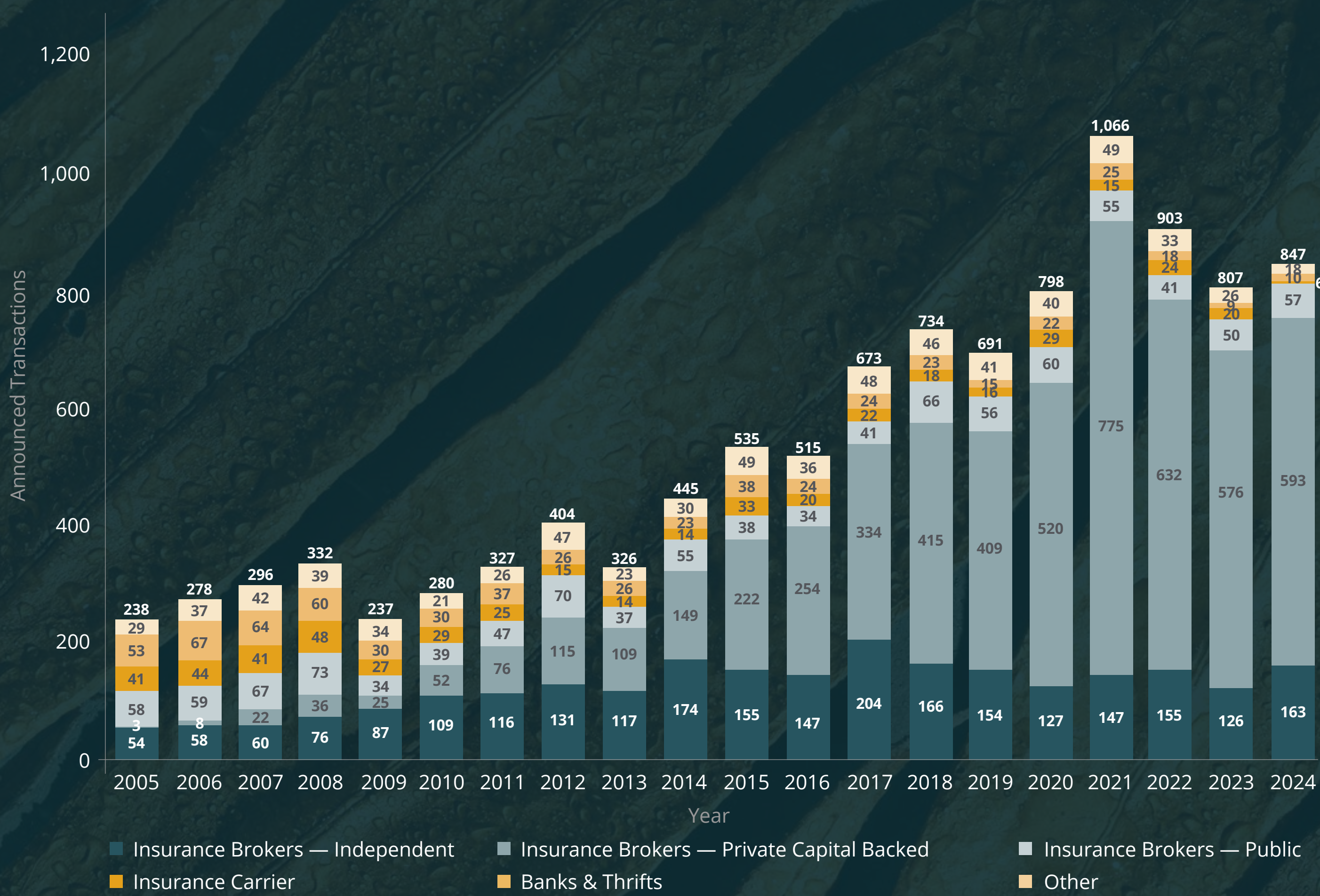
EB & Consulting brokers as acquisition targets

21%

Multiline brokers as acquisition targets

WHO'S BUYING?

Announced U.S. Transactions By Buyer Type

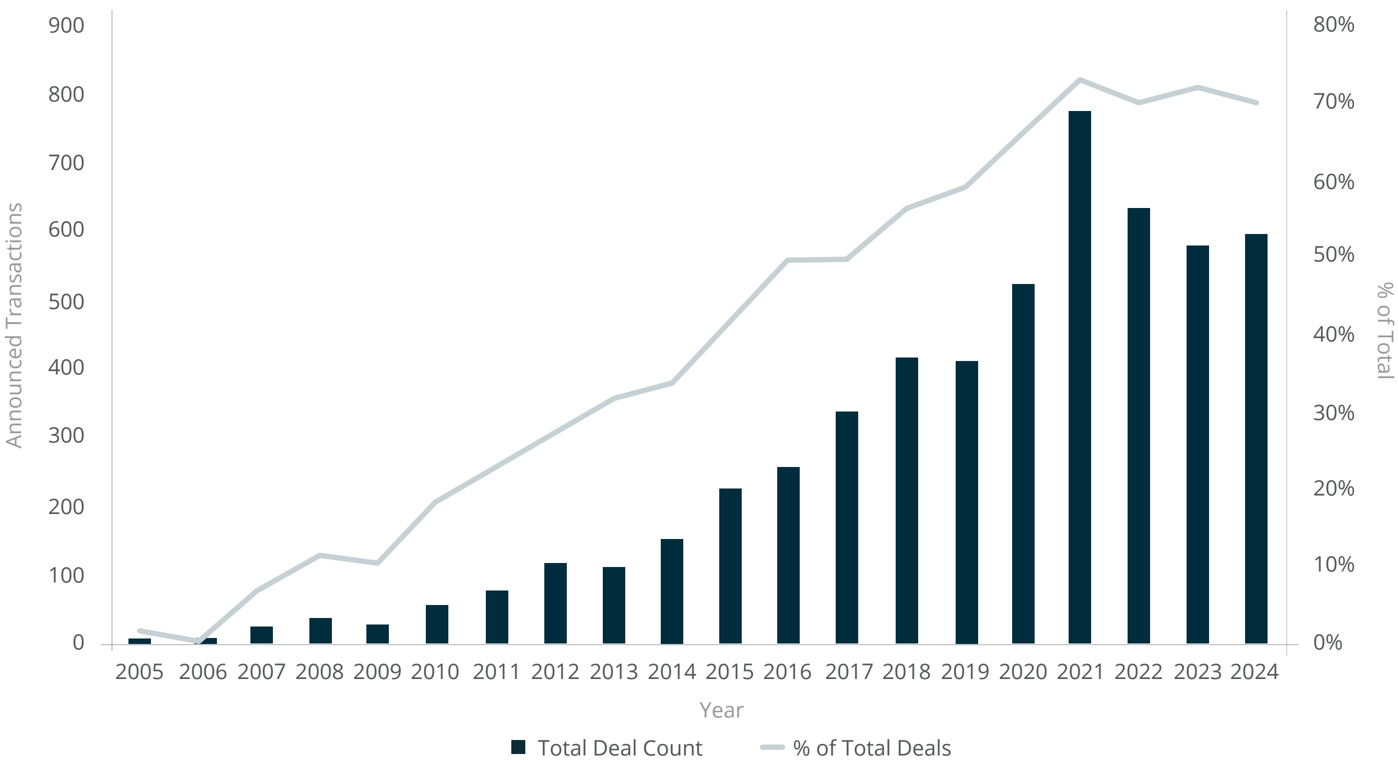


Sources: S&P Global Market Intelligence, company press releases, and MarshBerry Proprietary Database. Data as of 12/31/24.

Private capital–backed buyers continue to be most active acquirers

In 2024, private capital–backed buyers accounted for 593 of the 847 transactions (70%), continuing a multi–year trend of dominating the insurance distribution M&A market. Total number of deals by these buyers increased by a compound annual growth rate (CAGR) of 6.1% from 2018 to 2024. Private capital remains interested in insurance distribution because of the industry's continuous, strong resiliency through all market conditions and their strong financial results. 2024 saw a large volume of high yield debt raised by private equity (PE)–backed buyers — estimated to be near $64 billion.

Announced U.S. Transactions: Private Equity–Backed Buyers



Sources: S&P Global Market Intelligence and MarshBerry Proprietary Database. Data as of 12/31/24.

Private capital–backed buyers included 47 unique insurance brokerages, plus 12 "other" types of capital-backed buyers, such as investment firms and private capital–backed companies in other industries. Compared to 2023, which saw 52 unique brokerages and 16 "other" capital–backed buyers, 2024 saw a slight decrease in these buyers, but still a relatively small concentration compared to total number of transactions.

Given the current pause in interest rate hikes and potential interest rate cuts later in 2025, it will be interesting to see if private capital–backed acquirers will continue their pace of acquisition in insurance. One private capital–backed firm, Trucordia, slowed the pace of their M&A activity in 2023, but continued its growth strategy, including securing $400 million in incremental debt financing in the first half of 2024.[1]

[1] https://www.prnewswire.com/news-releases/pcf-insurance-services-secures-400-million-in-incremental-financing-as-part-of-new-delayed-draw-term-loan-302126008.html.

Most active buyers in 2024

The top three most active U.S. buyers in 2024 were once again BroadStreet Partners, Inc. (76 deals), Inszone Insurance Services, Inc. (60 deals), and Hub International Limited (48 deals) for the second year in a row. This also marks Inszone's second year as a top three acquirer and Hub's third consecutive year as a top three acquirer. Their combined transactions (184) account for 21.7% of the 847 total transactions, while the top ten most active buyers completed 368 of the 847 transactions in 2024 (43.4% of the total).

While private capital–backed buyers continued to have the largest presence in 2024, there was a shift in buyer concentration, with more activity coming from the top. Here are some of the more notable trends:

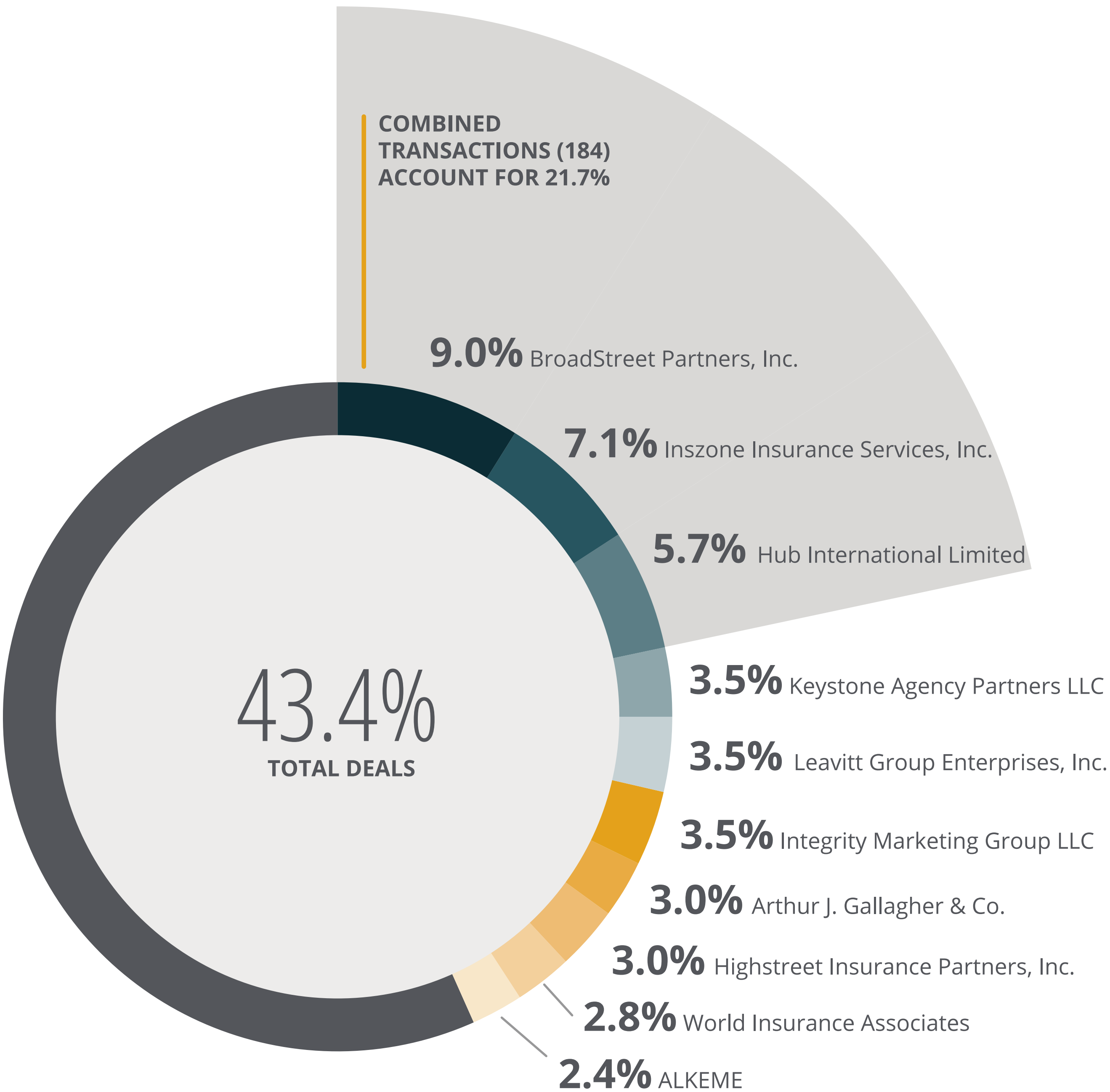
- If BroadStreet, the most active buyer in 2024 with 76 transactions, had only maintained their 2023 level of buying activity (in which they led buyers with 47 deals), they would have only placed as the fourth most active buyer in 2024.
- There were 21 private capital–backed buyers in 2024 that completed ten or more transactions — matching the number of buyers in 2023 with ten or more deals.
- Of the 47 unique private capital–backed insurance brokerage buyers in 2024, 31 of them increased their activity from 2023, 15 decreased their activity, and one firm (Alera Group) maintained their activity.
- There were 153 unique buyers that announced completed transactions in 2024, a decrease from 169 in 2023, and 211 in 2022. However, the number of firms that completed two or more transactions in 2024 actually increased slightly to 73, compared to 68 buyers in 2023 and 2022.

Announced U.S. Transactions: Top 10 Most Active Buyers

Buyer		Buyer Type	2024
1	BroadStreet Partners, Inc.	Insurance Broker — Private Capital Backed	76
2	Inszone Insurance Services, Inc.	Insurance Broker — Private Capital Backed	60
3	Hub International Limited	Insurance Broker — Private Capital Backed	48
4	Keystone Agency Partners	Insurance Broker — Private Capital Backed	30
5	Leavitt Group Enterprises	Insurance Broker — Private Capital Backed	30
6	Integrity Marketing Group	Insurance Broker — Private Capital Backed	30
7	Arthur J. Gallagher & Co.	Insurance Broker — Public	25
8	Highstreet Insurance Partners, Inc.	Insurance Broker — Private Capital Backed	25
9	World Insurance Associates	Insurance Broker — Private Capital Backed	24
10	ALKEME	Insurance Broker — Private Capital Backed	20
		Subtotal:	**368**
		Total Deals:	**847**

Sources: S&P Global Market Intelligence, company press releases, and MarshBerry Proprietary Database. Data as of 12/31/24.

Top 10 Most Active Buyers



Sources: S&P Global Market Intelligence, company press releases, and MarshBerry Proprietary Database. Data as of 12/31/24.

Independent firms record a strong year

Independent firms accounted for 163 (or 19.2%) of the total deal count in 2024, an increase from their 15.6% market share in 2023. There were 69 different independent firms without known private capital backing that announced transactions in 2024, which is a slight decrease from 2023, when 70 independent firms transactions. It's also worth noting that ten of the 69 total independent acquirers accounted for 80 announced transactions — just below half (49.1%) of the total buying activity for this segment.

In a year of "big deals" it should be noted that top independent buyer, Leavitt Group Enterprises (Leavitt), and number three ranked independent buyer, The Woodlands Financial Group, both underwent ownership changes during 2024 that removed them from the independent buyer segment going forward.

Leavitt recently took a $240 million minority stake equity investment from PE firm Capital Z. Leavitt has been a top buyer the past few years, having made 54 acquisitions over the past two years. This investment from Capital Z should accelerate Leavitt's activity as a buyer.

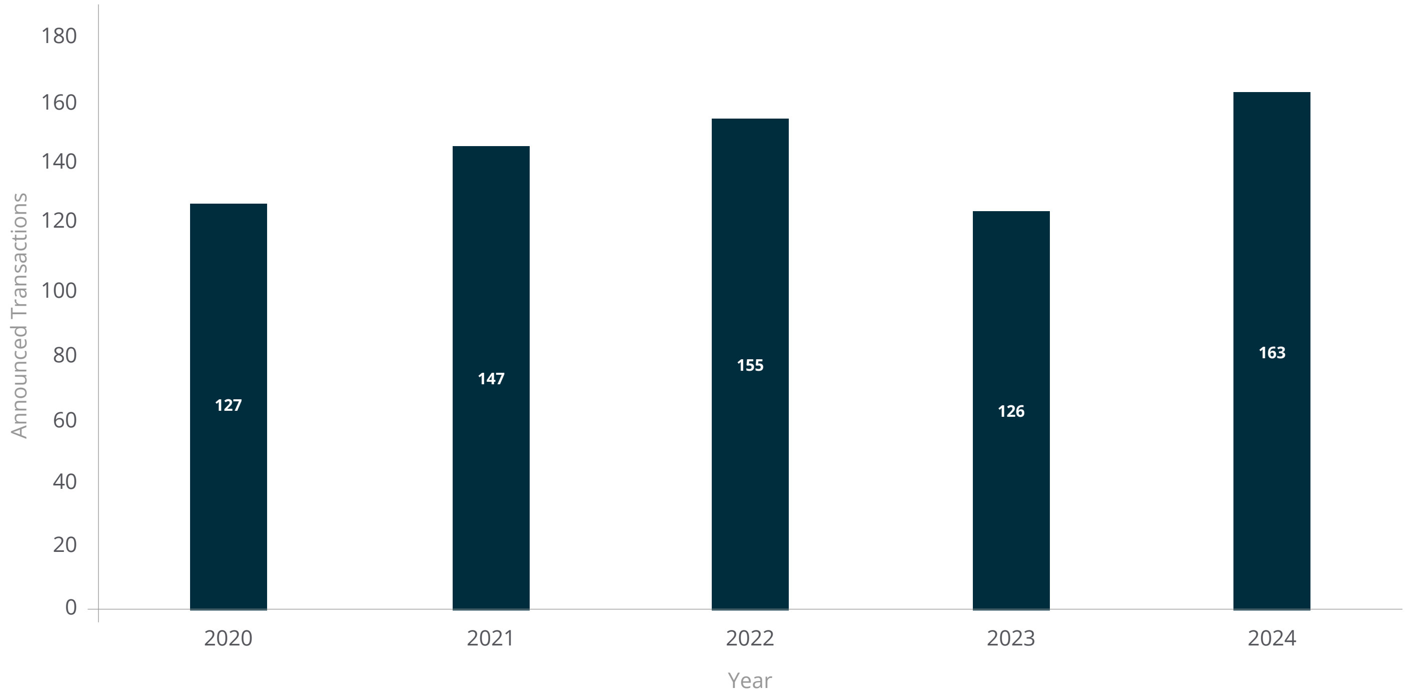
The Woodlands Financial Group underwent an IPO in July 2024 and is now a public broker operating under the Nasdaq ticker symbol "TWFG." With two of the top four buyers leaving the segment, it is expected that independent firms' market share will decrease in 2025.

Announced U.S. Transactions: Top Independent Buyers

Buyer	2023	2024
Leavitt Group Enterprises*	24	30
Union Bay Risk Advisors	4	7
The Woodlands Financial Group*	2	7
TrueNorth Companies	0	7
Kaplansky Insurance Agency	5	6
The Liberty Company Insurance Brokers	6	5
LTC Global Solutions	1	5
Ori-gen Agency Insurance	0	5
PointeNorth Insurance Group	1	4
Wheeler & Taylor Insurance	0	4
Subtotal:	**43**	**80**
Total Deals:	**126**	**163**

Sources: S&P Global Market Intelligence, company press releases, and MarshBerry Proprietary Database. Data as of 12/31/24. *Transaction counts listed above took place when these firms were independent.

Independent Insurance Brokers — Announced U.S. Transactions



Sources: S&P Global Market Intelligence, Fidelity, and MarshBerry Proprietary Database. Data as of 12/31/24.

Out of the 69 independent buyers in 2024, only 20.3% of them (14 firms) also completed a transaction in 2023. Compare this to the 78.7% of private capital–backed firms that made acquisitions in both 2024 and 2023.

20.3%

of independent buyers in 2024 also completed a transaction in 2023

78.7%

of private capital–backed firms that made acquisitions in both 2024 and 2023

This speaks to the lack of reoccurring independent buyers and how an "acquisitive" business model greatly favors those who have taken on private capital. In addition, MarshBerry believes there have been many hundreds of additional buyers in this segment during the last ten years, along with many more transactions for this segment that have not been reported, as it is common for local transactions to not be announced.

Banks continue to pull back from M&A

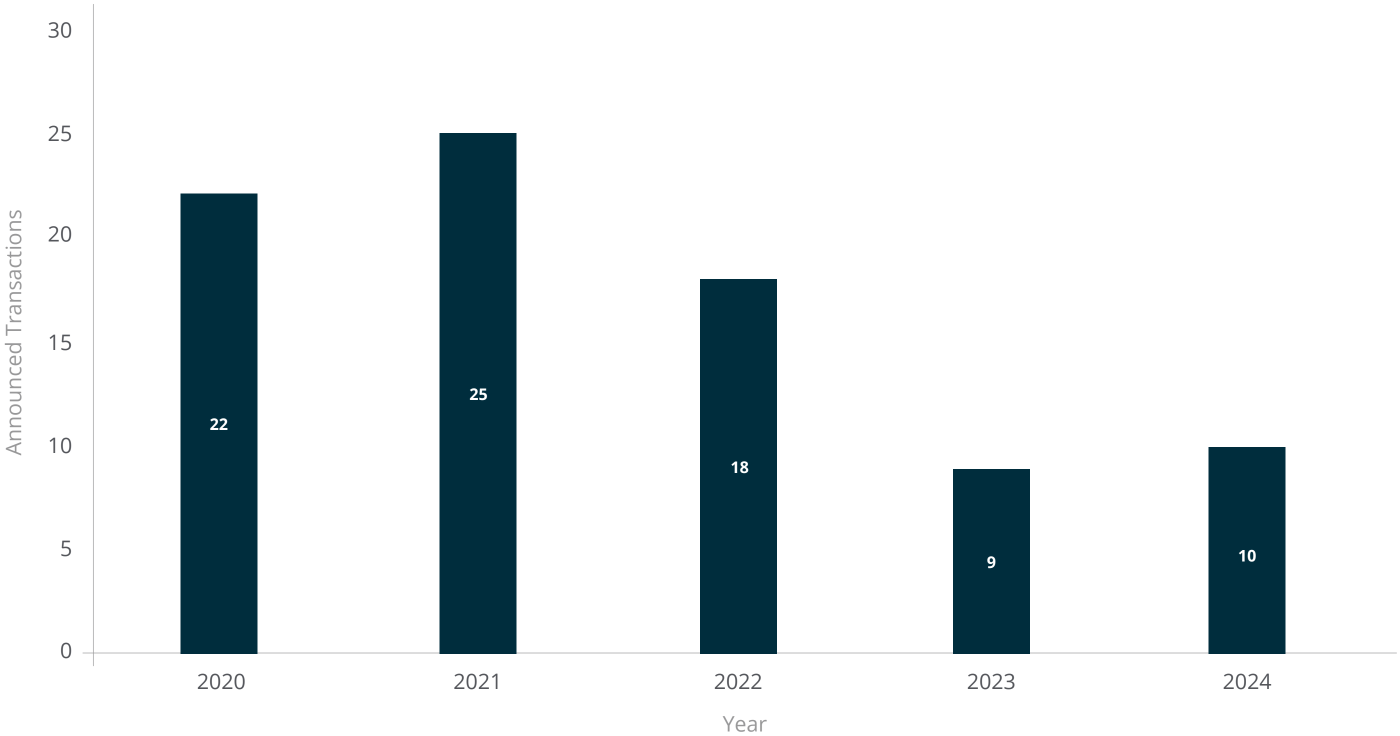
In 2024, bank–owned agency buyer activity remained steady with this group seeing only ten deals, compared to nine in 2023, a year that saw a sharp decrease compared to the 18 transactions in 2022. The declining deal volume is an ongoing trend, with the overall number of insurance brokerage acquisitions by banks steadily declining for the past 15 years. In 2007, these transactions represented approximately 21.7% of total announced insurance brokerage M&A transactions. By 2012, that percentage dropped to 6.4%, and in 2024 was only 1.1% of total deals.

