THE HALES REPORT

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Inside This Issue

Hurricane Florence Hits North Carolina As A Cat 1 Storm, Weaker Than Initially Feared But Still Adding To Growing Q3 Catastrophe Losses.

After rapid intensification earlier last week and fears of a large (re)insurance loss event, Hurricane Florence weakened and made landfall Friday morning (9/14) near Wrightsville Beach, NC (east of Wilmington) as a category 1 storm. The storm nonetheless adds to growing Q3 catastrophe experience (see our tally at the end of this article) and the full story is yet to be told. **As of now, the storm looks likely to generate an insured loss in the low-to-mid-single digit billions** (vs. earlier fears of something closer to $15-20B+).

Modeling agencies have weighed in on the storm to varying degrees. **RMS** provided updated historical benchmarks on present day insured exposure for wind and coastal storm-surge (inland flooding not included) showing similar Cat 2 event insured losses in the range of $1B (Hurricane Bertha -- 1996) to ~$5B (Hurricane Isabel – 2003). With the lower wind speed, benchmark loss comparisons were reduced from initial comparisons to Hurricane's Hazel at $15B (1954) and Hugo at $20B (1989).

Exhibit 1

Storm	Intensity	RMS Reconstructed Loss (2018)
Bertha (1996)	Category 2	$1.0bn
Diana (1984)	Category 2	$1.1bn
Gracie (1959)	Category 3	$2.5bn
Floyd (1999)	Category 2	$3.7bn
Isabel (2003)	Category 2	$4.7bn
Fran (1996)	Category 3	$7.6bn
Hazel (1954)	Category 4	$15.0bn
Hugo (1989)	Category 4	$20.5bn

Source: RMS

On Monday (9/17), **Karen Clark & Company ("KCC")** released a "flash" insured loss estimate of **$2.5B** for Hurricane Florence including wind, storm surge and inland flooding (but excluding NFIP flood losses). Just prior to landfall (9/13), **CoreLogic** released an initial insured loss estimate in the **$3-5B** range including wind and storm surge (also excluding NFIP losses), of which $2.5-4.5B is expected from North Carolina and $0.3-0.5B from South Carolina.

Still, it's early days and reinsurance broker **JLT Re** adeptly warned that early estimates should be considered with a bit of skepticism, particularly considering the unique characteristics of this storm.

"Our study reveals that vendor models have historically performed well for events where wind is the main loss component…Early indications show <u>the stochastic event sets being used by the modelling firms for Florence are facing challenges to replicate the unique aspects of Florence</u>. At this point, any published loss estimates should be treated with a strong degree of skepticism given they come with considerable uncertainty and, in the case of the main commercial modellers, are based upon unrepresentative stochastic tracks. Some estimates will also exclude water-related loss components that could ultimately far exceed costs associated with wind damage: namely flood and surge."

JLT Re, Florence briefing 9/13/18

Notably, **Florence was an unusually large storm**, with hurricane force winds extending 80 miles from the center and tropical storm winds (39mph to 73mph) extending nearly 200 miles! Combined with the relatively slow forward movement, and the low elevation of the Carolinas, storm surge and flooding are significant risks. That said, given that flood / storm surge generally go uninsured, much of the <u>insured</u> losses will likely still come from wind damage (other than Government / NFIP insured losses).

Another complicating factor is the potential for inland flooding in areas with already saturated soil, which brings **increased risk of damage from uprooted trees in addition to the potential for landslides and mudslides.**

From a claims perspective, **a full labor market may bring above average loss adjustment expenses (LAE) and higher litigation costs** from the wind vs. water debate and the potential for **opportunistic assignment of benefits (AOB) activity**. AOB issues are particularly prevalent in Florida and, with the Sunshine State being spared tropical activity this year (so far), lawyers may make their way up north to develop this business.

A Look At NC / SC Exposed Insurers …

The table below highlights the top 25 insurers with exposure in both North and South Carolina based on catastrophe exposed direct premiums written: homeowners, personal and commercial auto physical damage, CMP (property), allied and inland marine lines.

While the private flood insurance market is extremely limited (even more so in coastal areas exposed to storm surge), the NFIP and auto insurers (covered risk) will likely capture a heavier percentage of the losses. Some commercial accounts could also see flood losses (some include flood as a covered peril). Additionally, the extent and duration of power outages and evacuation orders will be a factor in potential business interruption losses.

The reinsurance markets are likely to take relatively minor losses given the projected magnitude of this event. That said, losses could emanate from smaller companies with lower retentions, larger companies with aggregate covers, state wind pool reinsurance programs and/or a triggering of the reinsurance program for NFIP (which attaches at a $4B loss; was a full limit loss during last year's substantial flooding events).

Exhibit 2

2017 Cat-Exposed* Market Share		North Carolina		South Carolina		North & South Carolina	
		DPW ($, M)	Mkt Share	DPW ($, M)	Mkt Share	DPW ($, M)	Mkt Share
1	State Farm Group	$928	12.8%	$742	18.1%	$1,671	14.7%
2	Nationwide Mutual Group	$825	11.4%	$257	6.2%	$1,082	9.5%
3	Allstate Corp	$426	5.9%	$383	9.3%	$809	7.1%
4	USAA Group	$473	6.5%	$313	7.6%	$786	6.9%
5	North Carolina Farm Bureau	$675	9.3%			$675	5.9%
6	Liberty Mutual Group	$354	4.9%	$262	6.4%	$617	5.4%
7	Berkshire Hathaway	$343	4.7%	$216	5.3%	$559	4.9%
8	Travelers Companies	$227	3.1%	$208	5.1%	$435	3.8%
9	Progressive Group	$227	3.1%	$166	4.1%	$393	3.5%
10	Erie Insurance	$320	4.4%			$320	2.8%
11	National General Group	$291	4.0%			$291	2.6%
12	Auto-Owners Group	$158	2.2%	$106	2.6%	$264	2.3%
13	Cincinnati Financial	$122	1.7%	$32	0.8%	$155	1.4%
14	Chubb Group	$85	1.2%	$60	1.5%	$145	1.3%
15	Hartford Financial Services	$77	1.1%	$58	1.4%	$135	1.2%
16	American International Group	$54	0.7%	$76	1.9%	$130	1.1%
17	Farmers Insurance Group	$71	1.0%	$57	1.4%	$128	1.1%
18	Assurant	$67	0.9%	$41	1.0%	$108	0.9%
19	Munich Re Group	$59	0.8%	$36	0.9%	$95	0.8%
20	MetLife Group	$90	1.2%			$90	0.8%
21	Zurich Insurance Group	$55	0.8%	$33	0.8%	$88	0.8%
22	SC Farm Bureau Federation			$71	1.7%	$71	0.6%
23	Penn National Insurance	$62	0.8%			$62	0.5%
24	Amica Mutual Insurance	$58	0.8%			$58	0.5%
25	First Protective Insurance	$56	0.8%			$56	0.5%
	Top 25	**$6,102**	**84.0%**	**$3,118**	**75.9%**	**$9,221**	**81.1%**
	All Other	$1,162	16.0%	$988	24.1%	$2,149	18.9%
	Total	**$7,265**	**100.0%**	**$4,105**	**100.0%**	**$11,370**	**100.0%**

* Cat exposed lines include homeowners, personal & commercial auto physical damage, CMP, allied lines and inland marine. Source: SNL Data

Q3 Catastrophes So Far …

ISO PCS estimates Q3-to-date U.S. insured cat losses of $3.8B, compared to the 10-year mean and median of $10.7B and $2.5B, respectively, with 4 events pending an initial estimate. ISO PCS published initial and final insured loss estimates for Hurricane Lane of $50M and the Mendocino Lake Complex Fire in early August of $204M. Recall, ISO previously estimated a $922M insured losses for the Carr Fire, bringing the aggregate estimate for the August California fires to $1.1B.

More recently, we've seen **Tropical Storm Gordon** and **Hurricane Florence** make landfall. As previously mentioned the insured losses stemming from Florence are widely speculative at this point, ranging from $1-5B. **Karen Clark & Company** estimates insured losses of $125M for Tropical Storm Gordon which made landfall on 9/4 before rapidly weakening, keeping losses largely in Alabama, Florida and Missouri.

Globally, Japan has been heavily impacted, first by a Flood in early July, which AIR estimates insured losses in the range of $2.5-4B. In addition, **Typhoon Jebi** made landfall 9/4 as the equivalent to a Category 3 Hurricane and cat modeling agency **RMS** estimates insured losses from the event will be from $3-5.5B.

Super Typhoon Mangkhut made landfall in the Northern Philippines on 9/14 as the equivalent to a Category 5 storm with storm surge levels reported as high as 20 feet. The storm also made Landfall in China on 9/16 as the equivalent to a Category 2 with max sustained winds of 100mph. While still early, **JLT Re** estimates insured losses will be in the billions of dollars, as Mangkhut has the potential to rank in the top 10 most damaging typhoons in the Pacific Basin.

All in, it has been an active quarter for catastrophic events, both domestically and globally. Aggregating estimates from various cat modelling agencies, Q3-to-date domestic insured cat losses stand in the range of $5.9-8.9B and international insured cat losses in the range of $7.0-11.0B.

Dowling Hales Announces its 11th and 12th Transactions of 2018:

Vanbridge Holdings LLC Divests Vanbridge LLC to EPIC and Alan Gray LLC to Premia Holdings Ltd.

Dowling Hales acted as exclusive financial advisor to Vanbridge Holdings LLC on its divestitures of (i) the insurance brokerage business of Vanbridge LLC ("Vanbridge") to EPIC Insurance Broker & Consultants and (ii) Alan Gray LLC ("Alan Gray") to Premia Holdings Ltd.

Based in New York, NY, Vanbridge is a specialty insurance intermediary focused on alternative asset managers which include private equity, venture capital, and hedge fund clients and their portfolio companies (collectively "AAM"). Vanbridge offers intermediary services where it creates unique insurance products, risk structures and capital management solutions in the P&C, life & executive benefits lines for AAM clients as well as program management where it assists AAM clients in managing risk through the creation and management of specialty insurance programs.

Founded in 1988 and located in Boston, MA, Alan Gray is a claims and audit advisory firm that consults on both simple and complex risks and exposures. Over the years, Alan Gray has become an adviser and partner to an international client base that includes major insurers and reinsurers, Fortune 500 companies, law firms, MGAs, brokers and captives..

VANBRIDGE LLC

REPRESENTED BY DOWLING HALES*

HAS BEEN ACQUIRED BY

EPIC

AUGUST 2018

*CONDUCTED THROUGH HALES SECURITIES, LLC

AG Alan Gray LLC

REPRESENTED BY DOWLING HALES*

HAS BEEN ACQUIRED BY

PREMIA

AUGUST 2018

*CONDUCTED THROUGH HALES SECURITIES, LLC

OTHER RECENT DOWLING HALES TRANSACTIONS

SERVCO PACIFIC INSURANCE

REPRESENTED BY DOWLING HALES*

HAS BEEN ACQUIRED BY

Brown & Brown INSURANCE

JUNE 2018

*CONDUCTED THROUGH HALES SECURITIES, LLC

LEXON SURETY GROUP

REPRESENTED BY DOWLING HALES*

HAS BEEN ACQUIRED BY

SOMPO INTERNATIONAL

JUNE 2018

*CONDUCTED THROUGH HALES SECURITIES, LLC

AMER Insurance

REPRESENTED BY DOWLING HALES*

HAS BEEN ACQUIRED BY

Arthur J. Gallagher & Co.

MAY 2018

*CONDUCTED THROUGH HALES SECURITIES, LLC

Hanover Group Back To Domestic Agency Roots With Sale of Chaucer To China Re For $865M (1.66x Tangible). Capital For Buybacks & M&A.

