

White Mountains-owned NSM attracting heightened buyer interest

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NSM Insurance Group has been fielding a growing number of inbound approaches from potential buyers with the expansive White Mountains-owned MGA platform seen as a sought-after asset in a market where scarcity value is high, *The Insurer* understands.

According to banking sources, the Conshohocken, Pennsylvania-based firm and its Bermudian owner have steadfastly represented to the market in recent years that NSM is not for sale.

And there is no indication that White Mountains – the financial services investment holding company that also has Ark and Elementum in its portfolio – is contemplating any kind of an official sales process despite the growing interest in NSM and the regular pitches from bankers that tend to follow around in-demand assets.

Nevertheless, in an M&A market for MGA, MGU and program administrator platforms where a demand-supply imbalance has driven valuations to record levels, sources raised the possibility of an inbound approach with a compelling offer that might be too good to refuse.



NAME: NSM Insurance Group

TYPE: MGA/MGU platform with expansive US and UK operations

OWNERSHIP: White Mountains owns 90% on fully diluted and converted basis; NSM management own remaining 10%

PLATFORM: 25+ programs in the US and UK. Strong position in collectible car insurance (American Collectors, Condon Skelly, Heacock Classic, renewal rights from AIG and, most recently, JC Taylor) and pet (Embrace Pet Insurance). Also has strong position in habitational real estate, social services and other segments. Strategy has included organic build out and M&A, including in the UK

FINANCIALS: At 9M 2021 revenues were \$241mn, with adjusted Ebitda of \$53mn. Annual GWP estimated at north of \$1.2bn.

KEY PERSONNEL: Geof McKernan (founding CEO); Bill McKernan (president); Marc Castellucci (COO); Jonathan Costello (CFO)

White Mountains bought NSM in 2018 from private equity firm Abry Partners and AIG in a deal that valued the MGA platform at around \$388mn.

At the time NSM placed in excess of \$500mn in premiums annually. Since then, through organic growth and a series of acquisitions, the firm is understood to have grown to write in excess of \$1.2bn of premium volume.

White Mountains currently owns 90 percent of NSM on a fully diluted, fully converted basis, with management led by Geof McKernan holding the remaining 10 percent. McKernan founded the firm in 1990 along with Paul Norman.

The MGA generated total commission and other revenue of \$241mn in the first nine months of the year, up 14 percent on the same period of 2020, suggesting it will end 2021 with a top line closer to \$300mn.

Adjusted Ebitda was \$53mn for the period, up from \$44mn, pointing to full-year adjusted Ebitda north of \$70mn.

At an Ebitda multiple in the mid-teens that would indicate a \$1bn valuation on a trailing twelve months basis.

Collector cars and pet

NSM's largest two segments are specialty transportation, with \$73mn of commission and other revenues in the first nine months of the year, and pet at \$56mn.

The specialty transportation business includes collector cars, an area in which the firm is thought to be one of the leading players behind Hagerty in the US after a series of acquisitions. Brands added include American Collectors, Condon Skelly, Heacock Classic, renewal rights from AIG and, most recently, JC Taylor.

In a demonstration of the value ascribed to the automotive enthusiast insurance market by investors, Hagerty went public earlier this month in a SPAC combination with Aldel Financial that gave it a \$3.1bn enterprise value.

Pet insurance is another fast-growing insurance segment where NSM has been building a presence, including its acquisition of Embrace Pet Insurance in 2019.

The MGA has more than 25 programs overall including Allcomp Solutions, ATP, Care Providers Insurance Services, its condo programs Coastal CHAMP and HABPRO Insurance, Dinghy, KBK, Staffing Lines, Sports & Wellness Insurance, PUA and TRUE in the US, as well as Kingfisher and Kingsbridge in the UK.

Scale and roll-up record

Sources said that as well as operating in two of the hottest segments in the market, NSM is likely to be attractive because of its scale and ability to execute M&A.

There are very few MGA platforms with premium volume north of \$1bn that aren't currently owned by a wholesale or retail intermediary.

There are also several highly acquisitive firms with established platforms or ambitions to build them that are looking for scaled assets.

As well as offering a scaled platform, NSM has also demonstrated a track record of adding niche MGU businesses either as bolt-on acquisitions to broaden and deepen existing niches, or in new niche areas.

White Mountains declined to comment on this article. NSM did not immediately respond to a request for comment.