

[View this email in your browser](#)



April 6, 2021

Wholesale Market Update

To our friends and clients,

While the retail insurance sector receives many of the headlines given the recent deal activity, there have been massive changes to the wholesale distribution system over the last nine months. Key events include the acquisitions of two top-five wholesale brokers and an announced initial public offering (IPO) which would mark the first time in history that a pure wholesale broker became a public company. Below is a summary of recent notable transactions in the wholesale insurance sector.

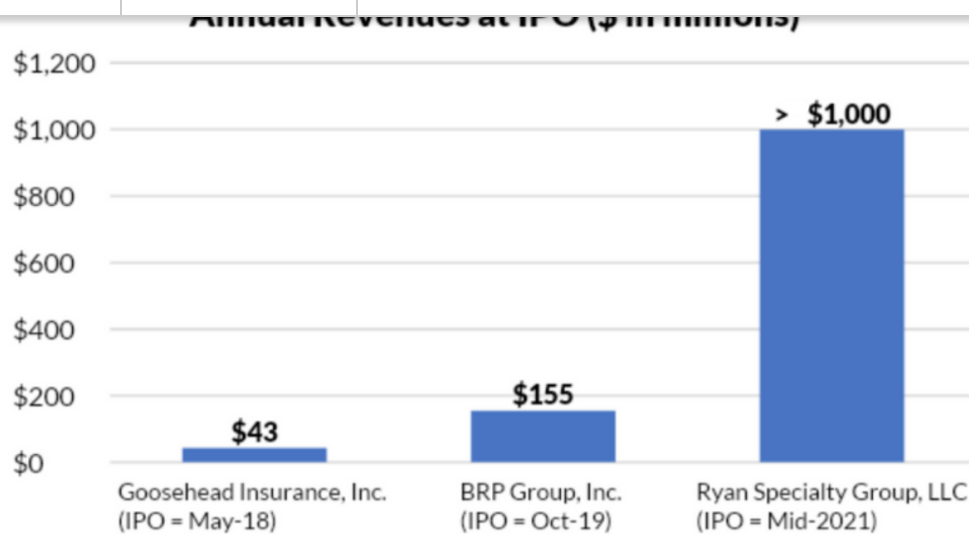
The Top 10 largest P&C wholesale brokers are now the Top 8 P&C wholesale brokers...

2019			2019		
Rank	Company	Premium (\$M)	Rank	Company	Premium (\$M)
1	AmWINS Group, Inc.	\$14,665	1	AmWINS Group, Inc. /Worldwide Facilities, LLC	\$16,479
2	CRC Insurance Services Inc.	\$9,733	2	Ryan Specialty Group, LLC /All Risks, Ltd.	\$11,160
3	Ryan Specialty Group, LLC	\$8,900	3	CRC Insurance Services Inc.	\$9,733
4	All Risks, Ltd.	\$2,260	4	JenCap Holdings, LLC	\$1,123
5	Worldwide Facilities, LLC	\$1,814	5	Brown & Riding Insurance Services, Inc.	\$1,037
6	JenCap Holdings, LLC	\$1,123	6	U.S. Risk Insurance Group, LLC	\$983
7	Brown & Riding Insurance Services, Inc.	\$1,037	7	ARC Excess & Surplus, LLC	\$720
8	U.S. Risk Insurance Group, LLC	\$983	8	Program Brokerage Corp.	\$461
9	ARC Excess & Surplus, LLC	\$720			
10	Program Brokerage Corp.	\$461			

The two blockbuster deals came first. On September 1st, 2020, Ryan Specialty Group, LLC acquired All Risks, Ltd. All Risks, a 100% employee-owned firm, brought to RSG over 800 employees, 36 specialty programs, an industry-leading training and development platform, and a complementary culture. The deal marked the union of the 3rd and 4th largest P&C wholesale brokers in the U.S. (by premiums). The combined firm generated nearly \$15 billion in annual premiums in 2020 across 70 offices (representing a significant increase over the 2019 premiums included in the chart above). With the addition of All Risks, RSG bolstered its specialty program capabilities and presence on the East Coast.

