

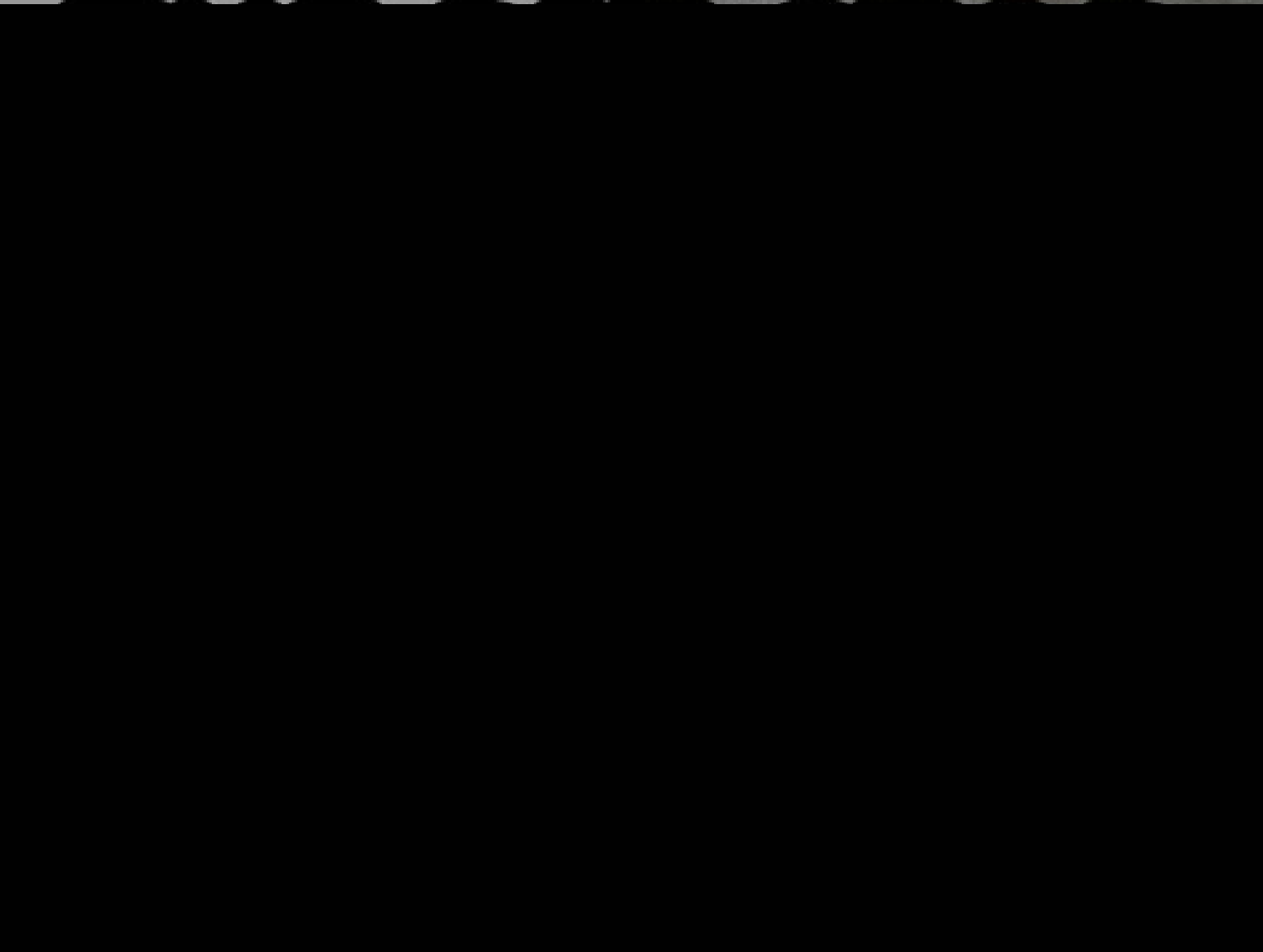


**INSURANCE
NETWORKS
ALLIANCE**

Networks Future Readiness – Preparing to Excel in an Evolving Industry

Bobby Reagan | Reagan Consulting
August 12, 2021







Where the Industry is Today

Key Trends in the Industry

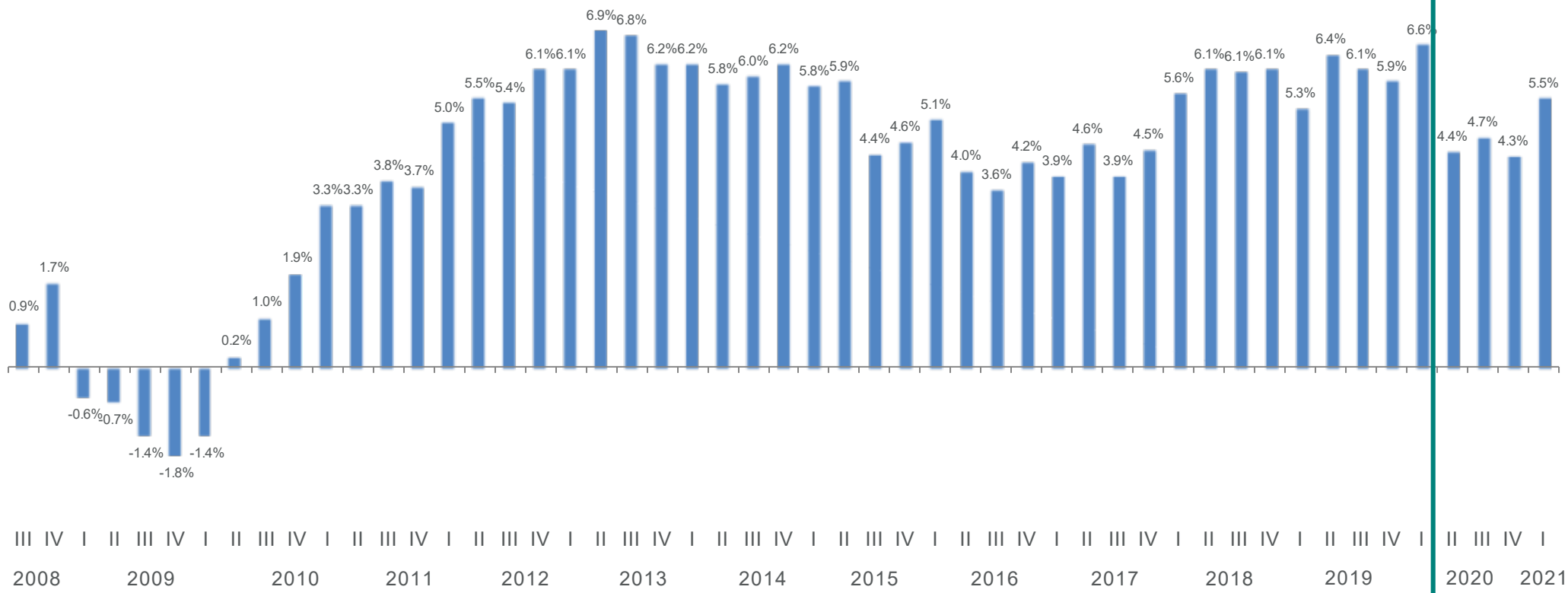
Where Networks are Today

