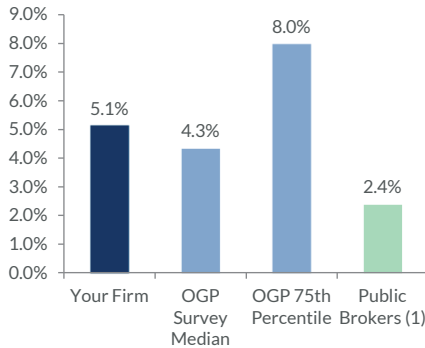


CURRENT VALUE DRIVER COMPARISON

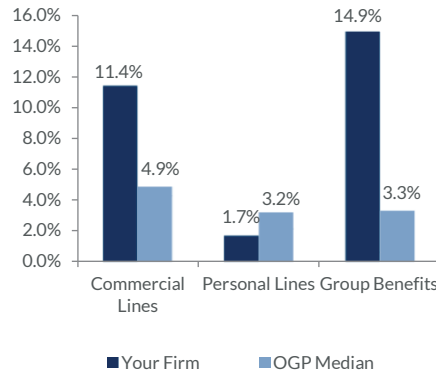
ORGANIC GROWTH

TOTAL AGENCY ORGANIC GROWTH



Your organic growth rank: **50th - 60th percentile**

ORGANIC GROWTH BY PRODUCT LINE

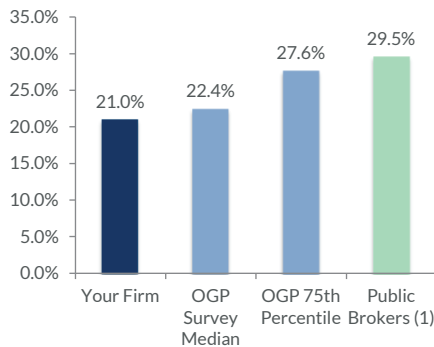


REAGAN OBSERVATIONS

- Brokers continued to weather the COVID-19 storm in Q4 to post full-year organic growth of 4.3%, down from 4.7% in Q3
- Rate improvement again drove outsized commercial lines growth (4.9% vs. 4.3% for overall median) and sizable quarterly personal lines improvement (3.2% in Q4 vs. 2.1% in Q3 2020)
- Group benefits growth of 3.3% represents the lowest full-year result in the history of the OGP survey (conducted since 2008)
- **OGP Projected 2021 Growth: 6.0%**
Brokers anticipate 6.0% growth in 2021 after projecting 2020 growth of 7.0% at this time last year

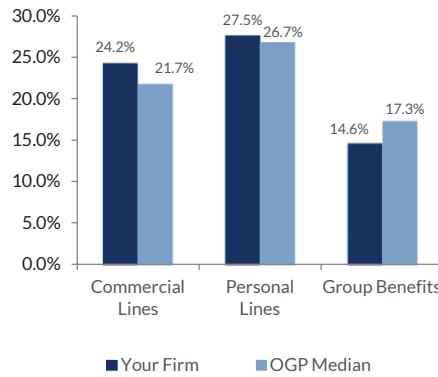
PROFITABILITY

TOTAL AGENCY EBITDA MARGIN



Your profitability rank: **40th - 50th percentile**

EBITDA MARGIN BY PRODUCT LINE

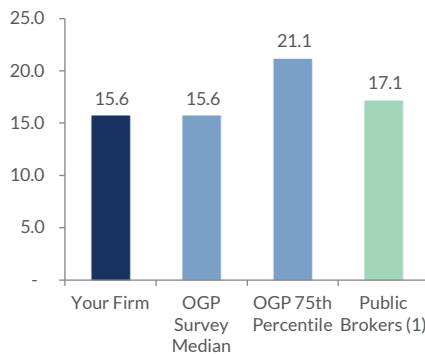


REAGAN OBSERVATIONS

- Overall broker profitability increased by more than two points from 20.1% in 2019 to 22.4% in 2020 due to savings realized in the COVID-19 environment
- Similarly, operating margin rose from 13.1% in 2019 to 14.9% in 2020. Both EBITDA and operating profit results are all-time full-year OGP survey records.
- Year-over-year, margins for commercial and personal lines business are up 340 bps and 300 bps, respectively
- **OGP Projected 2021 Margin: 21.7%**
Brokers expect to continue to operate near record levels of profitability in 2021