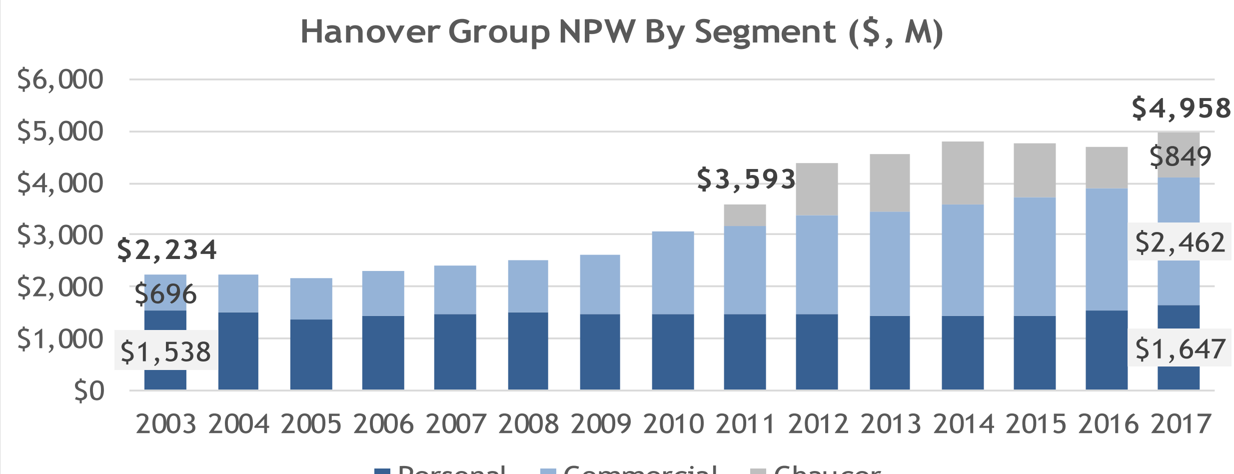
When Worcester-based "Super Regional" **The Hanover Group** purchased Lloyd's specialist **Chaucer** in 2011 (under prior management) the strategic rationale and touted "synergies" never quite made sense to us (or others / Hanover investors). Admittedly the deal was a financial success as a stand-alone entity under Hanover ownership, but as management turned over (twice) to current CEO John "Jack" Roche (U.S. agency background including senior roles at St. Paul Travelers) it was only a matter of time before Chaucer was placed under "strategic review" (confirmed in March 2018).

That strategic review culminated last week in the **announced sale of Chaucer to China Re for $865M or 1.66x tangible equity** (well above the 1.25x multiple paid by Hanover in 2011). In addition to generating nearly 50% of Hanover's earnings over the holding period (a strong period for Lloyd's and weak period for Hanover's domestic business struggling with adverse development) **Chaucer delivered a nearly 20% IRR to Hanover.**

The sale represents a strategic pivot for the company, which can now focus exclusively on its $4.8B domestic agency business (GPW) split 60% commercial lines and 40% personal lines. After a reserve "true up" in 2016 (5% increase to domestic reserves) the company has been exceedingly optimistic about prospective returns for the business, with a particular appetite for small commercial, "specialty" commercial (niche verticals) and personal lines.

> *"This transaction will enable us to build on the **growing momentum in our domestic property and casualty businesses**, as we continue to advance our long-term strategy and deliver even stronger shareholder returns."*
>
> \- Jack Roche, Hanover Group CEO

Exhibit 3



Source: Company Reports

Use of Proceeds (Buybacks & Growth): **Hanover Group estimates $825-875M of net proceeds after taxes and fees**, inclusive of an $85M dividend from Chaucer received in Q2. While nearly half of this amount will need to go towards buybacks to fill the hole of lost Chaucer earnings (getting EPS back to baseline) the **remaining $300-400M is available for other capital management strategies**. Growth is clearly priority #1, both organic and inorganic (likely to include bolt on deals and/or renewal rights but nothing "transformational").

> *"Historically, we've tried…to identify small acquisitions, renewal rights deals or team build outs that meet several kind of key criteria: …have the potential to be accretive in a relatively short period of time, we also look at the range of outcomes that surround those businesses…we also…match that up against our distribution strategy. And while everything we do doesn't have to exclusively fit into our franchise approach, we (hope to) build out that, add to our proposition to the best agents* ***- [but] you won't see us do anything highly transformational****."*
>
> \- Jeff Farber, Hanover Group CFO

Recognizing the potential execution risk for the deal, which is contingent on approval from China Re shareholders and People's Republic of China (PRC), **there is a $57M break up fee payable to Hanover** if the deal does not come to fruition.

Considering current strategies and market conditions, **Hanover targets 6-7% organic growth**, with growth above this amount dependent on the pricing environment and inorganic growth opportunities. For perspective, domestic NPW growth in 2017 was 6% and through 6 months was 8%.

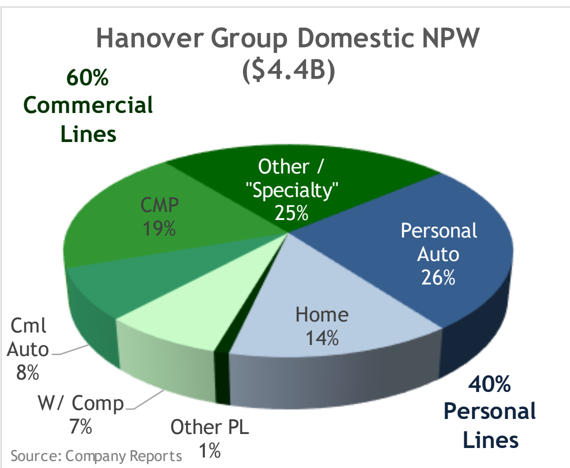
> *"As we've been working through this process of a possible Chaucer sale, we've been working diligently to come up with kind of what's next. What industry sectors can we pursue? What lines of business would be a natural next extension? How could we accelerate growth frankly in our most profitable businesses and geographies? So I have charged Bryan [head of Specialty] and Dick [head of Agency Markets] to really bring us that full transparency of the additional growth opportunities both in our existing capabilities, as well as some of the next steps that we can take."*
>
> \- Jack Roche, Hanover Group CEO

Within the domestic commercial business Hanover Group has focused on building out "specialty" product niches, including marine, small professional liability, surety and other programs – see Exhibit 5. Historical (pre Chaucer) acquisitions have been focused on smaller deals that expand these specialty capabilities, and we would expect at least a portion of the sale proceeds to go towards inorganic growth with a similar focus.

"Our market leading Personal Lines account business and our Small Commercial portfolio, which together represent more than half of our domestic written premium….are high-growth markets for us and produce returns well above target capital hurdle rates. Additionally, we have a strong position in the highly specialized, lower-end middle market sector, as well as the specialty segment…Together, these businesses are generating very attractive returns and represent meaningful growth opportunities. We will continue to invest in these opportunities and leverage our higher-return businesses moving forward."

- Jack Roche, Hanover Group CEO

Exhibits 4 and 5



Hanover Other "Specialty" Sectors

DPW - $, M	2017	Mix
Inland Marine	$246	24%
AIX Programs	$214	21%
Management & PL	$214	21%
Specialty Property	$62	6%
Surety	$60	6%
Other Commercial Lines	$217	21%
Total	$1,013	100%

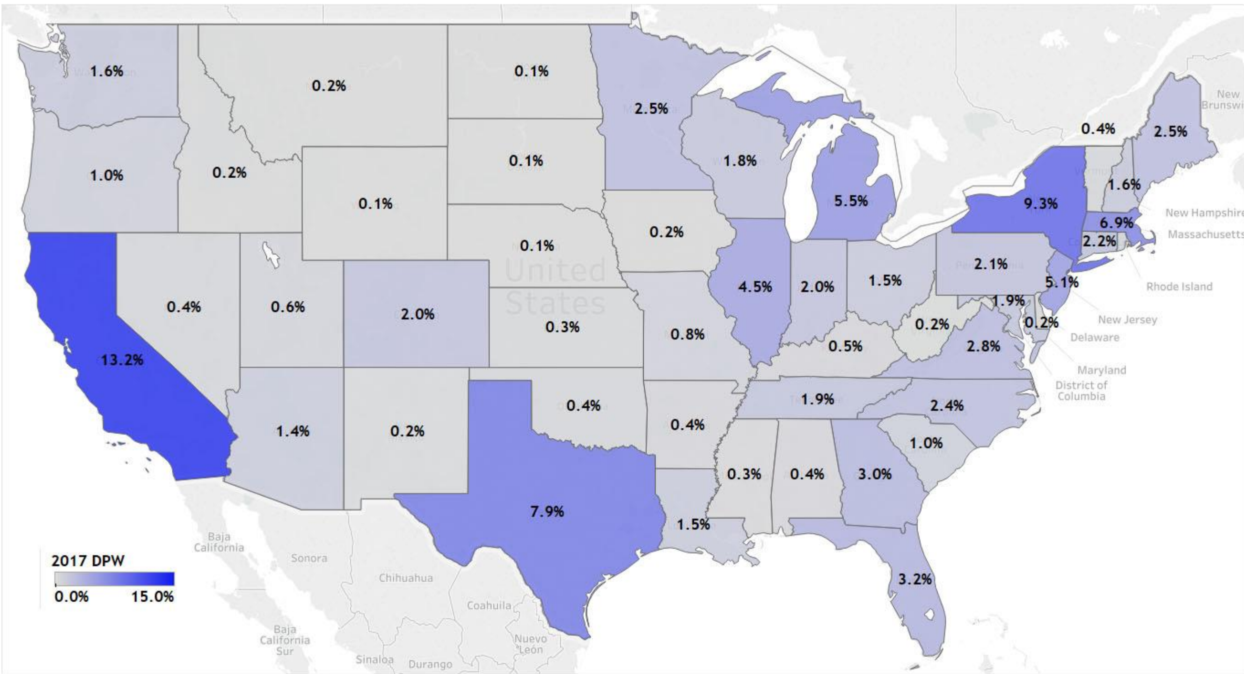
Source: Company Reports

Management also reiterated **3 key strategic priorities**: (i) build on distribution strength / strategy, leveraging existing partner relationships + fill in some underpenetrated geographies and underutilized capabilities with select new agency appointments; (ii) expand specialty and market niche capabilities by enhancing product offerings and "responsibly expanding our risk appetite," with recent examples including opportunities identified in the small, private financial institutions market; (iii) innovation, while maintaining a flexible and responsive business model. *"Our goal is to innovate in ways that help us acquire more customers and serve them more holistically. We have a number of initial pilots that will eventually present opportunities for growth and serve as an expansion of our agency value proposition."*

As highlighted in the subsequent maps, <u>geographic expansion should also be a priority</u>, particularly for Personal Lines. While the Commercial Lines business is fairly well spread (although concentrated in the Northeast / CA, small in middle America) the Personal Lines business is still well over-concentrated in Michigan Auto (65% of personal lines is auto and nearly 1/3 is MI auto).

