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*November 2, 2021*

## **The Ever-Changing Landscape of Brokerage M&A**

To our friends and clients:

Yesterday IMA Financial Group officially entered into partnership with one of the largest and fastest-growing brokers in the country, Parker, Smith & Feek. This transaction's significance is that it underscores a trend toward a new breed of industry buyer: the privately-held broker using outside minority equity capital as a tool for aggressive expansion.

The changing landscape of insurance brokerage M&A has been fascinating to observe over the past several decades. In the 1990s, public brokers Arthur J. Gallagher, HRH and Brown & Brown, together with USI and Acordia, dominated the marketplace as essentially the only well-capitalized buyers of insurance agents and brokers on a national level. Public brokers remain active in the market and have been joined by additional players, most notably Marsh McLennan Agency (in 2009) and Baldwin Risk Partners (in 2019), both of whom serve as heavyweights in today's marketplace.

In the late 1990s, when regulatory restrictions lifted, banks invaded the insurance brokerage industry and completed hundreds of transactions over the following decade. In 2006, representing almost one-third of the transactions completed, banks served as the most active buyer group in the marketplace.

In the ashes of the Great Recession that began in 2007, private equity buyers entered the industry in a big way and have accounted for a majority of the transactions in recent years. So far this year, private equity buyers have accounted for approximately 70% of announced transactions.

charged outside investment capital. These companies, all committed to private ownership for the long haul, have taken on outside capital at market valuation levels. This outside capital solution enables these firms to overcome the Achilles Heel of many would-be privately-owned buyers – the inability to pay market-level valuations for acquisitions.

One of the newer and most active players in the employee-owned, outside capital model is IMA Financial Group, which secured outside minority equity capital in 2020. IMA's partnership with Parker, Smith & Feek serves as a fantastic capstone to a year in which IMA had already entered into partnerships with several high-profile brokers, including Bolton & Company (Pasadena, CA), k.p.d. Insurance (Springfield, OR), and Diversified Insurance (Salt Lake City, UT).

Led by Dave Eckroth and based in Bellevue, Washington, Parker, Smith & Feek is ranked as the 49<sup>th</sup> largest broker in the U.S. by *Business Insurance* magazine. With additional offices in Oregon, Alaska, and Hawaii, the Parker, Smith & Feek partnership materially expands IMA's west coast (and beyond) operations.

We were honored to serve as financial advisor to Parker, Smith & Feek on this transaction and we are excited to see what the future holds for these two remarkable organizations as they pursue their shared objectives while remaining majority employee-owned.

The M&A marketplace continues to evolve to meet the specific needs and desires of sellers. Without question, the employee-owned partnership model is scratching a particular itch for a critical mass of sellers in the industry. What's next? Stay tuned ...

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Tom Doran

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[Email Tom directly >>>](#)

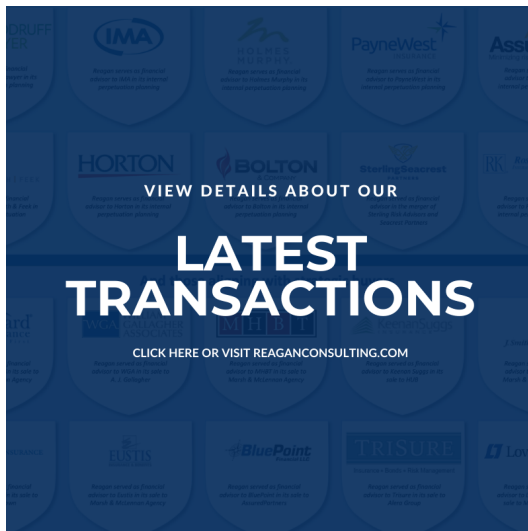


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