What it Will Take to Excel

Historical Organic Growth

Quarterly Organic Growth – Total Agency Median

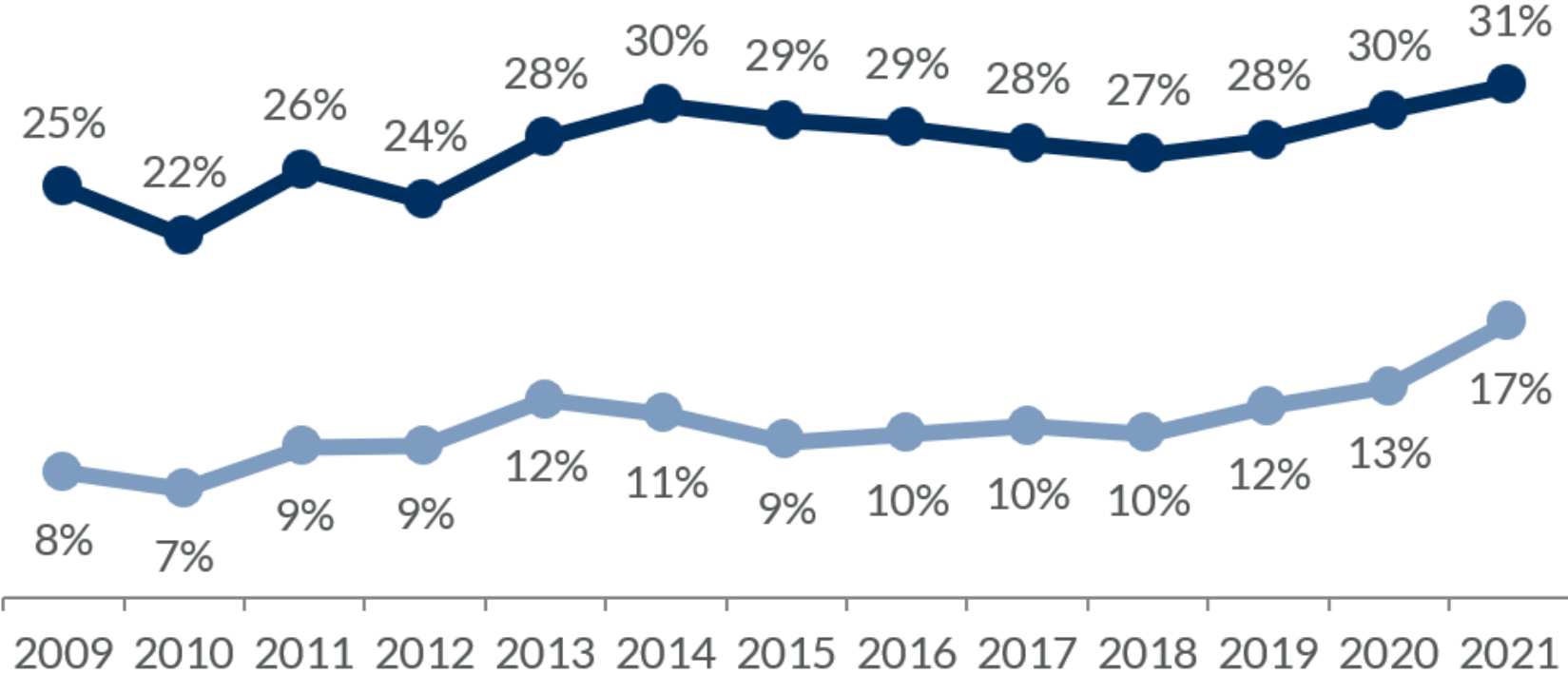
COVID



Source: Reagan's Growth & Profitability Survey, Q3 2008 to present

Comparative Median Profitability

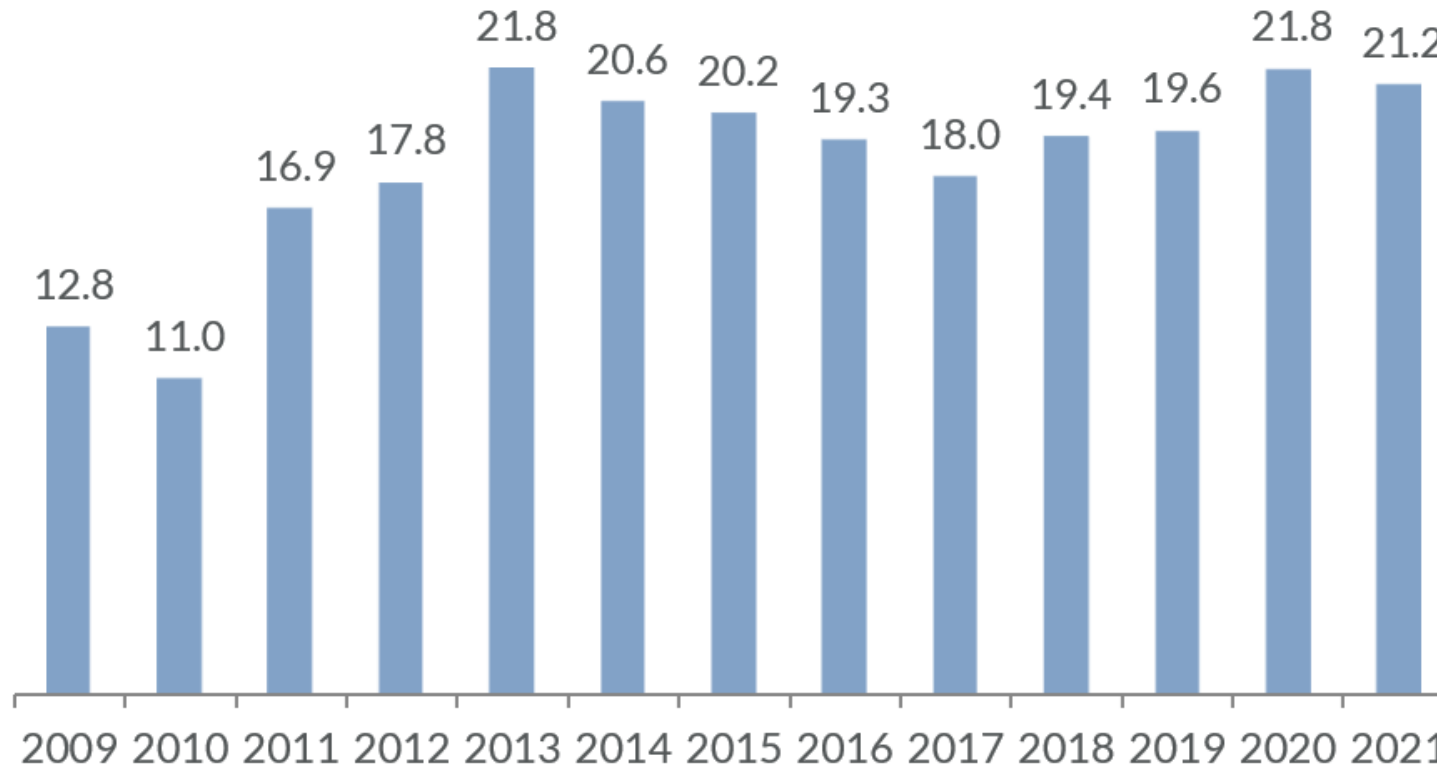
EBITDA Margin and Operating Margin



