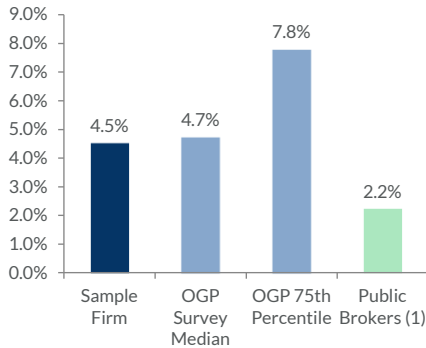


CURRENT VALUE DRIVER COMPARISON

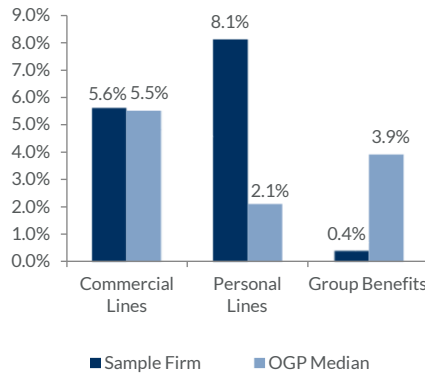
ORGANIC GROWTH

TOTAL AGENCY ORGANIC GROWTH



Sample organic growth rank: **40th - 50th percentile**

ORGANIC GROWTH BY PRODUCT LINE

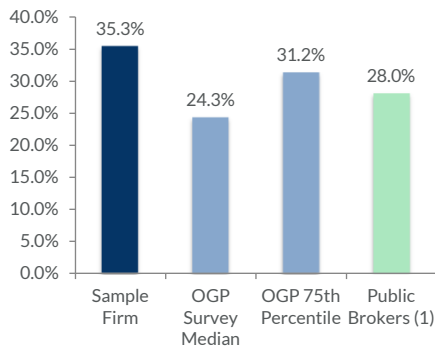


REAGAN OBSERVATIONS

- Despite continued COVID impacts, broker growth increased from 4.4% through Q2 to 4.7% through Q3 2020
- Driven by continued rate improvement, both commercial lines (5.5% in Q3 2020 vs. 4.7% in Q2 2020) and personal lines (2.1% in Q3 2020 vs. 1.1% in Q2 2020) growth increased from last quarter
- Group benefits growth decreased slightly from 4.2% through Q2 2020 to 3.9% through Q3 2020
- **OGP Projected 2020 Growth: 5.0%**
Brokers' growth expectations remained steady at 5.0% for 2020

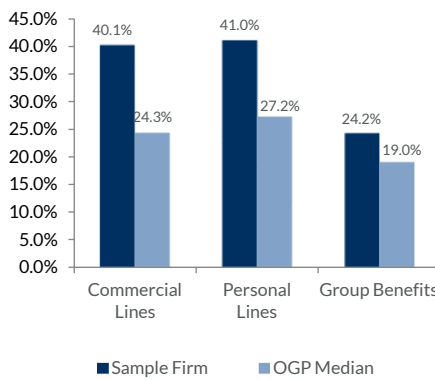
PROFITABILITY

TOTAL AGENCY EBITDA MARGIN



Sample profitability rank: **80th - 90th percentile**

EBITDA MARGIN BY PRODUCT LINE

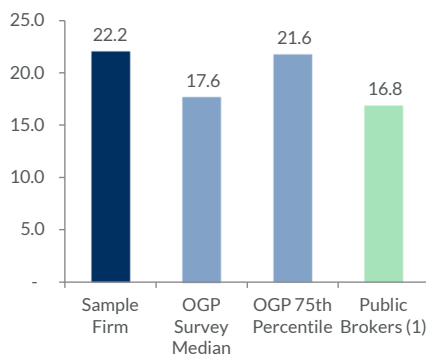


REAGAN OBSERVATIONS

- Overall broker profitability increased by nearly one point from 23.5% in Q3 2019 to 24.3% in Q3 2020 due to savings realized in the COVID-19 environment
- Year-over-year, margins for commercial and personal lines business are up 220 bps and 160 bps, respectively
- YTD profitability is inflated by cash-basis contingent income recorded through Q3, so margins will likely decline in Q4
- **OGP Projected 2020 Margin: 22.3%**
Brokers increased their projected EBITDA margin to 22.3% for 2020, up materially from 20.0% as of Q2 2020

