

## Lovell Minnick backs benefits and comp GA Warner Pacific for national build-out

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Private equity firm **Lovell Minnick** has bought into employee benefits-focused general agency (GA) **Warner Pacific** and committed significant capital to fund a build-out of the three-state firm into a national tech-enabled platform with a strong focus on M&A as well as organic growth, *The Insurer* can reveal.

Warner Pacific was founded 30 years ago and has grown to become a GA with over \$4.2bn of in-force premium, servicing more than 50,000 employers focusing on the small group, large group and Medicare health insurance markets as well as workers' compensation.

The firm, which is led by co-CEOs John and David Nelson and currently operates in California, Colorado and Texas, will look to expand geographically and into new coverages and service offerings.

Although terms of the transaction were not disclosed, Lovell Minnick is understood to have committed a significant amount of capital on top of its initial investment to fund growth initiatives including M&A activity.

In an interview with this publication, Lovell Minnick partner Trevor Rich said the investor sees a big opportunity in the benefits space and that it identified Warner Pacific as a strong platform to build from.

"The benefits space is a high-growth area. There's a lot of complexity and a lot of the employers in the SME market need expert advice and help to receive the proper benefit coverage.

"As we got to know the market really well it was clear that Warner Pacific is the clear leader in the markets they play in. They have a very strong reputation in being a value-add to their broker and carrier relationships, including their technology platform which could easily translate into new markets," he said.



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**Warner Pacific co-CEO Dave Nelson on plans to take the GA nationwide**

Dave Nelson told ***The Insurer*** that the aim is to build out the Westlake Village, California-based platform into a national player.

"We're currently in three states and we're keen to extend that through the country. We have a lot to offer and we feel Lovell Minnick partnering with us is really going to help us achieve our goal," he explained.

His co-CEO John Nelson said that Warner Pacific's diversified platform means it is involved in different aspects of the health insurance industry which will present it with a broad array of opportunities.

"Depending on the market and state we have any number of businesses and platforms we can build upon. It's not limited to one single entity and we're capable of growing in any and every single market the country offers in the health insurance space," he commented.

The Nelsons will remain as co-CEOs following the Lovell Minnick buy-in with the management team continuing to have a significant stake in the GA going forward.

### **Consolidation opportunity**

Rich said that Lovell Minnick sees a significant roll-up opportunity in the benefits space, which remains relatively unconsolidated compared with the P&C sector where the private equity firm has also been an active investor.

"There are hundreds of GA platforms out there that could benefit from this type of partnership. We feel that by combining forces with them it could be a win-win for all constituents.

"The benefits side has not been on the radar of the financial sponsor community yet, so from our perspective that's a window of opportunity. It's not heavily consolidated and there are clear benefits from bringing companies together," he commented.

M&A will be a major focus of Warner Pacific's expansion plan under new ownership as it looks to build out its national GA platform.

It will also target the acquisition of other leading insurance technology players and look to expand into new insurance coverages and service offerings outside its existing suite of proprietary tech solutions.

### **Tech focus**

The Nelsons highlighted the emphasis on technology as their existing business has evolved over the last three decades.

"Our technology suite and tools have brought all kinds of efficiencies to our customers – insurance carriers, brokers and of course the consumers themselves. When we look at our expansion plans the technology tools will help us get there," said Dave Nelson.

John Nelson added: "We have invested tremendous amounts of resources into technology over the decades and the position it has put us into is unique and enables us to scale up."

Rich suggested that the consolidation that has taken place across the retail broker segment is likely to present opportunities to a platform like Warner Pacific.

“They’re looking to partner with a GA like Warner Pacific that can make that process easier for them. That requires a lot of investment in people, services and technology.

“They’re looking to consolidate that book with fewer GAs out there. They want to work with GAs like Warner Pacific that have a lot of access to carrier plans and where it’s a one-stop shop and they can see all the plans in a single place rather than just getting a quote with one or two of them.

“It’s a two-sided network which benefits the scale players like Warner Pacific.”

MarshBerry acted as financial adviser and Sheppard Mullin as legal counsel to Warner Pacific.

KBW was financial adviser and Schulte Roth & Zabel legal counsel to Lovell Minnick.