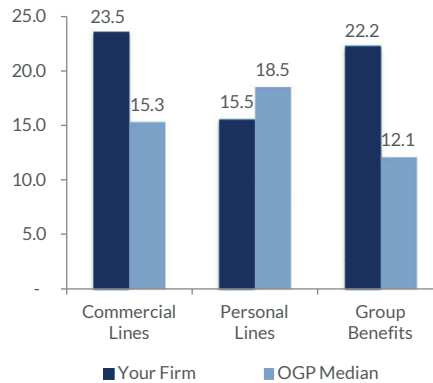
THE RULE OF 20

TOTAL AGENCY RULE OF 20



Your Rule of 20 rank: **50th - 60th percentile**

RULE OF 20 BY PRODUCT LINE



REAGAN OBSERVATIONS

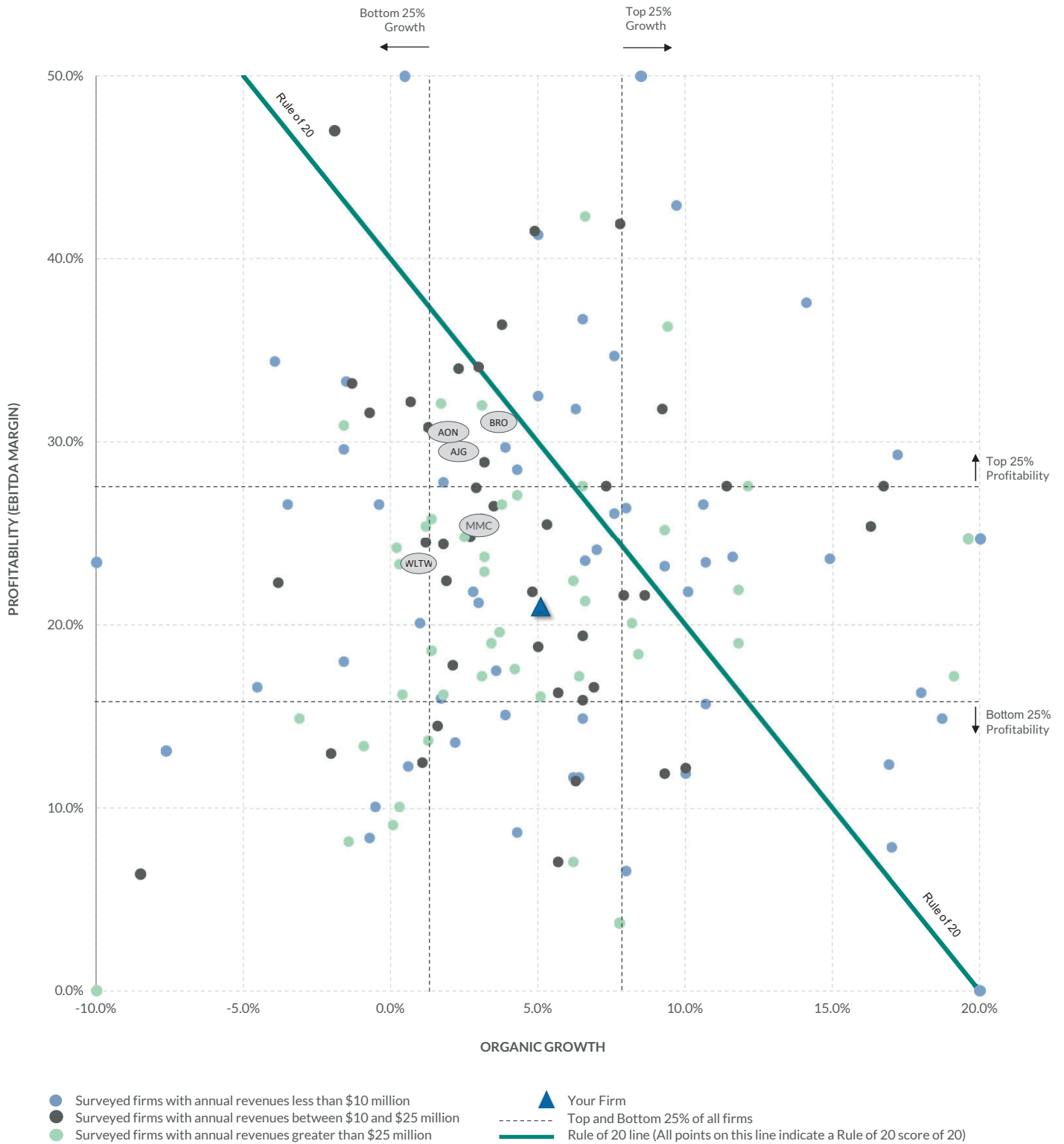
- The median Rule of 20 score is down by more than one point from 2019 (17.0), driven by lower organic growth
- Year-over-year, Rule of 20 scores decreased for commercial lines by over two points as organic growth dropped by 2.3%. Personal lines Rule of 20 increased a point and a half on elevated profitability at steady growth.
- Group benefits Rule of 20 also dropped by over two points, solely due to reduced growth
- **OGP Projected 2021 Score: 17.5**
Brokers project slightly lower Rule of 20 performance for 2021 (vs. 18.0 for 2020 as estimated in Q4 2019)