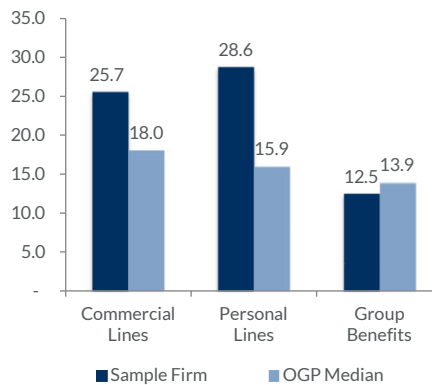
THE RULE OF 20

TOTAL AGENCY RULE OF 20



Sample Rule of 20 rank: **70th - 80th percentile**

RULE OF 20 BY PRODUCT LINE



REAGAN OBSERVATIONS

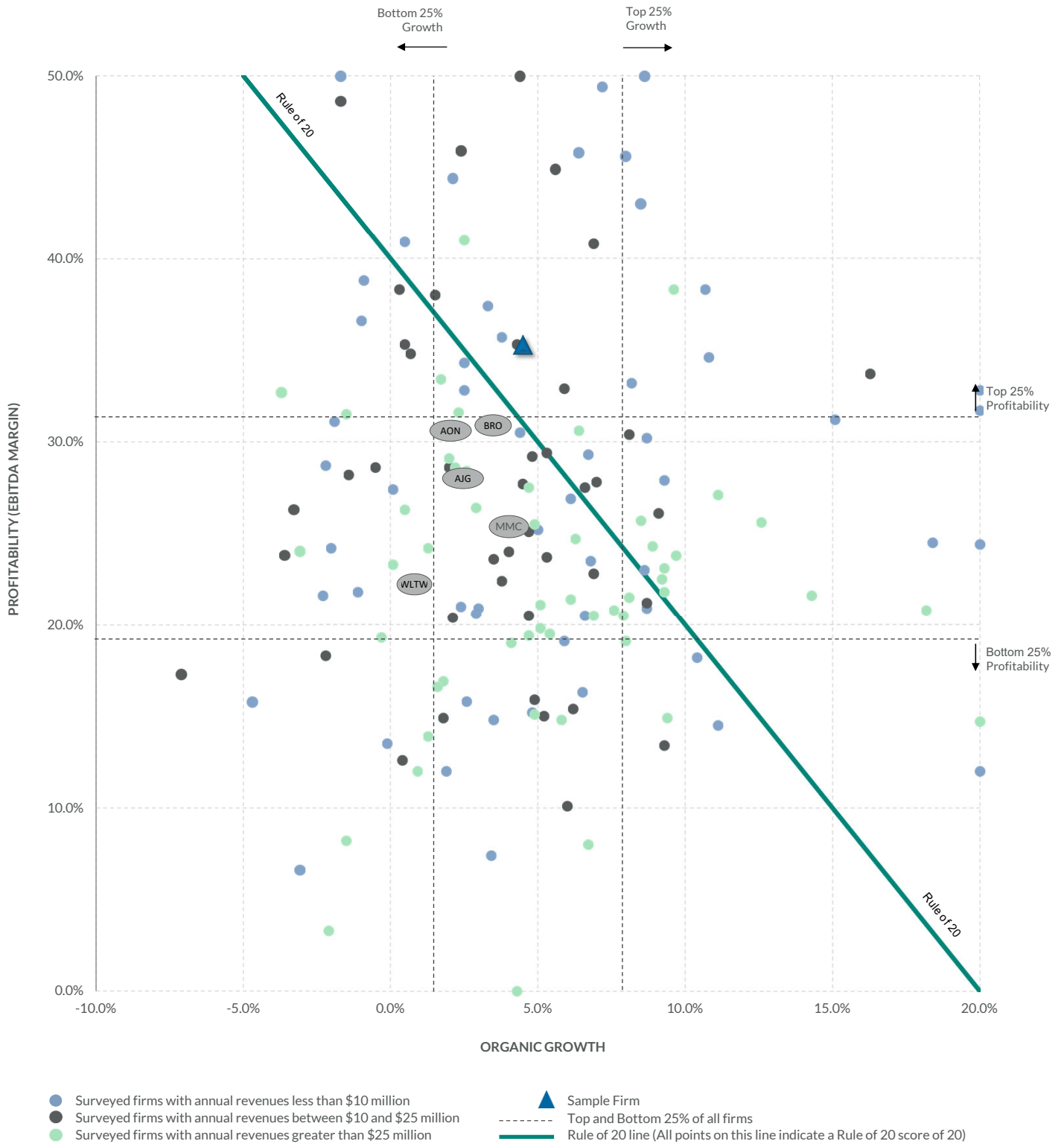
- The median Rule of 20 score is down one point from Q3 2019 (18.7), driven by lower organic growth
- Year-over-year, Rule of 20 scores have decreased across all lines, with commercial lines down one point while personal lines and group benefits are down three points
- Rule of 20 scores, like EBITDA margins, are inflated by cash-basis contingent income and will decline throughout the year
- **OGP Projected 2020 Score: 16.5**
Brokers' Rule of 20 outlook increased from 15.8 as of Q2 2020 to 16.5 in Q3 2020. This is approximately half a point lower than full-year 2019 results.