Not to be outdone, on March 5th, 2021, AmWINS Group, Inc. reached an agreement to acquire Worldwide Facilities, LLC. Worldwide, the fifth-largest wholesale P&C broker by premiums brought to AmWINS approximately \$2 billion in annual premium and 720 employees across 35 offices. The acquisition marked AmWINS' 50th acquisition and added scale to the largest wholesaler in the U.S. The combined firm will have more than 6,150 employees across 155 offices in the U.S., and place in excess of \$24 billion in annual premiums. The addition of Worldwide broadens AmWINS' specialty capabilities and expands its footprint on the West Coast.

Coincidentally, less than two weeks following the AmWINS announcement, Ryan Specialty Group, LLC announced on March 16th, 2021 that it submitted a draft S-1 registration statement with the SEC for an IPO. While the confidential nature of the filing limits available information, this proposed offering will mark the largest broker IPO in over a decade.



There are currently seven publicly traded U.S. insurance brokers, including recent public market entrants, Goosehead, and BRP (noted in the chart above). RSG will be the only publicly traded broker that is a pure wholesale broker/specialty managing general agent in the U.S.

The top eight wholesale P&C brokers (shown previously) will now consist of one publicly traded broker (RSG), one 100% employee-owned broker (Brown & Riding Insurance Services, Inc.), one bank-owned broker (CRC Insurance Services, Inc. is a wholly-owned subsidiary of Truist Financial Corporation), and five brokers backed by private equity firms with either a minority or majority stake.

We expect this trend of capital transactions in the wholesale sector to continue for firms of all sizes. Why? The wholesale sector is well-positioned to capitalize on many of the current trends in insurance distribution, including:

1. **Hard P&C Market:** Many wholesalers are coming off of their best annual performance (yes, even during a pandemic) in large part due to firming P&C prices across most lines of business.
2. **Elevated Risk Profiles:** The recent rise of natural disasters, including hurricanes in the Gulf and wildfires in California, has fueled the need for access to excess and surplus lines carriers, which wholesale brokers provide.
3. **Increased Industry Specialization:** Highly specialized brokers achieve higher growth levels than their industry agnostic / generalist peers. Wholesale brokers, through their contract binding authority platforms and proprietary programs, have a high growth potential.
4. **Acquisition Imperative:** Private equity models in the insurance distribution industry have centered around the “buy-and-build” strategy. Meaning, once a private equity firm acquires a platform broker (larger firm) to stake its presence in the sector, it adds onto that platform as quickly as possible through additional acquisitions. The historically low interest rate environment has bolstered their appetite for deals with many securing huge facilities to fuel their lofty acquisition goals. Scale is achieved much earlier through acquisitions relative to organic growth.

While the top wholesale brokers keep getting bigger, as evidenced by these three recent transactions, we believe more consolidation and capital investment is in store for the fragmented wholesale sector.

Mark Crites

Partner, Reagan Consulting

[Email Mark directly >>>](#)

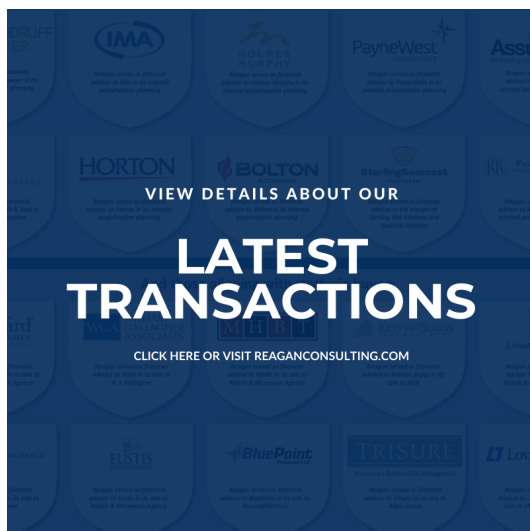


[ReaganView](#) is Reagan Consulting's forum for providing an occasional perspective on issues and opportunities relevant to the insurance distribution system

*This document includes only general information and should not be relied upon as legal, tax or compliance advice.

Do you want to receive ReaganView directly in your inbox? [Subscribe to our list](#) to ensure you never miss an edition.

[Subscribe to ReaganView](#)



Would you like to contact us directly?

Find all of our contact information via our website [here](#).

Copyright © 2021 Reagan Consulting, All rights reserved.

Want to change how you receive these emails?
You can [update your preferences](#) or [unsubscribe from this list](#).