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.

Authored by Megan Bosma, AVA, Vice President, Financial Consulting
440-392-6553 / Megan@MarshBerry.com
2011 Insurance Brokerage Summit
Executive perspectives on transaction opportunities and growth

Two days of insight from leading insurance executives, advisors and analysts on the industry’s key strategic issues and projections for the future of the insurance distribution business.

Achieving organic growth is no small task as the industry faces challenges from an uneven economy, stubbornly soft premium rates, evolving carrier demands and competitors eager to lure away top-performing employees. Acquisitions remain an essential, but evolving, component of a successful growth strategy.

Join us for panel discussions, keynote presentations and interactive workshops. Leading executives and value-creators will share their insight on the industry’s dynamics and discuss strategies for maximizing a firm’s value.

Panel topics include
• The economic factors influencing current industry performance and those likely to impact future performance
• How to determine and apply the growth strategies (organic or acquisition-based) best suited to your company
• The tactics seasoned acquirers use
• Integrating financial metrics and proprietary models to construct a viable internal succession plan
• Implementing an acquisition strategy that maximizes shareholder value

Speakers and panelists include:
John Addeo – CEO, Confie Seguros
Neal R. Aton – President and CEO, Wells Fargo Insurance Services
Edward J. Bowler – Senior VP, Corporate Development, USI Holding Corporation
John Butler – Managing Director, Sandler O’Nei + Partners
David Donnini – Principal, GTCR
David L. Eslick – Chairman and CEO, Marsh & McLennan
James S. Gault – Corporate Vice President, President and CEO, Brokerage Services Division, Arthur J. Gallagher
James W. Henderson – CEO, Assured Partners
Martin P. Hughes – Chairman and CEO, HUB International
Eric Leavitt – President, Leavitt Group
Matthew McKenna – Director of Financial Services, First Niagara Financial Group
Markham McKnight – President and CEO, BancorpSouth Insurance Services
David Paul – Partner, ALIRT Insurance Research
J. Scott Penny – Regional President and Chief Acquisition Officer, Brown & Brown
Phil Trem – Vice President, MarshBerry
John M. Wepler – President, MarshBerry
Clark Wormer – Director of M&A, HUB International
Tim Zawacki – Senior Industry Editor, SNL Financial

WHEN
November 8-9, 2011

WHERE
InterContinental Chicago Magnificent Mile / Chicago, IL

WHO ATTENDS
• Public and bank-owned broker executives
• Independent agency executives
• Finance and corporate development professionals at insurance brokerages and insurance carriers
• Private equity investors
• Investment banking, legal and consulting advisors
• Asset managers and sector analysts
• Sales managers and distribution strategists at carriers

WEBSITE
www.snlcenter.com/brokerage

REGISTRATION
$995 – Insurance brokers
($1,195 after 9/27/2011)
$1,295 – All others
($1,495 after 9/27/2011)

Special Registration Offer:
$995 - use MarshBerry code: MB200 when registering.

TO REGISTER or view the complete agenda, go to:
www.snlcenter.com/brokerage
or call us at (434) 951-7786.

Presented by

In collaboration with