The Rule of 20

Reagan Consulting has developed a metric called the "Rule of 20" to provide a quick means of benchmarking an agency's shareholder returns. The Rule of 20 is calculated by adding half of an agency's EBITDA margin to its organic revenue growth rate. An outcome of 20 or higher means an agency is likely generating, through profit distributions and / or share price appreciation, a shareholder return of approximately 15% - 17%, which is a typical agency / brokerage return under normal market conditions.

Note: If data for your firm reads "0.0%" or "0.0" it may mean that no data was submitted for that metric.
(1) Represents Q3 2020 results for AJG, AON, BRO, MMC and WLTW.

AGENCY ORGANIC GROWTH & PROFITABILITY SCATTER PLOT



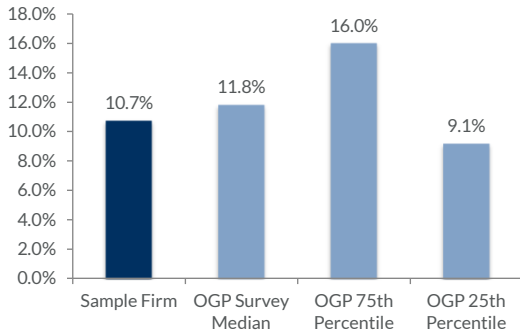
Scatter Plot

In the chart above, we've plotted every firm in the survey that completed both the total agency organic growth section and the total agency profitability section. Each firm's organic growth is plotted along the x-axis, and each firm's profitability is plotted along the y-axis. We've included a few guidelines on the graph to help in interpreting the data. The grey dotted lines show the top and bottom 25% of firms in organic growth and profitability. The solid green line represents all combinations of organic growth and EBITDA margin that result in a Rule of 20 score of 20. Finally, we've broken the firms into groups based on revenue size, as distinguished by the different colored dots. The goal of this scatter plot is to show the wide range of organic growth and profitability results in the industry and to benchmark where your firm falls.

Note: Scatter plot represents Q3 2020 results for AJG, AON, BRO, MMC and WLTW.

