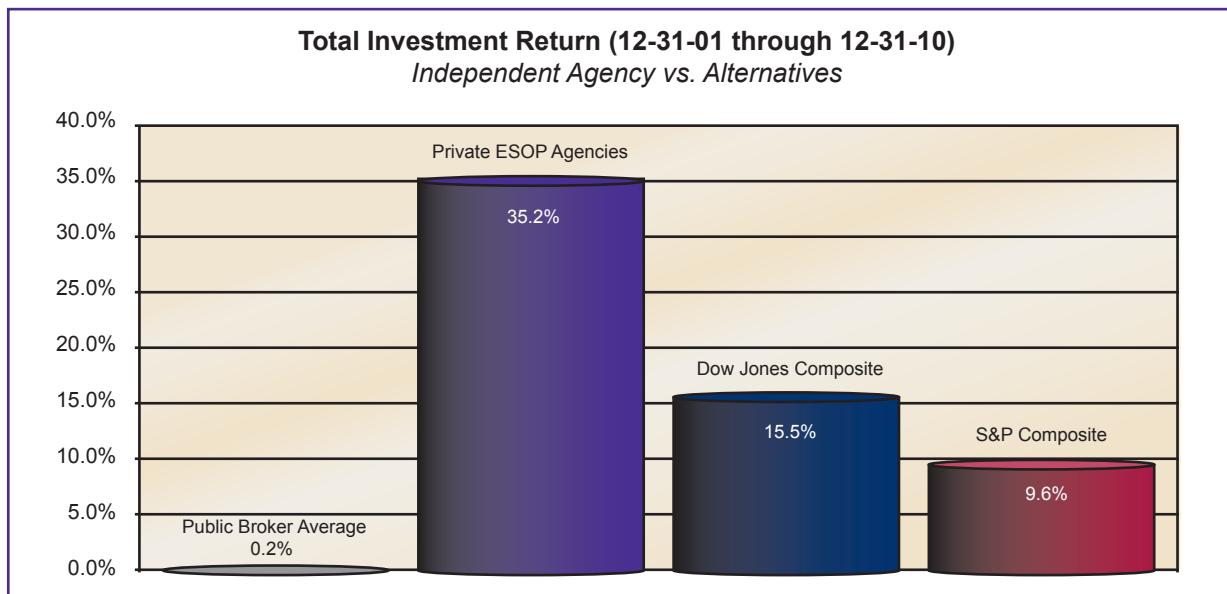


Total Investment Return - Independent Agency versus Alternatives

Last month's For The Record illustrated the year-over-year change in agency valuations from 2001 through 2010. Even though independent agency valuations have been volatile in the past couple of years, the total investment return of an independent agency far exceeded other investment options during that time period.

Since 2001, MarshBerry has tracked various investment returns available to investors interested in the insurance distribution system. The following graph illustrates the return achieved by a public broker composite, a composite of ESOP agencies valued by MarshBerry on an annual basis, the Dow Jones Industrial Average (DJI) and the Standard & Poor's 500 Index (SPX). The public brokers selected for comparison are representative of those who were trading at 12/31/01 and remained active as of 12/31/10. The public broker average includes Arthur J. Gallagher (AJG), Marsh & McLennan Cos. (MMC), Brown & Brown (BRO) and Willis Group Holdings (WSH).



While valuations have fluctuated over the past nine years, the ESOP group of agencies have consistently outperformed the other composite indices. Since ESOP firms are required to receive an annual valuation, the composite group provides a good indication of the overall trend in agency valuations. The non-ESOP agency valuations performed by MarshBerry showed similar results with regard to total investment return. To continue to outperform other investment alternatives, agency owners should monitor important financial metrics. As proper financial management is critical to agency value, management should benchmark its performance against a peer group to identify any weaknesses in the agency's financial metrics and operations. Next, a strategic plan should be developed to address the weaknesses and identify a strategy to continually and systematically reinvest in the agency.

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