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 Q4 2020 results for AJG, BRO and MMC and Q3 2020 results for AON and WLTW.

AGENCY ORGANIC GROWTH & PROFITABILITY SCATTER PLOT



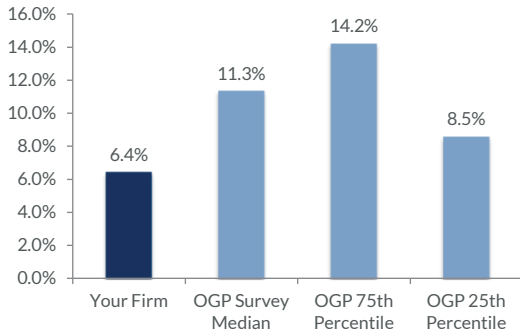
Scatter Plot

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 Q4 2020 results for AJG, BRO and MMC and Q3 2020 results for AON 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.

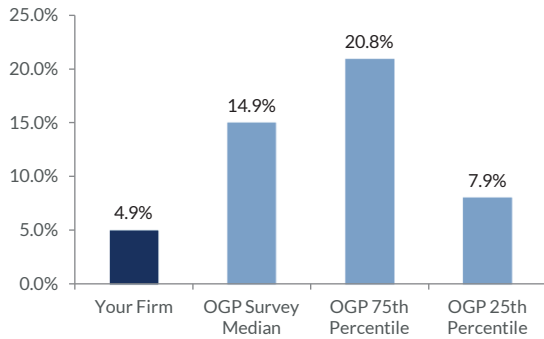
REAGAN OBSERVATIONS

- 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 11.3% for the industry in 2020, down about a half a point from levels observed in 2018 and 2019 (11.9%). A reduction of 60 bps in the midst of COVID-19 is a strong sign of continued production.
- If a firm consistently posts Sales Velocity figures in the top 25% of the industry (14.2% or higher in Q4 2020), it is likely the firm will generate above average industry growth, assuming normal levels of client retention