In 2024 there were the same number of divestitures (10) of insurance brokerages by banks as acquisitions (10). 2024 also saw the largest insurance broker sale by a U.S. bank since 2017: the $7.60 billion sale of Truist Insurance Holdings LLC by Truist Financial Corporation.

This declining trend of banks as buyers is expected to continue, as banks struggle to compete with PE buyers for acquisitions, as well as balance sheet pressures in the aftermath of several bank collapses in early 2023.

With the increase of insurance brokerage values over the last decade, coupled with the recent pressures on banks' balance sheets from a more demanding regulatory environment and the Fed's tightening of credit — regional banks continue to assess the role insurance plays in their business. However, with the Fed's recent rate cuts in 2024, the first in nearly three years, banks may begin to feel less pressure to increase balance sheet capital.

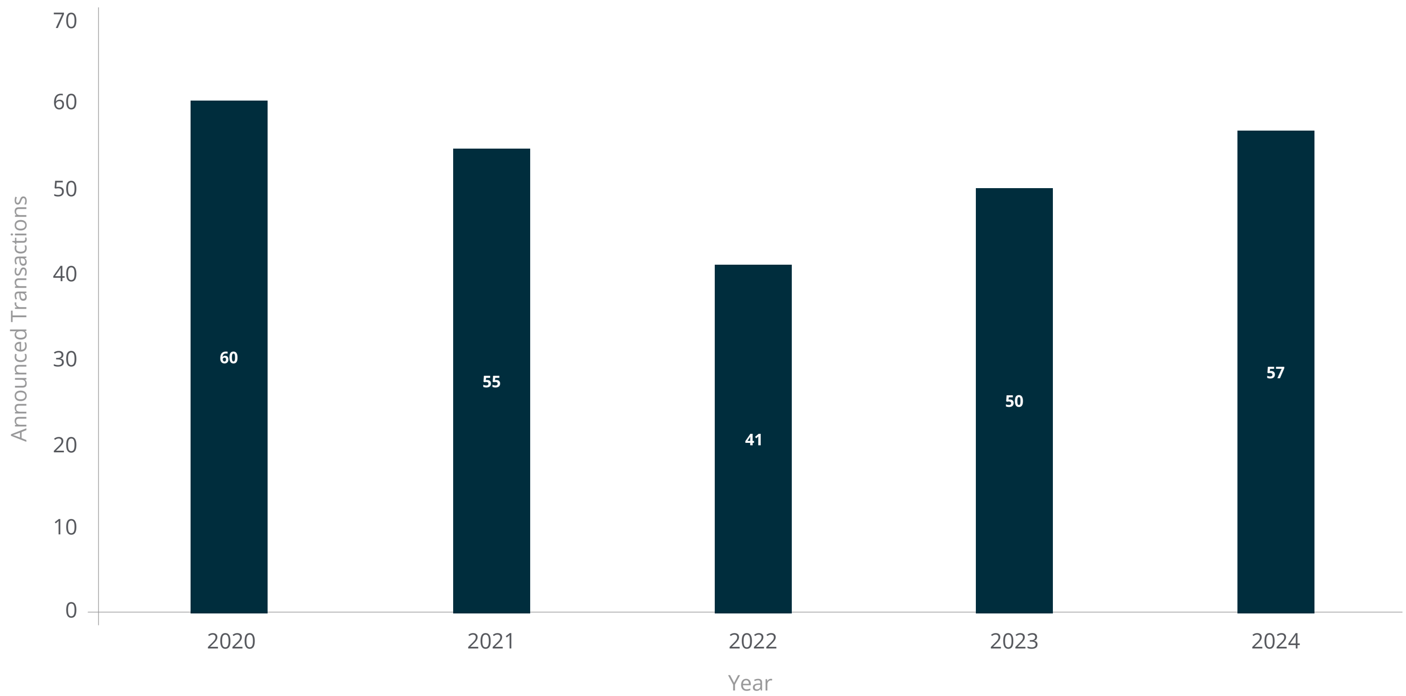
Banks & Thrifts — Announced U.S. Transactions



Sources: S&P Global Market Intelligence, Fidelity, and MarshBerry Proprietary Database. Data as of 12/31/24.

Public brokerages continue to drive growth through acquisition

Public Brokers — Announced U.S. Transactions



Sources: S&P Global Market Intelligence, Fidelity, and MarshBerry Proprietary Database. Data as of January 2024.

57

Public brokerage deals announced in 2024

Public brokerages announced 57 deals during 2024, or roughly 6.7% of the total transaction count (vs. 6.2% in 2023). Here's how each of the public brokers faired in 2024:

Arthur J. Gallagher & Co. (AJG)
Was again the most active buyer within this group, with 25 (or 43.9%) of the announced transactions from this group.

Marsh & McLennan Companies (MMC)
Completed ten acquisitions, a significant increase from four in 2023.

Aon PLC (AON)
Completed nine U.S. acquisitions, increasing their deal count from just one in 2023.

Brown & Brown, Inc. (BRO)
Completed seven U.S. transactions, matching its number in 2023.

Ryan Specialty Holdings (RYAN)
Completed five U.S. transactions in 2024, compared to four in 2023.

Willis Towers Watson Public Limited Company (WTW)
Had no U.S. transactions in 2024 or 2023.

The Baldwin Group (BWIN)
Had no U.S. transactions in 2024 or 2023.

U.S. buyers continue their international expansion

In addition to the rapid consolidation that the M&A marketplace is seeing in the U.S., similar deal activity is continuing overseas from U.S. buyers. In fact, European deal activity for U.S.–based buyers has grown at a CAGR of 32% from 2020 to 2024. U.S.–based brokers completed 45 transactions outside of North America in 2024, with Brown & Brown leading the way with 16 transactions.

While the majority of these deals took place in Europe, buyers' appetites for quality insurance brokers have increased, expanding their footprint into new territories. A handful of 2024 deals were completed in Asia, Australia, Latin America, South America, and the Middle East

Top Buyers in International Deals

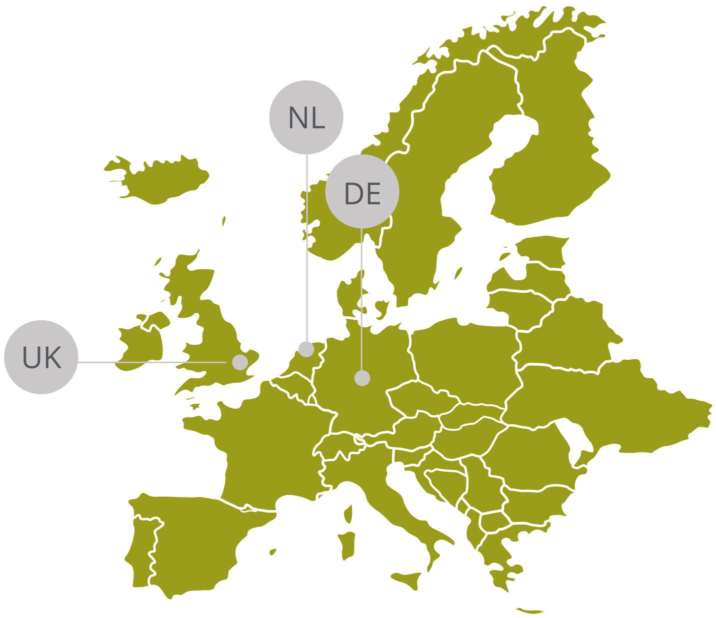
Buyer	2024
Brown & Brown, Inc.	16
Arthur J. Gallagher & Co.	9
AssuredPartners, Inc.	5
Acrisure, LLC	4
Marsh & McLennan Companies	3
NFP Corp.	2
Ryan Specialty Holdings	2

Sources: MarshBerry Proprietary Database and Companies House. Data as of 12/31/24.

Global Reach.
Local Expertise.

Since 2019, MarshBerry offers leading data and perspectives on insurance distribution on the European continent.

With offices in The Netherlands, UK, and Germany, MarshBerry's experienced multilingual team, as well as its rich history in investment banking and corporate finance advisory, helps firms in insurance distribution amplify value and chart a strategic course forward.



MarshBerry Releases The Next Chapter: Insurance Distribution Market Report

The insurance brokerage landscape in the United Kingdom (UK) is evolving at a rapid pace. As a resource to help you better understand the UK market, please download the UK merger & acquisition 2024 year in review.

Download MarshBerry's Insurance Distribution Market Report — which showcases:

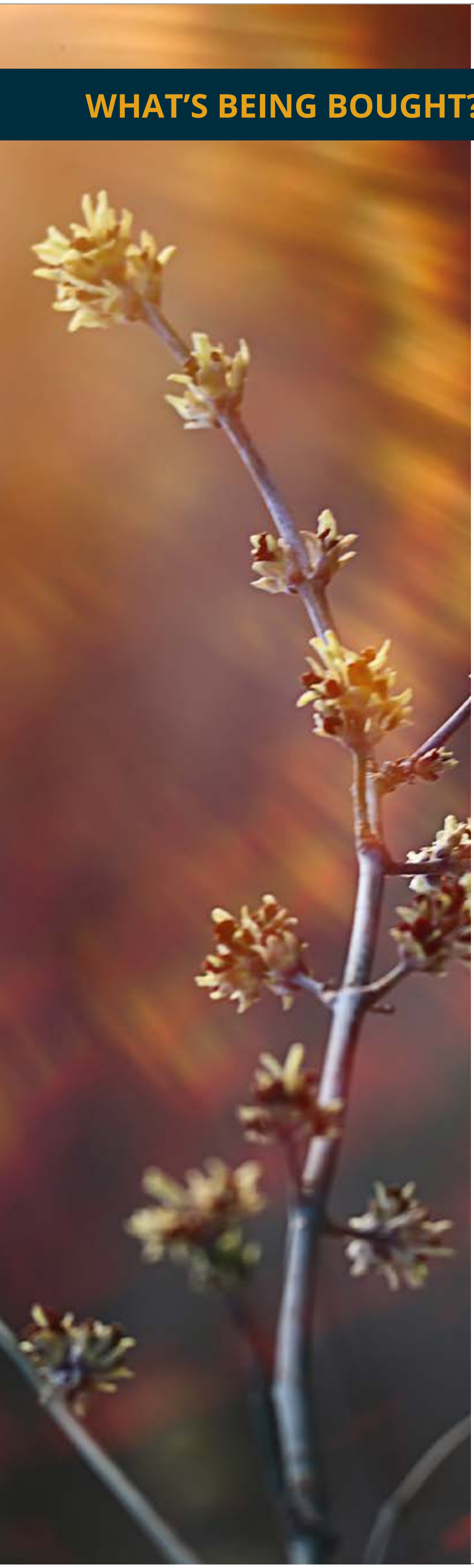
- Market Highlights & Key Observations
- 2024 M&A Review & Transaction Analysis
- Market Size & Structure

MarshBerry Releases European Insurance Distribution Market Report — 2025

The European insurance brokerage market is transforming at an incredible speed from fragmented to consolidated and from national to international.

Download MarshBerry's Insurance Distribution in Europe Market Report — which showcases:

- State of the European Insurance Industry
- State of the European Insurance Brokerage Industry
- Top 20 European Insurance Brokers
- Five Big Questions on the Future of Insurance Brokers



WHAT'S BEING BOUGHT?

P&C brokers still lead in majority of annual transactions

P&C brokers as acquisition targets accounted for the majority of transactions in 2024 with 497 deals (or 59%), an increase from 428 P&C transactions reported in 2023.

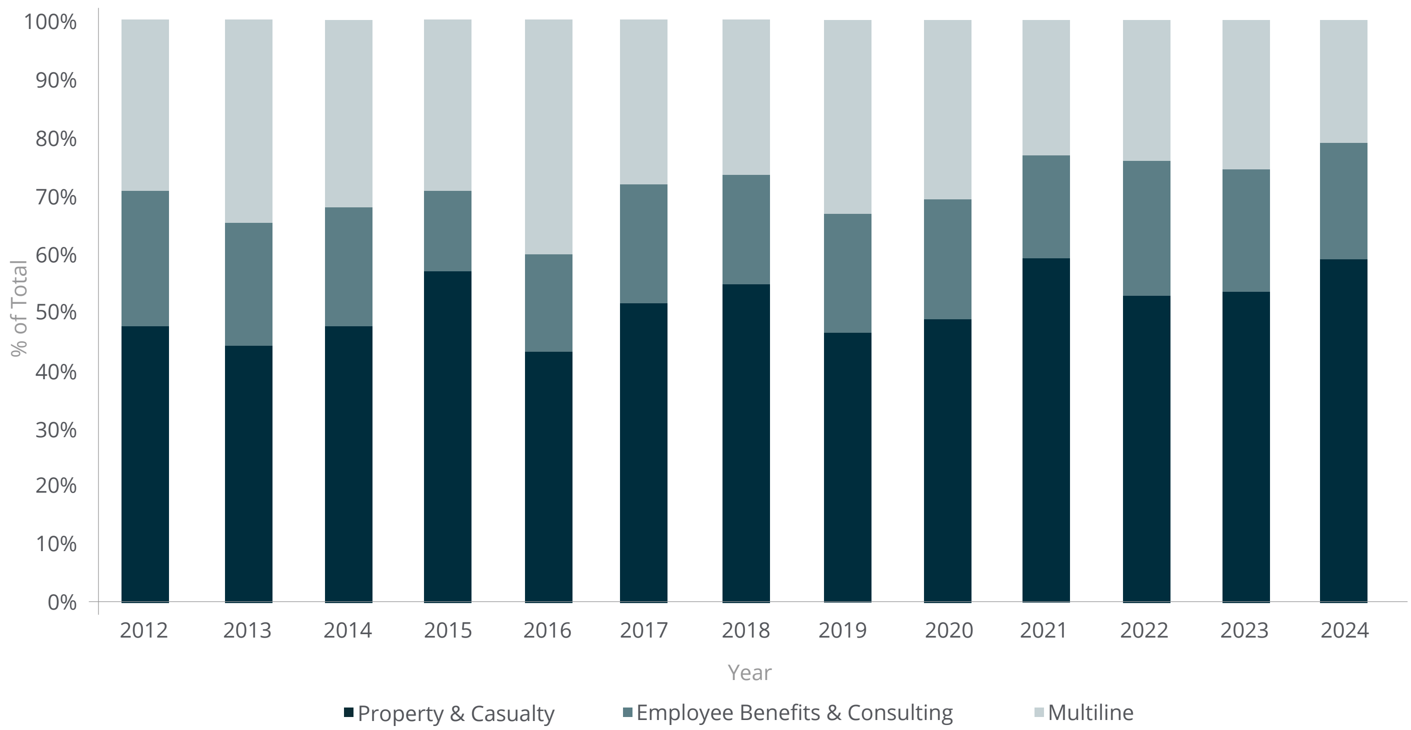
> The 497 transactions represent the second most active year since 2012 for both market share and deal count for P&C brokers, trailing only 2021 in both categories.

EB & consulting brokers represented 20% of the market (22% in 2023) and multiline brokers represented 21% of the market (25% in 2023).

In 2024 specialty transactions totaled 120 (or 14%) of the total market. Both figures represent a dip from last year's highwater mark with 181 transactions. Specialty transactions have been increasing at a CAGR of 7% since 2018.

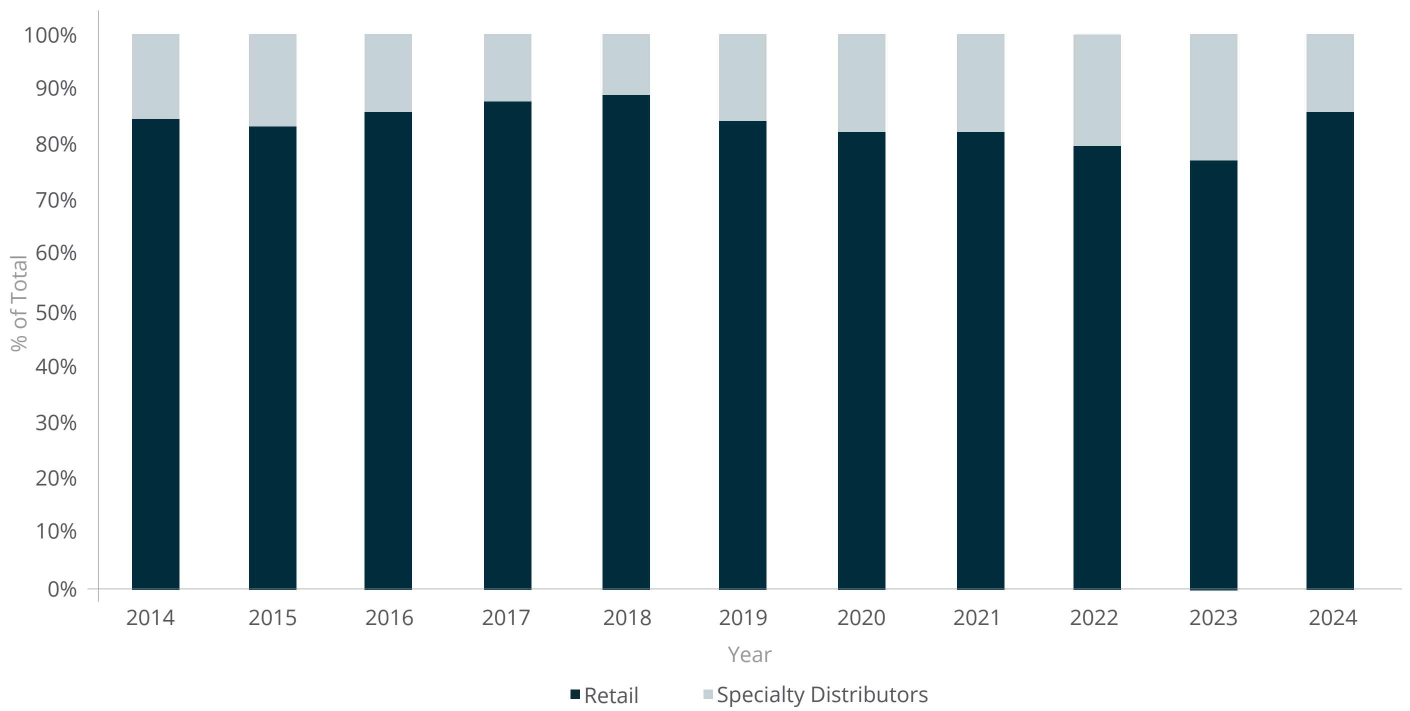
The top buyer of specialty firms was Integrity Marketing Group (IMG), having announced 29 deals (of its 30 overall transactions) in 2024. This is IMG's fifth consecutive year leading the space in acquisitions.

Line of Business as % of Announced U.S. Transactions



Sources: S&P Global Market Intelligence, company press releases, and MarshBerry Proprietary Database. Data as of 12/31/24.

Target Agency: Retail vs. Specialty Distributors, % of Announced U.S. Transactions



Sources: S&P Global Market Intelligence, company press releases, and MarshBerry Proprietary Database. Data as of 12/31/24.

Notable transactions involving larger strategic brokers as buyers

4/15/24

Higginbotham Insurance Agency, Inc. acquired **Eagan Insurance**, a well–established agency based in Metairie, Louisiana. The strategic move strengthens Higginbotham's presence in the Southeast, particularly in Southern Louisiana and the Gulf Coast of Mississippi, while allowing Eagan Insurance to access enhanced resources and national-level capabilities. The collaboration enables Eagan Insurance to expand its offerings, including risk management solutions, while maintaining its established brand and leadership team. ***MarshBerry advised Eagan on the transaction.***

4/25/24

Aon acquired **NFP** (originally announced in December 2023), a leading middle–market P&C broker, benefits consultant, wealth manager, and retirement plan advisor. The transaction had an enterprise value of $13.0 billion, includes $7.0 billion in cash and assumed liabilities, along with $6.0 billion in equity through 19.0 million AON shares. The deal expands AON's presence in the middle-market segment. NFP will operate as an "independent and connected" platform within Aon.

6/10/24

AmeriLife Group acquired **Succession Capital Alliance (SCA)**, a leader in premium-financed life insurance solutions for advisors and their ultra–high–net–worth clients. The deal enhances AmeriLife's distribution capabilities by integrating SCA's proprietary Capital Maximization Strategy℠, which structures custom loans to optimize the value of life insurance assets. By joining AmeriLife, SCA gains access to expanded distribution channels, technology, and shared services to accelerate growth. ***MarshBerry advised SCA on the transaction.***

7/18/24

IMA Financial Group (IMA) acquired Michigan–based **FC Capital Partners**, a full–service managing general agent, to strengthen its specialty program administration capabilities. FC Capital Partners will become a division of Eydent Insurance Services, an IMA subsidiary specializing in alternative risk solutions for commercial P&C programs. With over $100 million in premium volume in 2023, FC Capital Partners brings expertise in small– to mid–sized business insurance, emerging markets, and specialty program development. ***MarshBerry advised FC Capital Partners on the transaction.***

9/17/24

Culpeper Insurance Partners made a significant investment in **Afore Insurance Services**. As part of the transaction, the two firms merged. The combined company, operating under the Afore Insurance Services name, strengthens its position as one of the top 100 largest insurance brokerages in the U.S., with 20 offices across 10 states and nationwide business operations. The firm will place over $350 million in premiums annually with more than 250 insurance carriers. The merger enhances Afore's leadership team and provides access to a significant credit facility from Crestline Investors to support its growth strategy. ***MarshBerry advised Afore on the transaction.***

10/17/24

Unison Risk Advisors (URA) has expanded its platform with the addition of **Avondale Insurance Associate**s, an excess and surplus lines underwriting management firm. With the transaction, Avondale becomes the first company to join URA's non–retail division and marks the firm's 19th transaction since its founding in 2020. Avondale specializes in wholesale distribution for property and general liability insurance. The firm will maintain its independent operations while benefiting from URA's employee–ownership model and expanded resources. ***MarshBerry advised Avondale Insurance Associates on the transaction.***

11/15/24

Marsh McLennan acquired **McGriff Insurance Services** from **Truist Insurance Holdings** for $7.75 billion in cash. The transaction was funded through a combination of cash and debt financing. As part of the deal, Marsh McLennan will assume a deferred tax asset valued at approximately $500 million. McGriff, a leading U.S. insurance broker with $1.3 billion in revenue, enhances Marsh McLennan Agency's capabilities across commercial property and casualty, employee benefits, management liability, and personal lines.

12/9/24

AJG signed an agreement to acquire **AssuredPartners** for $13.45 billion, with the transaction expected to close in the first quarter of 2025. After taking into account an estimated $1.0 billion deferred tax asset, net consideration is approximately $12.45 billion. The deal strengthens AJG's presence in the U.S. middle–market P&C and employee benefits space while expanding across key sectors such as transportation, energy, healthcare, and public entities. Additionally, it extends the company's scale and expertise in the UK and Ireland.

Notable transactions involving PE funds investing in platform brokers

5/7/24

Truist Financial Corporation finalized the sale of its remaining stake in **Truist Insurance Holdings (TIH)** to an investor group led by Stone Point Capital and Clayton, Dubilier & Rice (CD&R), with additional participation from Mubadala Investment Company and other co–investors. The all–cash transaction values TIH at $15.5 billion, positioning it as a fully independent entity. TIH, the fifth–largest insurance brokerage in the U.S., will continue operating under its existing brand portfolio. Over 1,500 employees have participated in the equity investment, reinforcing internal commitment to the firm's future growth. The acquisition provides TIH with additional capital and resources to expand its technology, services, and market position.

7/1/24

Reverence Capital Partners agreed to acquire a majority stake in **Sunstar Insurance Group (Sunstar)**, a Memphis–based retail insurance brokerage. Sunstar, ranked as the 33rd largest independent agency in the U.S., focuses on commercial P&C, personal P&C, and employee benefits across the Southeast and Midwest. The partnership with Reverence Capital Partners is expected to support Sunstar's accelerated growth strategy through additional capital for both organic expansion and M&A. The investment aligns with Reverence Capital's strategy of backing strong insurance distribution platforms.

7/2/24

Blackstone acquired a minority stake in **Higginbotham Insurance Agency, Inc**. The transaction reflects the first outside sale in 15 years for the top 100 broker. The minority stake was acquired from private equity firm and current shareholder, Stone Point Capital. Higginbotham remains largely employee–owned, and it is expected to stay that way for the foreseeable future according to their CEO, Rusty Reid, in comments after the deal.

8/8/24

Simplicity Group Holdings entered into a definitive agreement for a majority investment from **SkyKnight Capital and Dragoneer Investment Group**. This transaction provides liquidity for Simplicity's employee partners and facilitates the exit of Lee Equity Partners, which had been a key investor since 2020. Terms of the deal were not disclosed. Simplicity, a leading financial products distribution firm, has grown significantly through a combination of organic expansion and strategic acquisitions.