SALES VELOCITY

SALES VELOCITY



Sales Velocity

Reagan Consulting has developed a metric called "Sales Velocity" to benchmark an agency's new business results against other firms. Expressed as a percentage, Sales Velocity is calculated by dividing the new business written in the current year by the prior year's commissions and fees. Sales Velocity is among the most important drivers of organic growth.

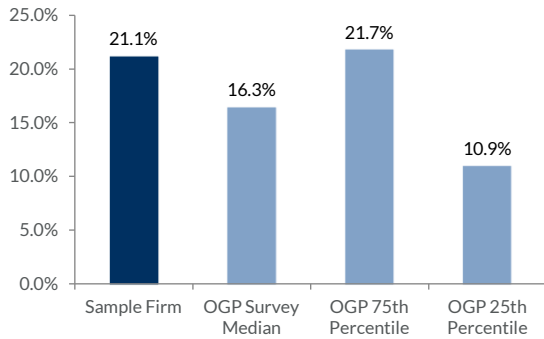
REAGAN OBSERVATIONS

- The industry has maintained Sales Velocity numbers in the low teens over the last several years, varying between 10.0% and 14.0%
- Median Sales Velocity was 11.8% for the industry through the first nine months of 2020, in line with historical levels and down slightly from 12.3% through Q3 2019. A reduction of only 50 bps in the midst of COVID-19 is impressive.
- If a firm consistently posts Sales Velocity figures in the top 25% of the industry (16.0% or higher in Q3 2020), it is likely the firm will generate above average industry growth, assuming normal levels of client retention

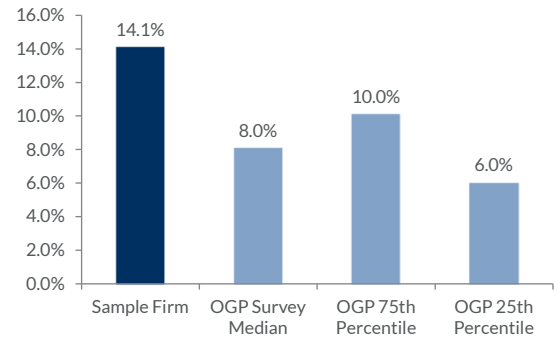
Sample Sales Velocity rank: 30th - 40th percentile

OPERATING MARGIN & CONTINGENT INCOME AS % OF REVENUE

OPERATING MARGIN



CONTINGENT/BONUS/OVERRIDE INCOME AS A % OF REVENUE



Sample Operating Margin rank: 70th - 80th percentile

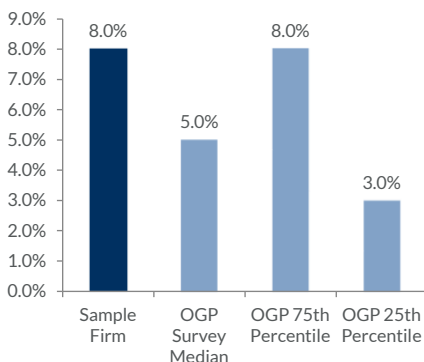
Sample Bonus Inc. as % of Revenue rank: Top 10 percent

Operating Margin

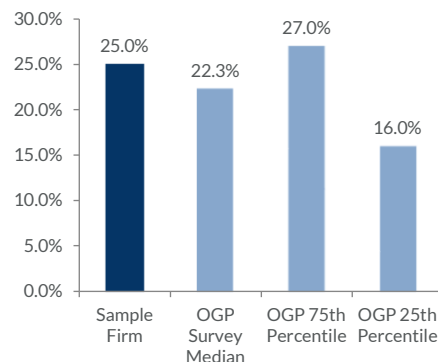
Operating Margin is calculated as EBITDA less contingent / bonus / override income, divided by pro-forma net revenues less contingent income.