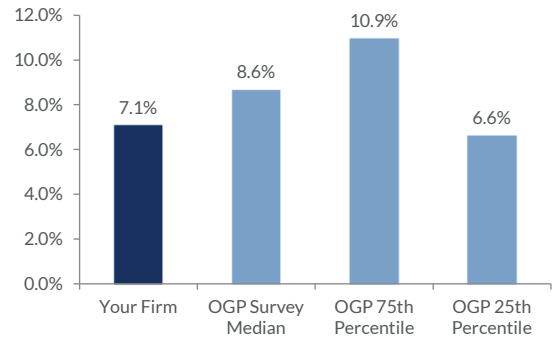
Your Sales Velocity rank: 10th - 20th percentile

OPERATING MARGIN & CONTINGENT INCOME AS % OF REVENUE

OPERATING MARGIN



CONTINGENT/BONUS/OVERRIDE INCOME AS A % OF REVENUE



Your Operating Margin rank: 10th - 20th percentile

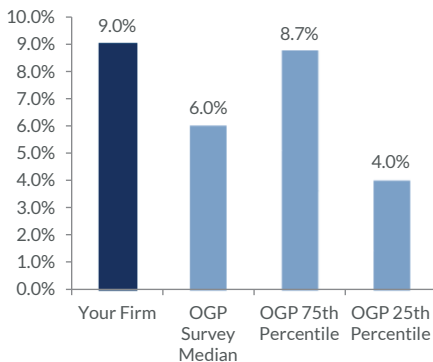
Your Bonus Inc. as % of Revenue rank: 20th - 30th percentile

Operating Margin

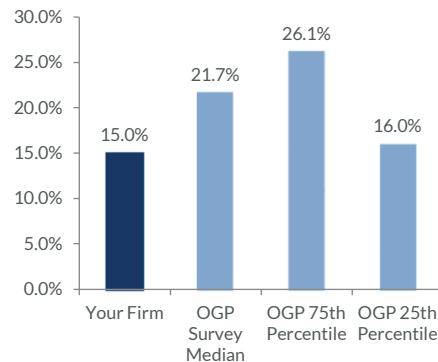
Operating Margin is calculated as EBITDA less contingent / bonus / override income, divided by pro-forma net revenues less contingent income.