Exhibit 6

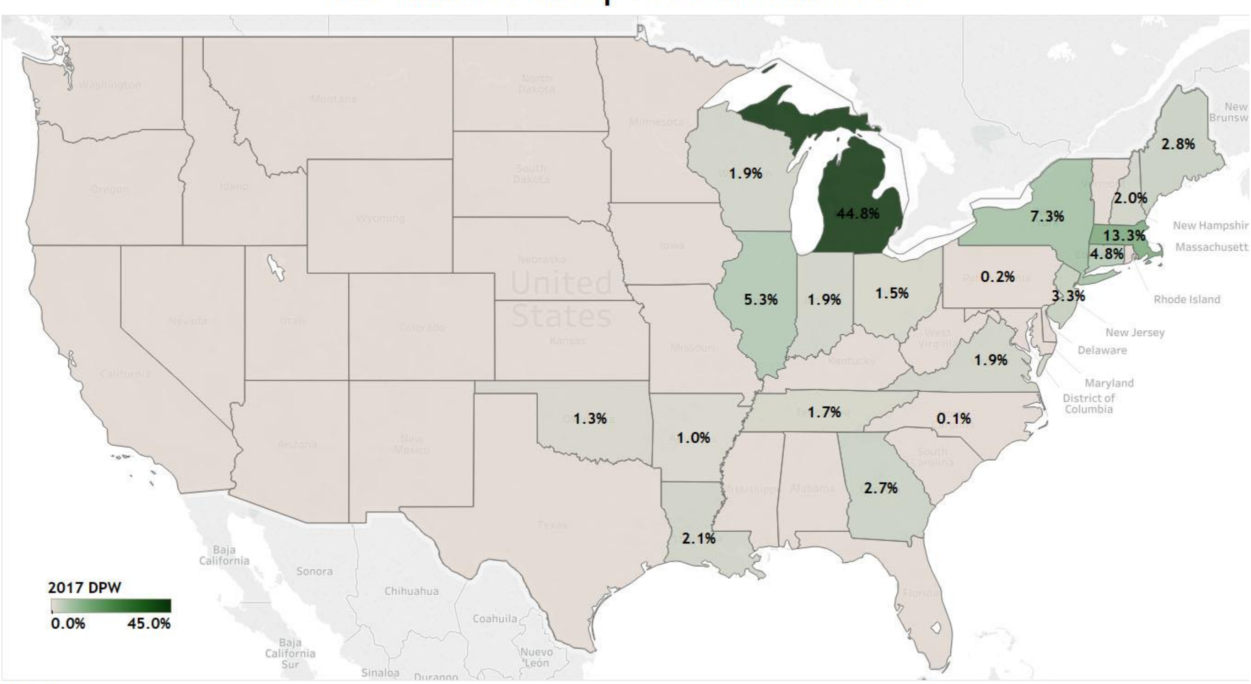
The Hanover Group Commercial Lines DPW



Source: SNL

Exhibit 7

The Hanover Group Personal Lines DPW



Source: SNL

Additional Perspectives on Lloyd's Deals / China Re:

From China Re's perspective, the "A" rated (re)insurer gets expanded scale at Lloyd's and increased exposure to the U.S. from Chaucer. Approximately 40% of Chaucer's risks originate in the Americas (including the U.S.). Also, Chaucer's senior management team (including CEO John Fowle) will continue to lead the unit.

Note, China Re's current Lloyd's operation (Syndicate 2088) incepted ~6 years ago as a special purpose syndicate with a whole account quota share on Catlin's Syndicate 2003, becoming a standalone Syndicate in 2015. It is at the smaller end of the London market with stamp capacity of £125M and premium of £155M (compared to Chaucer with ~£800M of capacity and £980M of premiums).

Hanover management remarked: *"The acquisition will also enable Chaucer to continue to thrive and prosper by joining forces with China Re Group, as China Re is actively enhancing its international presence and exploring business opportunities in the global market."* China Re operates four main businesses: P&C reinsurance (21% of 6M:18 GPW), life & health reinsurance (45%), primary P&C insurance (33%) and asset management.

The deal valuation was in line with recent Lloyd's/London transactions, which generally have been completed around **1.5-1.6x tangible net asset value** – Exhibit 8.

Exhibit 8

Recent Lloyd's/London M&A

Year	Lloyd's Takeover Target	Buyer	Price	Multiple (P/TBV)
2018	**Chaucer**	**China Re**	**$865M**	**1.66x**
2017	Novae	AXIS	$604M	1.47x
2016	Ariel Re	Argo	$235M	1.25x
2016	Ascot	Canadian Pension Plan Inv Board	$1,100M	1.6x estimated
2016	ANV	AmTrust	$218.7M	Unknown
2015	Amlin	MS&AD	$5.3B	2.4x
2015	RSA	Zurich	$8.6B	1.95x
2015	Brit Insurance	Fairfax	$1.88B	1.6x (1)
2015	Catlin	XL	$4.2B	1.6x (2)
2014	Sportscover	Hamilton	£10M-£15M (Est)	Unknown (£10M is book value)
2014	Ariel Re	BTG Pactual	Undisclosed	Unknown
2014	Antares	Qataris	c.£180M	>1.4x
2013	Canopius	Sompo	c.$1B	1.5x
2013	Ark Syndicate Management	Ian Beaton and management	$420M	1.55x
2013	Jubilee Managing Agency	ANV	Undisclosed	Unknown
⋮				
2011	**Chaucer**	**Hanover**	**$482M**	**1.2x**

Notes: (1) 1.6x estimated Brit NTA as of 12/31/14; (2) 1.6x Catlin NTA as of 6/30/14; Source: Company Reports

Leading TPA Sedgwick Changes Ownership (Again) In PE to PE Trade; Carlyle Group In & KKR Out. Sixth Deal In ~10 Years.

The Carlyle Group is the new majority owner of **Sedgwick**, the largest third party claims administrator (TPA) with >$2.5B of revenues, in a transaction valued at **~$6.7B**. Current majority shareholder **KKR** will fully exit its position following the transaction while **Stone Point** (owner since 2010) and Canadian Pension Fund **Caisse de dépôt et placement du Québec (CDPQ, owner since 2016)** will remain minority investors, along with management. The deal is expected to close by year-end.

Sedgwick has been a fast growing firm on both an organic and inorganic basis, as evidenced by the substantial growth in deal valuations over the last decade, since being sold by former parent Marsh & McLennan – see Exhibit 9.

On an annual basis, Sedgwick handles more than 3.6M claims and has fiduciary responsibility for claim payments totaling more than $19.5B (a >70% increase in each metric relative to the figures cited at the time of the 2014 transaction).

Sedgwick reported revenues of ~$1.75B in 2016 (see ranking of TPAs on the following page) but since has acquired **Cunningham Lindsay** (closed April 2018), a global claims firm based in FL but with colleagues in 65+ countries. A Moody's report noted trailing 12-mo revenue through 9M:17 of $1.8B and $714M for the 2 firms, respectively or >$2.5B on a pro forma basis.

Exhibit 9

Sedgwick Ownership History	Nov-99	Jan-06	Apr-10	Jan-14	Sep-16	Sep-18
Valuation - $, M	**N/A**	**$635.0**	**$1,100.0**	**$2,400.0**	**N/A**	**$6,700.0**
Revenue - $, M		$495.0	$808.2	$1,469.0	$1,755.5	**>$2.5B PF***
New Investor(s)	Stone Point (Minority)	Fidelity National, Thomas Lee and Evercore	Stone Point & H&F	KKR	CDPQ (Minority)	Carlyle
Remaining	Marsh Mac	N/A	N/A	Stone Point (minority)	Stone Point & KKR	Stone Point & CDPQ
Exiting		Marsh & McLennan & Stone Point	Fidelity National, Thomas Lee and Evercore	Hellman & Friedman	N/A	KKR

Source: Press Reports; Company Reports

"We look forward to participating in Sedgwick's next chapter of growth and innovation and working with the company as it builds out its global platform to meet the increasingly complex needs of its clients around the world, while leveraging the One Carlyle network."

- John C. Redett, Carlyle MD & Co-head of Global Financial Services

Notably, equity capital for the investment will come from **Carlyle Partners VII**, an $18.5B fund that focuses on buyout transactions in the U.S., and **Carlyle Global Financial Services Partners III,** a dedicated financial services buyout fund. Note, while Stone Point's Trident V sold its entire minority stake, the firm's Trident VII is taking a minority stake alongside Carlyle.

BofA Merrill Lynch, Morgan Stanley and KKR Capital Markets are expected to provide debt financing for the transaction.

Top TPA Rankings …

Per Business Insurance, Sedgwick ranked as the #1 TPA with $1.8B of 2017 revenue (ahead of #2 Crawford at $1.2B and #3 York at $750M). As noted above, earlier this year Sedgwick acquired Cunningham Lindsey, a global loss adjusting firm active in 60 countries. Based in Tampa, Florida, Cunningham Lindsey is a leading global provider of insurance loss adjusting, claims management and other risk management services, generating revenue of $714M for the 12 months through September 2017 according to Moody's Rating Agency.

Exhibit 10

Top 10 Third-Party Administrators

Rank	Company	2016 U.S. Revenue	Services
1	Sedgwick Claims Mgt.	$1,755.4	Multiline
2	Crawford & Co./ Broadspire	$1,177.6	Multiline
3	York Risk Services	$750.0	Multiline
4	UMR Inc.	$724.2	Employee Benefits only
5	Gallagher Bassett Services	$718.1	Multiline
6	CorVel Corp.	$513.0	Multiline
7	Meritain Health	$384.6	Employee Benefits only
8	ESIS Inc.	$359.9	Multiline
9	Helmsman Mgt. Services	$206.3	Multiline
10	HealthSmart Holdings	$194.2	Multiline

Source: BI Survey

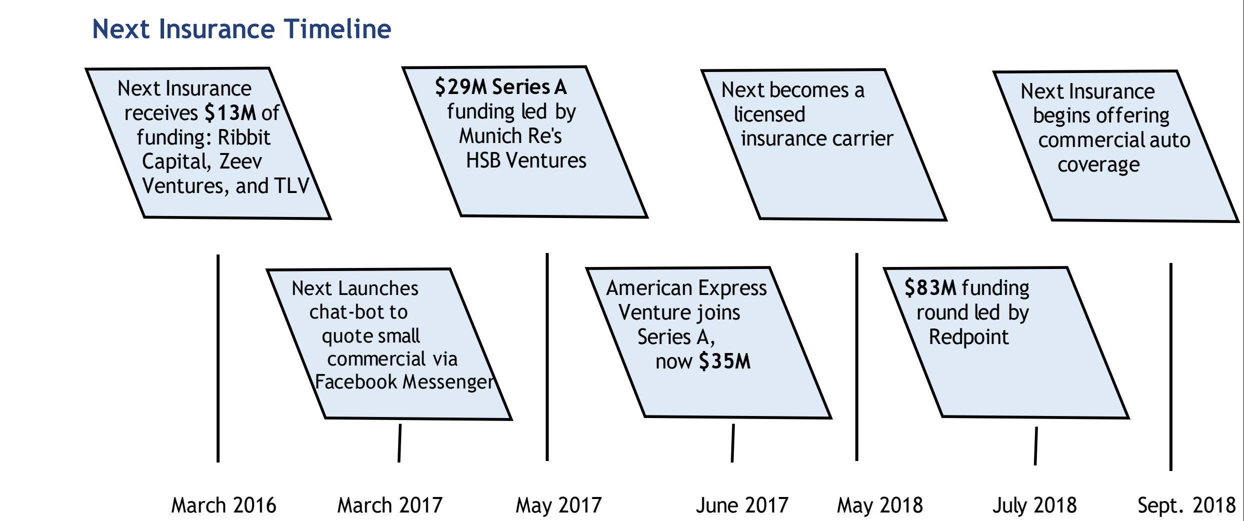
Next Insurance Adds To Product Offering With Roll Out Of Commercial Auto Coverage. Munich Re is Now Your Competitor. W/Comp Next?

In an increasingly competitive small commercial market, product breadth has taken on increased importance as insurers try to broaden the pool of possible insureds that can go through the underwriting "funnel." This was evident when Hartford, a leader in the small commercial market, expanded its SME offering by adding E&S capabilities starting in 2016 with the acquisition of Maxum and increased its standing in this market more recently with the Navigators Group acquisition earlier this month.

Knowing that a product offering limited to general liability coverage was not enough to compete with the more established small commercial players, **Next Insurance**, the direct writer of SME who recently raised $83M in a new funding round in an effort to support growth, last week announced the roll out of commercial auto coverage.