11/22/24

PE firm **Capital Z Partners** announced it has taken a minority stake in brokerage **Leavitt**, a Utah–based independent retail insurance brokerage, for $240 million. This is Leavitt's first private equity sale. Leavitt has been one of the most active independent agencies in the M&A market over the last five years, with an acquisition model that attracted the investment from Capital Z Partners. The broker is the 26th largest agency in the U.S. and recorded $463 million in revenue in 2023. Capital Z Partners stake was not disclosed.

Merger & Acquisition Transactions

2024 Select MarshBerry Transaction Highlights

December 2024

Wealth Enhancement Group, LLC has acquired **VanceGray Wealth Management, Inc.**

MarshBerry served as the financial advisor to the Seller†

December 2024

Arthur J. Gallagher & Co. has acquired **Sheila J. Butler & Company, Inc.**

MarshBerry served as the financial advisor to the Seller†

December 2024

Choice Financial Group, LLC has acquired **Employee Benefits of Virginia**

MarshBerry served as the financial advisor to the Buyer

November 2024

Brightstone Specialty Group has acquired **DMI Insurance Services** and **South Valley Claims**

MarshBerry served as the financial advisor to the Sellers†

November 2024

HUB International Limited has acquired **Western Growers Insurance Services, a subsidiary of Western Growers Association**

MarshBerry served as the financial advisor to the Seller†

October 2024

Unison Risk Advisors has acquired **Avondale Insurance Associates**

MarshBerry served as the financial advisor to the Seller†

October 2024

World Insurance Associates LLC has acquired **First International Insurance**

MarshBerry served as the financial advisor to the Seller†

October 2024

Oakbridge Insurance Agency LLC has acquired **Hull & Associates, Inc.**

MarshBerry served as the financial advisor to the Buyer

October 2024

Higginbotham Insurance Agency, Inc. has acquired **Fitts Agency, Inc.**

MarshBerry served as the financial advisor to the Seller†

October 2024

Marshall & Sterling, Inc. has acquired **FitzGibbons Agency, LLC**

MarshBerry served as the financial advisor to the Seller†

September 2024

AssuredPartners, Inc. has acquired **CoyleKiley Insurance Agency, Inc.**

MarshBerry served as the financial advisor to the Seller†

September 2024

Cerity Partners, LLC has acquired **Strategic Benefit Consultants, Inc.**

MarshBerry served as the financial advisor to the Seller†

† Advisory services provided by MarshBerry Capital.

Specialty Market Review

SPECIALTY MARKET REVIEW

2024 Specialty Market M&A: Strong Demand with Limited Supply

Following 2023's all–time high number of wholesale broker and delegate authority (collectively "specialty") insurance firm M&A transactions, 2024 saw a much lower number of announced transactions. However, this decrease did not result from a lack of demand — rather due to a lack of quality acquisition targets.

Despite the decreased supply, specialty firms remain highly sought after by the buyer and investor community. A primary driver of this demand being the differentiated niche approach specialty firms present, which often translates to growth potential and margins exceeding that of fellow retail brokers.

Growth is being fueled by the tailwinds of two factors:

1.

The significant premium growth within the surplus lines and delegated authority segments.

2.

By the elongated insurance rate cycle, which has now lasted well beyond the length of most historical cycles.

These factors (and others) result in a strong valuation proposition.

Given the robust buyer interest and rampant consolidation, the number of specialty firms are dwindling and the space is being dominated by a smaller number of larger firms. As an example of this consolidation — in 2009 the market had approximately five specialty firms with $1 billion or more in P&C premium. In 2024, that number has exploded to over 28 firms over this threshold, of which eight of these firms have at least $5 billion in premium and the top three each with over $25 billion in premium. Currently, the top ten specialty firms control approximately 70% of all specialty P&C premium in the marketplace.

28

specialty firms with $1 billion or more in P&C premium

70%

of all specialty P&C premium in the marketplace are controlled by the top ten specialty firms control

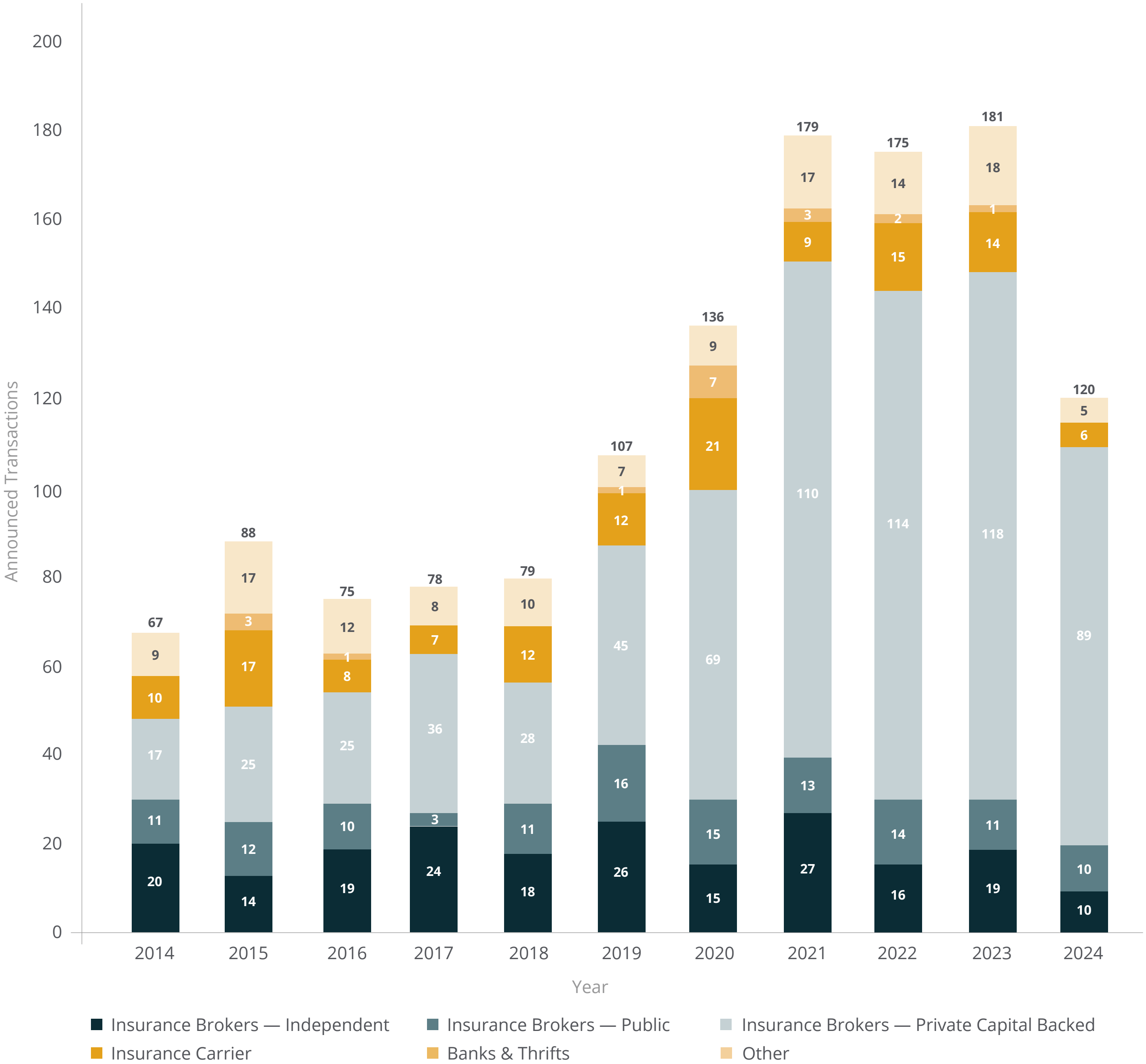
Drivers of this consolidation trend include client preferences, economies of scale, technological, and access to capital. Major ancillary benefits being the experience of market clout and diversification of what tend to be highly concentrated businesses when an independent organization sells to larger organizations.

The rate of acquisition in specialty is occurring at a tremendous clip — a much greater speed compared to that seen by retail brokers. For example, specialty firms consolidated at a rate of 9%, 9%, 10% and 7% in the respective years of 2021 through 2024. **When compared to the relative population of retail brokers, specialty firms consolidated at a rate of 2.7x retail brokers in 2024.**

M&A Market Update

There were 120 announced specialty firm M&A transactions in 2024, a 33% decrease from the 181 announced deals in 2023.

Announced U.S. Transactions of Specialty Firms by Buyer Type

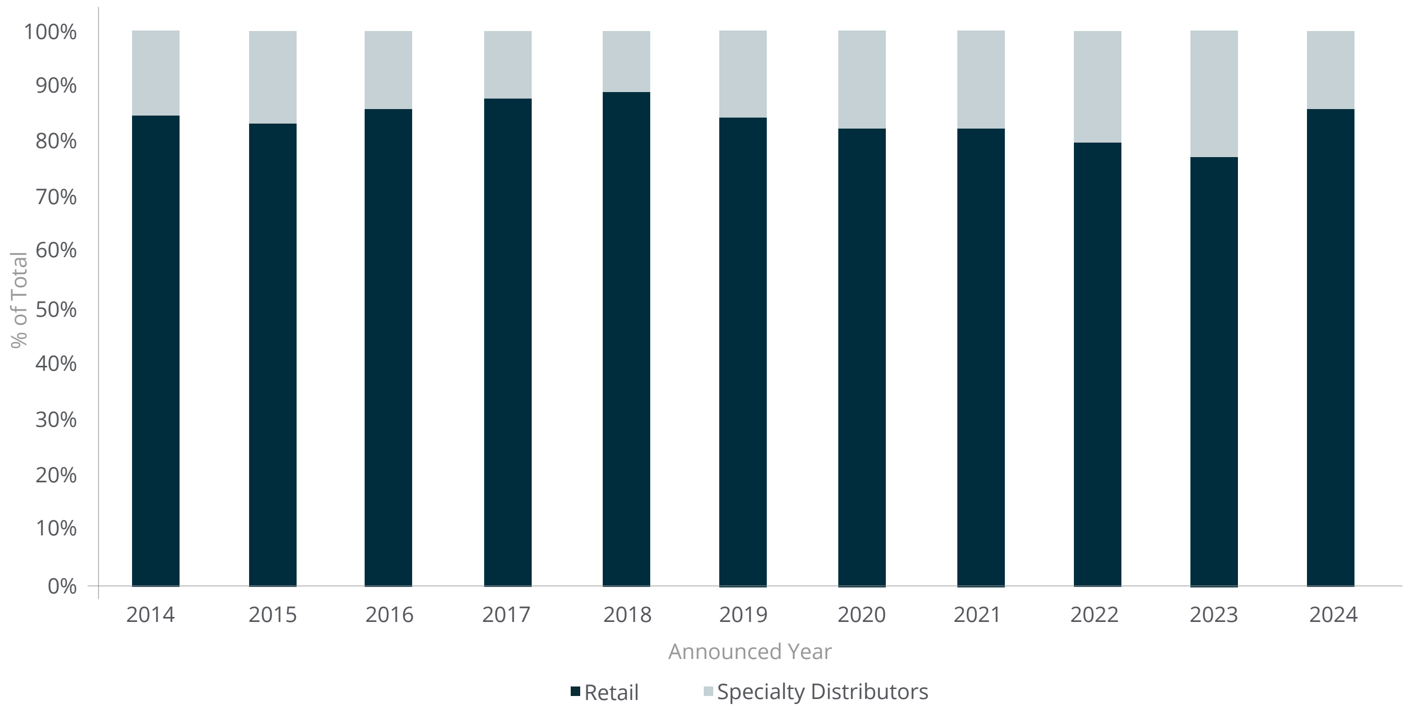


Sources: S&P Global Market Intelligence, Fidelity, and MarshBerry Proprietary Database. Data as of 12/31/24.

Specialty transactions comprised approximately 14% of total deal activity in 2024, compared to 22% of total deal activity in 2023, which was a record high.

This speaks to the diminished supply in high–quality specialty firms that can be acquired, while demand from buyers and investors remained steady. While retail transactions increased 16.1% YoY (with 727 transactions in 2024 vs. 626 in 2023) the specialty sector saw a 33% decrease for the same period.

Retail vs. Specialty Distributors, % of Announced U.S. Transactions



Sources: S&P Global Market Intelligence, company press releases, and MarshBerry Proprietary Database. Data as of 12/31/24.

Private capital continues to have a large influence in the specialty segment.

Private capital–backed buyers continue to drive activity

Transaction activity during the last year continued to be driven by private capital–backed organizations that totaled 89 in 2024 — down from 118 deals in 2023 and 114 deals in 2022. All other buyer types collectively registered only 31 deals in 2024. Private capital continues to have a large influence in the specialty segment: in 2020 there were 69 private capital–backed specialty deals — a 29% increase in five years. Given the potential for additional interest rate cuts in 2025, following the Fed's three cuts in 2024, it bodes well for private capital–backed acquirers to retain their dominant presence in the league tables.

89

private capital–backed organization deals

69

private capital–backed specialty deals in 2022

Most Active Buyers of Specialty Firms in 2024

1

Integrity Marketing Group LLC (IMG)
29 specialty deals (of its 30 overall transactions)
IMG has led the specialty buyer leader board for five consecutive years and is focused on the life and health sector.

2

AmeriLife Group
Eight transactions (Seven in 2023)
AmeriLife Group purchased Succession Capital Alliance (SCA), a market leader providing advanced life insurance solutions for advisors and their ultra–high net–worth clients. MarshBerry represented SCA in the transaction, which closed in June 2024.

3

Hub International Limited
Through their specialty division, Specialty Program Group
Six transactions

4

Warner Pacific Insurance Services
Six transactions (Four in 2023)
Warner Pacific is backed by PE firm Lovell Minnick Partners.

5

Ryan Specialty Holdings (Ryan)
Five Transactions
These U.S. specialty acquisitions reinforced its position as a leader in the specialty insurance space. Key transactions for Ryan included the acquisitions of Castel Underwriting Agencies Limited, Innovisk Capital Partners (in the UK), US Assure, certain programs of Ethos Specialty, Greenhill Underwriting Insurance Services, Geo Underwriting, and EverSports & Entertainment Insurance in the U.S. Each of these acquisitions expanding its capabilities and market reach.

Notable specialty transactions in 2024:

5/7/24

Truist Financial Corporation has finalized the sale of its remaining stake in **Truist Insurance Holdings (TIH)** to an investor group led by Stone Point Capital and CD&R, with additional participation from Mubadala Investment Company and other co-investors. Subsidiaries of TIH include wholesale broker CRC Group and Starwind Specialty Insurance, one of the largest program managers in the U.S. The transaction is valued at $15.5 billion and allows Truist to benefit from Stone Point Capital's and CD&R's financial services expertise and track records of value creation. Prior to this acquisition, Stone Point had already owned 20% of TIH when they made their initial investment in 2023.

4/25/24

Aon acquired **NFP** (originally announced in December 2023), a leading middle market P&C broker, benefits consultant, wealth manager, and retirement plan advisor. NFP owns Totalis Program Underwriters, which consolidates top specialty underwriters into a single integrated platform, offering niche specialty solutions across many industries. The acquisition was completed for an enterprise value of $13.0 billion, including $7.0 billion cash and assumed liabilities, as well as $6.0 billion in equity in the form of 19.0 million Aon shares. NFP brought niche expertise and enhanced Aon's capabilities in certain areas, as strategic acquirers often look to diversify or strengthen their service offerings through acquisition.

8/1/24

Ryan acquired **US Assure Insurance Services** for $1.08 billion in cash and up to $400 million in additional payments based upon performance targets to be met in the three years post-acquisition. US Assure is a leading specialist in the builder's risk insurance segment and will become a part of the Ryan Specialty Underwriting Managers division of Ryan Specialty.

11/15/24

Following its acquisition by PE, **TIH** divested **McGriff Insurance Services** (its retail broker arm) to **Marsh McLennan**. TIH is also in the process of selling their life division, Crump Life Insurance Services, which is expected to close in 2025. Each of these respective deals are in the multiple billions of dollars in enterprise value and highlights the continued trend of consolidation and specialization in the insurance and managing general agent (MGA) sectors. TIH is now a focused specialty wholesale and underwriting firm. The remaining component of TIH is now set up well for a potential public offering down the road. This would provide them a complementary capital structure similar to Ryan Specialty, who has experienced a lot of their recent inorganic success due to valuation multiples of public firms significantly expanding.

12/9/24

AJG signed an agreement to acquire **AssuredPartners** for $13.45 billion, with the transaction expected to close in the first quarter of 2025. Accretive Insurance Solutions is a specialty, wholesale, and program administration platform within AssuredPartners. After taking into account an estimated $1.0 billion deferred tax asset, net consideration is approximately $12.45 billion. The deal strengthens Gallagher's presence in the U.S. middle–market P&C and employee benefits space while expanding across key sectors such as transportation, energy, healthcare, and public entities. Additionally, it extends the company's scale and expertise in the UK and Ireland.

Large retail brokers have an increased interest in specialty

Large retail brokers' continued interest in the specialty space was a theme in 2024. Eight of the top ten acquirers (and 15 of the top 20) have acquired specialty businesses in the past. These firms prefer high–growth, niche segments with specialized expertise to capture premium revenue opportunities. Large brokers are adding in–house specialty businesses for these reasons:

1. HIGHER PROFIT MARGINS:
Retail brokers have increasingly looked at wholesaling as an area where they can capture more of the value chain by keeping commissions and fees in-house. This move can lead to higher profitability by cutting out the intermediary and controlling the entire sales process.

2. INCREASED CONTROL:
By bringing wholesaling in–house, retail brokers can gain more control over underwriting and pricing, helping to ensure that products better align with their clients' needs. This can also enable faster responses and more tailored service.

3. ACCESS TO DATA AND TECHNOLOGY:
Retail brokers with in–house wholesaling operations can leverage data more effectively, using it for better underwriting, claims management, and customer service. The rise of insurtech has played a crucial role in this shift by making it easier to integrate advanced technology into internal operations.

Rising premium volume in the specialty sector

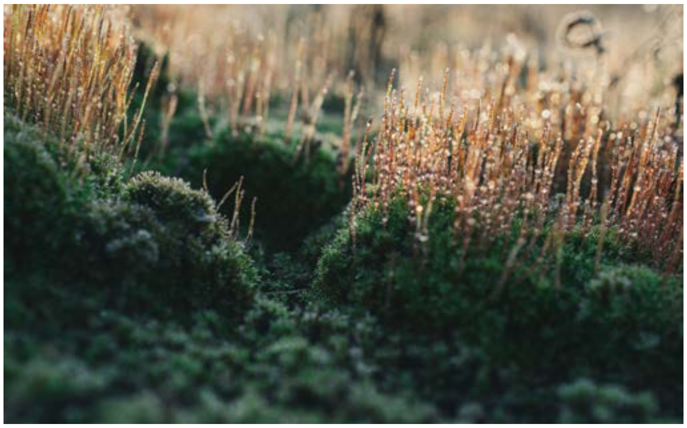
This is a large driver of buyer interest in the space. As a result, MarshBerry estimates that specialty premium volume was over 20% of total U.S. P&C direct written premium in 2024. This is up from ~9% in 2010. Market share growth is in large part a result of:

1. Historical admitted premium flowing into the E&S market.
2. Rate (pricing) increases in several E&S focused segments, such as catastrophe prone property.
3. Nuclear verdicts and social inflation.
4. Exposure base expansion as the world is in transition and is getting more complex. (i.e., geopolitical pressures, individual state regulations not allowing admitted markets to adjust to underwriting results, etc.).

This premium flow is causing the specialty segment (i.e., E&S and delegated authority premium) to grow at a multiyear CAGR that is over two times that of the non–delegated authority admitted markets over the last ten years. As such, wholesale brokers and delegated authority agents (commonly referred to as MGAs) are reaping the benefits of higher premiums. Meaning, as premium increases so do the related commission dollars. **This growth trend and positive future outlook is driving strong buyer interest in this segment.**

Furthermore, the trend of retail brokers bringing wholesale operations in–house has led to increased competition for independent wholesalers. While most independent wholesalers may not realize it at the moment — given the premium flow into the surplus lines market and strong rate environment — they are likely to face meaningful growth, profit, and/or operating pressure to remain relevant when competing against larger firms who are investing meaningfully into systems, technology, processes, and colleague development practices.

Even with the higher cost of capital, valuations of specialty firms remain at historically high levels. As a result of the continued demand (in light of lower seller supply), valuations materially increased for these firms in 2024. Well–run firms (e.g., delegated authority firms that typically grow their top line net revenue at 10% or more with solid underwriting results) are commanding premium valuations in an environment that is already considered frothy by many.



Specialty market outlook for 2025

While there is risk of market and economic conditions becoming more challenging, thus further impacting the availability of capital (debt and equity) — for the time being there continues to be robust demand for specialty firms. In 2025, there will likely be continued consolidation of the specialty marketplace, with private equity–backed buyers maintaining a large presence.

> Valuations will likely continue to rise due to a limited supply of quality, niche specialty firms.

MarshBerry expects high–quality specialty firms with solid management teams, strong organic growth, and effective business plans with minimized concentration risks to continue commanding premium valuations in 2025 and beyond.

InsurTech Review

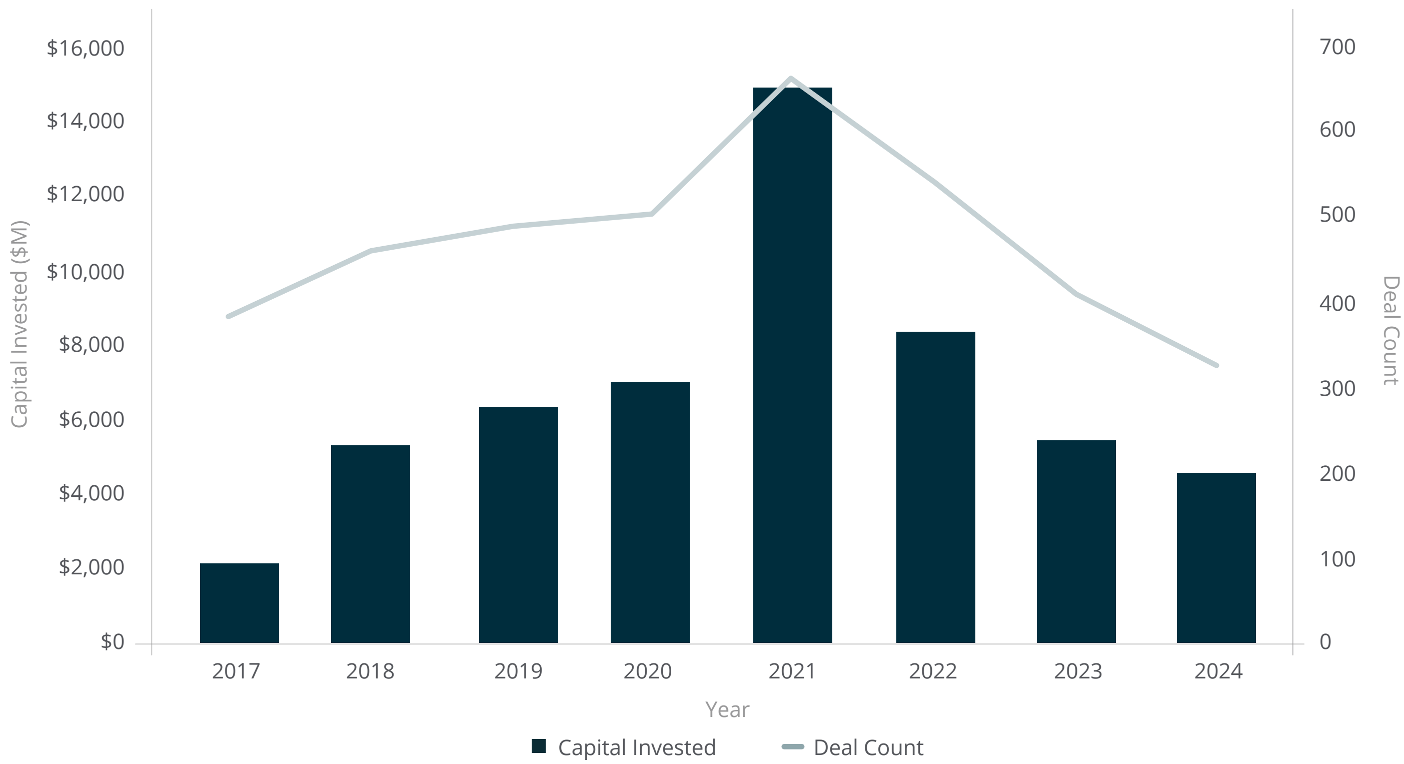
INSURTECH REVIEW

Investments in Insurtech Muted in 2024 — But Notable Trends Are Forming

In 2024, there continued to be more moderate, yet calculated investments into insurtech — both new entrants as well as existing firms. Annual investments were lower compared to the last three years, and the shift from capital being focused on earlier stage companies to later stage companies continued. In addition, both publicly traded and privately held firms continued to prioritize profitability over a “growth–at–all–costs” business model.