2020 PROJECTIONS

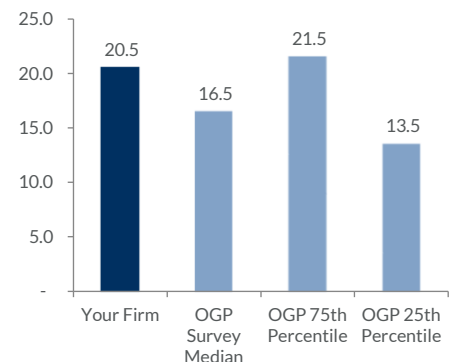
PROJECTED AGENCY ORGANIC GROWTH



PROJECTED AGENCY EBITDA MARGIN %



PROJECTED AGENCY RULE OF 20

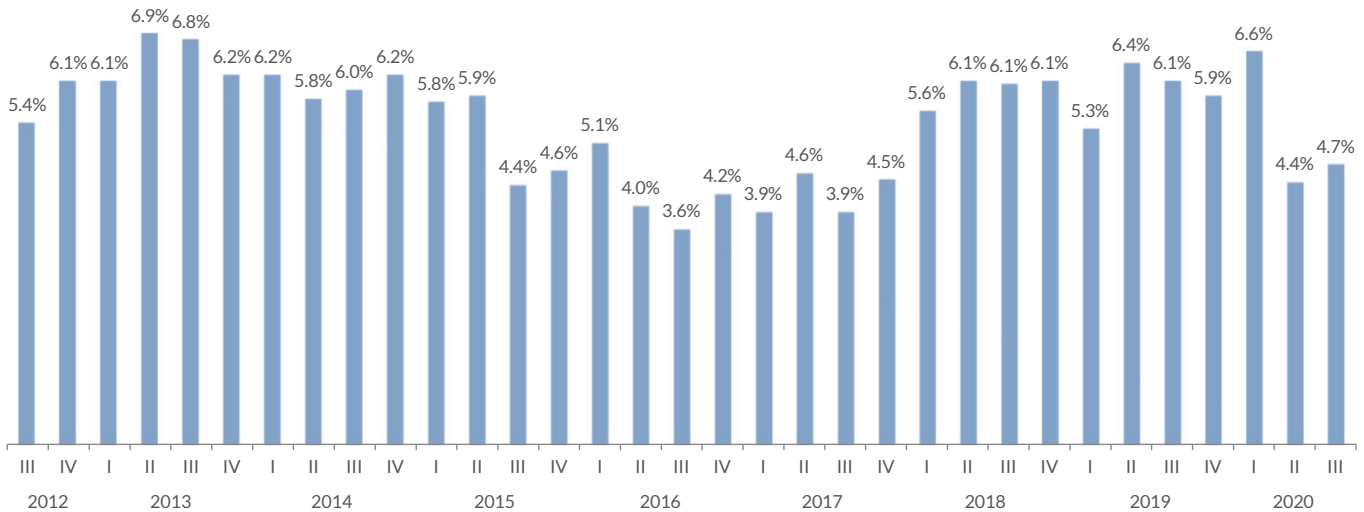


Sample organic growth rank: 70th - 80th percentile

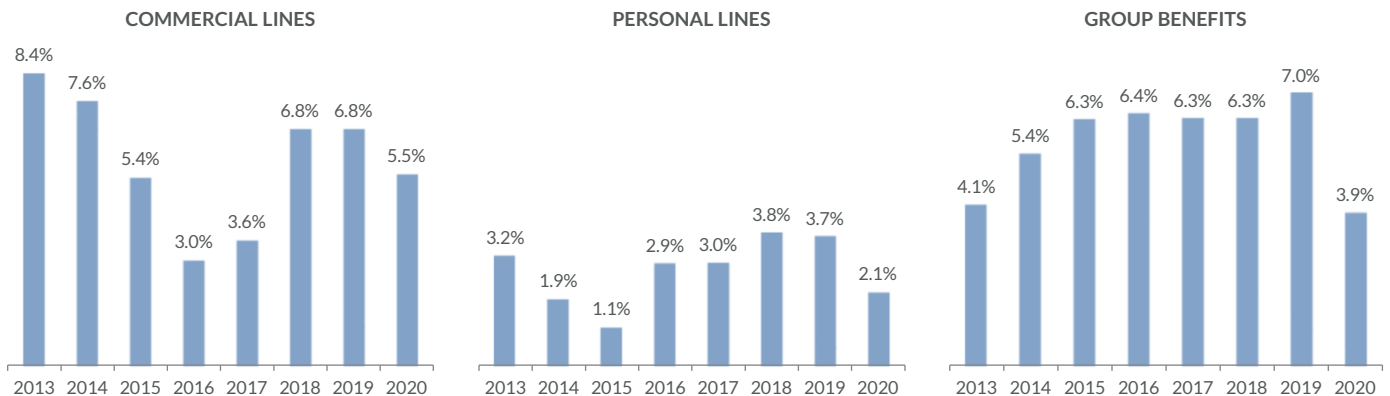
Sample EBITDA margin rank: 50th - 60th percentile

Sample Rule of 20 rank: 60th - 70th percentile

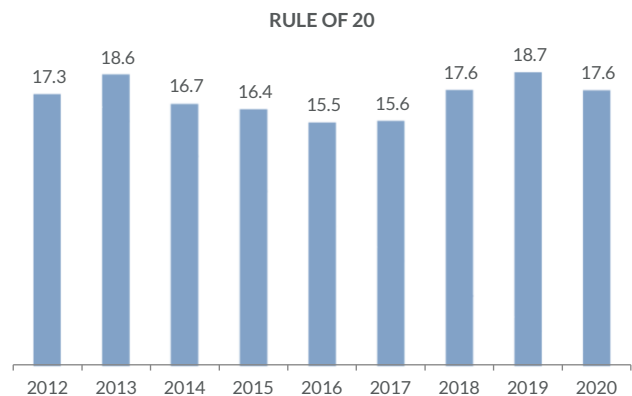
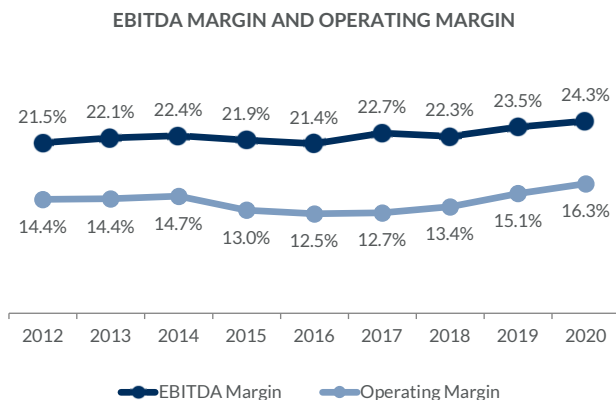
QUARTERLY ORGANIC GROWTH - TOTAL AGENCY MEDIAN
 (Q3 2012 - PRESENT)



COMPARATIVE MEDIAN ORGANIC GROWTH BY PRODUCT LINE
 (THIRD QUARTER NUMBERS, 2013 - 2020)



COMPARATIVE MEDIAN PROFITABILITY AND RULE OF 20 ANALYSIS
 (THIRD QUARTER NUMBERS, 2012 - 2020)



EBITDA Margin and Operating Margin
 EBITDA Margin is calculated by dividing a firm's pro-forma EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) by the firm's pro-forma net revenues. Operating Margin is calculated as EBITDA less contingent / bonus / override income, divided by pro-forma net revenues less contingent income.