In a previous edition of the Hales report (#15), we highlighted a need for Next to expand its product outside of general liability in order to be successful in its efforts to transition from an MGA to "full stack' insurer (Next announced the acquisition of a balance sheet in May 2018). The addition of commercial auto looks to be the first step, with further product development likely/necessary. Based on typical needs of small commercial customers, and given the size of the market, we suspect workers' comp is high up on the list of products to add.

Exhibit 11



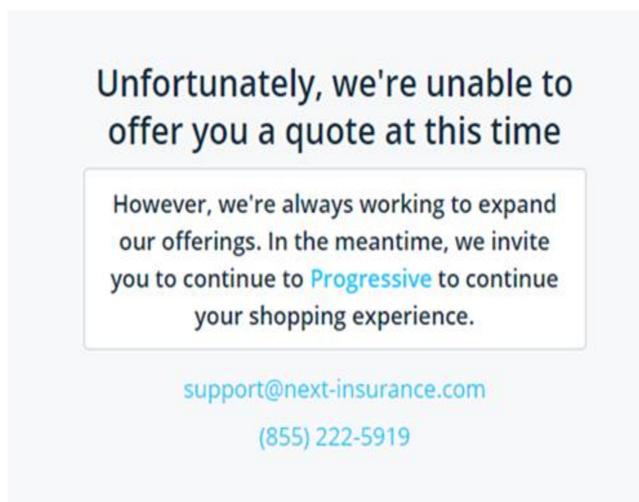
Source: Next Insurance

Back in July when Next Insurance announced its new $83M funding round the company noted that this round will *"enable Next Insurance to continue its expansion throughout the US as a full service insurance carrier, push boundaries for handling claims, offer coverage to many more classes of business, and significantly grow internal operations in both the US and Israel."* The timing of future product offerings will be heavily tied to the regulatory and compliance process in each state. Recall Next is currently licensed in 8 states with plans for a nationwide expansion.

Next has a similar underwriting arrangement for its commercial auto product as its existing general liability product, whereby State National will act as the fronting company and the risk will ultimately be ceded 100% to Munich Re. Note, the company is focused primarily on (1) small/micro businesses with 1 or 2 employees (which might have a similar number of small- to mid- sized vehicles) and (2) contractor or professional services markets. Those insureds willing to bundle their general liability and commercial auto can expect a ~10% discount. As Next gathers more information and data on its insureds, we suspect the discount will not remain uniform across all customers (will be based more on risk characteristics; better risks get bigger discount).

In testing the Next quoting process on its website, it appears certain classes of business do not fit in with the underwriting appetite of Next (and partners). Instead, customers are directed to Progressive which, as the largest commercial auto writer in the U.S., has a much wider underwriting appetite and likelihood of offering a satisfactory quote. Over the short term, Next appears willing to give up control of the renewal in order to give the customer a better experience (& collect data on them along the way).

Exhibit 12

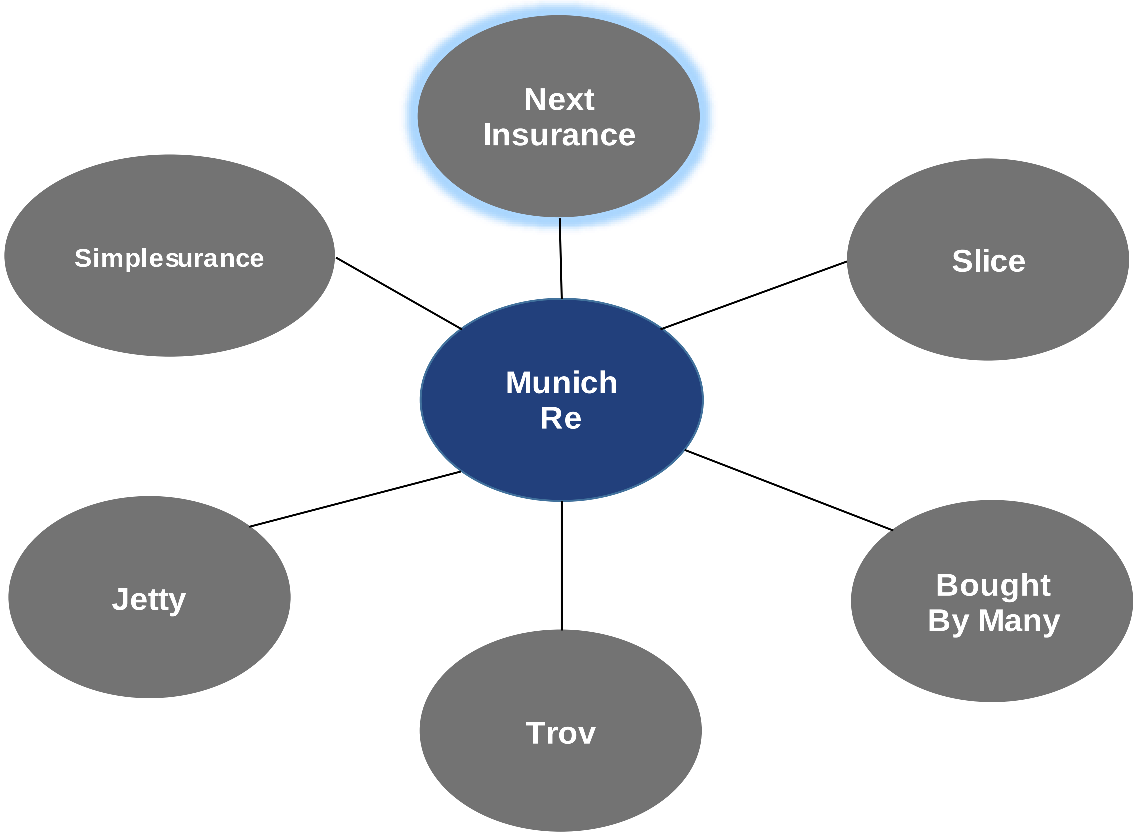


Interestingly, as market forces have pushed more reinsurers to pursue a strategy to build out their insurance operations in order to move up (and closer to the customer) in the distribution value chain, **Munich Re appears to be pursuing a "direct" strategy through their strategic investments in insurtech startups**.

By providing investment capital and/or quota share coverage, Munich Re can operate on a direct basis without having to directly compete with their more traditional insurance clients. If we look across Munich Re's insurtech investment portfolio (incl. strategic partnership), targeted markets range from small commercial (Next) to on-demand insurance (Slice) to consumption based insurance (Trov), and renters (Jetty).

Exhibit 13

Notable Investments/Partnership For Munich Re



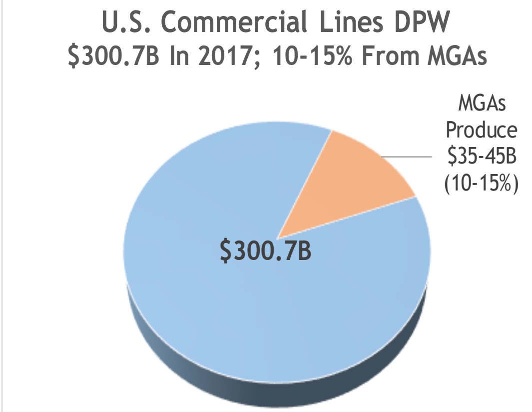
Source: Company reports, Crunchbase, Willis Towers Watson

Guy Carpenter To MGAs … Streamline Costs & Align Incentives To Remain A Relevant & Growing Link In The Value Chain

Marsh & McLennan's reinsurance broker, **Guy Carpenter**, spotlighted the value proposition and unique position of MGAs within the (re)insurance "value chain" at last week's *Monte Carlo Rendez- Vous*. We found several of the remarks interesting, particularly within the context of our thesis that **the relative value of MGAs as a value-added "link" in the value chain has increased in a world where capital is a commodity and "content" is king.**

For some underwriters the word MGA has a negative connotation, serving as a reminder of mistakes amidst past soft cycles ("giving away the pen") and substantial underwriting losses. For many others MGAs have represented longstanding, differentiated access to highly profitable "specialty" business. Either way, carrier appetite in the aggregate remains strong and the MGA market in recent years has seen considerable growth. Latest estimates peg total MGA market premium between ~$35-45B. Attractiveness of MGAs (and distribution broadly) is also evidenced in the high multiples achieved in recent acquisitions.

Exhibit 14



Source: Company Reports; Hales Analysis

Ultimately, we believe MGAs must (and will) continue to evolve to be one of several leading alternatives in a more streamlined and efficient distribution / "value chain" of the future.

> *"The MGA is an increasingly important part of the insurance distribution chain across a number of lines of business…providing a well-established route to market, with experienced, specialist underwriters offering access to many niche sectors or opening new geographies for numerous carriers." "They offer the perfect vehicle for entrepreneurial underwriters and remove many of the restraints imposed by bigger operations and can also bring new products to market faster."*
>
> \- Vicky Carter, Vice Chairman, Strategic Advisory at Guy Carpenter

That said, Guy Carpenter points out that MGAs must better demonstrate their value to capital providers to sustain the growth trajectory and reiterate their relevance.

"It's not just about a first-rate business value proposition, but also providing the most efficient distribution channel possible…Fully automated systems, real-time data processing, instant exposure reporting and the ability to make real-time rate adjustments – these can reduce costs to as low as five percent, having a positive impact on the bottom-line and boosting carrier appeal."

MGAs have also been viewed as a somewhat *costly* way of accessing business, with MGAs requiring higher compensation for the additional amount of "work" performed. Going forward, GC sees increased pressure and scrutiny on MGAs to prove their worth & streamline cost structures. Automation is also critical to maintaining a low cost base.

"You can produce a very strong pure underwriting performance…yet deliver insufficient margins to carriers. Too often this is because there are multiple human touch-points in the chain, ramping up the potential for human error, reducing speed to market and adding unnecessary cost."

"Increasing licensing and regulatory requirements, alongside conduct risk requirements, are challenging to the MGA model and cost structure. Consequently, process efficiency is critical alongside high-caliber underwriting. Carriers won't foot the bill for MGAs' underperforming infrastructures."

MGA cost factors are also bringing into the frame the sustainability of commission structures upon which many were built, with GC pointing out that <u>profit based</u> remuneration generally leads to the best functioning & mutually beneficial partnerships.

"Market pressures mean reinsurers are locked onto underwriting profit & managing down expenses…which extends to MGAs. <u>Commission-based relationships are coming under greater scrutiny</u> and alternative remuneration structures are being put in place."

"You simply cannot operate a relationship in which one party capitalizes more on the upswing while the other shoulders any downturn…<u>To create a fully functioning, value-add partnership, the MGA must be remunerated on profit</u> – that's essential to ensure both MGA and carrier objectives are successfully aligned. It must be a symbiotic relationship."

Looking ahead, Carter warns MGAs are of course not immune to the various forms of disruption facing the industry.

