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August 19, 2020

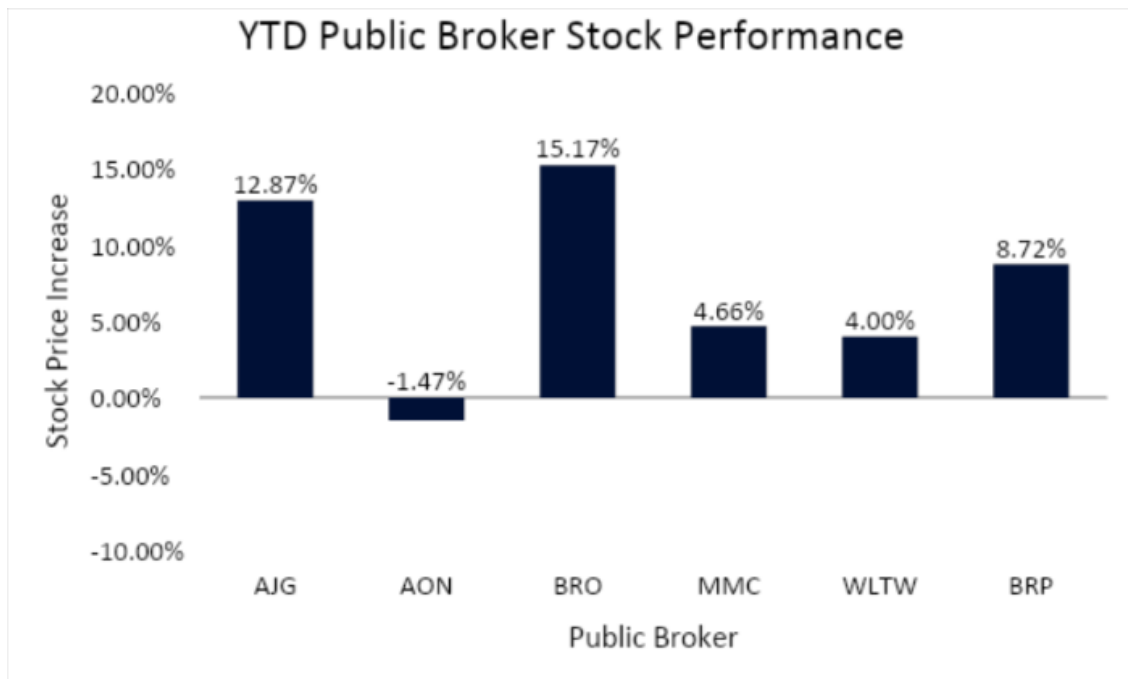
Public Brokers: What Downturn?

To our friends and clients,

The economic impacts of COVID-19 are both immediately apparent and well documented. We all have friends who are underemployed or lost jobs because of the economic downturn. In July 2020, the U.S. unemployment rate was 10.2%, with some states reporting unemployment over 15%. Gross Domestic Product (GDP) decreased at an annual rate of 32.9% in the second quarter of 2020, the sharpest drop ever. Economic challenges surround us.

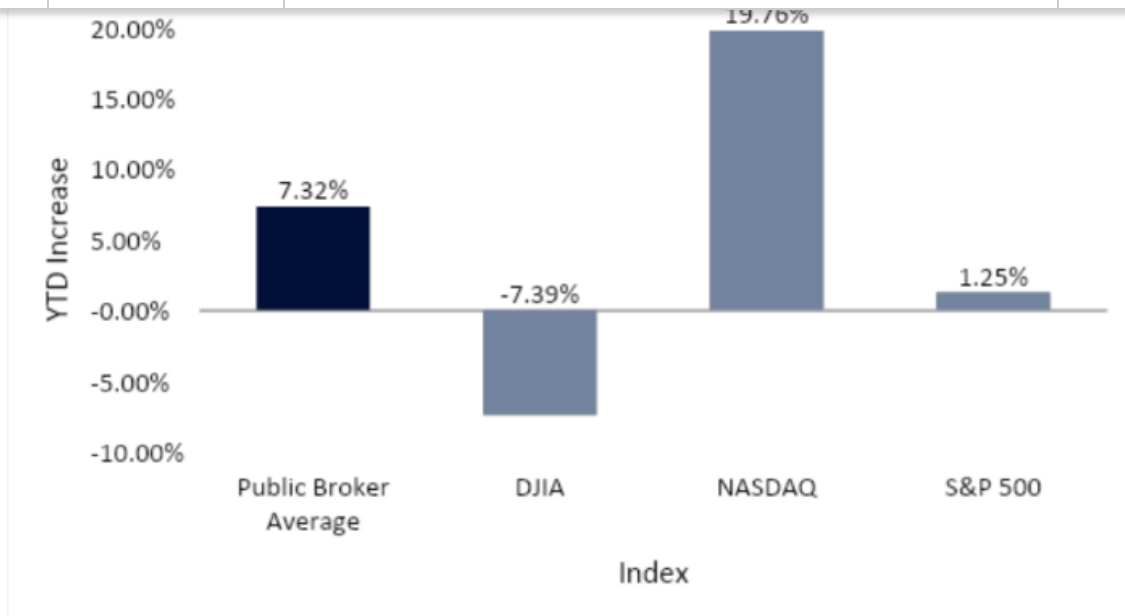
Yet, despite the numerous economic challenges, the insurance industry continues to thrive.