While it’s useful to look at YoY comparisons, taking a longer–term view of the space provides an interesting view of trends. Since 2017, over $54 billion dollars has been invested in startup and later–stage insurtechs across over 3,700 transactions. The longer–term view also shows that investment has been consistent, when excluding the overexuberant activity of 2021. Excluding 2021, the annual run rate of investments in venture capital–backed companies has averaged 444 per year, with 2024 coming in slightly below average at 331.

Annual InsurTech Activity



Source: PitchBook data as of 12/31/24.

The key insurtech trends

As investment continued into the InsurTech space, there were four notable trends that occurred in 2024:

1 **Funding continues across the insurance value chain**

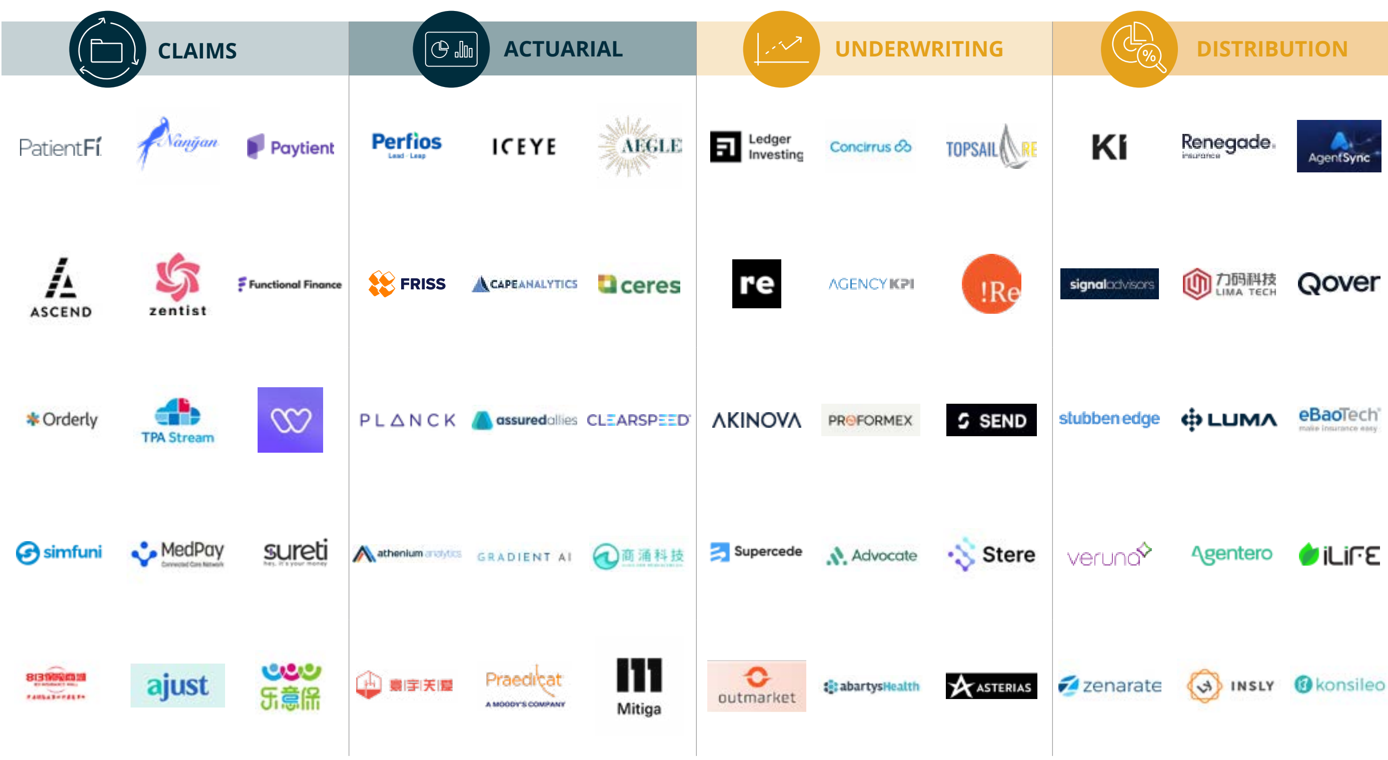
2 **Investment into firms focused on distribution remains dominant**

3 **Combinations and buyouts outweighed public exits**

4 **Insurtech valuations return to fundamentals**

1 FUNDING CONTINUES ACROSS THE INSURANCE VALUE CHAIN

According to data compiled by Pitchbook and analyzed by MarshBerry, there are currently just under 3,000 active insurtech firms with numerous investments across the value chain. While not a complete catalog of all firms, the graphic below illustrates the impact of technology investment in the insurance industry.



2

INVESTMENT INTO FIRMS FOCUSED ON DISTRIBUTION REMAINS DOMINANT

2024 resembled the longer–term funding trend, with more deals being funded in distribution than any other single category. On average, every category other than distribution averages 14% of the total funding. Investment into distribution is more than double that, with an average investment of 32%. Furthermore, such investment aligns with the longer–term trend of more capital being deployed into alternative risk placement options as the E&S lines market continues to grow through risks being placed outside the admitted market.

3

COMBINATIONS AND BUYOUTS OUTWEIGHED PUBLIC EXITS

Continuing 2024's theme of staying consistent with long–range patterns, the method by which insurtech investors exited their respective transactions also remained aligned with the longer–term trend. Since 2017, in data compiled by Pitchbook, acquisitions and buyouts have contributed to 89% of the total exits, while IPOs or reverse mergers accounted for 11%. 2024 was no different, with 10% of the total exits occurring via entry into public markets.

4

INSURTECH VALUATIONS RETURN TO FUNDAMENTALS

Public performance of insurtech firms rebounded, as those firms operating models shifted from growth to profitability. The Insurtech Index skyrocketed by an impressive 170.8% in 2024, far outpacing benchmarks like the Nasdaq (30.8%) and the S&P 500 (24.0%).

Insurtech Stock Performance

Index	2022	2023	2024
Nasdaq	–33.1%	43.4%	30.8%
Insurtech Index	–76.6%	37.0%	170.8%
S&P Americas SmallCap Software & Services	–28.4%	33.1%	19.8%
S&P 500	–19.4%	24.2%	24.0%
S&P Americas SmallCap Insurance	–3.2%	13.6%	22.4%
S&P 500 Insurance Brokers	8.1%	7.3%	33.5%

Source: S&P Global as of 12/31/24.

These gains in the Insurtech Index reflect growing investor confidence as financial metrics underscore the operational improvements driving this success.

The Average Return on Capital for insurtechs has steadily improved, climbing from

–21.0%

in 2021

–5.7%

in Q3 last twelve months (LTM) 2024

Signaling significant strides in capital efficiency and financial management.

Similarly, their average loss ratio dropped from

126.8%

in 2022

77.8%

in Q3 LTM 2024

Highlighting better underwriting practices and risk selection.

These trends showcase how insurtechs have not only captured investor attention but have also strengthened their operational fundamentals, outperforming other segments in the insurance market by adapting and innovating at a rapid pace.

Outlook for 2025

While 2024 was a year more aligned with longer–term insurtech trends, it is expected that 2025 will attract more technology investment than the historical average.

Funding trends in AI, continued advancements in the use of data to lower loss ratios, more risks being placed in alternative risk pools and E&S markets, as well as heightened risk exposures across both property and casualty lines all point to technology, and more specifically, AI solutions attracting investment. In addition, companies that have promising business models, a clear path to profitability, and realistic growth expectations should benefit from the positive economic tailwinds in 2025.

Retirement & Wealth Advisory Review

353

Total Wealth Advisory M&A Market Deals Announced in 2024

24.3%

Increase YoY in Total Wealth Advisory M&A Market Deals

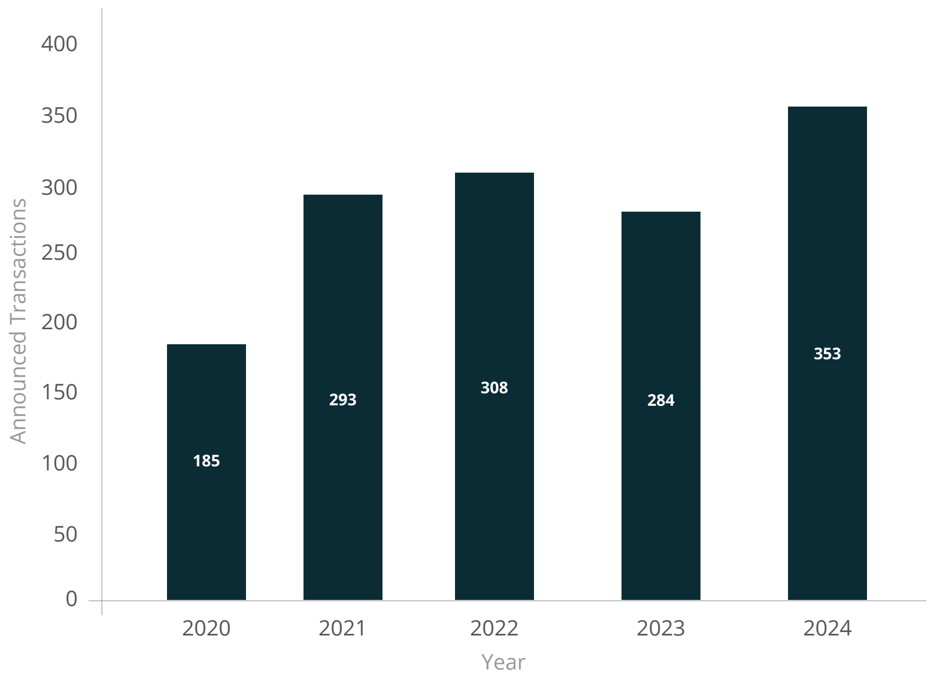
RETIREMENT & WEALTH ADVISORY REVIEW

The Sky's the Limit: Wealth Advisory M&A Activity Takes Off In 2024

Expectations for wealth advisory M&A activity in 2024 were always high, driven by an improving economic environment, strong financial markets, and the continued diversity of buyer types interested in this space. Similar to the insurance brokerage space, the additional dynamic of a presidential election, in which concerns over potential capital gains tax changes created urgency for some sellers to ramp up the timing for finalizing deals in 2024. However, following Donald Trump's re–election, those concerns eased, leading to some deals being postponed to 2025 in order to delay tax payments another 12 months.

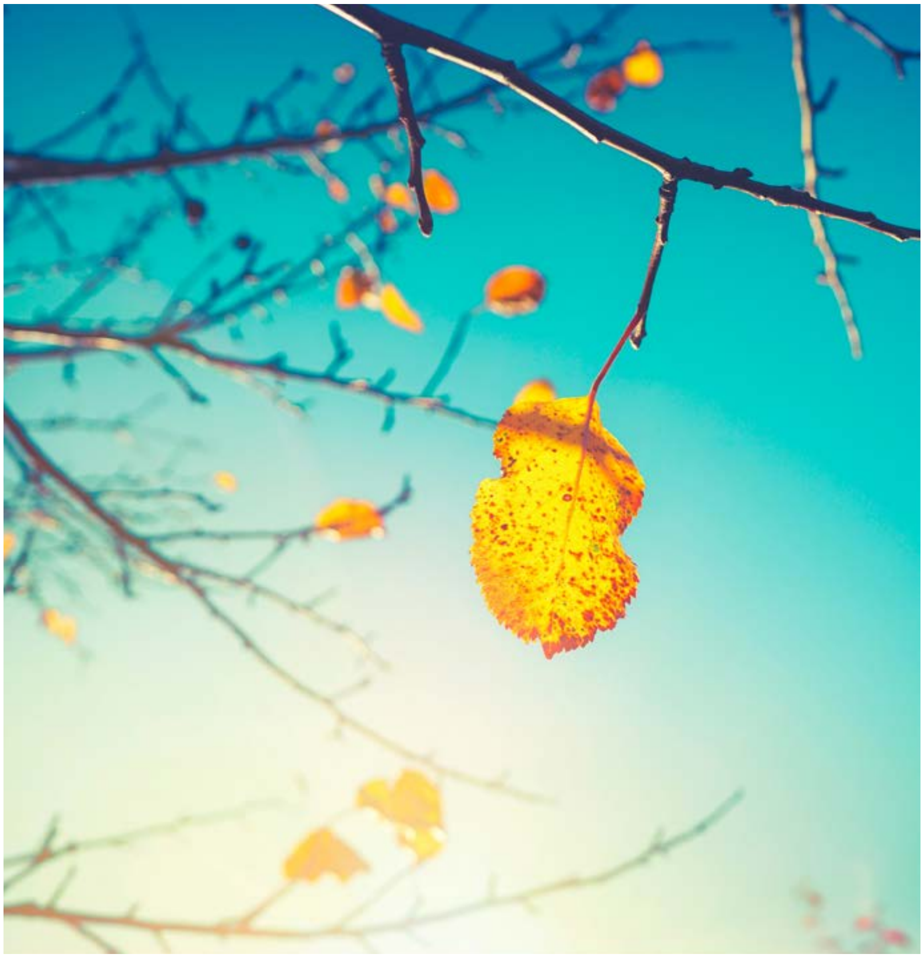
Even with a moderate holdback of deals, the wealth advisory M&A market delivered a record number of transactions in 2024 with 353 total deals announced, a 24.3% increase compared to the 284 transactions recorded in 2023 and beating the previous record year 2022 by 45 deals.

Total Announced U.S. Wealth Transactions



Sources: S&P Global Market Intelligence, Fidelity, and MarshBerry Proprietary Database. Data as of 12/31/24.

Share of deals by PE–backing buyers has risen from 52% (in 2020) to 72% (in 2024).

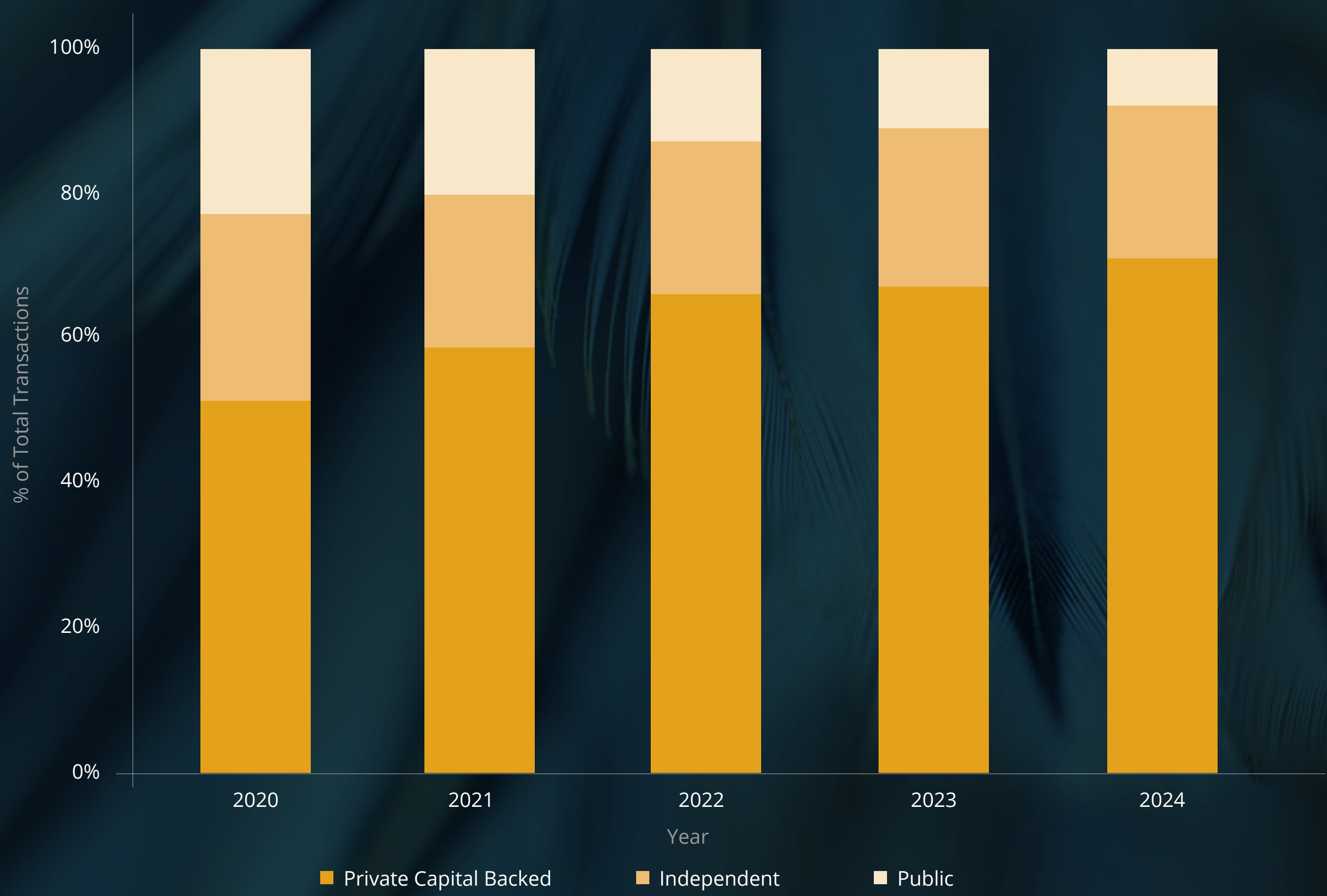


PE buyers increase dominance

Private capital–backed buyers represent the largest share of deals in 2024 and continues to grow. Since 2020, their portion of overall deals has risen from 52% to 72% in 2024, marking a 20% increase. This shift is partly attributed to a nearly equivalent decline in public buyers. The shift from public to private backing was mainly driven by the need to be more competitive in the marketplace, as privately backed firms are allowed to focus more on long–term growth as opposed to quarterly growth.

Firms backed by private capital are drawn to strong and consistent business retention rates, opportunities for operational efficiencies, and, most crucially, the reliable stream of recurring and predictable revenue.

Wealth Transactions by Buyer



Sources: S&P Global Market Intelligence, Fidelity, and MarshBerry Proprietary Database. Data as of 12/31/24.

Insurance brokerage as buyers of wealth advisory

The average wealth business owner is over the age of 55.

Insurance brokerage interest in the wealth advisory space has been building over the past few years due to a convergence of factors. As the average wealth business owner is over the age of 55, and many lack viable internal perpetuation options, there is a large pool of assets under management (AUM) that needs a new home. Insurance brokerage buyers are attracted to the wealth space due to the shared characteristics of industry stability, the trusted advisor–client relationship, low client turnover, and recurring revenue. They also recognize the importance of providing private wealth solutions not only for retirement plan participants but also for business owners, high–net–worth clients, and affluent families.

3.8%

decrease YoY in wealth advisory transactions by insurance brokerage buyers

In 2024, there was a relatively small decline in the number of wealth advisory transactions involving insurance brokerage compared to previous years. Their percentage of total deals has dropped from 13.7% in 2023 to 9.9% in 2024, yet only saw a decrease of four deals YoY.

BEING A COMPREHENSIVE, ONE–STOP SOLUTION PROVIDER IS CRUCIAL

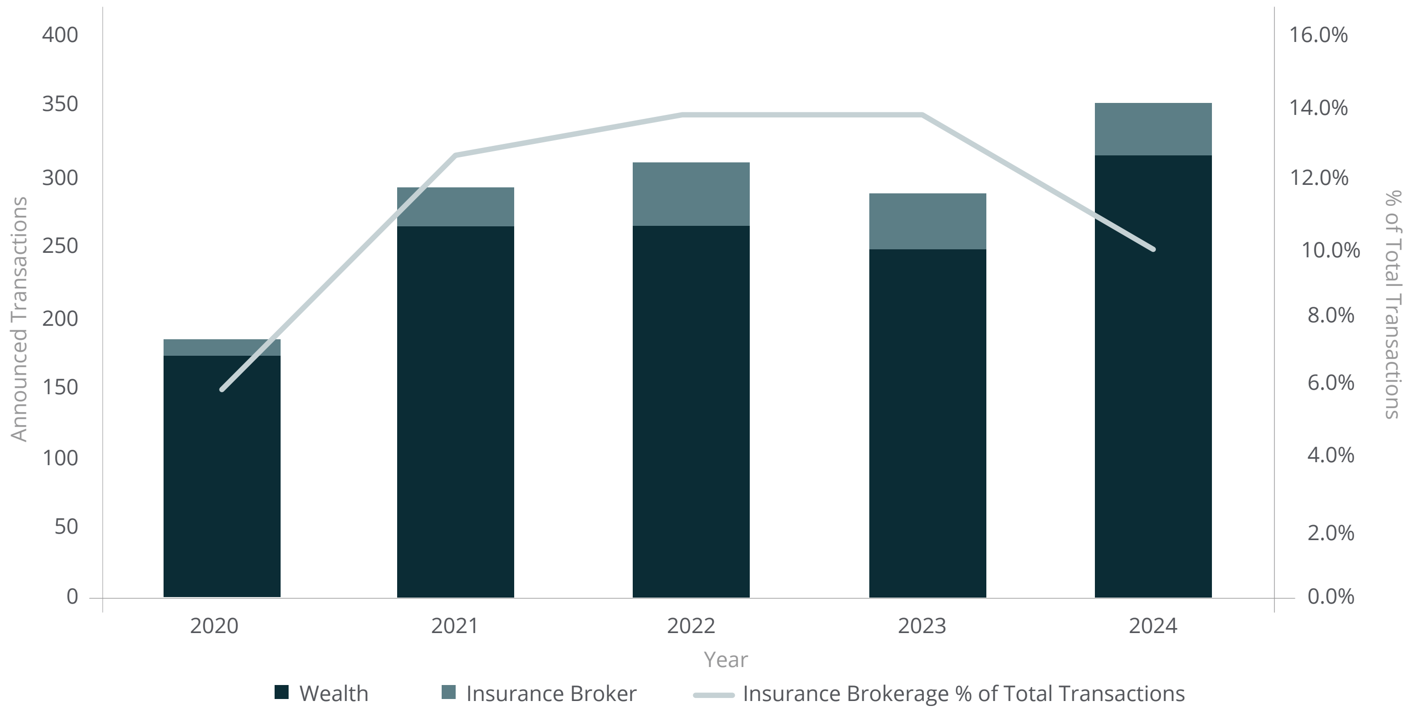
As insurance brokerage firms diversify themselves from their competition, their goal of becoming comprehensive, one–stop solution providers is crucial. MarshBerry anticipates that this segment of insurance brokerage buyers will continue to grow.

83%

of completed transactions were for firms that provided wealth advisory services

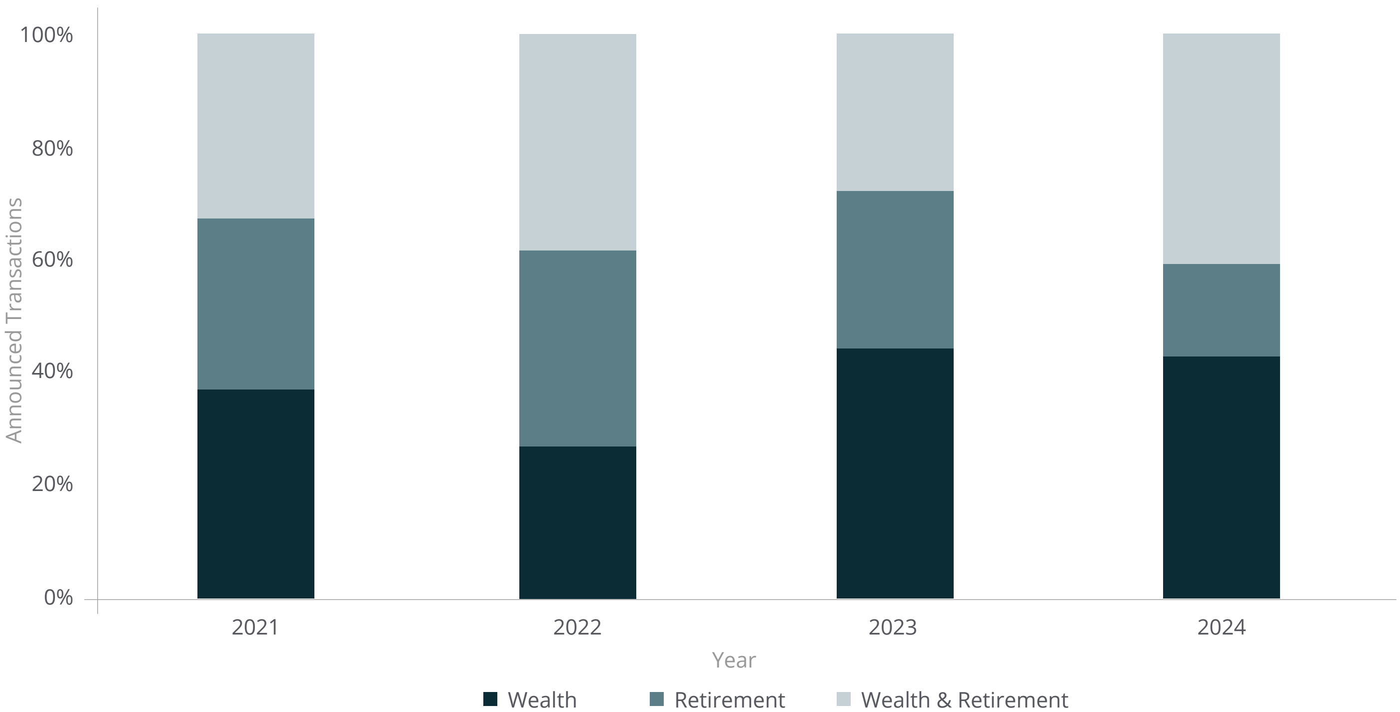
Of the 35 transactions completed in 2024 by insurance brokers, 29 of those transactions (83%) were for firms that provide wealth advisory services, a shift from the historical range of 66–72% in 2021–2023. Historically, insurance brokerage firms led with retirement plan businesses and viewed wealth as a complimentary feature of the deal. However, as these firms have built out their wealth platforms, they have become increasingly comfortable targeting firms with wealth advisory businesses, whether it's a combined wealth and retirement shop or a standalone wealth firm.