Source: Reagan's Growth & Profitability Survey, first quarter numbers, 2009-2021

Rule of 20 Analysis

Agency Rule of 20

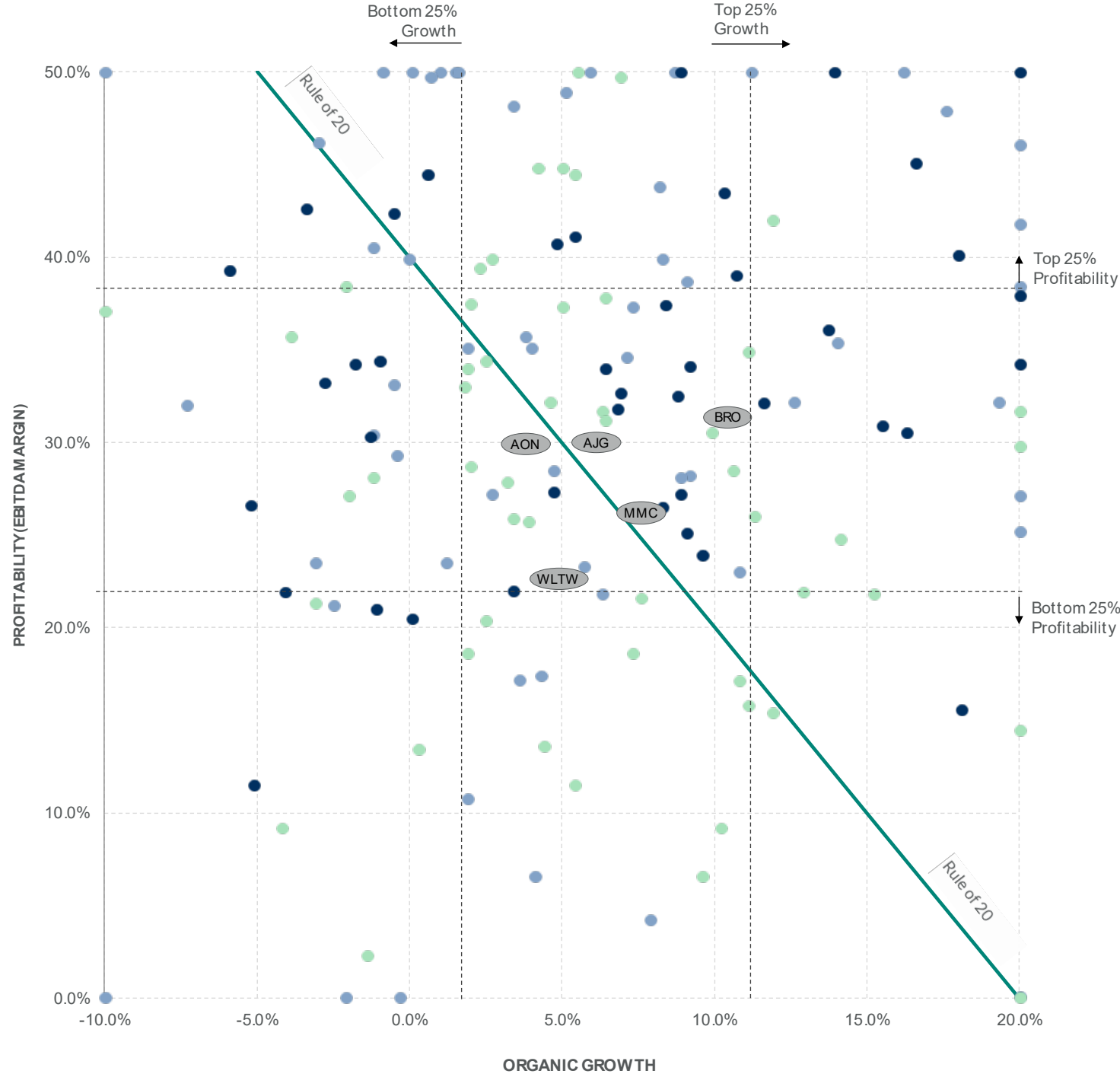


Source: Reagan's Growth & Profitability Survey, first quarter numbers, 2009-2021. Rule of 20 Calculation: $\frac{1}{2}$ of EBITDA plus Organic Growth

Where the Industry is Today

Organic Growth & Profitability Scatter Plot

- Surveed firms with annual revenues less than \$10 million
- Surveed firms with annual revenues between \$10 and \$25 million
- Surveed firms with annual revenues greater than \$25 million
- Top and Bottom 25% of all firms
- Rule of 20 line (All points on this line indicate a Rule of 20 score of 20)