2021 PROJECTIONS

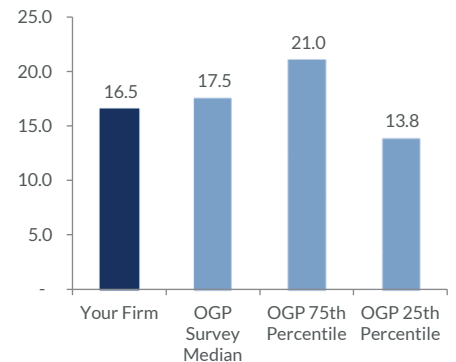
PROJECTED AGENCY ORGANIC GROWTH



PROJECTED AGENCY EBITDA MARGIN %



PROJECTED AGENCY RULE OF 20

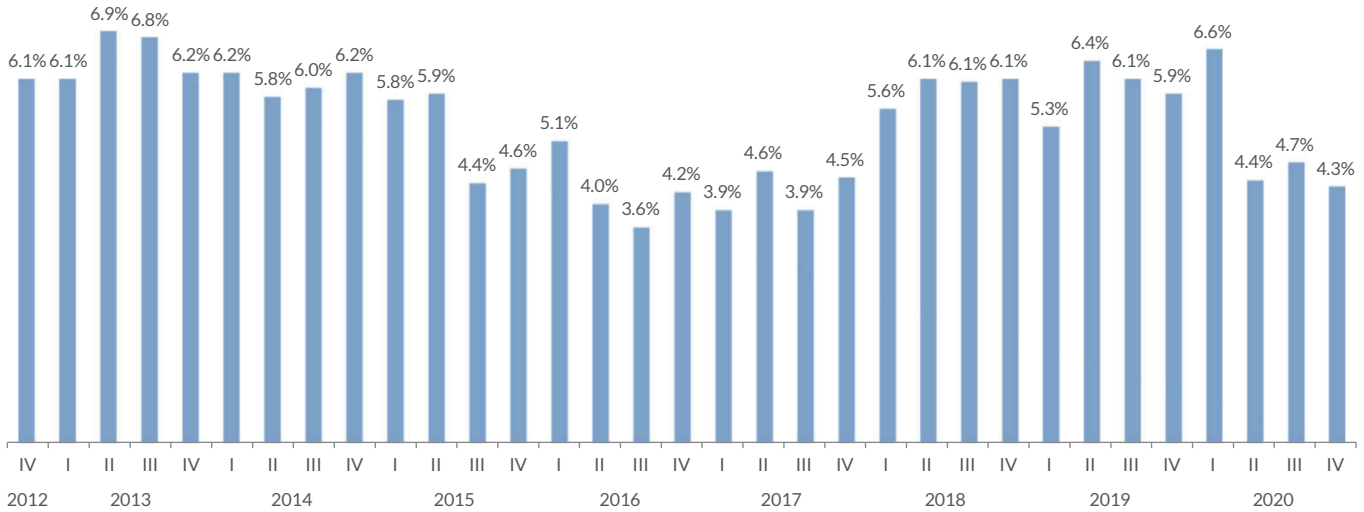


Your organic growth rank: 50th - 60th percentile.

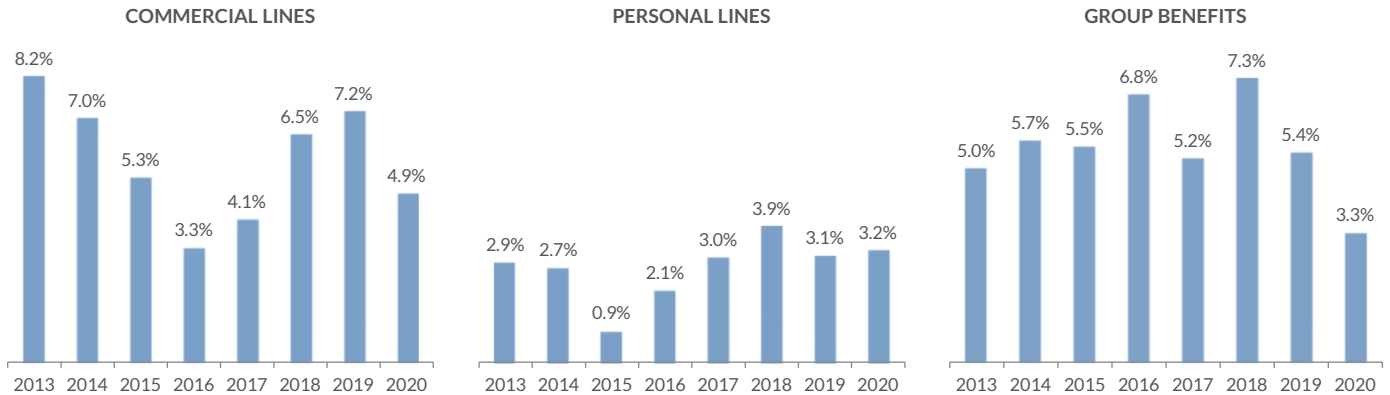
Your EBITDA margin rank: 40th - 50th percentile