STEADY PERFORMANCE AS BROKERS APPROACH INFLECTION POINT

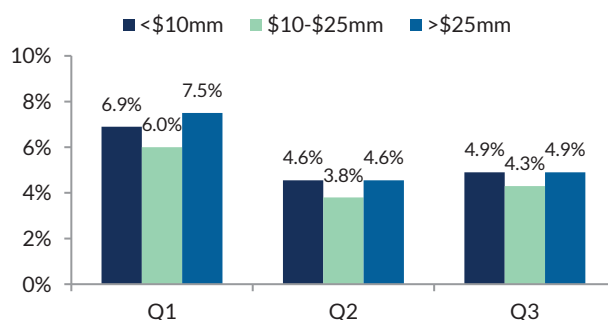
by Mitchell Gentry

For the second consecutive quarter, OGP survey results substantiated the resilience of the insurance brokerage industry. When COVID-19 forced statewide shutdowns in mid-March, brokers were completing their ninth consecutive quarter of organic growth in excess of 5%. Since then, the impacts of the pandemic have meaningfully altered the course of industries and economies around the world.

How has our industry responded in these uncertain times? By generating organic growth of 4.4% and 4.7% in Q2 and Q3, respectively, and setting quarterly OGP records for profitability. In fact, the 4.6% average quarterly organic growth rate over the last two quarters exceeds the 4.5% average quarterly organic growth rate observed from 2015 to 2017. In short, brokers are evolving to succeed in the face of COVID-19.

Steady broker growth could naturally prompt a number of questions. Some may wonder if larger brokers are succeeding at the expense of smaller competitors. The graph below illustrates that large and small firms have actually grown at almost identical clips.

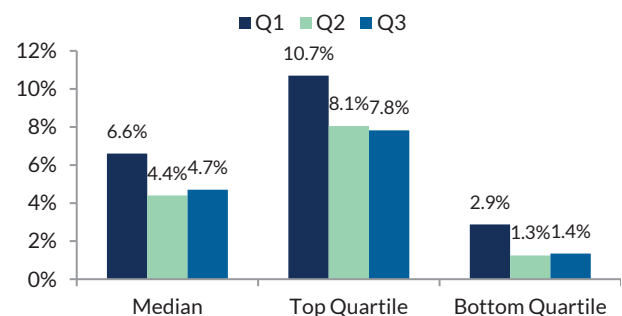
Quarterly Median Organic Growth by Size Category, 2020



Source: Reagan Consulting OGP Survey

Other readers may suppose that, while median growth has not been materially impacted, the gap between the best and worst performing firms has widened. The graph below compares median organic growth to the thresholds for top and bottom quartile performance for each quarter in 2020. In reality, the difference between top and bottom quartile growth has *decreased* in each quarter, shrinking from 7.8% in Q1 to 6.4% in Q3.

Median, Top, and Bottom Quartile Organic Growth, 2020



Source: Reagan Consulting OGP Survey

Still others may (accurately) credit continued market hardening for its impact on broker performance. After all, The CIAB's P/C Market Survey observed average premium increases of 9.3% and 10.8%, respectively, in Q1 and Q2. And while Q3 results have not yet been announced, organic growth results by line of business suggest that rates are continuing to climb. Median commercial lines growth increased from 4.7% in Q2 to 5.5% in Q3 while median personal lines growth increased from 1.1% in Q2 to 2.1% in Q3.

Conversely, employee benefits growth slowed from 4.2% in Q2 to 3.9% in Q3. This result is the lowest Q3 employee benefits growth rate since 2009. Possible causes of slowing benefits growth include government-imposed premium moratoriums in

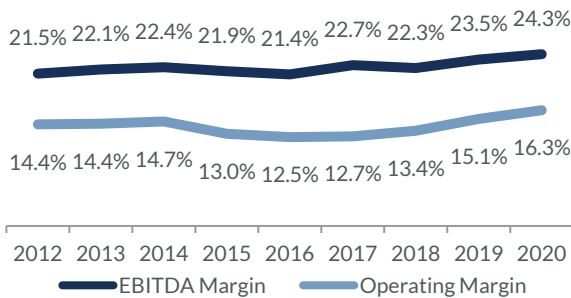
ORGANIC GROWTH & PROFITABILITY (OGP) SURVEY

MARKET COMMENTARY (Q3 2020)

markets such as California, headcount reductions and declining payrolls in several industries, and the continued impact of employer furloughs across the economy.