Source: Reagan's Growth & Profitability Survey, Q1 2021

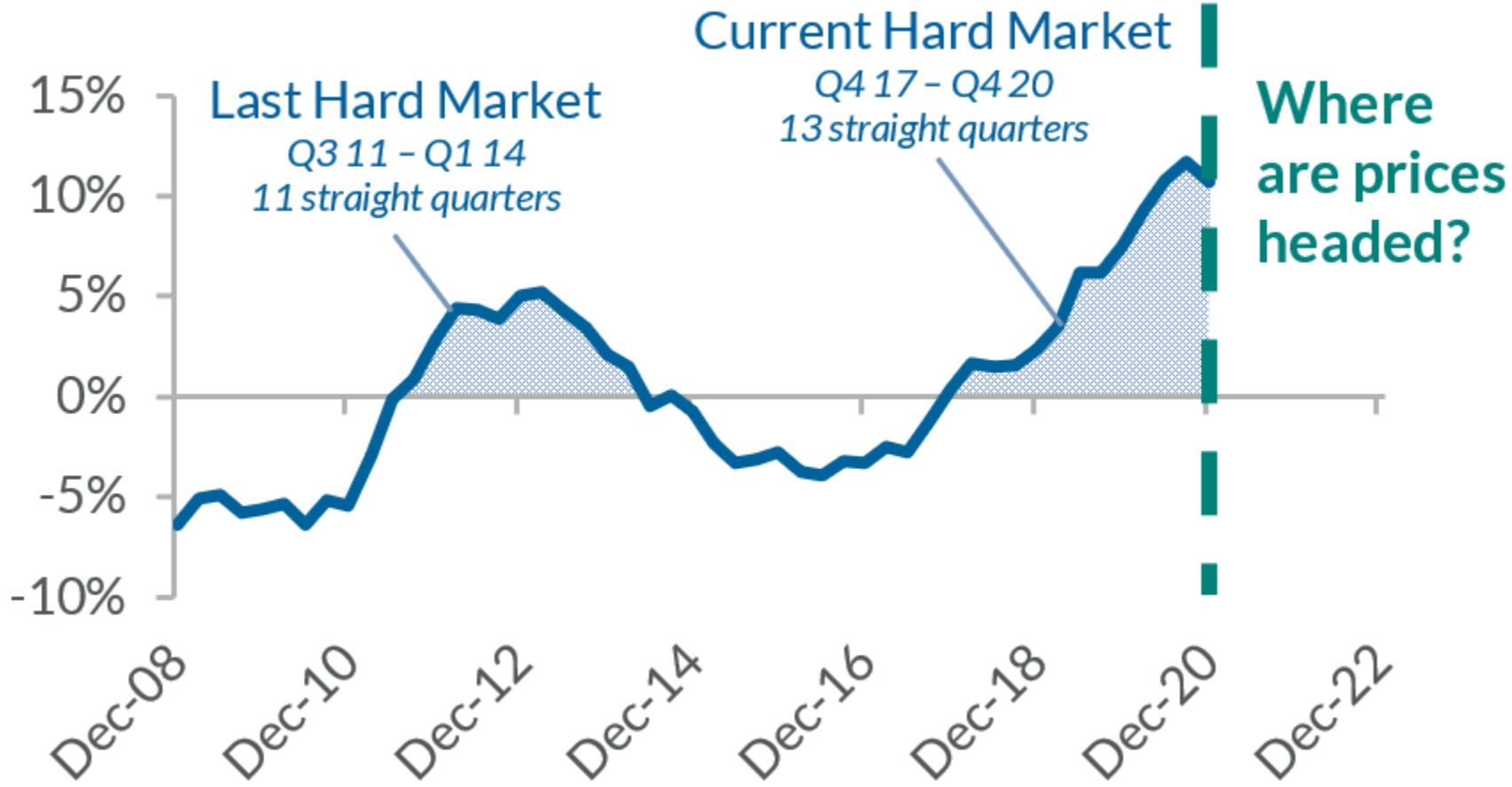


Q1 2021 Metrics at a glance

	Median	Top Quartile
Organic Growth	5.5%	10.8%
Sales Velocity	12.5%	20.6%
Contingents/Bonus/Overrides <i>(as % of Revenue)</i>	5.6%	8.4%
EBITDA Margins	31.2%	38.4%