Wealth Management vs. Insurance Brokerage Buyers



Sources: S&P Global Market Intelligence, Fidelity, and MarshBerry Proprietary Database. Data as of 12/31/24.

Insurance Brokerage Acquisitions (Break–out by Wealth Advisory and Retirement)



Sources: S&P Global Market Intelligence, Fidelity, and MarshBerry Proprietary Database. Data as of 12/31/24.

The most active insurance buyers in 2024

MAI Capital Management (EPIC Insurance Brokers) added twelve firms to its base, including three retirement and wealth advisory and nine wealth advisory firms.

One Digital made five firm acquisitions in 2023, including three retirement and wealth advisory and two retirement planning firms.

Hub closed five deals, including two retirement planning & wealth firms, two wealth advisory firms, and one retirement planning firm to continue its acceleration into the space.

Other noteworthy acquirers were **AmeriLife Group** with four acquisitions, **Alera Group** with three acquisitions, and **Wealthspire** (NFP) with two acquisitions. **Heffernan, Lawley, Leavitt,** and **ALKEME** all recorded one acquisition each.

12 FIRMS
Added by MAI Capital Management *(EPIC Insurance Brokers)*

5 FIRM
Acquisitions made by One Digital in 2023

5 TRANSACTIONS
Closed by Hub International Limited

4 ACQUISITIONS
Made by AmeriLife Group

Outlook for wealth advisory M&A

The M&A market for wealth advisory is expected to remain highly active in 2025. The past year saw several large firms become acquired by sovereign wealth funds as they seek additional capital and it's anticipated that a few more significant deals will take place in the first part of 2025, whether via sovereign funds or not. Buyer demand remains strong, and sellers are still evaluating how to stay competitive in a market that is increasingly centered around value-added services and data intelligence to better serve clients.

One key trend to watch for involves young high–growth business owners seeking partnerships. These business owners, once inclined to stay independent, are now exploring partnerships as consolidation accelerates. High–growth firms see strategic alliances as a way to capture market share faster and with less risk, leveraging the capital and expertise of private equity–backed partners.

SOLUTIONS FOR EVERY STAGE OF OWNERSHIP

Market Leader Tailoring Customized Business Advisory Solutions for Wealth Management and Retirement Planning Firms

OVERALL TRANSACTIONS

1,340+
Total M&A Transactions Advised on Since 1999[1]

600+
Diagnostic & Confirmatory Due Diligence Projects Since 2004

$31B+
In Advised Transaction Value[2]

TOTAL WEALTH MANAGEMENT

65
Wealth Transactions (2016–2024)

MarshBerry's team of investment bankers understand the unique challenges for wealth management and retirement planning firms — and understand how to position your firm to realize its potential value.

With a proven process and extensive experience in both organic and inorganic growth strategies, MarshBerry helps clients expand their businesses and achieve long–term success.

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[1]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 and sell side global transactions 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. [2]Based upon maximum earn out value for deals closed globally; MarshBerry advised deals through 12/31/24.

Buy & Sell Side M&A Advisory | Confirmatory Due Diligence | Capital Markets | Broker Formation

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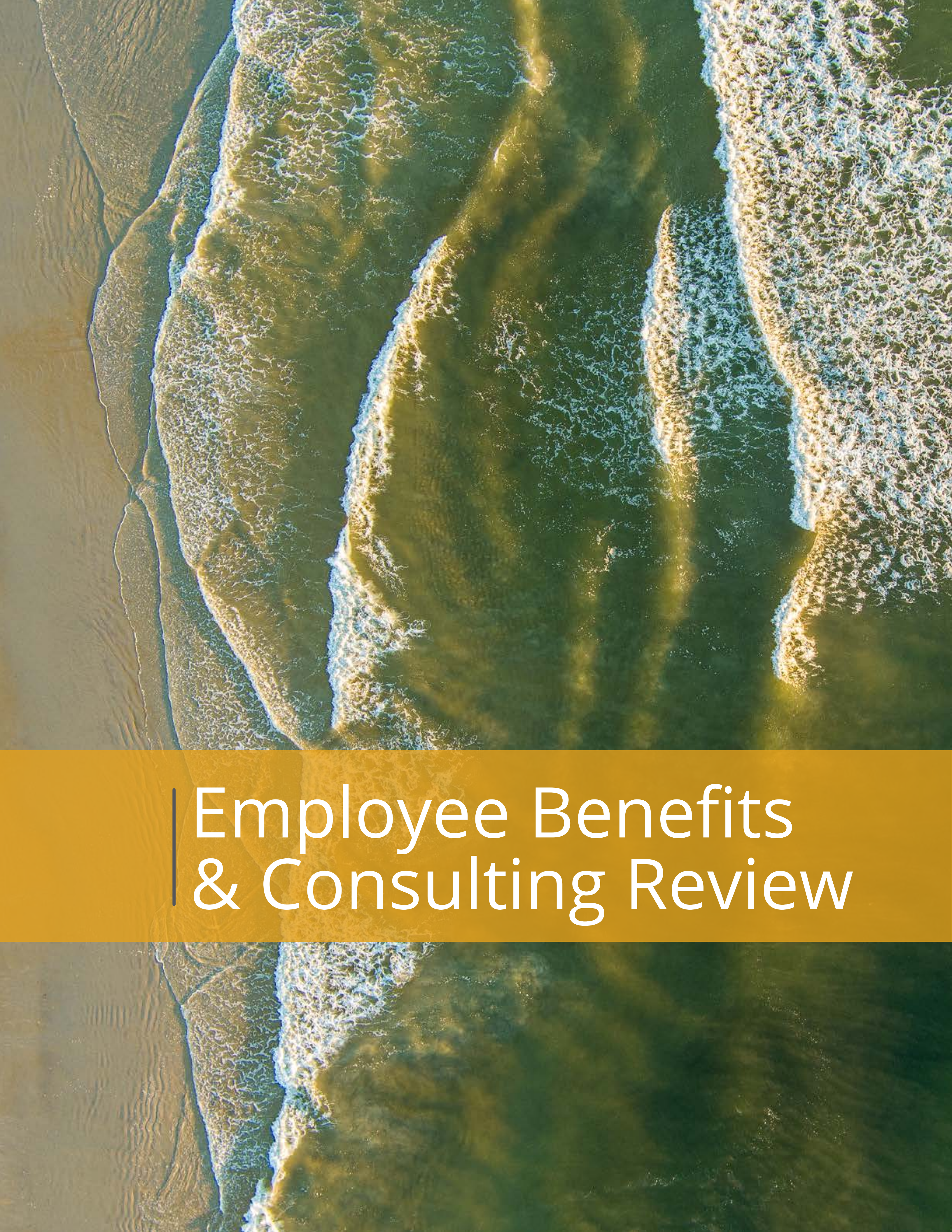


Employee Benefits & Consulting Review

EMPLOYEE BENEFITS & CONSULTING REVIEW

Employee Benefits & Consulting Firm Consolidation Slows in 2024 But Remains Strong

EB & consulting firms sell, and service, employer sponsored and individual health insurance plans. The industry continues to change, forcing organizations to bolster their expertise, client service delivery, and resources to help clients achieve their employee benefit's goals which has grown well beyond brokering employer sponsored health plans. This includes sharing cost containment strategies, delivering HR–related services, managing compliance, and quickly adapting to constant shifts in client needs. Alongside the evolution of clients' needs, which require investment in resources to stay competitive — EB valuations have continued to increase, driving a large amount of consolidation within the space.

2024 was another active M&A year within the EB segment of the insurance distribution landscape. The total number of announced EB & consulting firm transactions in 2024 was 170, representing approximately 20% of all insurance brokerage transactions. However, this was a slight decline in M&A activity compared to the 178 deals (or 22% of all deals) reported in 2023 and the 213 deals (or 23% of all deals) reported in 2022.

> Over the past ten years with the continued interest from institutional investors, specifically PE backed brokers, the sheer number of privately held EB focused brokers consolidating has created an imbalance of supply of EB firms.

Despite the decline in activity in 2024, there continues to be strong interest from larger firms looking for a platform employee benefits brokerage or stand–alone firm to help bolster their EB revenue.

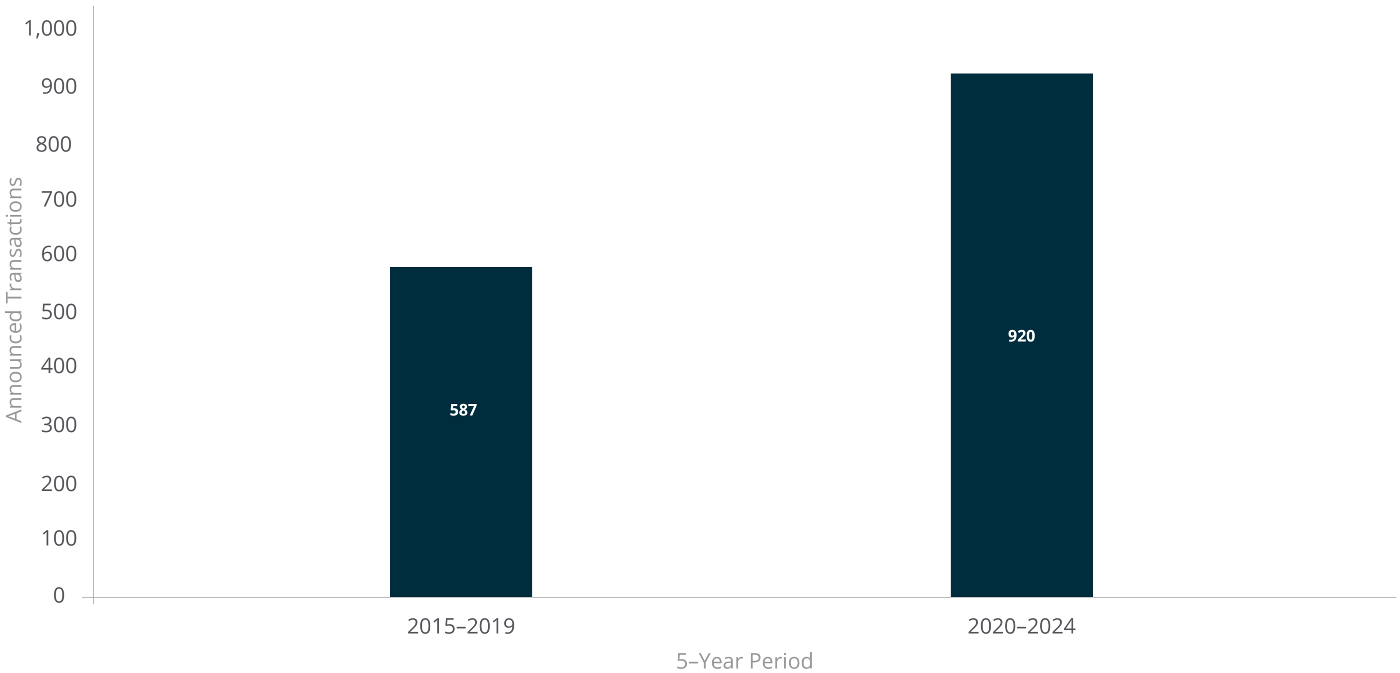
Looking at the trend over the past five years (2020–2024), there were 920 transactions compared to 587 total reported deals in 2015–2019, demonstrating rising interest in the EB & consulting space.

It is also important to note that EB transactions and overall acquired EB revenue can also fall into the category of "multiline" in most deal tracking categories.[1] There were several large multiline broker transactions that occurred in 2024, most of which have a sizeable EB revenue. If you include all EB and multiline firms with employee benefits revenue, total year–over–year deal count dropped by 7.7% (379 to 350). Keep in mind that while deal counts are down YoY, 2024 total deal counts are still strong based on historical trends, with 2024 being the fourth strongest year on record in terms of EB focused deal activity.

-7.7%

YoY total deal count for all EB and multiline firms with employee benefits revenue

Employee Benefits & Consulting Firm Deals



Sources: S&P Global Market Intelligence, Fidelity, and MarshBerry Proprietary Database. Data as of 12/31/24.

[1]"Multiline" can be determined by looking at the premiums earned of the company. Compare the ratio of GAAP L&H Premiums to GAAP P&C premiums. If the calculated ratio is between 30%-70%, the company should be marked Multiline. If the ratio is outside of this range, we choose the appropriate sector with the highest premiums amount.

Top Employee Benefits Buyers, Announced U.S. Transactions

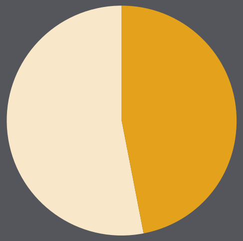
Buyer	2023	2024
Integrity Marketing Group	32	30
AmeriLife Group	8	13
Alliant Insurance Services	8	9
The Hilb Group	12	9
Inszone Insurance Services, Inc.	1	8
Hub International Limited	16	8
Warner Pacific Insurance Services	4	6
ALKEME	0	6
LTC Global Solutions	1	5
BroadStreet Partners, Inc.	3	5
Subtotal	**85**	**99**
Total Deals	**178**	**170**

Sources: S&P Global Market Intelligence, Fidelity, and MarshBerry Proprietary Database. Data as of 12/31/24.

2024

58% of total transactions from top ten buyers of EB firms

2023



47% of total transactions from top ten buyers of EB firms

> Top 100 brokers selling to other larger brokers is expected to continue and potentially could shrink the buyer pool.

In 2024 the top ten buyers of EB firms represented 58% of total transactions, compared to 47% in 2023. The top buyer of EB firms was once again IMG, having announced 30 deals on the year, after announcing 32 deals in 2023.

One trend to highlight in 2024 was larger firm consolidation. In 2024, Aon acquired NFP, Marsh McLennan acquired McGriff, and Arthur J. Gallagher announced their acquisition of AssuredPartners — three deals with buyers who were previously focused on acquiring EB firms. This trend of top 100 brokers selling to other larger brokers is expected to continue and could be perceived as potentially shrinking the buyer pool. **However, MarshBerry believes there is still enough dry powder and strong demand to fulfill supply.**

Notable transactions

1/4/24

Alliant Insurance Services announced its acquisition of **Aldrich Benefits LP**, a subsidiary of The Aldrich Group of Companies, a leading provider of financial, wealth, tax, and business transition strategies.

4/25/24

Aon, a leading global professional services firm, acquired **NFP** (originally announced in Dec. 2023), a leading middle market property and casualty broker, benefits consultant, wealth manager and retirement plan advisor, headquartered in New York.

7/1/24

Hub announced its acquisition of **Integrated Benefits Group**, an employee and group benefit insurance provider, based in Stoneham, Massachusetts.

8/1/24

Specialty Program Group LLC, an operator in specialty insurance brokerage, underwriting and consulting, announced its acquisition of Total **Benefit Solutions LLC**, an insurance brokerage firm based in Bellevue, WA.

10/28/24

AJG, a global insurance brokerage, risk management, and consulting firm announced its acquisition of **Adept Benefits**, a health and benefits consulting firm, headquartered in Bellevue, WA.

11/15/24

Marsh McLennan, a global leader in risk, strategy, and people, announced its acquisition of **McGriff Insurance Services**, a ful–service insurance broker providing risk management and insurance solutions.

12/9/24

AJG announced its acquisition of **AssuredPartners**, a leading U.S. insurance broker with client capabilities across commercial property/casualty, specialty, employee benefits, and personal lines based in Louisville, KY.

Will interest in EB & consulting firms continue into 2025?

Most active buyers have made considerable investments in the EB & consulting space and remain convinced that the brokerage and consulting model is a sustainable one. The shortest–term risk for active EB acquirers revolves around lack of quality, scaled supply.

The industry still lacks leadership that is committed to driving change, investing against current margins, hiring the next generation, creating sustainable sales production, and instilling confidence around competing with the bigger, more scalable players. Large EB only brokerages have become a minority. The employee benefits business is evolving, and clients rely on the broker more than ever before as competition continues to drive scalable innovation.

While EB inventory will most likely remain low, it's still a valuable space with an abundance of buyers looking to invest capital in independent firms unable to internally perpetuate their ownership. The 2024 election results signaled positive changes for M&A in the insurance industry, particularly the planned economic policy changes and if inflation shrinks or the Federal Reserve cuts interest rates, buyers may become more active. **All signs point to an upward trend for interest in the EB segment.**

European Markets Review

EUROPEAN MARKETS REVIEW

International Acquirers Reshape the European Insurance Distribution M&A Market

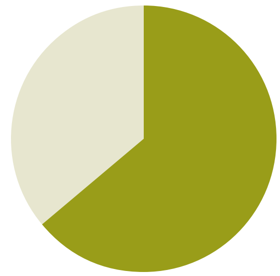
The European insurance brokerage landscape, once defined by its strong local roots, is undergoing a profound transformation. What was once a fragmented, nationally focused industry is now becoming increasingly international and consolidated. The era of European insurance brokerage as a purely local endeavor is over — international acquirers are reshaping the sector, and they're here to stay.

The European insurance broking industry has already seen a notable increase in M&A activity, particularly in the UK, where the number of independent intermediaries has nearly halved in the past 20 years. However, consolidation in Europe is no longer concentrated in the British Isles. Across the continent, in all markets where insurance brokers are active, the pressure is on.

More brokers than ever are exploring cross-border M&A opportunities. U.S. brokers are making their mark, and national champions are scaling up to become global players. PE and PE-backed buyers are the catalyst for much of this growth, now accounting for 64% of all deal activity in Europe.

M&A market update

In 2024, European M&A activity reached 560 announced transactions. While this is less than the 601 deals recorded in 2023, it sets a new record for the number of countries involved and the geographic spread of deal activity. Significant M&A activity among insurance brokers has been reported in at least 40 out of the 51 recognized European countries, often involving major international brokers. However, it's important to note that the number of transactions recorded by MarshBerry is likely an undercount, as many deals involving smaller brokers in Europe go unreported, making it difficult to include them in the total figures.



64%

of all deal activity came from PE and PE-backed buyers

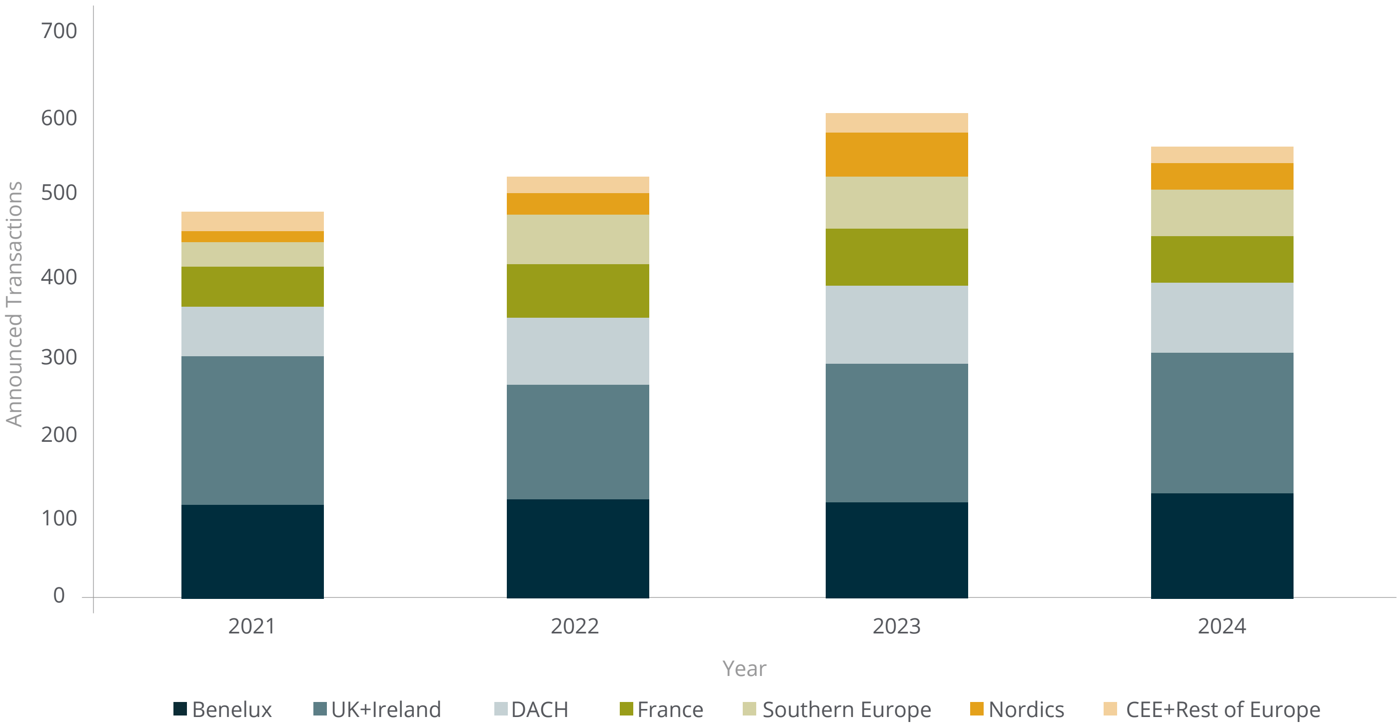
560

announced transactions

40 **out of 51**

recognized European countries were involved in M&A activity

European Transactions by Region



Benelux:
Belgium, Netherlands, Luxembourg

UK + Ireland:
England, Scotland, Wales, Ireland, Northern Ireland

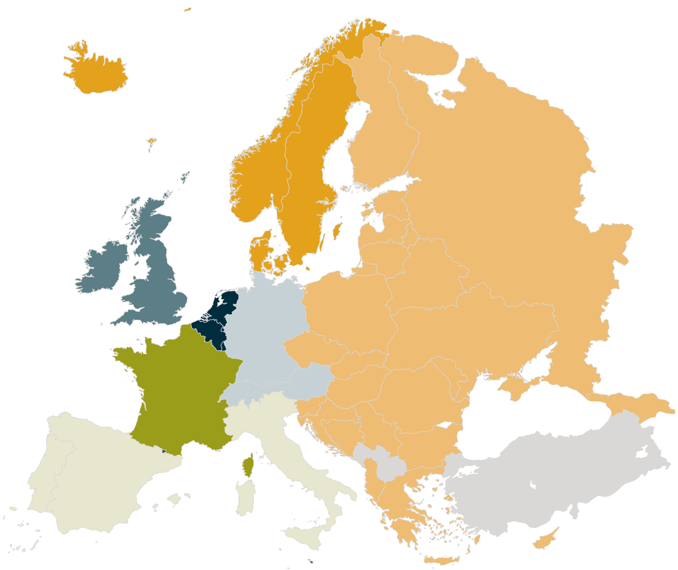
DACH:
Germany, Austria, Switzerland

France

Southern Europe
Spain, Portugal, Italy

Nordics:
Iceland, Denmark, Finland, Norway, Sweden

CEE + Rest of Europe:
Belarus, Bulgaria, Czechia, Hungary, Poland, Romania, Russia, Slovakia, Ukraine, Estonia, Latvia, Lithuania, Albania, Andorra, Bosnia, Croatia, Greece, Malta, Serbia, Slovenia, Monaco



Sources: MarshBerry Proprietary Database and Companies House. Data as of 12/31/24.

