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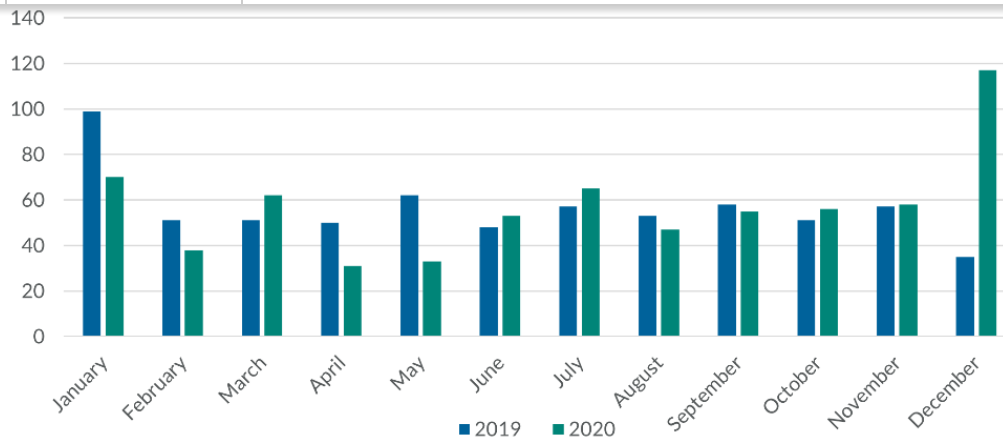
*January 22, 2021*

## **Insurance Broker M&A Activity Proves COVID-19 Resistant**

To our friends and clients,

The preliminary results are in and 2020 is officially the most active M&A year in history for the insurance distribution system. As of January 20, SNL / S&P Market Intelligence reports that there were 685 deals announced in the insurance brokerage space, eclipsing the 672 announced transactions in 2019. As time progresses, we believe that the 2020 number will increase as more transactions are announced with an effective date of December 31, 2020.

This number is notable for a few reasons and may be predictive of 2021 behaviors. First, it is evidence of market fundamentals' persistence in driving deal activity. The availability of eager capital remained high, fueling more and more active acquirers. There were more well-capitalized buyers competing for deals at the end of 2020 than there were at the beginning. And despite record levels of consolidation, the market continues to remain relatively fragmented – ensuring consolidators have more opportunities going forward. We are in a multi-year run of heightened consolidation with market dynamics showing no signs of erosion.



Second, the year-end data shows the minimal impact of COVID-19. As illustrated in the chart above, COVID-19 depressed M&A volume considerably in April and May but otherwise had a very limited effect on transaction activity. While there was significant concern about the future of deal activity in the springtime, the summer and fall months saw a rebound to normal levels. COVID-19 proved to be simply a hiccup in an otherwise robust M&A marketplace.

Finally, the December deal totals remind us that taxes play an important role. December 2020 boasted 117 transactions – more than triple the number of deals in December 2019. Many sellers rushed to get deals done in 2020 because of worries about a potential 2021 increase in capital gains taxes that would be retroactive to January 1, 2021. A similar dynamic occurred eight years ago when sellers hurried to close transactions in 2012 before capital gains rates increased in 2013.

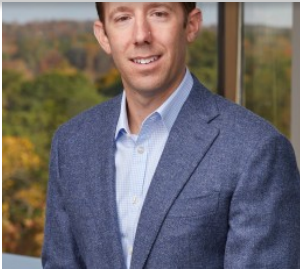
Eight years ago, however, deal volume declined in 2013 from 2012. Transactions were pulled forward into 2012 and there wasn't a sufficient number of new sellers in the 2013 increased capital gains environment to maintain deal volume. Will we see the same phenomenon occur in 2021? While deal activity could decline, it is also possible that increased tax rates will be passed by Congress in 2021 and be effective January 1, 2022. And in that case, watch out, because we could see another M&A record in December of this year.

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Brian Deitz

**Partner, Reagan Consulting**

[Email Brian directly >>>](#)



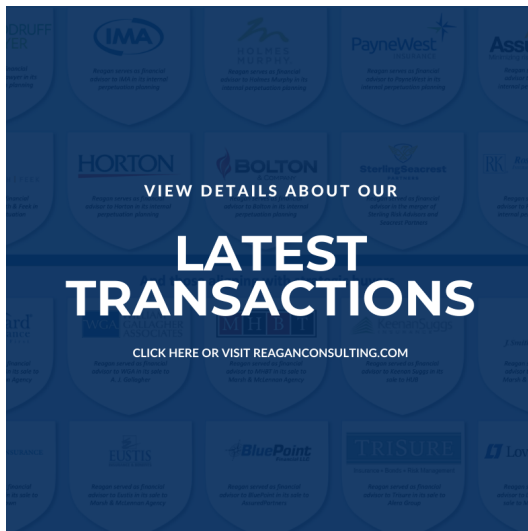
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