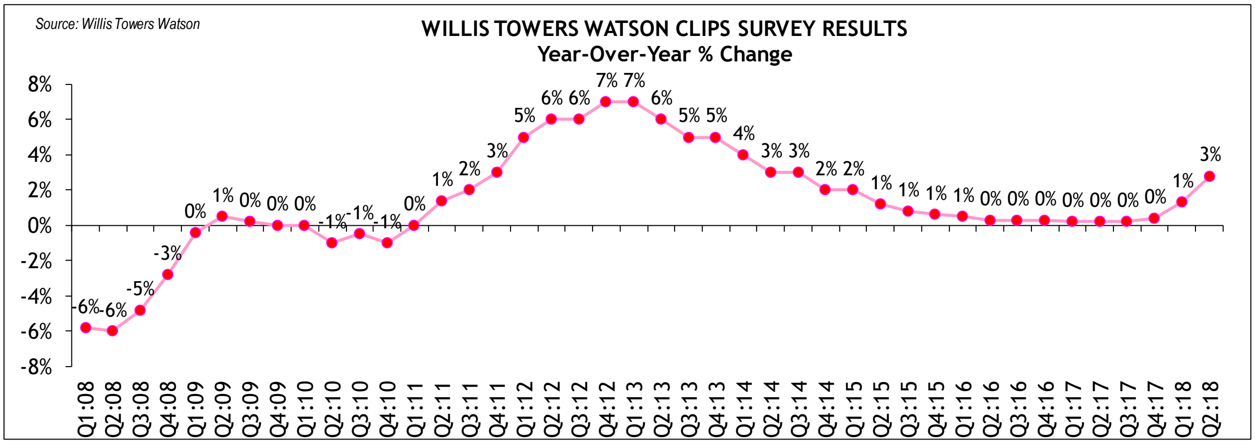
"MGAs must exploit their agility & responsiveness to tackle advances such as automated vehicles, artificial intelligence, or the sharing economy, pioneering new solutions to help open-up previously untapped or non-existent market sectors for carriers. In fact, recently some have shown such confidence in new technologies that they are looking to move from delegated underwriting into risk carrying – to create new insurers."

- Vicky Carter, Vice Chairman, Strategic Advisory at Guy Carpenter

Commercial Pricing Continues Its Improving Trajectory With Increases Across Most Major Lines (Workers Comp Remains Exception).

The last of the commercial pricing surveys, **Willis Towers Watson's CLIPs**, released their Q2 pricing survey results, showing commercial lines pricing increased almost 3% in Q2. Notably this is the largest increase in nearly 4 years.

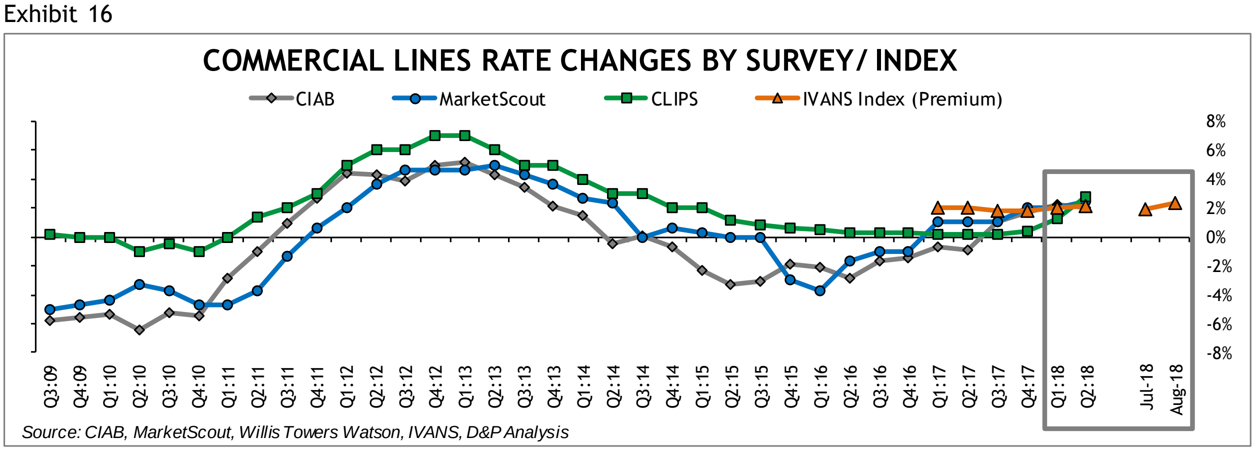
Exhibit 15



By account size, all accounts saw positive rate increases with Mid and Large accounts seeing the same pricing increases as Small Accounts. Both Mid and Large accounts had previously been lagging Small Accounts in pricing increases. By Line, rate increases were noted to be material in Commercial Auto, Commercial Property and Excess/Umbrella. Workers Comp was the only line not seeing pricing increases.

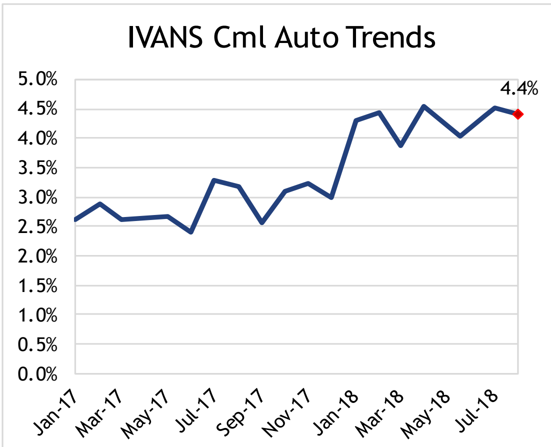
With CLIPS, we now have data points for all the commercial pricing surveys we track. In Q2 we see aggregate pricing increases across all surveys. However, as seen below, the magnitude differs, with CLIPS having the most dramatic increase in the quarter.

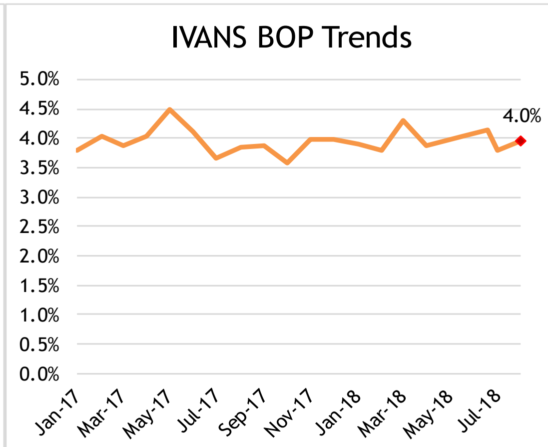
Exhibit 16



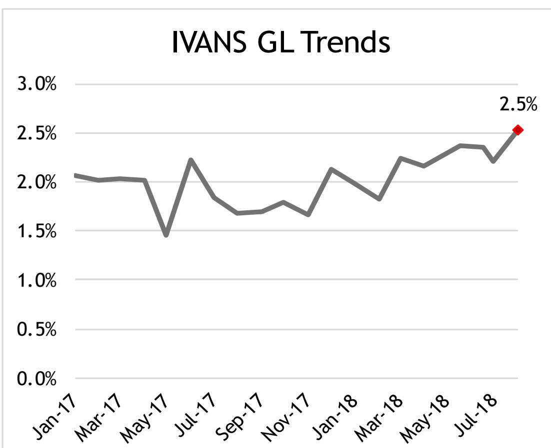
Looking at Q3, **IVANS** released their August Index, showing the commercial pricing trajectory was improved across the 6 major commercial lines compared to July. While month to month price changes can be volatile, it is notable that GL and Commercial Property have been trending upward for the past year. While workers comp improved vs July it remained negative. Commercial Auto was the lone line that did not see improvement in August vs July, however it does remain the line with the highest increases.

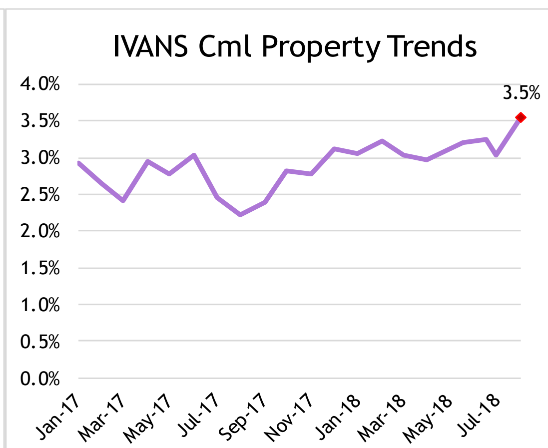
Exhibits 17 and 18



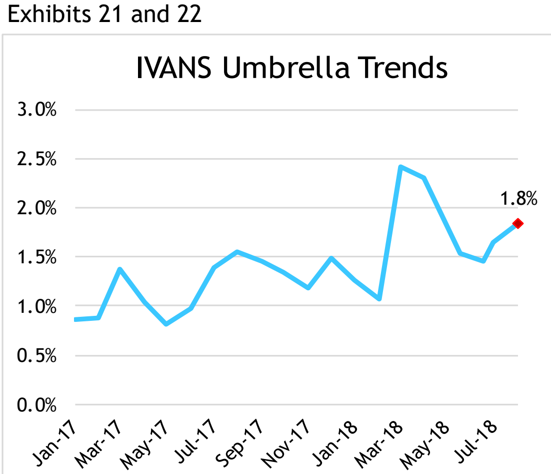


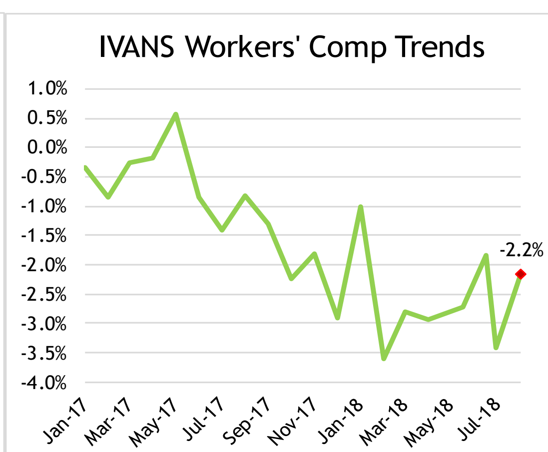
Exhibits 19 and 20





Exhibits 21 and 22





State Farm Launches State Farm Ventures – Have We Reached Full Saturation? Unit To Be Led By Long Time Employee Of Company

State Farm has joined the ranks of traditional (re)insurers with funds focused on making direct investments in "insurtech" with the launch of **State Farm Ventures**. While the $100M initiative is pizza money for the leading personal lines insurer with almost $100B of capital, it's indicative of the broader macro trend gaining mainstream acceptance.

"State Farm Ventures will focus on investing in startups developing technologies and products in order to fulfill customer needs in ways they wouldn't think possible with their insurance company. State Farm continually looks to evolve toward the future by finding new ways to provide more value to customers."

The new initiative for State Farm, which already has a massive "innovation" unit housed on its home campus in Bloomington, will be led by Michael Remmes, "Innovation Executive." Per his Linkedin page, Mr. Remmes has been with the company for 26+ years and his most recent role included Associate General Counsel.

Unlike other investments aimed at distribution and assuming risk, State Farm will clearly focus on true technology advancements to improve customer experience and lower losses. State Farm could add both credibility and "help" to its targeted insurtech investments.

(Re)insurer investments, part investment and part R&D, are pushing up valuations while greatly increasing the pool of capital available. Insurtech will continue to move from the overhyped "disruptor" phase to the "facilitator" phase where a select group of (re)insurers and intermediaries (mostly existing but a few startups) will move the industry forward.

Exhibit 23

Major (Re)insurers With "Innovation Units"
(Not Exhaustive)

Source: Press Reports, Coverager, CB Insights, Willis Quarterly InsurTech Briefing

Lloyd’s Appoints New CEO, QBE’s John Neal, At A Time of Stricter Syndicate Oversight & Potentially A “Shrink To Greatness” Strategy

Lloyd’s announced that former **QBE CEO John Neal will replace Inga Beale as CEO** of the market. Recall, we have viewed CEO succession as an important milestone at a pivotal time, as Lloyd’s is in the midst of a line-by-line profitability review in addition to a review of syndicate performance. Additionally, Lloyd’s continues to press forward with broader strategic initiatives including the build-out of its electronic placement system and corporate expense reductions.

Just last week Lloyd’s performance director Jon Hancock was quoted in the London press as saying now may be an appropriate time for the market to shrink.