UK deal activity saw first time buyers from Australia and Continental Europe.

UK M&A deals in 2024 hits new record

UK M&A transaction activity in 2024 set a new record with 152 announced deals. While only one deal more than the 151 announced in 2023, it is substantially higher than the long–term average.

However, the number of deals alone tells only part of the story. To really understand the impact of M&A on market structure it is necessary to look at who is buying and selling, the mix of businesses being acquired, and the size of deals. Taken together, this information presents a picture of an increasingly mature domestic consolidation, and a more international M&A, landscape.

Cross–border M&A remained a key feature of UK transaction activity in 2024. Buyers from the U.S. continue to be interested in UK assets — accounting for 23 of the 152 deals in 2024, with publicly listed broker Brown & Brown accounting for eight of those deals. There were also new entrants into the market from the U.S., with Ambac, Novatae Risk Group, and Trawick Insurance Brokerage acquiring UK businesses for the first time. However, U.S. acquirers weren't the only new entrants. UK deal activity saw first time buyers from Australia and Continental Europe as well.

PE interest in UK consolidation is becoming more cautious, as there were more PE exits than new investments in 2024. This reflects the higher funding costs and reduced opportunity relative to continental European markets, which are seeing rapid inflows of PE capital.

152

Announced deals in UK

Buyers from the U.S. continue to be interested in UK assets

23

Deals from U.S. buyers

Continental Europe becoming a hotspot for M&A dealmaking

GERMANY

Has emerged as one of the most promising M&A markets in Europe. This growth is driven by a high proportion of independent brokers and expanding buy–and–build opportunities. The market remains largely dominated by German–origin buyers, often supported by international private equity, with MRH Trowe the most active player. Other notable consolidators include Helmsauer Gruppe, HBC Gruppe, GGW Gruppe, Martens & Prahl, and Ecclesia Group. International buyers, such as U.S. firm AJG, which acquired Köberich Financial Lines, are also increasingly active. UK–based Howden Broking Group Limited Group (Howden) and PIB Group (PIB) expanded with acquisitions of Schwandt Versicherungsmakler and Contego. Additionally, Dutch broker platform Yellow Hive entered the German market in 2024.

FRANCE

Continues to attract well–known national brands and represents the most M&A activity. In 2024, Groupe Premium emerged as a key player, actively pursuing acquisitions, particularly in the wealth management sector. Other prominent French players, including Diot–Siaci, Groupe Verspieren, Roederer, and Lapi Groupe, also completed multiple acquisitions throughout the year. At the same time, international buyers are increasingly looking to establish a presence in France. In 2024, Germany's GGW expanded its footprint by acquiring Aélia Assurances Group, Howden strengthened its position by acquiring AGEO, Ofracar, and CFC Consultants, and PIB made its first move into the French market with the acquisition of BEA Group.

ITALY

Has a relatively small broker market but holds its place as the fourth–largest insurance market in Europe overall. The market continues to be dominated by bancassurance and tied agents. However, 2024 witnessed significant M&A activity, driven by both international financial and strategic buyers, reflecting growing interest in the Italian insurance brokerage sector. In recent years, several prominent PE firms stepped into the Italian market, acquiring local brokers to establish platforms for further expansion. In 2024, U.S.–based private equity firm J.C. Flowers joined this strategy with the acquisition of Consulbrokers. Simultaneously, strategic buyers are increasingly active in Italy. In 2024, The Ardonagh Group made a major move by acquiring Mediass S.p.A. and Mansutti S.r.l., the commercial lines business of Mansutti S.p.A.

SPAIN

Is the fifth–largest insurance market in Europe. This is reflected in the rapidly increasing number of transactions across the Iberian Peninsula, involving not only Spain but also Portugal. UK-based PIB, operating under the name PIB España, has become a highly active buyer in Spain, having completed more than 15 acquisitions to date. Similarly, the specialist (re)insurance broking firm Miller has clearly set its sights on specialty boutique brokers in Spain, while Söderberg & Partners is focusing on building wealth management positions in the market to capitalize on the fast–growing life insurance sector. Additionally, Concentra Group, a top three broker in Spain, has gained significant momentum following a financial investment from BlackFin Capital Partners, aimed at establishing a national buy–and–build platform across the Iberian Peninsula.

THE BENELUX REGION (THE NETHERLANDS, BELGIUM AND LUXEMBOURG)

Continues to be a prime destination for M&A activity, serving as the first stop in continental Europe for many international buyers. U.S.–based Brown & Brown, Inc. made its first major European retail investment outside the UK and Ireland by acquiring the Netherlands–based top ten broker, Quintes Holding. UK–based PIB expanded in the Netherlands by acquiring MGA Thoma Group, while Optio Group also entered the market. In January 2025, Specialist Risk Group (SRG) made its move into mainland Europe by acquiring the Dutch and Belgian operations of German broker Ecclesia.

On the national level, the Benelux market remains a successful breeding ground for new initiatives. In Belgium, 2024 saw the creation of the Induver–Clover combination, backed by HG Capital, which achieved a record number of transactions. In the Netherlands, the new consolidator Certe Group, supported by IceLake Capital, emerged with ambitious growth plans.

The Nordic broker market has seen Swedish brokers Säkra and Söderberg play a leading role in M&A.

NORDICS

The Nordic broker market has seen Swedish brokers Säkra and Söderberg play a leading role in M&A. Supported by financial investors, both have executed numerous acquisitions. Säkra, which made approximately 70 acquisitions between 2020 and 2023, was less active in 2024, likely due to a focus on integration efforts. From a cross–border perspective, Howden was highly active in Denmark in 2024, completing five acquisitions. That same year, GGW entered Iceland through the acquisition of Tryggja ehf. In 2024, the financial advisory firm Max Matthiessen strengthened its financial foundation by attracting new investment capital from Ontario Teachers' Pension Plan, following a significant earlier investment by Nordic Capital. Max Matthiessen announced an ambitious growth plan to double its revenue over the next three years.

CENTRAL EUROPE

Is a diverse region with countries that vary significantly in market maturity, economic conditions, and regulatory frameworks. In some countries, consolidation in insurance brokerage is barely on the agenda, while in others, recent years have seen a surge in M&A activity, often driven by international financial and strategic investors.

Within the Central Europe region, **Switzerland** and **Austria** are both strong and stable insurance markets with well–established insurance broker sectors, attracting international buyers for many years. In Switzerland, active consolidators include the German Global Gruppe and Artus Gruppe, along with the French Adelaide Group, operating under the Verlingue brand. Ardonagh has a prominent presence through its Assepro label, acquired in 2023 and recognized as the largest commercial broker in the region. Under this brand, Ardonagh completed three acquisitions in 2024. Meanwhile, the German HBC expanded its cross–border operations with the acquisition of Schinner Versicherungsmaklerkanzlei.

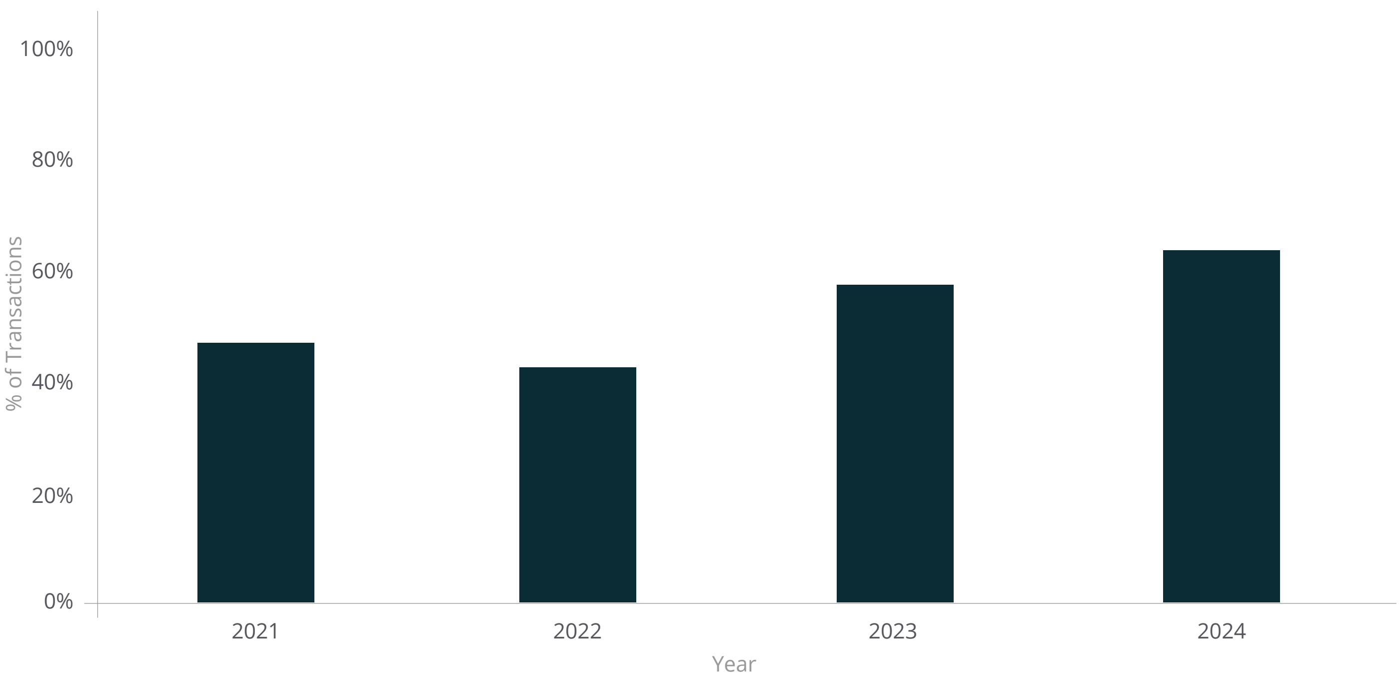
Poland, part of the Central Europe region, stands out as a key focus for international buyers. The Polish economy is experiencing rapid growth along with an increasing sophistication of the insurance sector. The country holds a strong broker market, although highly fragmented. PIB, which entered the Polish market already in 2020, was particularly active in 2024, completing three acquisitions, including Nord Group, one of Poland's largest insurance brokers. U.S. broker Acrisure, LLC, entered the Polish market in 2023 through the acquisition of Unilink, the largest retail insurance distributor in the region. In 2024 GGW also stepped into the Polish market by acquiring Grupa Brokerska Odys. Additionally, MJM Holdings, a leading commercial insurance broker based in Poland, saw a major shift as U.S. investor Corsair Capital acquired a majority stake in the company.

Projected trends for 2025

Following an active 2024, there is potential for continued M&A momentum for the European insurance brokerage market in 2025. The momentum is expected to remain strong in the coming years, particularly in countries with a strong broker insurance market and a significant number of independent intermediaries still active. The market is anticipated to stay highly competitive, driven by an increasing number of active buyers, as PE firms compete directly with strategic buyers seeking growth through small and mid–market acquisitions.

PE shows no signs of losing interest in the brokerage market, which currently represents 64% of transactions in Europe. Despite challenges such as rising interest rates and high inflation, PE has continued to perform strongly in the insurance brokerage sector. Now, with interest rates declining and capital markets stabilizing, the conditions appear even more favourable for increased PE activity, making a slowdown unlikely.

Continental Europe and UK Private Capital–Backed Transactions (as % of total deals)



Sources: MarshBerry Proprietary Database and Companies House. Data as of 12/31/24.

In a dynamic, shifting market a profound M&A strategy is a necessity. 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 growth planning, with an eye on M&A, is crucial to pursue opportunities in this fast–changing environment. It's an exciting time for the industry, and it will be interesting to see how this battle for the European market will play out.

State of Valuations

STATE OF VALUATIONS

Insurance Brokerage Valuations: How High Can Values Go?

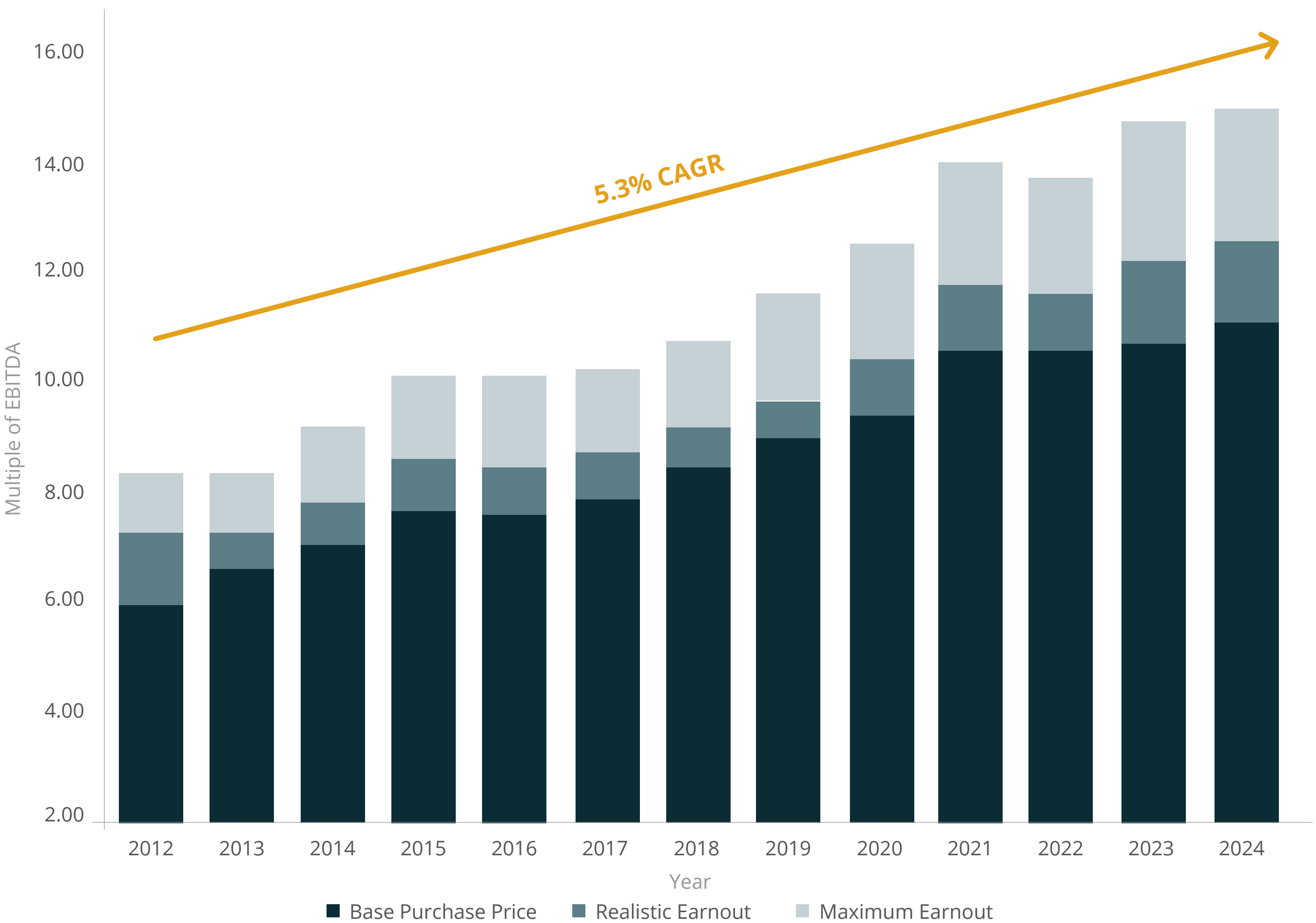
M&A transaction activity for insurance brokerage in 2024 was strong, delivering 5.2% more transactions than 2023, becoming the third best year on record. Compounding the strong year for volume was an equally strong year for values. Valuations for insurance brokerage firms increased to historical levels in 2024.

> Average valuations for all firms, as a multiple of EBITDA *(earnings before interest, taxes, depreciation, & amortization)* on an upfront base purchase price for 2024 reached another all–time high of 11.22x.

This is the first time that the average base purchase price has exceeded 11x. It was a 3.6% increase over 2023 and makes the 12–year CAGR for multiples 5.3% for base purchase price (since 2012). Meanwhile, the maximum potential earnouts for firms in 2024 also reached an all–time high of 15.06x EBITDA.

Platform firms (which are typically larger firms with a well–established territory, have brand recognition, employ seasoned professionals, and are built within a scalable infrastructure) are commanding even higher valuations than the average. In 2024, platform firms saw an all–time high average multiple of 14.02x on an upfront base purchase price (vs. 11.22x for average firms). Platform firms have seen an even greater growth in multiples (compared to average firms) with a 12–year CAGR of 6.2% since 2012. Maximum potential earnout multiples for platform firms in 2024 was 18.10x.

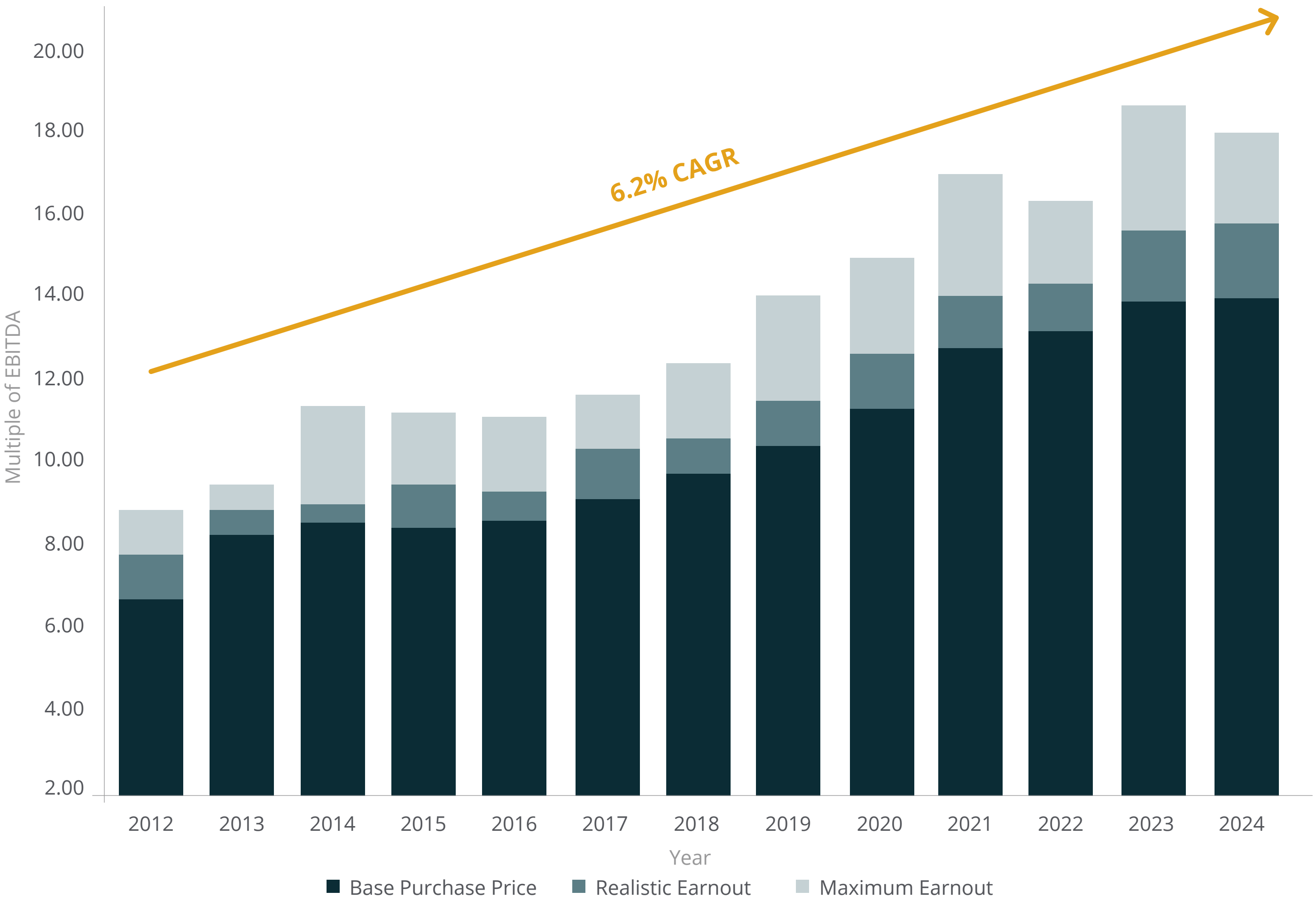
Average of All Firms Value Comparables Maximum Price (as a Multiple of EBITDA)



Source: MarshBerry proprietary database. Data as of 12/31/24. Data compiled from transactions in which we were directly involved, those from which we have detailed information, and transactions in the public record. Numbers may not add up due to rounding. Past performance is not indicative of future results. Individual results may vary. Note: Average of All Firms includes platform, stand alone, and roll-In deals.*

*Base Purchase Price: The amount of proceeds paid at closing, including any escrow amounts for indemnification items, (i.e., Paid at Close) plus amount buyer may initially hold back, but which are paid as long as the seller's performance does not materially decline, or which may be paid at closing but is subject to a potential adjustment (i.e., Live Out). Realistic Earn Out: The amount of proceeds realistically anticipated to be achieved in the future based on a number of factors including seller historical and expected performance, buyer and seller realistic discussion of earn out metrics, etc. Maximum Earn Out: The additional earn out above the Realistic Earn Out, that if achieved, would generate the maximum possible earn out payment.

Platform Firms Value Comparables Maximum Price (as a Multiple of EBITDA)



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Not all firms are created equal

Despite the past couple of years of economic headwinds of high inflation and the rising cost of capital — insurance brokerage M&A transaction values continue to increase. Compare this to other industries where M&A valuations aren't increasing, or are even dropping — such as healthcare, banking, and technology.

With plenty of dry powder and more demand for insurance brokerage firms than supply — buyers in this space continue to compete for partnerships that can help them achieve their growth goals. However, not all selling firms are created equal — and when digging into transaction valuations a couple of trends emerge.

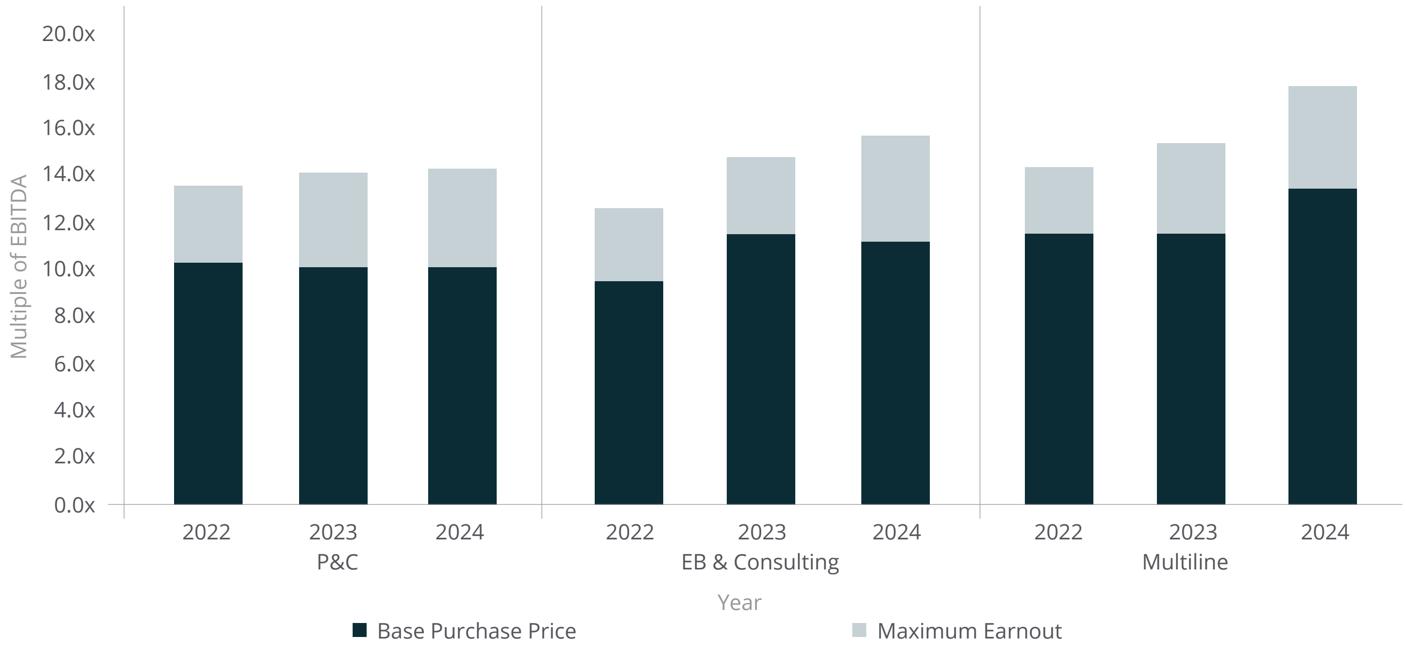
When looking at firms based on type — P&C, EB & consulting, or multiline — all are trending upwards in values. **However, there are clear differences in base purchase price and maximum earn out values between business lines.**

P&C firms represent the largest supply type and are averaging 10.06x in 2024 as a base purchase price. This is down marginally YoY, but the maximum earnout multiple for P&C firms is up YoY to 14.24x.