Broker profitability in the midst of COVID-19 has been nearly, if not equally, as impressive as the aforementioned growth. For the second consecutive quarter, EBITDA and operating margins set OGP records for their respective quarter. While reduced selling expenses (such as travel and entertainment) are likely driving the majority of savings, brokers may soon realize further savings by right-sizing their office footprint and eliminating discretionary expenditures, among other strategic initiatives.

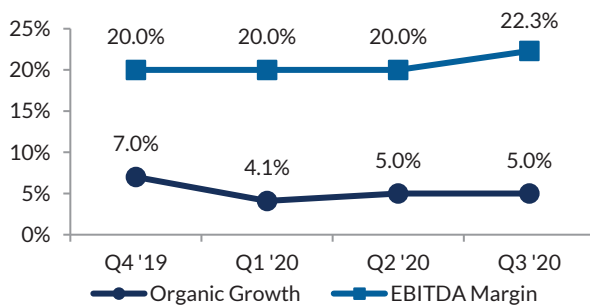
EBITDA and Operating Profit, Q3 2012-2020



Source: Reagan Consulting OGP Survey, 3rd Quarter results

Shifting our attention to the fourth quarter and beyond, there is no denying that broker optimism has increased with each successive quarter of strong performance. The graph below charts broker projections for full year 2020 growth and profitability after each of the past four quarters.

Full Year 2020 Broker Projected Organic Growth and EBITDA Margin

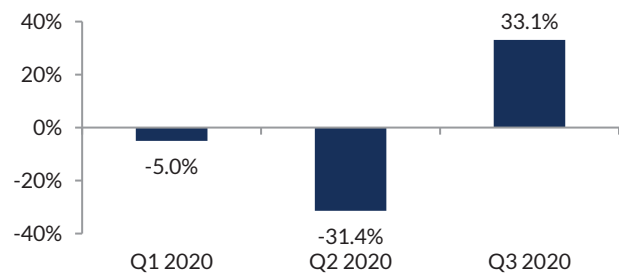


Source: Reagan Consulting OGP Survey

Immediately after the onset of COVID-19, OGP respondents reduced their projected full year organic growth from 7.0% to 4.1%. After a strong Q2, brokers increased their projection for full year organic growth to 5.0%. And while organic growth projections stayed flat in October, brokers' projected EBITDA margin increased to 22.3%. This result would be the highest EBITDA margin in the history of the OGP survey.

Back in late March, the notion that our industry would be on the verge of generating two consecutive quarters of record profitability with stable growth would have been perceived by many as far-fetched. However, the fourth quarter poses the greatest test yet for two reasons. First, insurance premiums, and therefore broker growth, tend to lag economic growth by six months. As illustrated in the graph below, the pandemic's sharpest economic impact was felt from March through June as the economy contracted at a record annualized rate in Q2. This trend would imply that the full impact of the pandemic will likely be observed in broker revenues sometime between October and December.

Annualized Real GDP Growth, 2020



Source: Bureau of Economic Analysis

Second, this week's elections will have policy and broader economic implications on our industry in the near-term and for years to come. While we may not know today exactly how leading GDP growth or election results will impact our industry, we do know this – another quarter of steady broker performance will be the most impressive yet.




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 <p>Reagan served as financial advisor to Rose & Kiernan in its sale to NFP</p>	 <p>Reagan served as financial advisor to Lovitt & Touché in its sale to Marsh & McLennan Agency</p>	 <p>Reagan served as financial advisor to Rosenthal in its sale to Baldwin Risk Partners</p>	 <p>Reagan served as financial advisor to LMC in its sale to AssuredPartners</p>	 <p>Reagan served as financial advisor to Trinity/Russ Blakely in its sale to Baldwin Risk Partners</p>	 <p>Reagan served as financial advisor to Ironwood in its sale to Marsh & McLennan Agency</p>	



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