One indicator of the insurance industry's resilience is the performance of public brokers in the stock market. The stock market provides a good gauge of how the market views businesses and industries both currently and in the future. How have the public broker stocks performed this year? The results may



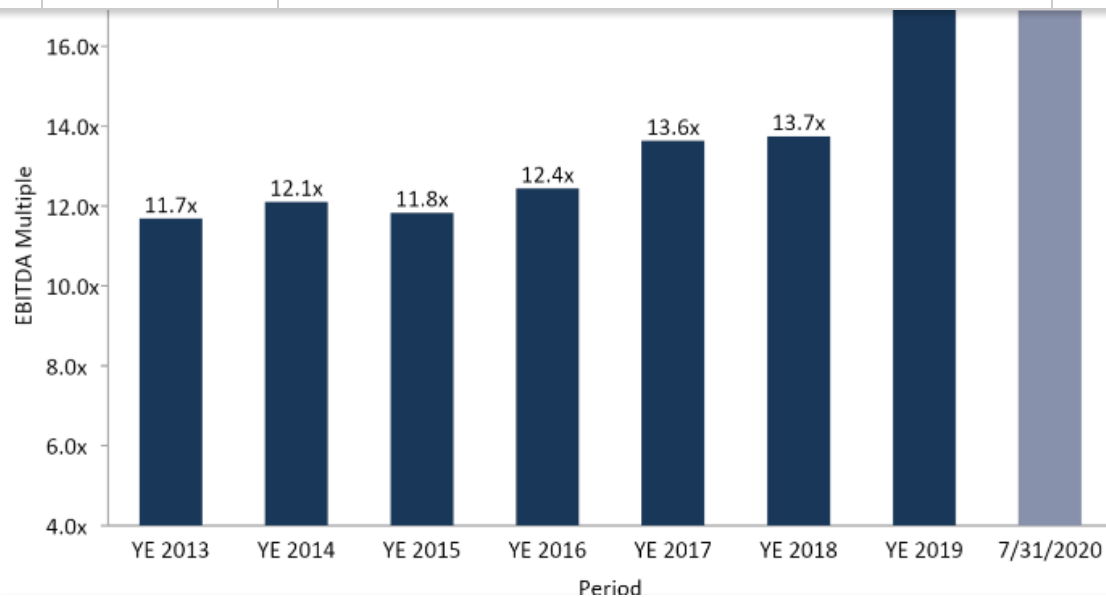
As you can see, only one broker is down for the year, while two brokers are up double digits. The average 2020 performance of the public brokers is up 7.32% reflecting the market's favorable view of the insurance industry and expected positive outcomes.

Public broker performance continues to do well even when compared to other indexes, further emphasizing good news for the insurance industry. How does this compare to the other indexes? The chart below illustrates how insurance brokers have materially outperformed both the S&P 500 (up 1.25%) and the Dow Jones Industrial Average (down 7.39%). While the NASDAQ is up 19.76%, its performance is largely driven by technology-based businesses that represent over 50% of the NASDAQ's listings.



The high performance of public brokers also coincides with the performance of our private clients who reported 4.4% organic growth and 26.0% EBITDA margin in the [2020 Q2 Organic Growth and Profitability Survey](#). These brokers are expecting to grow 5.0% organically in 2020, a remarkable prediction in these uncertain times that once again highlights the insurance industry's positive outlook.

Another interesting and telling metric is what the public brokers are trading for as a multiple of EBITDA (earnings before interest, taxes, depreciation, and amortization). EBITDA multiples provide insight into how the market views future growth and profitability. As seen in the chart below, public brokers are now trading at the essentially same multiple as they were prior to COVID-19. Said another way, the market is still as bullish on insurance brokers as it was at the beginning of 2020.



Source: Public Broker SEC Filings – BRO, AJG, MMC, AON, WLTW

Note: Stock prices and financial data updated for all public brokers as of July 31, 2020.

Although the economy is facing material challenges, the insurance industry is resilient, weathering the pandemic with little disruption and continued growth. There is much to be thankful for with such an optimistic and bright future amidst all the uncertainty.

Brian McNeely

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[Email Brian directly >>>](#)

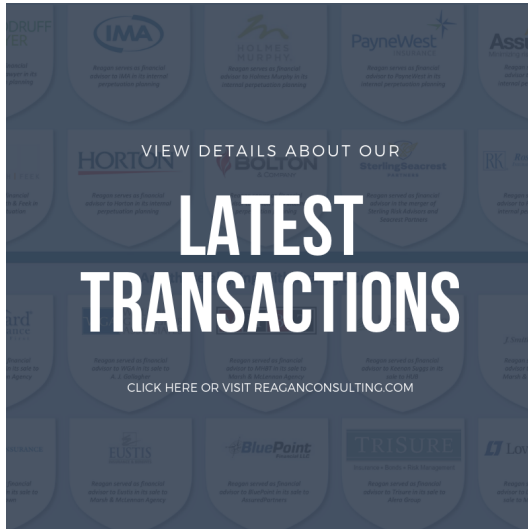


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