

MGA/MGU/Program Manager Market Update

Market Commentary

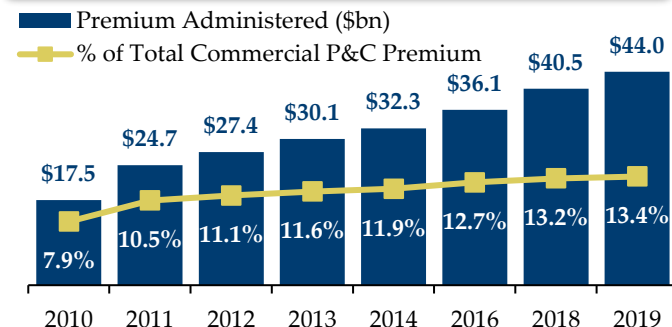
- Sustained growth in delegated Underwriting Authority (“DUAЕ”) managed premium and rising transaction multiples demonstrate the continued appeal of the DUAЕ model.
- Some buyers target specialist expertise, differentiated distribution (including direct-to-consumer or proprietary access to agents), and modern underwriting capabilities (new technologies and access to data). Others focus on companies with strong carrier and retailer relationships.
- Private-equity backed buyers remain the most active, with deals already announced this year by Applied Underwriters, AssuredPartners, Constellation Affiliated Partners, One80, PIB, and Risk Strategies. Private equity is also making direct acquisitions, including transactions from Abry, KKR, and Odyssey Partners. Little to none of the deals involved the typically active, larger buyers like Brown & Brown, Hub, and Marsh, though that may change later this year. Aon/Willis will likely be preoccupied until the merger. As COVID-related uncertainty subsides, independent distributors may refocus on M&A, as seen by McGowan Companies’ and Integrated Specialty’s participation so far this year.
- A.M. Best’s recent plans to assess DUAЕs and increase their transparency may create new barriers to entering the market if it deters capacity from new entrants, potentially furthering consolidation.

Select Recent MGA/MGU/Program Administrator Transactions

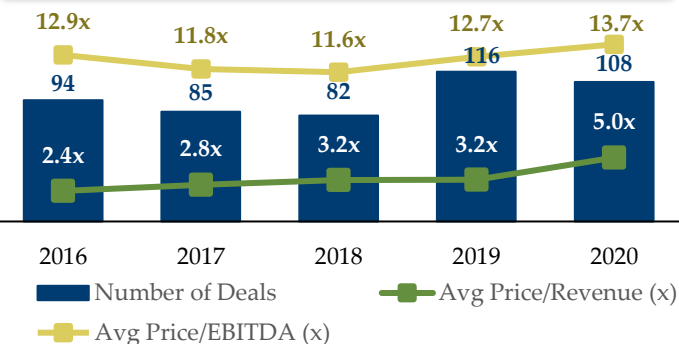
Announce Date	Acquirer	Target	Approx. DPW (\$MM) ³
04/14/21	Bridge Specialty Group (Brown & Brown)	Leon Silver Associates	\$3,000
04/07/21	MS Amlin	Int’l Transportation & Marine Office	
04/01/21	Towerstone	Jacobs & Associates	
03/30/21	Risk Strategies	Specialty Insurance Solutions (SIS)	
03/18/21	PIB Group	Acquinex Ltd.	35
03/09/21	One80 Intermediaries	Cannasure Insurance Services	
03/05/21	AmWINS Group	Worldwide Facilities	2,000
03/04/21	KKR & Co.	Integrated Specialty Coverages	300
02/23/21	One80 Intermediaries	Edward E. Hall & Co.	
02/03/21	Applied Underwriters Inc.	Concept Special Risks Ltd	
02/01/21	McGowan Companies Inc.	Couch Braunsdorf Insurance Group (CBIG)	
01/25/21	Apax Partners	PIB Group	1,379
01/20/21	Skyward Specialty Insurance	Aegis Surety Bonds & Ins Svcs	
01/19/21	Arthur J. Gallagher & Co.	Atlas General Holdings	
01/14/21	Constellation Affiliated Partners	Insuretrust.com	
01/14/21	Integrated Specialty Coverages	California Contractors	
01/12/21	One80 Intermediaries	Commercial Insurance Group	
01/11/21	Safehold Special Risk (USI)	WSIB Insurance Agency	

Premiums administered climbs year over year...¹

14% CAGR in premium since 2010, and a growing share of total P&C commercial business.



Deal multiples rise despite fewer 2020 transactions...²



We have longstanding relationships with decision makers of distributors, carriers, private equity, and other hybrid groups seeking to acquire program managers.

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Sherman & Company is an investment banking firm dedicated to the convergence of the insurance, healthcare, technology, and asset management industries.

This document is for informational purposes only and does not constitute an offering. **Sources:** Sherman & Company (“S&C”), S&P MI, TMPAA, A.M. Best. 1. Premium figures for 2010-2018 are from TMPAA Market Reports. 2019 premium is from A.M. Best’s Delegated Underwriting Authority Market Segment Report. 2. Number of deals includes transactions of S&C identified MGAs/MGUs/Program Managers. Deal multiples include transactions with public data or S&C’s proprietary data. 3. DPW figures are as of the announcement date and from public sources.

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