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ReaganView

The Golden Age of Insurance Brokerage

To our Clients and Friends:

I recently attended a gathering of brokerage industry leaders. The typically upbeat group seemed a bit different than in past years. The meeting had a distinctly anxious feel. What were these highly successful leaders anxious about? The better question is, what were they not anxious about? Discussion ranged across a variety of topics: Insurtech disruption, big data, mergers & acquisitions, private equity insurgence, profit margin pressures, the resource “arms-race,” the difficulty of recruiting and training the next generation – it was a long list.

Yes, challenges exist, but what incredible irony!

We are living in the Golden Age of insurance brokerage. There are so many good things happening, it is hard to keep track of them all:

- Valuations are at all-time highs. It would have been inconceivable even a decade ago that values could reach today’s heights. And brokers of all sizes and ownership types are benefiting – regardless of whether they are publicly traded, private equity-backed, employee-owned or bank-owned.
- Brokers are growing at the fastest rate in years. [Our 2nd quarter Organic Growth and Profitability \(OGP\) survey was released this week.](#) It included 58 of the Top 100 brokers in the U.S. During the first half of 2018, the median broker grew by over 6%.
- Broker profitability is strong. The median broker is on target to achieve a year-end EBITDA margin of 20%, despite the many forms of reinvestment that reduce margins in the short-run.
- Broker revenue sources are better diversified than ever, with most achieving strong growth rates in commercial P&C, group benefits and even personal lines.
- Sources of capital for growth and perpetuation are more abundant and flexible than ever before. It turns out that private equity’s nearly universal happy experience in

- Technology may be the great enabler. So much of the talk about technology has been defensive – how will independent brokers combat the inevitable disruption coming from Insurtech? Is it possible that it will be the opposite, with Insurtech enabling brokers to serve more clients in more effective (and lucrative) ways than ever before?

It is natural, in this non-stop, over-stimulated world we live in, to focus on the very real threats and challenges faced by our industry. At the same time, it is a healthy exercise to regularly remind ourselves what an incredible industry this is.

Kevin Stipe

President / Reagan Consulting



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

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