Your Rule of 20 rank: 50th - 60th percentile

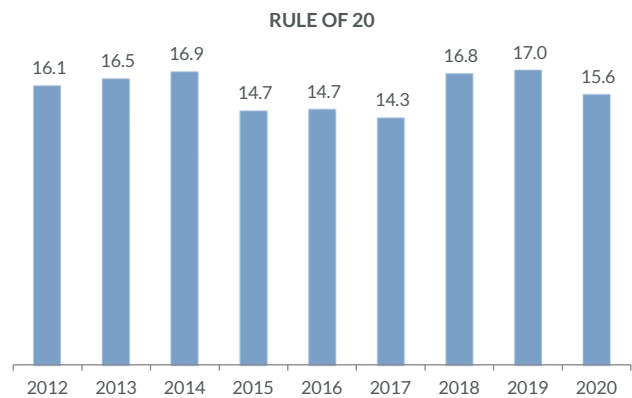
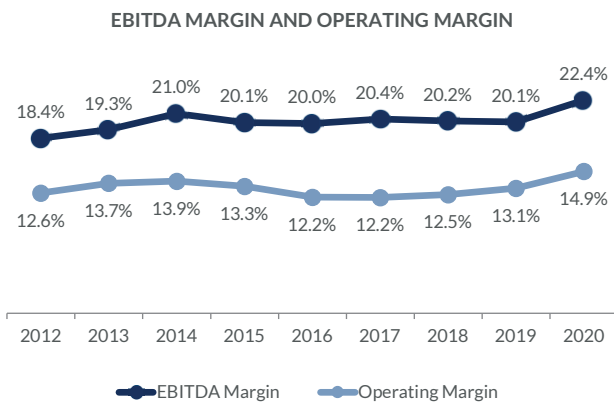
QUARTERLY ORGANIC GROWTH - TOTAL AGENCY MEDIAN
(Q4 2012 - PRESENT)



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



COMPARATIVE MEDIAN PROFITABILITY AND RULE OF 20 ANALYSIS
(FOURTH 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.



Giving in to Pessimism Can Prove Costly

by Kevin Stipe

Don't take investment advice from regulators.

In the mid-1990s, many were predicting the demise of the insurance broker. One particularly notable voice was that of Texas Insurance Commissioner Robert Hunter. He famously predicted the insurance broker would become the “buggy-whip maker” of the late 20th century.

Fast forward 25 years. In 2020, a year that many would describe as the bleakest in a generation, insurance brokers completed one of the greatest investment runs in history.

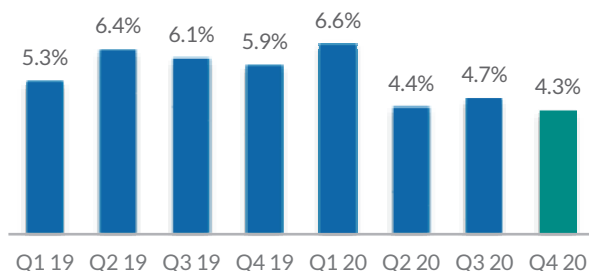
Seriously, independent insurance brokers may have been the best performing asset class in the global economy over the past 25 years.

More on that in a moment. First, let's look at 2020 results.

2020 Organic Growth

Organic growth finished at a respectable 4.3%, after starting the year at an OGP record pace of 6.6% in the first quarter — before COVID-19 began taking its toll in Q2.

Organic Growth by Quarter

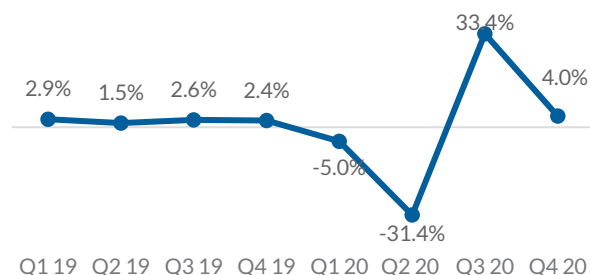


Source: Reagan Consulting OGP Survey

Commercial P&C was the best performing line, with growth of 4.9%. Employee benefits grew by only 3.3%, which was the lowest annual level recorded for benefits in the survey's 12-year history. Personal lines, fueled by firming pricing in disaster-prone areas (most notably California), grew by 3.2% which is relatively high by historical standards.

The COVID-19 economic shut-down was clearly the primary contributor to the reduction in organic growth throughout the year. Trying to outrun a record 31.4% annualized decrease in U.S. Gross Domestic Product (GDP) in Q2 proved quite a challenge. The rebound of 33.4% in Q3 and 4.0% in Q4 were helpful in ensuring that 2020 turned out to be a decent year.

