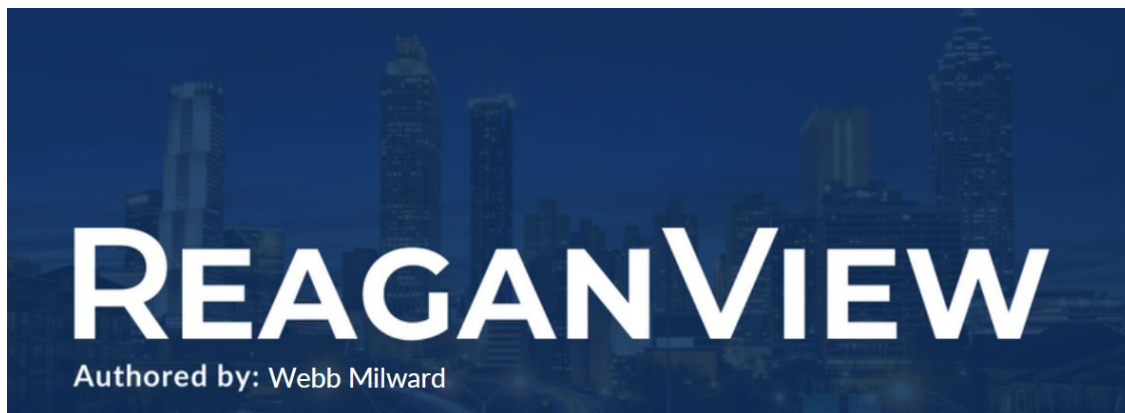


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July 28, 2022

Into Rarefied Air: Quick Observations on the New Top 100 List

To our friends and clients,

Mount Everest is the highest mountain in the world, standing at nearly 30,000 feet. Those that attempt the summit start the approach from one of two main base camps. But with each camp at approximately 17,000 feet, even reaching these bases is no small feat.

For privately held insurance agents and brokers (which we are defining as those without institutional capital), making it onto the [Business Insurance Top 100 list](#) is kind of like reaching base camp. It is a significant accomplishment of which fewer and fewer privately held brokers can boast. Based on our analysis, the recently released *Business Insurance Top 100* list contains 49 privately held brokers including 15 in the top 50. We believe this is the first time that privately held firms represent less than half of the Top 100 list.

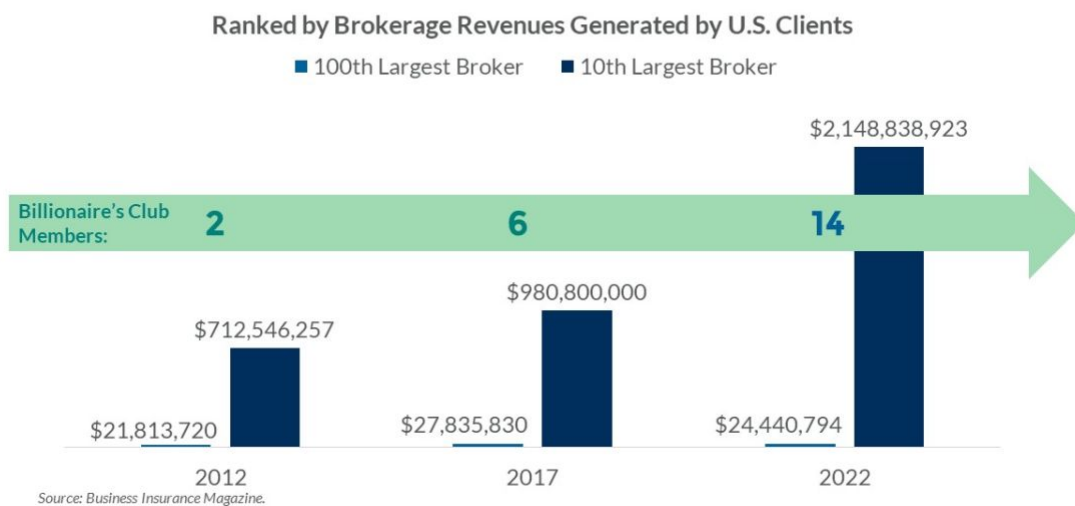
The *Business Insurance Top 100* list is always an interesting snapshot that reflects the marketplace-driven dynamics at the upper end of our industry. What we've seen over the last five years is a staggering amount of M&A activity. Looking at the *Business Insurance Top 100* list from five years ago, we find that one-third of the privately held firms on that list have been acquired. Large, privately held brokers are the most attractive M&A targets and these firms have been wooed by massive offers.

In addition, several large, formerly 100% employee-owned brokers have taken on private equity capital themselves to drive continued growth through acquisitions. As a result of these dynamics, the number of privately held firms in the Top 100 is down by over 15% since 2017 and the percentage of total revenue on the Top 100 list generated by privately held

The remaining Top 100 privately held firms find themselves in rarefied, thin air. Much like the climbers at base camp contemplate the summit 13,000 feet above, privately held brokers on the Top 100 list look up at the 14 billion-dollar brokers near the peak. Increasingly, they are looking up at private equity-backed brokers, whose presence in the industry is accelerating. There are 30 PE-backed firms on today's Top 100 list, with 22 of those in the top 50. In 2017, there were only 17 PE-backed brokers in the Top 100.

Consolidation and PE investment have driven scale for firms at the top. The largest firms – those toward the summit – are quickly getting larger while the firms down at the base camp are not growing nearly as fast.

Consolidation is Driving Unprecedented Scale



The 10th largest broker on the 2012 *Business Insurance* Top 100 list was \$712.5 million in revenue and the 100th largest firm was \$21.8 million. Ten year's later, the 10th largest firm is \$2.1 billion in revenue, an increase of 201.5%. The 100th largest firm, though, is \$24.4 million, an increase of just 12%. The scale, capabilities and reach of the 100th largest firm haven't changed – but the profile of the 10th largest firm has changed dramatically.

We are seeing more institutional capital, fewer privately held firms and rapidly increasing scale at the top of the list. The industry is moving quickly – what will the 2027 Top 100 list look like? Our guess is that current industry trends will continue to put pressure on the Top 100 presence of privately held firms. And while they may not decrease much more in number, market share declines could accelerate. Unless, of course, the privately held firms at base camp can figure out what it takes to keep climbing.

Webb Milward

Head of Strategic Development, Reagan Consulting

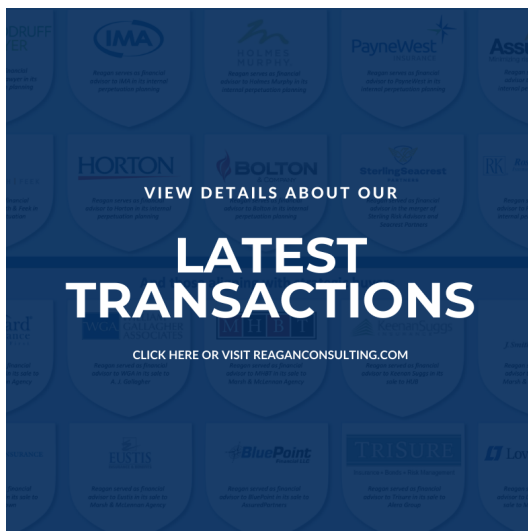


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