“It could be that you get a smaller more profitable Lloyd’s for a while; it could be that you get a similar-sized more profitable Lloyd’s for a while…It depends on the opportunity & appetite for some of the underwriters to really go & make a difference.”

- Jon Hancock, Lloyd’s Director of Performance Management

Mr. Hancock noted that Lloyd’s was not setting a size target for the market, rather they are focusing on taking the necessary profit improvement actions. There is also “no target of closing syndicates,” amidst a stricter strategic review which has already seen **Fairfax’s Advent** move into run-off (with some business, subject to a portfolio review, potentially moving to sister firm **Brit**).

“If a syndicate cannot produce a credible plan that convince themselves, their boards, their investors and Lloyd’s that they can return to a sustainable near-term profit, then it will close.” “Has some of the tone changed from the top of Lloyd’s? Yes, it has.”

- Jon Hancock, Lloyd’s Director of Performance Management

Mr. Neal, who Jon Hancock notes is “steeped in Lloyd’s history,” took over as CEO of QBE in mid-2012, following a period of rapid growth, largely through a number of acquisitions. Much of Mr. Neal’s tenure at QBE was defined by attempting to restructure the company’s global operations and management team. Mr. Neal left QBE at the end of 2017; he will take his position at Lloyd’s on 10/15/18. Prior to becoming CEO of QBE, Mr. Neal was CEO of Ensign Managing Agency (at Lloyd’s).

AIG As Risk Originator For Capital Markets; Validus / Alpha Cat Provide Additional "Tools" To Manage Risk

AIG CEO Brian Duperreault provided some additional insights on the company's strategic direction and market forces at an event during the Monte Carlo Rendez-Vous, in particular his decision to acquire Bermudian (re)insurer **Validus** at a time when the reinsurance market is facing myriad pressures.

Mr. Duperreault explained that reinsurance is a better tool for assuming catastrophe risks than the primary insurer balance-sheet, suggesting a potential shift in the way AIG will manage catastrophe exposure and match risk to the appropriate capital base. The flexibility could lead to AIG ultimately growing its aggregate property business / exposure on a *direct* basis, while not necessarily retaining the risk net.

"In classic portfolio construction, reinsurance is a wonderful tool…I believe that the reinsurance market is here to stay, but it's in transition."

- Brian Duperreault, AIG CEO

With the Validus acquisition AIG also took control of insurance-linked securities (ILS) manager **AlphaCat Managers**, which Mr. Duperreault sees as increasingly relevant and useful tool in the dynamic (re)insurance market. **Mr. Duperreault also suggests that ILS in the hands of the "risk originator" (i.e. AIG) rather than the reinsurer or asset manager, could bring expansive possibilities in terms of the ways and types of business that can be supported.** So far, ILS has largely focused on short-tail high hazard-risks (initially targeting Florida property cat reinsurance), but expansion into longer tail casualty risks seems inevitable. ILS moving from reinsurer and asset manager to risk originator could accelerate this trend. **Mr. Duperreault sees AIG potentially developing products directly for the ILS market in the future.**

"You can either see ILS as a threat or a wonderful tool in your job as a reinsurer, if you're a reinsurer. I believe in the latter*…We wanted to have a reinsurance vehicle and we wanted to have the ILS capability that they have, so that we have that capital flexibility…Fundamentally we're risk takers & we're matching the risk we take in against capital, so we find a home for that risk…[ILS] gives you another tool to do that."*

"It's being used in the reinsurance market, so it's a secondary. There's a risk originator, he gives it to the reinsurance guys and the reinsurance guys they mix it up. ***In the hands of a risk originator I think it could take on an even greater life."***

"I could see a time when we're developing products directly for the ILS market, we're going right into the market with ILS type products for individual insureds, pools of insureds…I think there's a lot of runway with the ILS market."

- Brian Duperreault, AIG CEO

Monte Carlo Themes: Limited Talk On Pricing. M&A Remains In Focus

The annual Reinsurance Rendez-Vous, an event that typically coincides with initial January 1 reinsurance renewal discussions, took place last week in Monte Carlo. While rate commentary was sparse, in part due to uncertainty related to Hurricane Florence, we thought the continued discussions on previously highlighted macro themes of M&A, ILS/3rd party capital and evolution in the (re)insurance value chain were most notable. Where there was commentary on pricing expectations, sentiment has pointed toward relative stability, absent major losses through the end of the year. Additional commentary of note follows…

> *"Provided no significant event happens, I would expect stable price developments in the market. The average across the full year of 2018 is what I would expect going into 2019."*
>
> \- Moses Ojeisekhoba, Head of Reinsurance, Swiss Re

As we wrote about in Hales #18, Markel's acquisition of Nephila enforces our view that the next phase of M&A is turning toward access to business and controlling more of the links in the "value chain." With Markel owning Nephila (the leading ILS manager) *and* State National (the #1 fronting carrier in the U.S.) the company is in position to potentially bring 3rd party/ non-traditional capital to the market in a more efficient manner.

> *"We looked at what pieces of the puzzle we had and what we would need… The market is changing, <u>it is clear ILS and alternative capital are here to stay and they would be heavily integrated into any future model of risk</u>. It was on this basis we did this deal."*
>
> \- Jed Rhoads, President & CUO, Markel Global Reinsurance

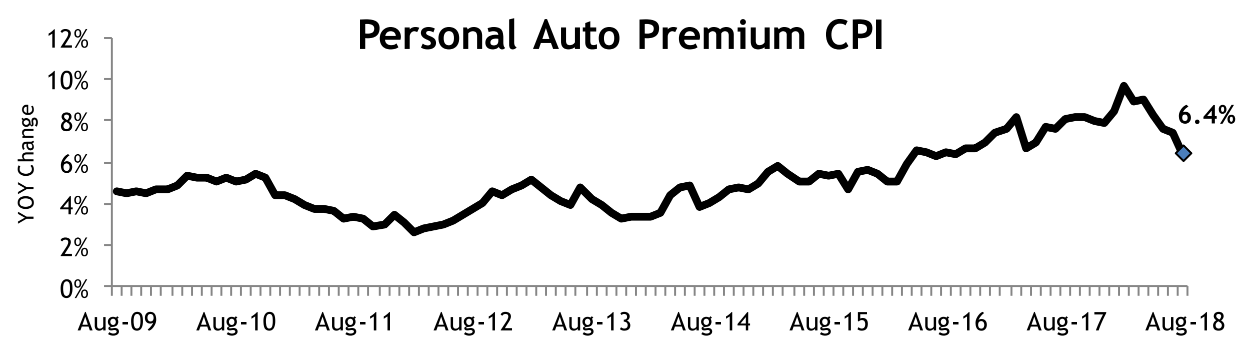
> *"An uptick in mergers and acquisitions is accelerating a trend whereby <u>the traditional re/insurance value chain is being replaced by a broader risk ecosystem with less defined boundaries between players</u>… Key components of the developing new risk ecosystem include: stronger and closer customer services; multiple conventional and new risk management solutions; and effective risk transfer/ financing."*
>
> \- Victor Peignet, CEO of SCOR Global P&C

On M&A more broadly, brokers outside of the "big 3," as well as smaller reinsurers and ILS fund managers are increasingly viewed as being "in play."

Further Moderation In Personal Auto Premium CPI Drives a Contraction in the Gap Between Premium and Loss Costs

Personal auto insurance premium increases decelerated further in August to +6.4%. The deceleration is not surprising as companies continue to benefit from the unexpected decline in frequency and profits continue to improve. That said, rate appears to still be needed to match the severity trend, which should hold the auto insurance index between 4-5%.

Exhibit 24



Source: Bureau of Labor Statistics

As personal auto insurance premiums decelerate, the Dowling & Partner's CPI "Loss Cost Index" had a minimal decrease. Recall, there are 3 key components to the Loss Cost Index: Medical Care (50%), Auto Body Work (40%) and Used Cars & Trucks (10%).

Medical Care declined to +1.5% in August vs +1.9% July. This was offset by an increase in Used Cars and Trucks, which remained positive and was +1.3% vs 0.8% in July. Auto Body work also was higher at +3.3%. The Auto Body Work index has been trending up since March, as cars become more complex it should continue on an upward trajectory.

Driven by the deceleration in premium, the gap between premium and loss costs contracted in August to 4.2%

Exhibit 25

CPI - Auto Related	2017 August	2017 Sep	2017 Oct	2017 Nov	2017 Dec	2018 Jan	2018 Feb	2018 Mar	2018 Apr	2018 May	2018 June	2018 July	2018 August
Motor Vehicle Ins. Premium	**8.1%**	**8.2%**	**8.2%**	**8.0%**	**7.9%**	**8.5%**	**9.7%**	**8.9%**	**9.0%**	**8.3%**	**7.6%**	**7.4%**	**6.4%**
Medical Care (Bodily Injury - 50%	1.8%	1.6%	1.7%	1.7%	1.8%	2.0%	1.8%	2.0%	2.2%	2.4%	2.5%	1.9%	1.5%
Auto. Body Work (PD - 40%)	2.1%	3.1%	2.3%	1.3%	1.9%	2.4%	2.7%	2.4%	2.2%	2.5%	2.9%	2.9%	3.3%
Used Cars & Trucks (PD - 10%)	-3.8%	-3.7%	-2.9%	-2.1%	-1.2%	-0.6%	-0.1%	0.4%	-0.9%	-1.7%	-0.7%	0.8%	1.3%
Weighted Avg. Phys. Dam.	*0.9%*	*1.7%*	*1.2%*	*0.6%*	*1.2%*	*1.8%*	*2.2%*	*2.0%*	*1.6%*	*1.7%*	*2.2%*	*2.5%*	*2.9%*
D&P Loss Cost Index	**1.4%**	**1.6%**	**1.5%**	**1.1%**	**1.5%**	**1.9%**	**2.0%**	**2.0%**	**1.9%**	**2.0%**	**2.3%**	**2.2%**	**2.2%**
Premium-Loss Severity Gap	**6.7%**	**6.6%**	**6.7%**	**6.8%**	**6.4%**	**6.6%**	**7.8%**	**6.9%**	**7.1%**	**6.3%**	**5.3%**	**5.3%**	**4.2%**
Other Auto Related													
Motor Vehicle Main. & Repair	1.7%	2.5%	2.8%	1.9%	1.8%	1.4%	1.5%	1.5%	1.5%	1.6%	2.3%	2.3%	2.3%
Motor Vehicle Parts & Equip.	-0.2%	0.3%	-0.6%	-0.3%	-0.5%	-0.3%	-0.3%	-0.4%	-0.7%	0.2%	0.3%	0.1%	0.4%
Prof. Medical Services	0.2%	0.2%	0.4%	-0.3%	-0.3%	-0.2%	0.1%	0.6%	1.3%	1.1%	1.5%	1.4%	0.8%
Hospital & Related Services	4.1%	4.3%	4.5%	4.7%	5.1%	5.6%	4.7%	4.9%	4.2%	4.5%	4.5%	4.3%	4.1%
New Vehicles	-0.7%	-1.0%	-1.4%	-1.1%	0.7%	-1.2%	-1.5%	-1.2%	-1.6%	-1.1%	-0.5%	0.2%	0.3%