EB & consulting firms, which represent approximately 20% of total insurance brokerage M&A transactions in 2024 are fetching a bit more— 11.16x as a base purchase price (also down marginally YoY) but up 6% for max earnout price at 15.66x.

Full–service firms, or multiline, are seeing a significant increasing trend in valuations. **Multiples for multiline firms are up 16% YoY in 2024, for both base purchase price (13.37x) and maximum earn out price (17.77x).** Multiline firms represent approximately 20% of all insurance brokerage M&A transactions in 2024.

Average Firms Value Comparables Maximum Price (as a Multiple of EBITDA)



Source: MarshBerry proprietary database. Data as of 12/31/24. Data compiled from transactions in which we were directly involved, those from which we have detailed information, and transactions in the public record. Numbers may not add up due to rounding. Past performance is not indicative of future results. Individual results may vary.*

10.06x

Average base purchase price of P&C firms

13.37x

Average base purchase price of multiline firms

14.24x

Maximum earnout multiple for P&C firms

17.77x

Maximum earnout multiple for multiline firms

*Base Purchase Price: The amount of proceeds paid at closing, including any escrow amounts for indemnification items, (i.e., Paid at Close) plus amount buyer may initially hold back, but which are paid as long as the seller's performance does not materially decline, or which may be paid at closing but is subject to a potential adjustment (i.e., Live Out). Realistic Earn Out: The amount of proceeds realistically anticipated to be achieved in the future based on a number of factors including seller historical and expected performance, buyer and seller realistic discussion of earn out metrics, etc. Maximum Earn Out: The additional earn out above the Realistic Earn Out, that if achieved, would generate the maximum possible earn out payment.

What's driving values in the insurance brokerage sector?

Public and independent insurance brokers are no longer the dominant buyers of other brokerages. Private capital–backed buyers have dominated the M&A market for insurance brokerage over the last few years — representing 74% of all M&A buyers in 2024. Ten years ago, PE only represented 33% of buyers. **Because of this influx of buyers, there has been a shift in the supply and demand balance, creating a frenzy for insurance brokerages.**

PE buyers have recognized the resilience of this industry during down markets (i.e., The Great Recession of 2008–2009) and its stability during periods of volatility (i.e., the inflationary environment and high cost of capital of the past few years). They also know that there is quite a bit of room for valuations to increase even further. Returns on investments in insurance brokerage have been exceptional, especially considering the low risk of the insurance brokerage industry. The risk–return paradigm states that investors should be satisfied with a lower return on an investment with lower risk. Returns have been great in this low–risk industry. So good, in fact, it's no wonder the capital floodgates have opened, and the number of private capital funded brokers has swelled from seven in 2007 to over 50 in 2024.

Investors know that people need to buy insurance. It's not a nice to have, it's a must have. If you consider the beta (the volatility of an industry compared to all other industries) of the P&C insurance industry — insurance is among the lowest of all betas — almost as low as groceries. As a result, the volatility of the P&C insurance industry is significantly less than other industries.

But the economic environment is only one ingredient in the formula that determines a firm's worth to potential buyers. That formula also looks at cost of capital, the amount of leverage, the projected insurance rate environment, the tax environment, and of course — supply and demand. There's also the subjective assessment of the strength and quality of the company's leadership team and the expected strength of the market when the investment is eventually divested.

74%

of buyers were Private capital–backed

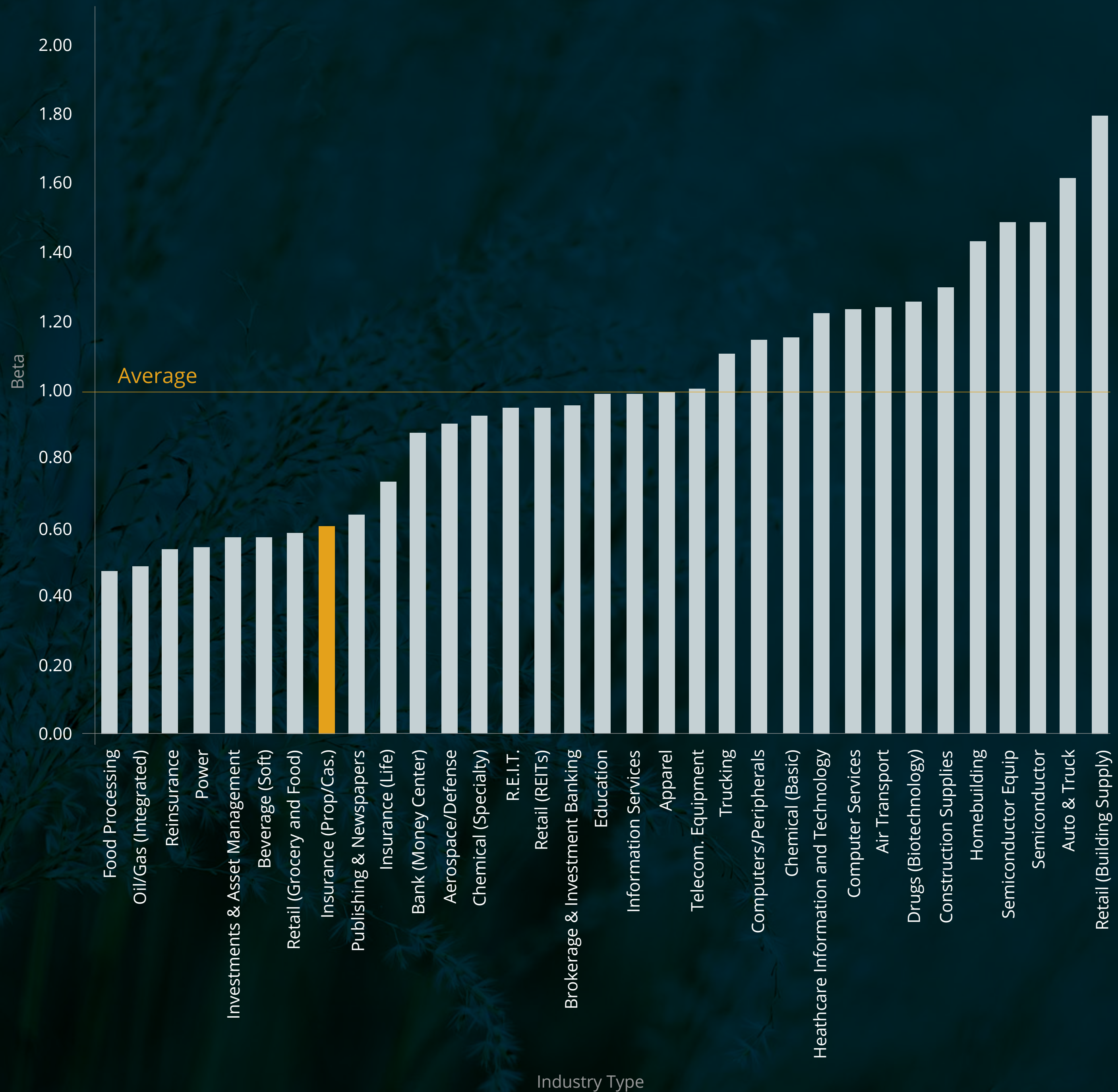
50+

Private capital funded brokers

Firm's worth to potential buyers

- Economic environment
- Cost of capital
- Amount of leverage
- Projected insurance rate environment
- Tax environment
- Supply and demand

Insurance Industry Beta



Source: https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/totalbeta.html. Data as of January 2025. Note: Beta measures the expected movement of stock relative to the market. Industries with a beta greater than 1.0 mean they are more volatile. Industries with a beta less than 1.0 means they are less volatile.

Outlook for valuations in 2025

As the economic environment begins to improve with lower inflation, possible deregulation, and more affordable cost of capital, how much higher can insurance brokerage valuations go? Some believe that insurance brokerage M&A deals volume in 2025, if the economic projections hold true, should continue to build momentum and outperform 2024. However, given the continued uncertainty in our economy — valuations are likely to see more volatility than we are used to. They could remain at all-time highs but could also see some adjustments to value, especially at the upper ends of the market.

There will continue to be pressure on firms who are not able to generate organic growth outside of rate or exposure base. Firms who are able to generate sales velocity in the mid to high teens will still command aggressive valuations as the buyers are continuing to look for ways to enhance their own organic growth metrics.

The good news is that regardless to what happens to valuations in this industry, MarshBerry firmly believes that insurance brokerage is the greatest industry in the history of mankind. And the real reason for the rapid rise in insurance brokerage values over the past decade is that the world now knows it, too.

SEVERAL FACTORS WILL CONTINUE TO INFLUENCE THOSE VALUATIONS:

1. Cost of capital.
While the higher cost of capital over the past two years didn't appear to significantly impact valuations (unless the impact was in keeping values from rising further), any further cuts to interest rates could help deal volumes and values. However, if rates were to rise again, there could be a squeeze.

2. Size of buyer pool.
As more PE investors enter the game, the demand for firms will increase, creating more upward pressure on values. However, the trend of big buyers buying other big buyers (consolidating the consolidators) could also have the effect of taking buyers off the board.

3. Size of seller pool.
The competitive nature of this industry is forcing many owners to make decisions about the future of their firms. Whether that be taking on a minority partner or selling outright. Year after year, the number of firms sold increases. Will we eventually see the end of the independent broker? Doubtful. For every firm that sells, there's a new brokerage that pops up. Business owners and entrepreneurs are the lifeblood of business continuity.

4. Quality of firms.
The industry is already seeing it. Firms that offer more than "average" and can display their "quality of growth" are commanding higher values. During the past several years of this hard rate environment, many firms have rested on their organic growth numbers – driven mostly by external factors. But buyers are now digging into those numbers and looking for those with a sustainable sales culture, diversified offerings, experienced leadership, and the latest technology and platforms for managing activities — attributes that shows they can thrive in any economic environment.

There are clear advantages to partnering with MarshBerry.

INVESTMENT BANKING EXPERTISE IN THE U.S. AND ACROSS EUROPE

The Proof is in the Numbers ...

#1

M&A Sell Side Advisor (1999–2024) as Tracked by *S&P Global Market Intelligence*[1]

1,340+

Total M&A Transactions Advised on Since 1999[2]

173

Total Number of Transactions Completed by MarshBerry Globally in 2024

3,950+

Valuations Completed Since Inception

230+

Bank–related Insurance M&A Transactions Since 1997

25%

Total Advised & Tracked M&A Deal Flow Receiving Advisory Credit Since 1999 as Reported by *S&P Global Market Intelligence*[3]

300+

Benefit Agency Transactions with More Than $4.5B of Transaction Value Advised on Since 2008[5]

600+

Diagnostic and Confirmatory Due Diligence Projects Since 2004

$31B

In Advised Transaction Value (2012–2024)[4]

950+

M&A Transactions Since 1995 with the 100 Largest Brokers of U.S. Insurance Business as Identified by *Business Insurance*

[1]Completed sell side transactions in U.S. merger & acquisition transactions in insurance brokerage 1999 -2024 in which a financial advisor was used; Ranked by Total Number of Deals as of 1/14/25. [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 and sell side global transactions 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]These totals include certain transactions completed by Marsh, Berry & Company, LLC professionals while employed at another firm, whereby substantially all of the assets were acquired by Marsh, Berry & Company, LLC. Total completed buy and sell side insurance brokerage transactions in the U.S. only as reported by S&P Global Market Intelligence. [4]Based on maximum earn out value for deals closed globally; MarshBerry advised deals through 12/31/24. [5]Transaction value based on realistic earn out value for deals closed 1/1/08 through 12/31/24 in which MarshBerry was the advisor.

State of Capital Markets

STATE OF THE CAPITAL MARKETS

It’s Sunny Times for the Capital Markets, But There Might Be Clouds on the Horizon

The Fed’s desire to cut interest rates to spur economic growth, compounded by a business–friendly Republican regime have created some positive momentum for the capital markets. But how long will the good times last?

2024 ended with positive vibes for a more favorable debt capital borrowing environment as the Federal Reserve (Fed) cut interest rates three times knocking a full percentage point off the federal funds rate since September. What might better capital costs mean for merger and acquisition (M&A) activity for insurance brokerage in 2025?

After 11 interest rate increases over a 19–month period, and now with the first series of cuts since March of 2020 (at the start of the pandemic), the insurance industry is poised to rally. Not that this industry saw a significant disruption in M&A activity during this stretch of rising rates — as debt capital was still plentiful for investment in insurance brokerage.

Historically, during challenging times, there is a flight to quality — and the insurance sector has been a place where borrowers and lenders felt very comfortable. Companies in the insurance distribution sector generate substantial free cash flow, with little to no capital expenses. This reliable cash flow creates stability and reduces the risk of default, making insurance brokerage an attractive place to deploy capital and resources. Now, with the Fed’s plan to stabilize interest rates, perhaps even make additional cuts — which would make debt capital more affordable — M&A activity in 2025 is expected to increase.

In November 2024, at MarshBerry’s Impact Summit, the insurance brokerage industry’s annual premier event on capital markets, guest speakers included insurance industry capital lenders. All of them expressed their continued interest in lending for investments in the insurance brokerage industry, especially as rates have begun to shift downward.

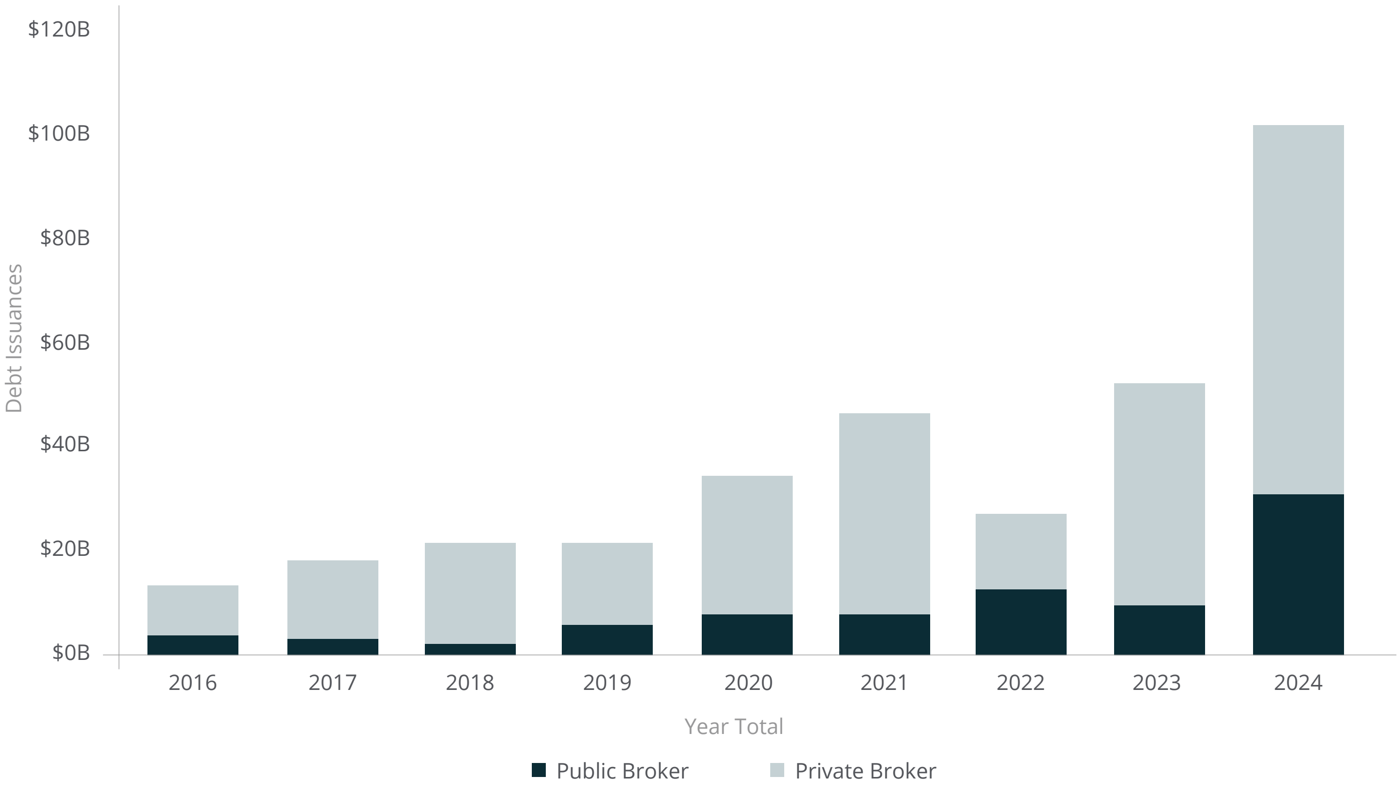
Lenders suggested that current rates and outlook for additional cuts should benefit the insurance brokerage industry, estimating an increase between 10–20% in M&A deal activity in 2025. They believe the space will continue to command modestly tighter spreads than many other sectors within leveraged finance.

Trends in institutional debt raising

Even with the elevated cost of capital over the past few years, the credit markets have great confidence in this industry and continue to support these highly leveraged brokers in their pursuits. Because of the perennial need for insurance products, its recurring revenue model, and resiliency during tough market conditions and global adversity, the insurance industry has become a very attractive investment class. And the top investors during this hard market run have been PE firms.

In 2024, there has been over $100 billion in institutional debt raised in the insurance brokerage industry, the highest amount ever raised in this industry in a single year.

Historical Debt Issuances ($ Billions)

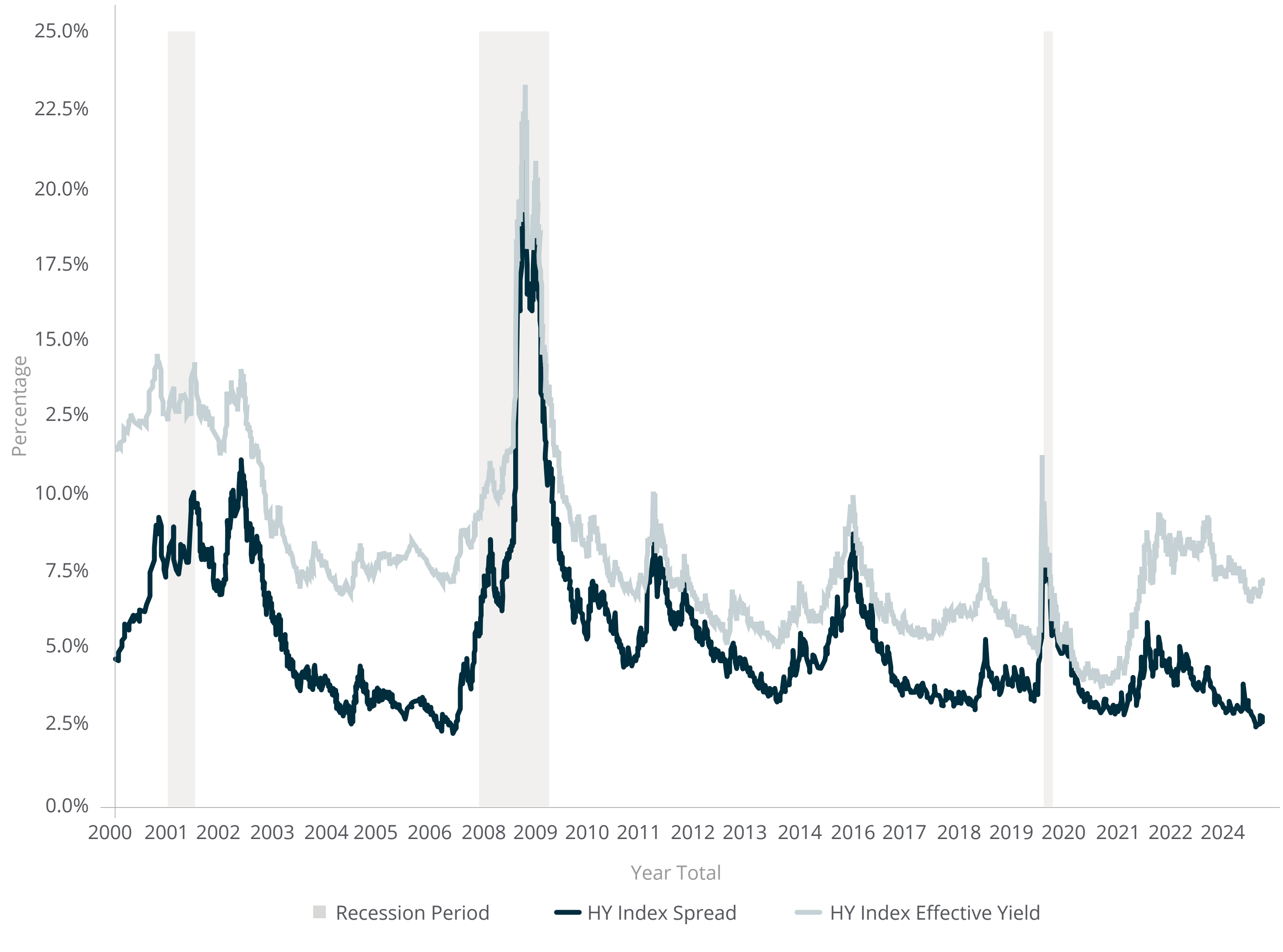


Source: PitchBook data as of 12/31/24. Includes issuers in the U.S., Canada, and UK.

Even at those higher interest rates, spreads have been coming down — highlighting that the investment community in this credit class is being more aggressive. Relevant to the amount of debt a buyer can borrow, leverage ratios are creeping back up near 7x — like the good old days of 2021. Debt capacity is going up, while debt pricing hopefully continues to go down throughout 2025.

However, despite this level of debt raised, a lot of this dry powder has remained undeployed as demand for insurance brokerage continues to outpace supply. But that might change in 2025.

High Yield Spread & Effective Yield



Source: Federal Reserve Bank of St. Louis. Data as of 12/31/24. HY: High Yield.

What else might drive M&A capital spending in 2025?

With the prospect of a more business–friendly environment with less governmental regulatory oversight, buyers who have been sitting on the sidelines (for one reason or another) with debt capital (that may have an expiration date) may be in a better position to invest that capital.

Additionally, there exists many PE firms with a backlog of exits (portfolio companies that are mature and ready to be sold) and are under pressure to realize their value. Despite the question of where cost of capital may be in 6–12 months, exit activity of these firms may increase this year, providing additional investment supply and further powering M&A activity.

What could hinder M&A capital borrowing in 2025?

With interest rates stabilizing (or on the decline), inflation cooling, jobs growing, and the stock markets at or near all–time highs — and with the Republicans running the ship — what could possibly go wrong?

President Trump's declaration for extreme trade and immigration policy changes may be the only wrinkle in the Fed's plan for a strengthening U.S. (and global) economy. History has shown that most tariffs on foreign imports usually get shifted to the U.S. consumer, and often affect the prices of the domestic market. Some economic experts have predicted that such extreme trade policies would hinder economic growth, increase inflation, force another spike in interest rates, and likely ignite a new trade war. In an extreme scenario, it could even send the U.S. economy into another recession.

Shortly after the presidential election and after cutting rates for the second time (in November), Federal Reserve Chair Jerome Powell indicated that it was "too early to speculate" how tariffs or mass deportation might impact the economy. However, he did add a comment, perhaps revealing the fact that the Federal Reserve is certainly thinking about Trump's policies: "We can do the arithmetic. If there are fewer workers there'll be less work done."

Should an increase in tariffs and mass deportation of immigrants start to impact inflation, the federal deficit and the labor market — the Fed may have no choice but to use the Federal Funds rate as a tool to balance economic instability — again. **Then once again, the cost of capital may become a reason for buyers to pause in their M&A pursuits.**

Nothing can be said to be certain

As Benjamin Franklin once stated, “Nothing can be said to be certain, except death and taxes.”

In December 2024, while announcing the final Fed rate cut of the year, the Federal Open Market Committee (FOMC) projected fewer and slower additional interest rate cuts through the end of 2025 — less than the FOMC forecasted in September 2024. Stickier–than–expected inflation data and questions on Trump’s policies, has some economists downgrading their bets on the state of the economy and any additional interest rate cuts in 2025. So, depending on how Trump’s policies impact inflation, it may not take the Fed long to change course yet again on interest rates. Therefore, nothing about the future of rates is certain.