GDP by Quarter (2019-2020)



Source: U.S. Bureau of Economic Analysis

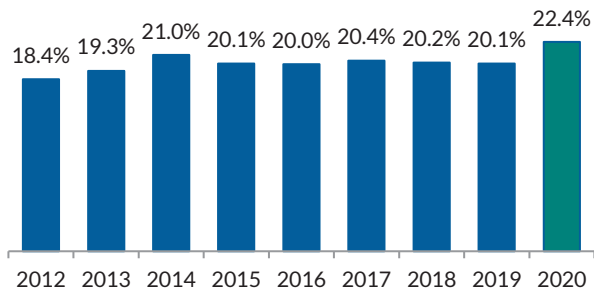
2020 EBITDA Margin

In past surveys, when organic growth slowed, agency profit margins shrank. But the opposite occurred in 2020. In fact, 2020 was a record year for agency profitability. With selling expenses falling to nearly zero, agency profits mushroomed to 22.4%, a level 1.4 percentage points over the previous high-water mark of 2012.

Organic Growth & Profitability (OGP) Survey

Market Commentary (Q4 2020)

Q4 EBITDA Margin



Source: Reagan Consulting OGP Survey, 4th quarter results

With the savings in selling expenses, profit margins in commercial lines and personal lines increased as expected. Employee benefits was a different story: the EBITDA margin of 17.3% barely budged from the record low level of 16.9% reported in 2019.

Concerns have been growing among agency principals that client resource demands are driving down employee benefits profit margins. Between 2010 and 2016, benefits margins were consistently above 20% and exceeded those of commercial P&C. In 2020, benefits margins were 4.4 percentage points below commercial P&C. It will be interesting to see if this trend reverses in 2021.

2020 Rule of 20

As expected in a lower-growth environment, Rule of 20 scores declined in 2020 — at 15.6%, they were more than a point below 2019. The decline would have been even worse without the uptick in agency EBITDA margins.

2020: An Industry Under a Yellow Flag



The economic shutdown in March created a situation like an auto race under a yellow flag. A hazardous condition interrupted the typical competitive dynamic

and the overall pace of competitive activity slowed while brokers and prospects sheltered in place.

The OGP survey bears this out: Sales Velocity dropped from 13.2% in Q1 to 11.3% in Q4.

Sales Velocity: Q1 vs Q4

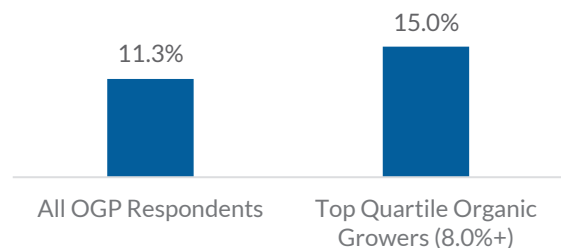


Source: Reagan Consulting OGP Survey, 4th quarter results

Interestingly, however, some brokers figured out how to “break the rules” — and keep passing their competitors during COVID-19.

The fastest growing brokers — those that grew at 8.0% or higher — had a median Sales Velocity of 15.0% — which was 3.7 percentage points higher than the median of 11.3%.

Median Sales Velocity by Participant Group



Source: Reagan Consulting OGP Survey, 4th quarter results

Sales Velocity has once again been confirmed as the most important single differentiator between high growth and low growth brokers. Firms that consistently achieve Sales Velocity of 15% or higher are regular members of the Top Quartile Club.

Organic Growth & Profitability (OGP) Survey

Market Commentary (Q4 2020)

Insurance Brokers — the World's Best Investment?

Did we really claim that insurance brokers were the world's best investment class over the past 25 years? How could we make such an outlandish statement?

Shortly after Hunter made his infamous buggy-whip maker statement, Reagan began tracking the share price appreciation of a group of roughly 30 of our annual valuation clients. We named it the Reagan Value Index and modeled it after the Dow Jones Industrial Average.