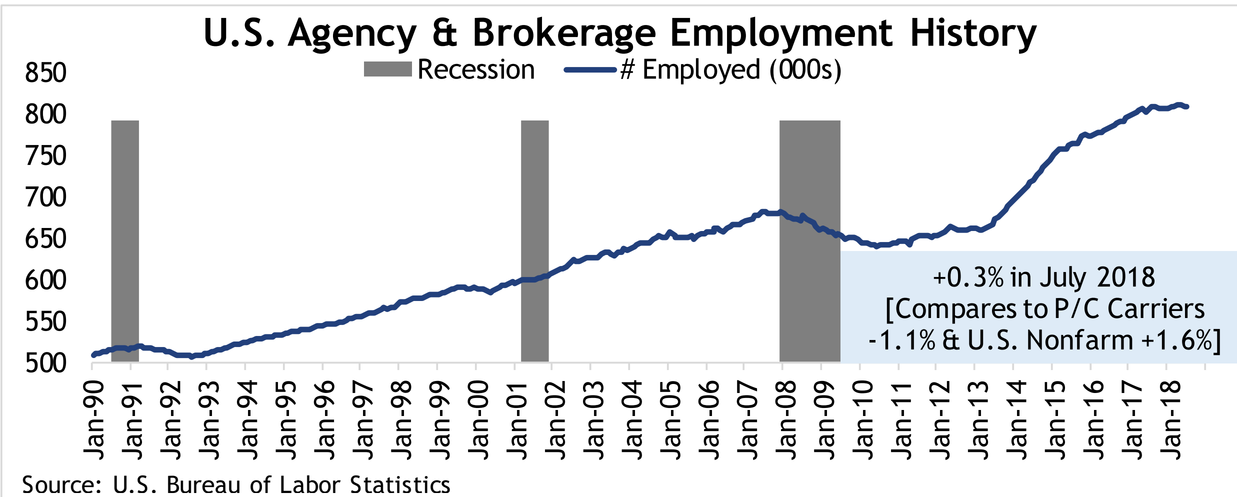
Source: Bureau of Labor Statistics, Dowling & Partners

Agent & Brokers Employment Growth Slows To 2013 Levels (+0.3%)

The latest U.S. Labor Department's Bureau of Labor Statistics (BLS) employment data shows the **agent/broker segment gained 2,200 jobs in July 2018** vs. July 2017, **an increase of 0.3% YOY.** A total of 808,600 are employed.

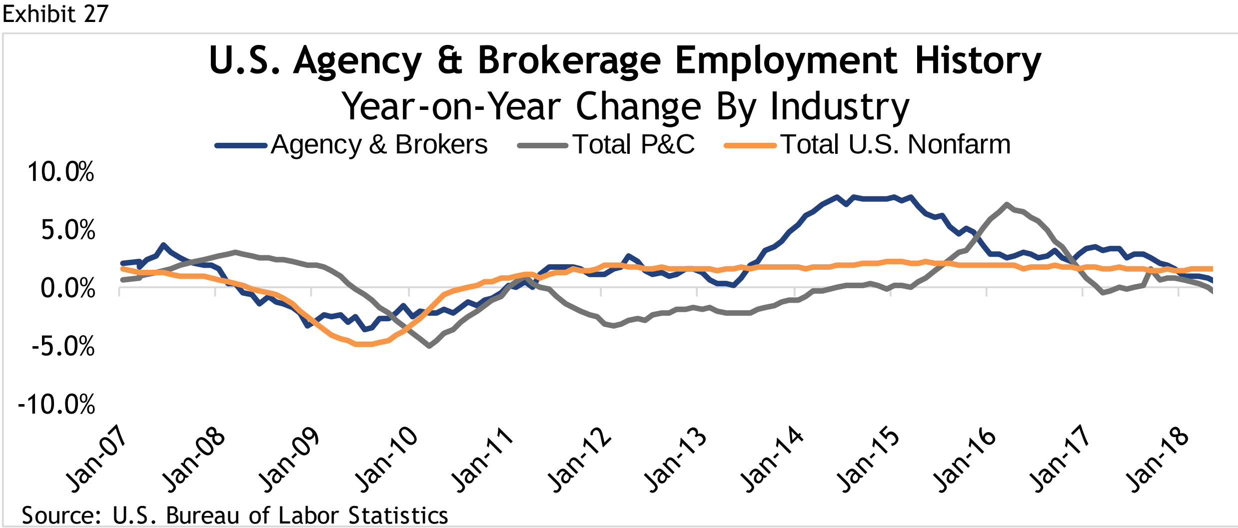
The trend of low, sub-2% employment growth seen for over 2 years continued in July. Agency and broker growth (+0.3%) again lagged total nonfarm U.S. employment which was +1.6% for August.

Exhibit 26



Comparatively, the 0.3% increase for agents/brokers is greater than the 1.1% *decrease* in P/C carrier employment (fourth consecutive decrease). Life/annuity carrier employment increased 0.1%. Health carriers remain in the lead at +2.2%, though continuing to slow and at its lowest growth since 2016.

Exhibit 27



Hales Hits:

- **Amazon confirmed to Bloomberg that Amazon Pay will be offering insurance.** With initial plans/filings being developed to sell life, health and general insurance in India, an Amazon spokesperson responded saying Amazon Pay is looking to "serve the needs of customers around insurance. Stay tuned in."

- **Travelers** CEO Alan Schnitzer discussed the trajectory of Commercial pricing at an investor conference, suggesting the company's upwards rate momentum may slow. *"Going forward, at least into the third quarter, what we would expect generally speaking, is stable pricing. Premium renewal rate change will be up year-over-year in the third quarter … but I'd expect that maybe pure rate could tick down a couple of single-digit tenths of a point."* Renewal rate change was +2.1% in Q2.

- At an investor day last week **A.J. Gallagher** CEO Pat Gallagher suggested 2019 organic growth could be a touch better than 2018 (4.4% YTD) which should be better than 2017 (also 4.4%). On the economy: *"We think the economy is in a pretty good spot. We're seeing our clients are – in fact, their businesses are pretty strong. Employment is strong."* On the insurance market: *"I would categorize the [insurance] market as stable. There's been some press in the last couple of weeks about market rates really escalating and we're not seeing that."* The firm also announced headcount reduction efforts (350 positions) which should yield $25-30M of a/t savings per year.

- **Lloyd's** is prepared to offer insurance for the cannabis industry in Canada (after recreational use becomes legal countrywide in October 2018). Recall that Lloyd's had withdrawn from the U.S. cannabis market in 2015 due to its federal illegality.

- **Hiscox's** 2019 summary business plan for Lloyd's Syndicate 33 shows an expected *decline* in capacity to £1.4B from £1.6B with by line of business premium forecasts for 2019 (vs. the original 2018 business plan) down for all major lines with the exception of casualty. Recall, following last year's cat events, Hiscox meaningfully *increased* Syndicate 33 capacity by ~40% to £1.6B in anticipation of improvements in many lines of business. CEO Bronek Masojada commented at the time: "*The increase in capacity is driven by an anticipated improvement in market conditions and a desire to have sufficient capacity available to participate in a widespread market turn.*" What a difference a year (and an alternative capacity "reload") can make. Interestingly, Hiscox does not expect the amount of *premium* written to decline in 2019, suggesting the company will not utilize all 2018 capacity.

- **Florida CFO Jimmy Patronis and FL OIR Commissioner David Altmaier,** in separate statements, called for greater reforms to property insurance fraud related to Assignment of Benefits (AOB). Mr. Patronis called for Florida Citizens to host a series of roundtables with his office *"to hear from stakeholders on how to best tackle assignment of benefits (AOB) fraud and help keep insurance rates low."*

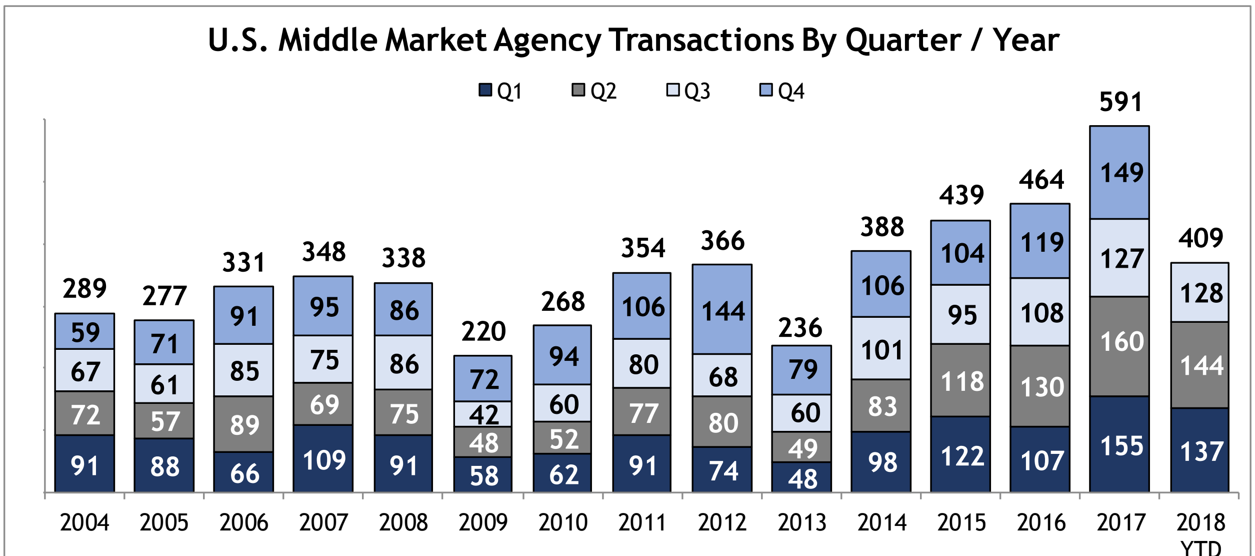
- **Willis Towers Watson** released its H1-18 Reinsurance Market Report highlighting slight operating improvements for its Reinsurance Index (a composite of global reinsurers with $365B of equity). In H1-18 the reported combined ratio was 94.3% vs. 95.0% YOY and ROE was 7.7% vs. 4.6% YOY. For a sub-set of the index that reports catastrophes and PYD, the ex cat AY c. ratio was 95.1% vs. 95.3% YOY. The report also notes alternative capital increased to $88B from $75B YOY.

U.S. Deal Diary – Q3 Updates: The 39 deals over the past 2 weeks put the total Q3 count of deals at 128 (vs. 127 total in Q3 2017). So far this year, the deal tally of 409 is slightly higher than 393 at this time last year.

Brown & Brown announced the acquisitions of **Finance & Insurance Resources**, a leader in F&I performance management for auto dealers in the Northeast and Mid-Atlantic states, with ~$10.5M of revenues. B&B has now acquired 15 firms so far in 2018 with ~$93.8M of annual revenue (compared to 11 deals with $17M of revenue in FY 2017).

Arthur J. Gallagher announced the acquisition of (i) New York-based **United Dealer Services** a retail insurance broker and program administrator and (ii) California-based **Rogers & Young Insurance Services** a commercial and personal lines agency. AJG has now acquired 29 firms so far in 2018, a similar pace YOY (acquired revenues are provided on a quarterly basis; through 6 months acquired revenues totaled $172M vs. $93M YOY). Terms of transactions were not disclosed.