For now, interest rates are lower (than they were), the terms are better, and spreads have narrowed. Prudent financial management of a firm’s debt capital structure might warrant pricing the cost of refinancing a firm’s debt stack sooner–rather–than–later, before the Fed decides that a more aggressive monetary policy is needed to fight stubborn or renewed inflationary pressures. For those thinking about waiting for the “last rate cut” before borrowing — it might already be here.

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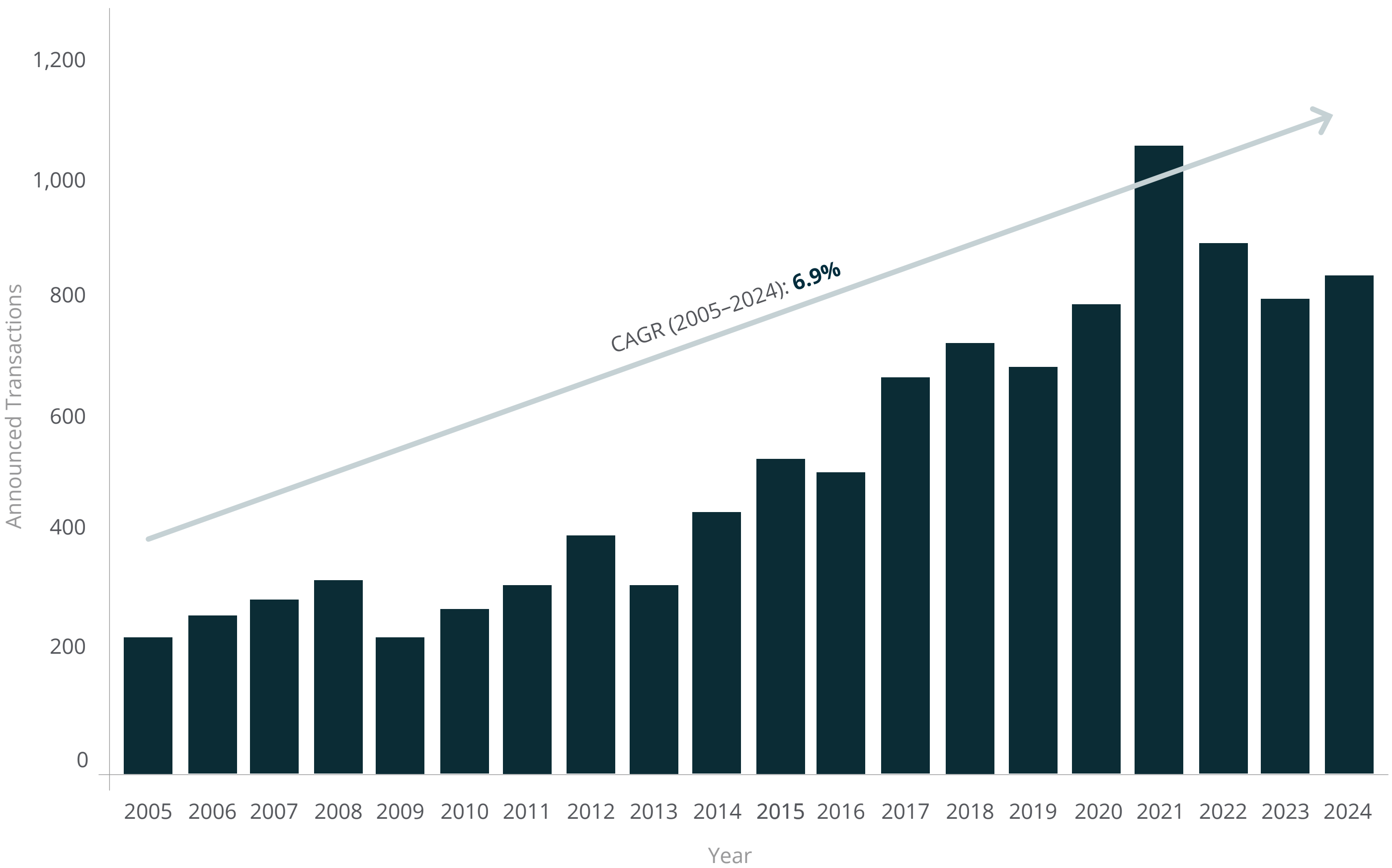
State of the Independent Broker

STATE OF THE INDEPENDENT BROKER

Is The Independent Insurance Agency Model Going Extinct?

In this current environment of high valuations and heavy consolidation in the insurance brokerage industry, the topic of internal perpetuation, or how to remain independent, has become less and less of a priority for firms. This is illustrated by the escalation of consolidation in this industry. Over the past ten years, approximately 7,400 insurance agencies have sold. **This is compared to the prior ten years which only saw 3,100 agencies sold. Overall, the CAGR of transactions in this industry over the past 20 years has been 6.9%.**

Total Announced U.S. Transactions, Annual



Why has internal perpetuation become less attractive?

While much of this increasing trend in consolidation reflects those taking advantage of current market conditions and firm valuations at all–time highs, many times the selling of a firm can be traced back to the moment ownership recognizes that internal perpetuation may not be possible.

For decades, insurance agencies have often been family-run businesses, passed down through generations. Today, many brokerage owners still proclaim that their business will remain independent by perpetuating to the "next generation" – whether that be family or other trusted leaders of the business. **But, more often than not, many owners find themselves in a mental struggle over the decision to sell externally or to try to remain independent.**

Over the last several years, the landscape of insurance brokerage ownership has undergone a significant transformation — **one that has seen fierce competition, talent shortages and extreme pressures to grow year–over–year.** Many owners have become focused on the crucial operational challenges in order to reach those growth goals, distracting many from their plans for how to continue their independence through internal perpetuation.

However, the primary reason for this diminished interest in internal perpetuation is because of the valuation gap that continues to widen.

What is the valuation gap?

The discrepancy between external and internal value is often referred to as the valuation gap. But most don't understand this. Why would a business be valued at a higher price for an external buyer than for someone who's been working at your business for years and wants to become its owner?

There are a countless number of variables that figure into what a buyer will actually pay for a business. And there are different variables involved in determining the value for these two audiences. Primarily, the difference in value lies in the level of profitability and the multiple a buyer can, or is willing to, pay. At its most basic — an external buyer may simply have strategic motivation for paying more, have better access to capital and be able to afford to pay a higher multiple on the profit.

> In the end — the gap between what a firm might be valued if sold internally versus what it might fetch if sold externally can be upwards of 50–100% more.

A different mindset: Perpetuating internally vs selling externally

As the life cycle of a privately held insurance brokerage progresses, owners inevitably recognize that an eventual transition of ownership will need to take place. Questions begin to surface around the various routes available to preserve the firm's legacy. Many, however, fail to consider a more crucial question: Have they positioned the firm from a financial, cultural, and organizational standpoint that aims to maximize shareholder value and sustain the firm's legacy?

Internal perpetuation is a mindset or a philosophy on a culture that is embedded in an organization committed to constant improvement. Firms that are committed to perpetuation are highly focused on organic growth, improving margins, increasing value, developing leaders, recruiting talent and improving processes. For internal perpetuation to work, employees need to be excited about investing in the firm for the long term. This mindset is very challenging and complex and requires firms to start much earlier than they actually do. As a result, most firms end up selling or partnering with another firm externally, because the fact is, firms without a perpetuation plan will eventually have to sell.

Remaining independent: Actions speak louder than words

Most firms have not made the commitment or necessary preparations to make continued independence possible. An owner can't wake up one morning and confidently decide to retire and hand over the reins to family members, or ask senior leaders to buy them out, without a plan for it.

A plan for long–term sustainability and perpetuation of a business should be viewed as a continuous process with neither a beginning nor an end. Firms need to have strategies around the most important ingredient — people. They need to recruit top talent, build a sustainable sales culture, create training and mentorship programs, and retain top employees through ownership opportunities.

In a MarshBerry study[1], firms were asked if they believed their next generation of leaders were capable of taking over the firm. An overwhelming majority (79%) stated "yes." However, when asked if they offered an ownership strategy to key employees, an equally overwhelming majority (77%) said "no." So, even though most owners are committed to perpetuation, most are not actively doing something to achieve it.

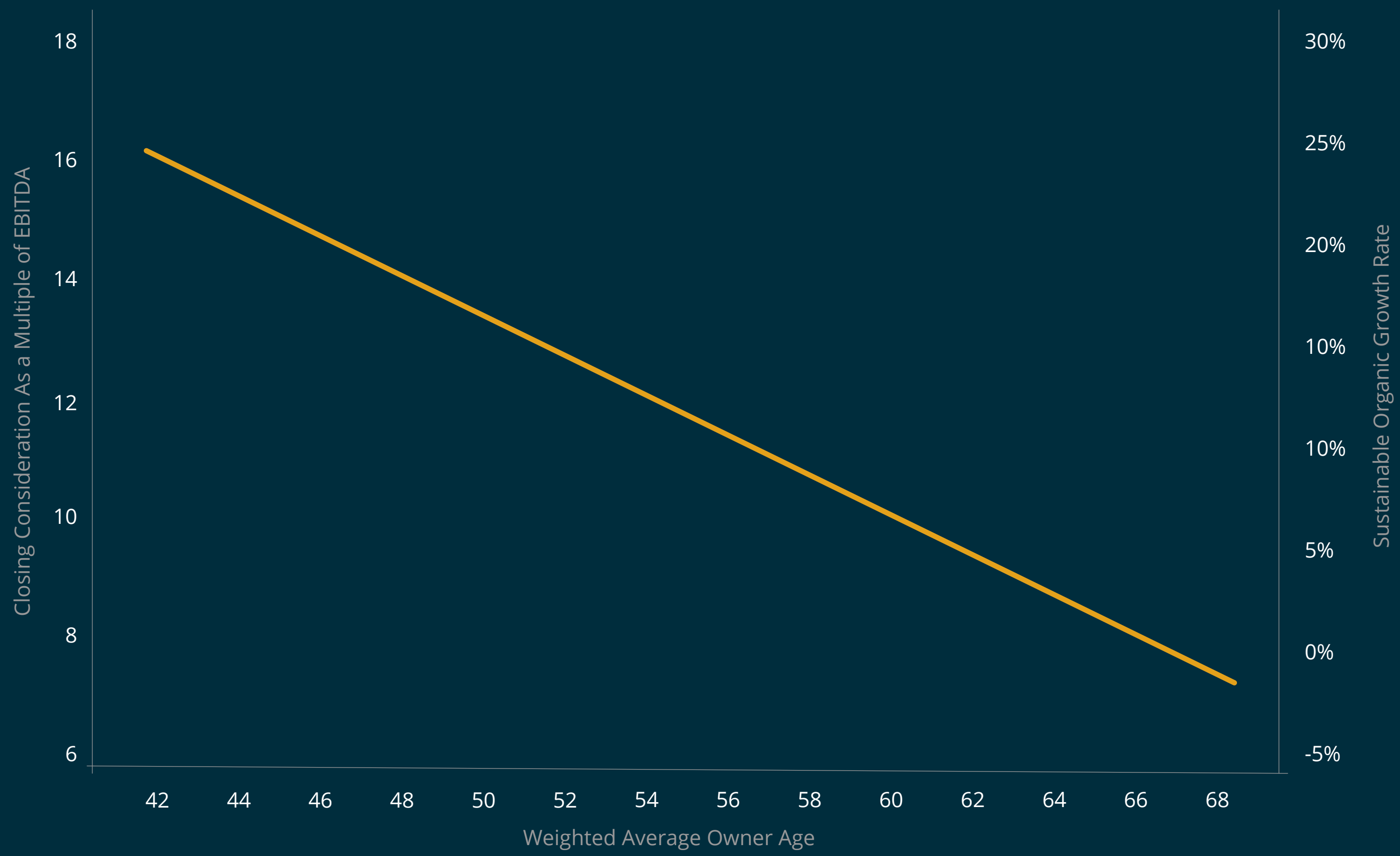
According to MarshBerry's proprietary financial management system Perspectives for High Performance (PHP), ownership in insurance brokerage is still too concentrated with the older generation. The weighted average owner age (WAOA) of insurance ownership is approximately 54 years old, with 80% of shareholders at 44 years of age or older, and only 20% of shareholders under the age of 44.

There is a direct correlation between WAOA, sustainable organic growth rate and firm valuation as a multiple of EBITDA. The higher the WAOA, the harder it becomes to sustain organic growth, and achieve maximum valuation at time of sale.

Having a perpetuation plan in place that includes smart recruiting and retaining the best talent through ownership programs, keeping WAOA low, can help a firm's valuation whether they decide to perpetuate internally or sell externally.

[1]2020 MarshBerry Market & Financial Outlook Report.

The Double Whammy



Source: MarshBerry proprietary financial management system Perspectives for High Performance (PHP). Data as of 6/30/24. Illustrative only.

The reality is — everyone will eventually need to transfer ownership of their business. It's not if — it's when. MarshBerry often points out that if you run your business like it's for sale, you may never have to sell externally.

Why do owners still want to internally perpetuate their business?

With all of the challenges associated with perpetuating a business to internal stakeholders, and increased opportunities to sell externally, why do owners still dream of remaining independent? Often, it simply comes down to personal preference. Everyone will have a different reason, ranging from desire to fulfill a legacy, to the ability to maintain control.

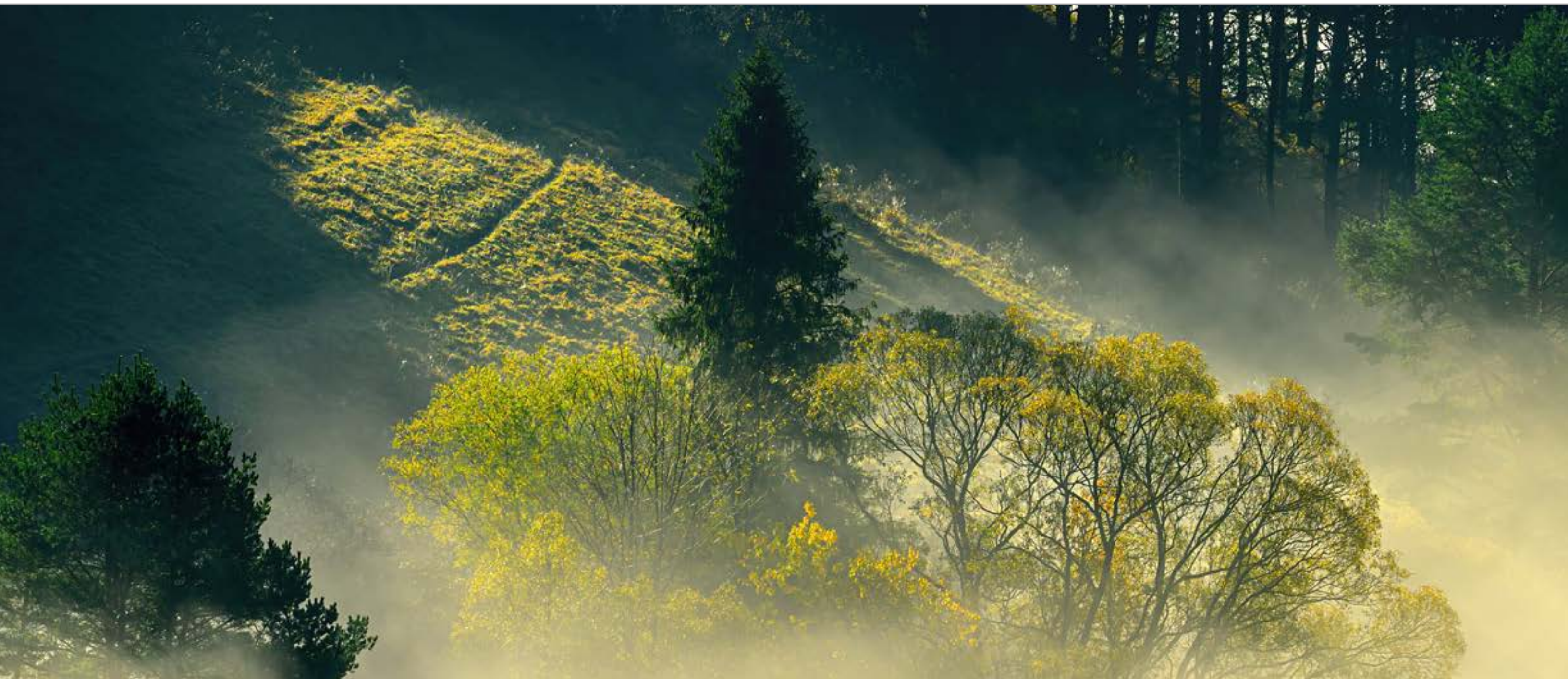
The fact is, in today's market the average firm is growing by double digits each year, and it is becoming more and more challenging to remain competitive. Firms need to find ways to grow, either through a combination of specialization or geographic expansion and acquisitions. Because of this, many owners look toward an external sale or partnership with another firm, simply because it allows them to remain competitive and to continue (or accelerate) their growth.

This realization of the evolving marketplace, compounded by the level of effort to ensure independence has shifted the mindset of owners. Many still may believe they can remain independent, but few are proclaiming it openly – for fear of breaking their promise.

So rather than struggle with the question of "should I stay independent or sell out," owners should continue to focus on the questions of what investments are needed to continue to help their business compete at a high–performing level.

If you dedicate time and resources to improving your business operations with a mindset toward its long–term health and success you will put yourself in a position where you will have a choice. You will have the option to internally perpetuate to the next generation, or you will be able to sell externally for a high price to a partner of your choosing.

The reality is — everyone will eventually need to transfer ownership of their business. It's not if — it's when. MarshBerry often points out that if you run your business like it's for sale, you may never have to sell externally.



There is still a place for the independent agency

The independent agency model isn't going extinct. For every firm that sells, there's a new agency that pops up. But when that agency reaches a certain size or reaches a point where the business needs to take on additional risk to grow further — decisions need to be made.

Owners are no longer talking about internally perpetuating their business like they used to, but it is not because it is not possible. MarshBerry has many clients that are committed to internal perpetuation. However, in today's marketplace many agencies are making the decision to sell their business or take on a capital partner, which is okay — because either choice is simply part of the business owners' American dream.

2025 Outlook

> Consolidation is no longer limited to big fish gobbling up smaller fish.

2025 OUTLOOK

Can 2025 Keep The Momentum?

After a year of "big deals" there is definitely a feeling that the insurance brokerage landscape is changing, or at a minimum, becoming more volatile. Consolidation is no longer limited to big fish gobbling up smaller fish. As brokers look to expand their expertise and their geographic footprint, expect more big deals in 2025, including international expansion.

Boosted by improved profitability, underwriting results, and investment returns in 2024 — the insurance distribution industry and overall M&A activity in 2025 looks to maintain momentum and remain very active. Today, the debt markets are friendlier to buyers than they were a year ago, and many are in the market repricing their current debt stack to more favorable interest rates. This movement will create additional cash flow and flexibility for buyers to be aggressive on acquisitive growth.

However, much will continue to depend on the overall health of the U.S. economy, including how the Fed continues to handle monetary policy, and how President Donald Trump's policies on trade, immigration, and regulation impacts inflation, business, and the labor market. There's also the continued question on the scheduled expiration of the Tax Cuts and Jobs Act (TCJA) at the end of 2025. Without executive action, the expiration of the TCJA could impact personal income and capital gains taxes.

For now, buyers and sellers in the insurance brokerage space continue to see opportunities for partnerships with valuations remaining at or near their elevated levels. However, any increase in supply and/or demand will be influenced by different factors.

For buyers, the primary factors driving activity will be any continued Fed interest rate cuts and increased access to debt, and the buyer's ability to grow organically within its own platform. In 2024, there was over $100 billion in institutional debt raised in the insurance brokerage industry, the highest amount ever raised in this industry in a single year. Relevant to the amount of debt a buyer can borrow, leverage ratios are creeping back up near 7x — like the good old days of 2021. Debt capacity is going up, while debt pricing hopefully continues to go down throughout 2025.

For independent firms — focus needs to be on how to grow their business and not remain reliant on rate and market exposure to drive their top line. To do that, better client services remain a key theme. The end client continues to demand more from their brokerage and access to industry knowledge, data and analytics, loss control and claims services, or even broader solutions (e.g., human resources consulting, retirement planning, individual wealth) — which are becoming a cost of entry to remain competitive. Independent firms are weighing their options as to whether they need to build these services on their own or partner with one of the 40+ well capitalized buyers in the marketplace that has already made the investments.

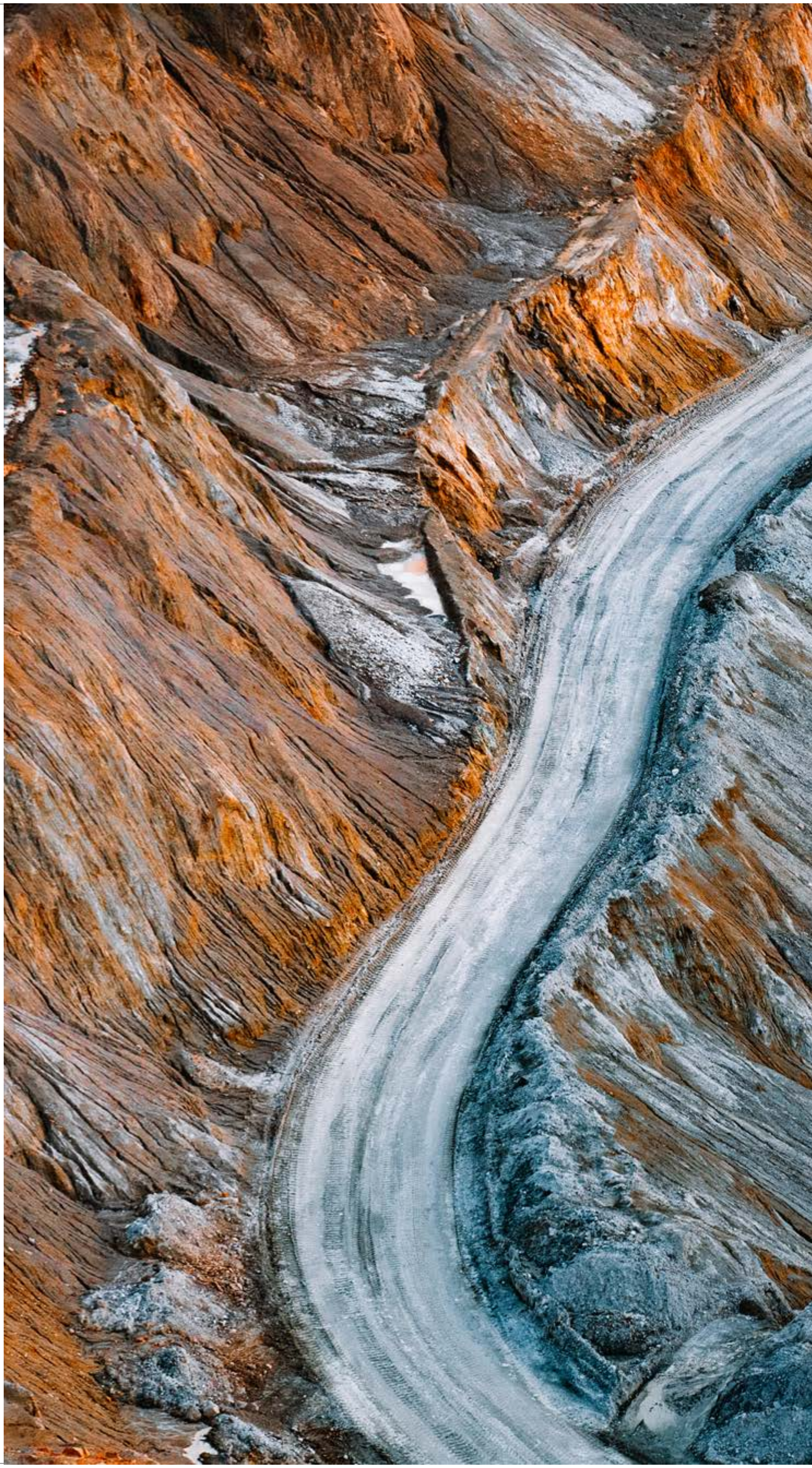
Deciding on your future is not an easy path to explore on your own. Some firms will decide to partner with another organization while others will continue building for long–term independence. This decision requires thoughtful consideration and analysis. Remaining independent and being focused on continual reinvestment of top talent and tools is paramount to having an opportunity to achieve the goal of continued independence. If a firm is not committed to continually achieving double digit organic growth outside of a hard market, they will have a tough time keeping up with the current high valuations that others are getting. Don't sit back and watch — make a decision. **Treading water is no longer a viable option. MarshBerry is here to help you navigate the numerous options in front of you.**

Relevant to the amount of debt a buyer can borrow, leverage ratios are creeping back up near 7x.

$100 **billion**

Estimated institutional debt raised in the insurance brokerage industry.

Debt capacity is going up, while debt pricing hopefully continues to go down throughout 2025.



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