The RVI shows that over the past 25 years, privately held brokers have achieved something astounding: their share prices have increased by a compound annual growth rate of 11%. How impressive is this? Many investments achieve 11% returns over a five-year span. Some even do so over a decade. But eleven percent over 25 years is incredible.

Technology was one of the disruptors expected to make brokers obsolete. And, as expected, technology has had an incredible run over the past 25 years.

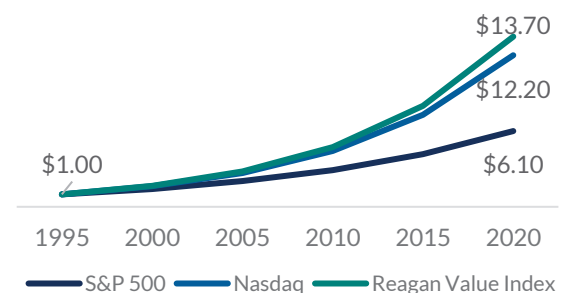
The technology heavy Nasdaq, which is the most widely monitored indicator of the technology sector — with stocks like Apple, Amazon, Netflix and Tesla — has performed incredibly well. However, even the Nasdaq has failed to match insurance brokers, growing at a compound annual rate of 10.5% over the past 25 years.

Yes, the king of the investment hill is our humble buggy-whip maker.

The following chart shows the annual price appreciation of the S&P 500, versus the Nasdaq and the Reagan Value Index. A dollar invested in the Reagan Value Index in 1995 is worth nearly \$14 today.

We should note that this comparison only includes stock price appreciation. If this analysis incorporated a comparison of the modest dividends on S&P 500 and Nasdaq securities to the significant distributions made by RVI firms, insurance broker returns are even better.

Current Value of \$1 Invested In 1995



Conclusion

We are frequently asked why investment capital continues pouring into the insurance brokerage space. M&A activity is at an all-time high. Public brokers are trading at record valuation multiples. Private equity is trying to buy everything in sight, and now accounts for over 70% of the acquisitions in our industry.

Well, in our view, it's pretty simple. Word has gotten out that through good times and bad, brokers perform. They grow through nearly any market condition, and they do so profitably.

This is worth pondering as we try to put 2020 in perspective. It was a year full of stark reminders of how uncertain the world can be. But 2020 also provided us with a friendly reminder that through good times and bad, insurance brokers perform pretty darn well. We believe this record will continue for brokers that remain bullish and continue to reinvest in themselves.

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 <p>Reagan serves as financial advisor to Bolton & Company in its internal perpetuation planning</p>	 <p>Reagan serves as financial advisor to Parker Smith & Feek in its internal perpetuation planning</p>	 <p>Reagan serves as financial advisor to Horton in its internal perpetuation planning</p>	 <p>Reagan serves as financial advisor to Brown & Riding in its internal perpetuation planning</p>	 <p>Reagan serves as financial advisor to SterlingSeacrest in its internal perpetuation planning</p>	 <p>Reagan serves as financial advisor to Scott in its internal perpetuation planning</p>	

... as well as those aligning with strategic partners.

 <p>Reagan served as financial advisor to All Risks in its sale to Ryan Specialty Group</p>	 <p>Reagan served as financial advisor to Assurance in its sale to Marsh & McLennan Agency</p>	 <p>Reagan served as financial advisor to Bouchard in its sale to Marsh & McLennan Agency</p>	 <p>Reagan served as financial advisor to Momentous in its sale to Marsh & McLennan Agency</p>	 <p>Reagan served as financial advisor to The Crichton Group in its sale to HUB International</p>	 <p>Reagan served as financial advisor to Armfield, Harrison & Thomas in its sale to BRP Group</p>	 <p>Reagan served as financial advisor to Oswald and RCM&D in their merger</p>
 <p>Reagan served as financial advisor to Rose & Kiernan in its sale to NFP</p>	 <p>Reagan served as financial advisor to Lipscomb & Pitts in its sale to Higginbotham</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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