Exhibits 28 and 29



Source: SNL (Preliminary), Factset, other public sources

2018 Most Active Acquiring Brokers - Monthly (Domestic Deals)

	2017	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	2018 YTD
National Brokers											
Acrisure, LLC	92	9	7	13	6	3	4	9	9	11	71
AssuredPartners, Inc.	23	2	5	-	3	3	3	4	-	4	24
Broadstreet Partners	35	3	2	2	5	3	1	3	3	-	22
Hub International	42	1	3	3	3	3	2	1	2	2	20
Alera Group	16	1	4	2	2	4	3	-	1	3	20
Arthur J. Gallagher & Co.	26	3	1	1	1	3	5	2	1	3	20
Brown & Brown	6	-	1	1	2	2	2	5	1	1	15
Seeman Holtz	19	-	1	1	2	2	-	3	4	-	13
NFP Corp.	26	-	1	2	3	2	-	3	-	-	11
Marsh & McLennan Companies	6	-	1	-	-	-	2	2	-	-	5
RSC Insurance Brokerage, Inc.	8	-	1	-	-	2	-	1	-	-	4
Hilb Group, LLC	13	-	-	-	-	1	2	1	-	-	4
USI, Inc.	8	-	-	1	-	1	-	-	-	1	3
Sub-Total	**320**	**19**	**27**	**26**	**27**	**29**	**24**	**34**	**21**	**25**	**232**
Other	*271*	*28*	*21*	*16*	*22*	*20*	*22*	*22*	*17*	*9*	*177*
Total Broker Deals	**591**	**47**	**48**	**42**	**49**	**49**	**46**	**56**	**38**	**34**	**409**

Source: SNL, Factset, and other public sources through YTD

Exhibit 30

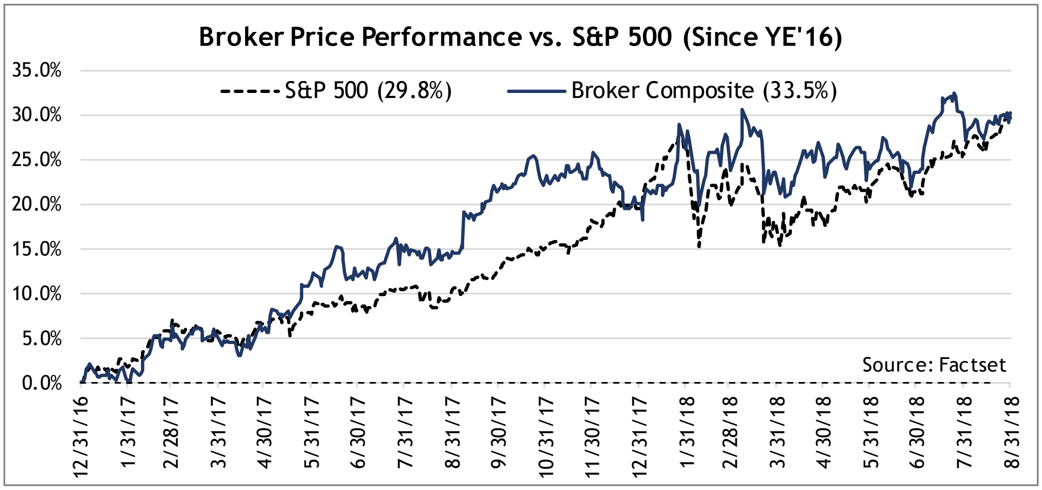
2018 U.S. Middle Market Brokerage M&A Since August

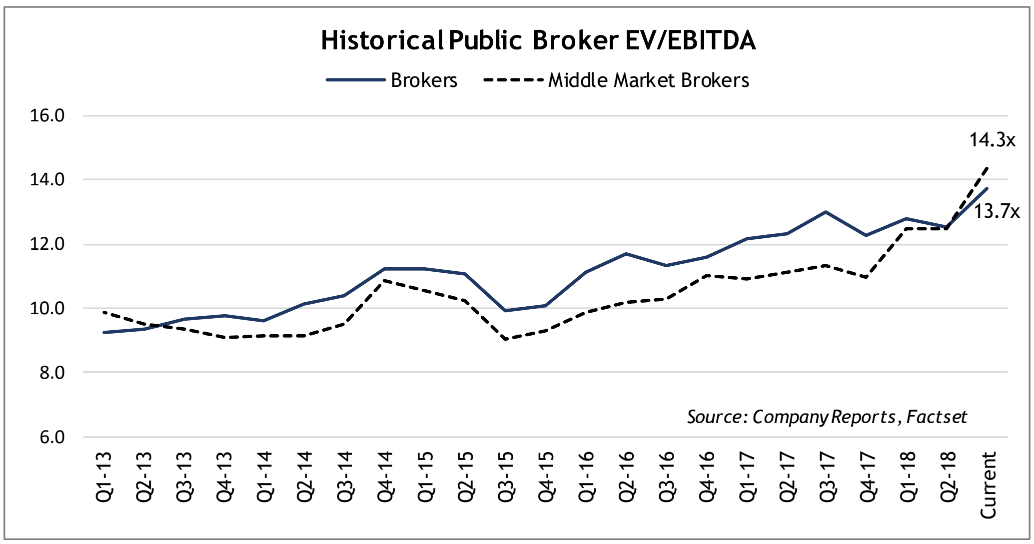
Date	Acquirer	Acquiree	Acquiree State
1-Aug	**Undisclosed Buyer**	*Reltco, Inc./National Assurance Title, Inc.*	*FL*
1-Aug	**North Risk Partners, LLC**	*Benefit Solutions Inc.*	*IA*
1-Aug	**Leavitt Group Enterprises, Inc.**	*ComTech Specialty Group*	*UT*
1-Aug	**Armfield, Harrison & Thomas, Inc.**	*Saul & Associates*	*PA*
1-Aug	**Broadstreet Partners**	*Certain insurance assets*	*IL*
1-Aug	**Broadstreet Partners**	*Certain Insurance Assets*	*IA*
2-Aug	**Seeman Holtz Property and Casualty, Inc.**	*Jem Insurance Services, Inc.*	*FL*
3-Aug	**Seeman Holtz Property and Casualty, Inc.**	*Asenbrenner Insurance Agency Inc.*	*WI*
3-Aug	**M.J. Hall and Company, Inc.**	*Policy renewal rights*	*CA*
6-Aug	**Hub International**	*Assets of Ward Agency*	*TX*
7-Aug	**Norman-Spencer Agency, Inc.**	*American Insurance Professionals, LLC*	*AZ*
8-Aug	**Massachusetts Mutual Life Insurance Company**	*Quilt Insurance Agency, LLC*	*MA*
9-Aug	**Hub International**	*Kilbride & Harris Insurance Services, LLC*	*ME*
9-Aug	**Higginbotham Insurance Agency, Inc.**	*Colt Risk Management Services, LLC*	*TX*
9-Aug	**Bregal Sagemount**	*Align Financial Group, LLC*	*CA*
10-Aug	**Liberty Company Insurance Brokers, LLC**	*Mitchell & Mitchell Insurance Agency, Inc.*	*CA*
13-Aug	**Higginbotham Insurance Agency, Inc.**	*Hull Agency Insurance*	*TX*
14-Aug	**TrueNorth Companies LLC**	*Jewell Insurance Associates, Inc.*	*CO*
14-Aug	**Alera Group, Inc.**	*Barnes Insurance and Financial Services, LLC*	*FL*
14-Aug	**Kaplansky Insurance Agency, Inc.**	*Lit-Flynn Insurance Agency*	*MA*
16-Aug	**Seeman Holtz Property and Casualty, Inc.**	*Merchants Preferred Insurance Services, Inc.*	*PA*
20-Aug	**Huron Capital Partners, LLC**	*Peterson McGregor & Associates LLC*	*MI*
20-Aug	**Broadstreet Partners**	*Book of business*	*NY*
21-Aug	**Keystone Insurers Group, Inc.**	*Coverra Insurance Services, Inc.*	*WI*
22-Aug	**Brown & Brown, Inc.**	*Burke Group, Inc.*	*LA*
28-Aug	**TCB Corporation**	*B. A. Bennett & Co*	*SC*
29-Aug	**David Hirth Insurance Agency Inc.**	*Stark Farmers Mutual Fire Insurance Company*	*MN*
29-Aug	**Seeman Holtz Property and Casualty, Inc.**	*Ritman & Associates, Inc.*	*IN*
31-Aug	**Holman Enterprises, Inc.**	*Murray Insurance Agency Inc.*	*FL*
4-Sep	**Arthur J. Gallagher & Co.**	*Wheatman Insurance Services LLC*	*CA*
4-Sep	**Stewart Information Services Corporation**	*Southland Title and Escrow Co., Inc.*	*TN*
4-Sep	**Heartland BancCorp**	*TransCounty Title Agency, LLC*	*OH*
4-Sep	**OneDigital Health and Benefits, Inc.**	*Marder Benefits, Inc.*	*TX*
5-Sep	**AssuredPartners, Inc.**	*Ranew Insurance Agency, Inc.*	*FL*
5-Sep	**Brown & Brown, Inc.**	*Finance & Insurance Resources, Inc.*	*MA*
5-Sep	**Hub International**	*Harman Agency, LLC*	*ID*
5-Sep	**NSI Insurance Group, LLC**	*Weinstein Insurance Services, LLC*	*FL*
5-Sep	**OneDigital Health and Benefits, Inc.**	*LMG International LLC*	*VA*
6-Sep	**Arthur J. Gallagher & Co.**	*United Dealer Services, L.L.C.*	*NY*
6-Sep	**Hub International**	*Cash & Associates, Inc.*	*FL*
6-Sep	**KKR & Co. Inc.**	*Harbor Group Consulting, LLC*	*FL*
6-Sep	**OneDigital Health and Benefits, Inc.**	*Tomorrow's Employment Concepts, LLC*	*PA*
10-Sep	**AssuredPartners, Inc.**	*Roemer Insurance, Inc.*	*OH*
10-Sep	**AssuredPartners, Inc.**	*Sunforest Transportation Insurance Group Inc.*	*OH*
10-Sep	**OneDigital Health and Benefits, Inc.**	*TDC Virginia Benefits & Risk Management, Inc.*	*VA*
10-Sep	**USI Insurance Services, LLC**	*The Gaudreau Group, Inc.*	*MA*
12-Sep	**Alera Group, Inc.**	*Burnham Benefit Advisors*	*NY*
12-Sep	**Alera Group, Inc.**	*Champion Benefits*	*GA*
12-Sep	**Alera Group, Inc.**	*VantagePoint Benefit Strategies Inc.*	*PA*
13-Sep	**AssuredPartners, Inc.**	*Winding Way Holdings Inc.*	*PA*
13-Sep	**Edgewood Partners Insurance Center, Inc.**	*Vanbridge LLC*	*NY*
14-Sep	**Arthur J. Gallagher & Co.**	*Rogers & Young Insurance Services, LLC*	*CA*

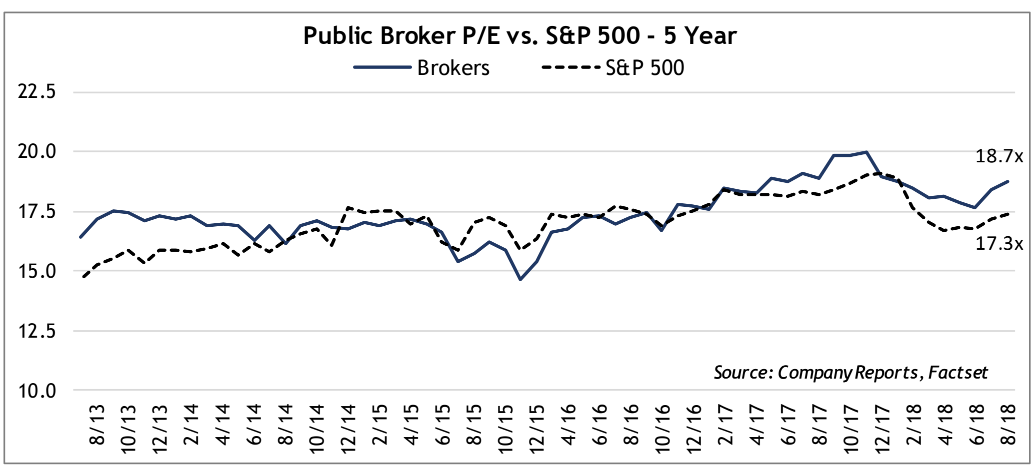
Source: SNL, Factset, other public sources; Note: Does not include deals where target was not disclosed, Excl. Acrisure Deals.

Public Broker Valuations:

Exhibits 31, 32 and 33







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