Source: Reagan's Growth & Profitability Survey, Q1 2021

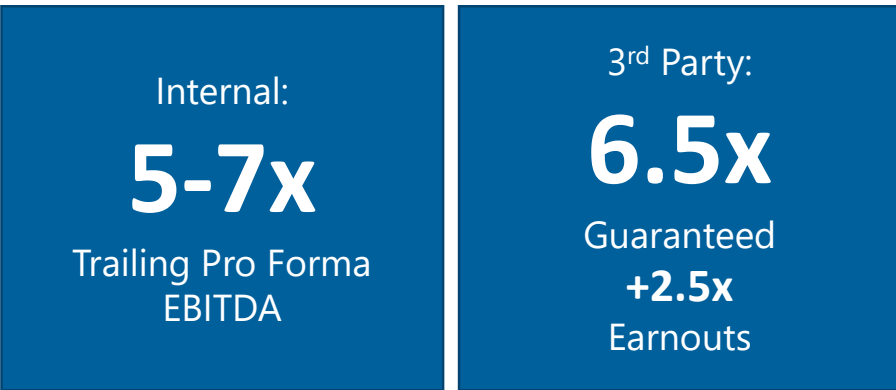
Commercial P&C Pricing



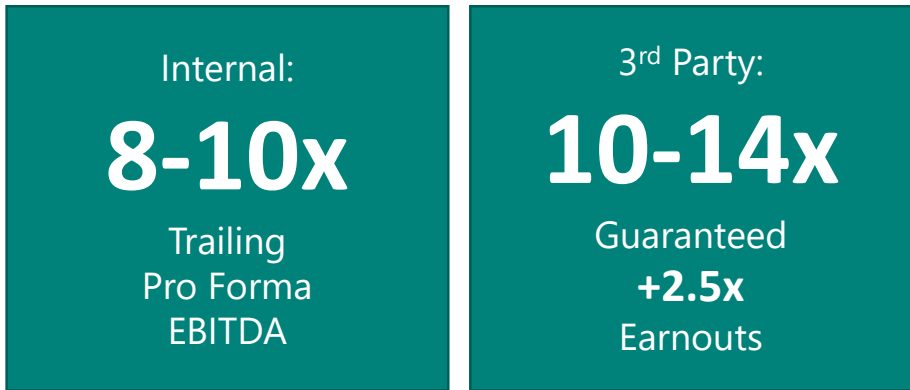
Source: CIAB

Rising Valuations

Valuations in
2010



Valuations in
2021



Factors behind the significant increases:

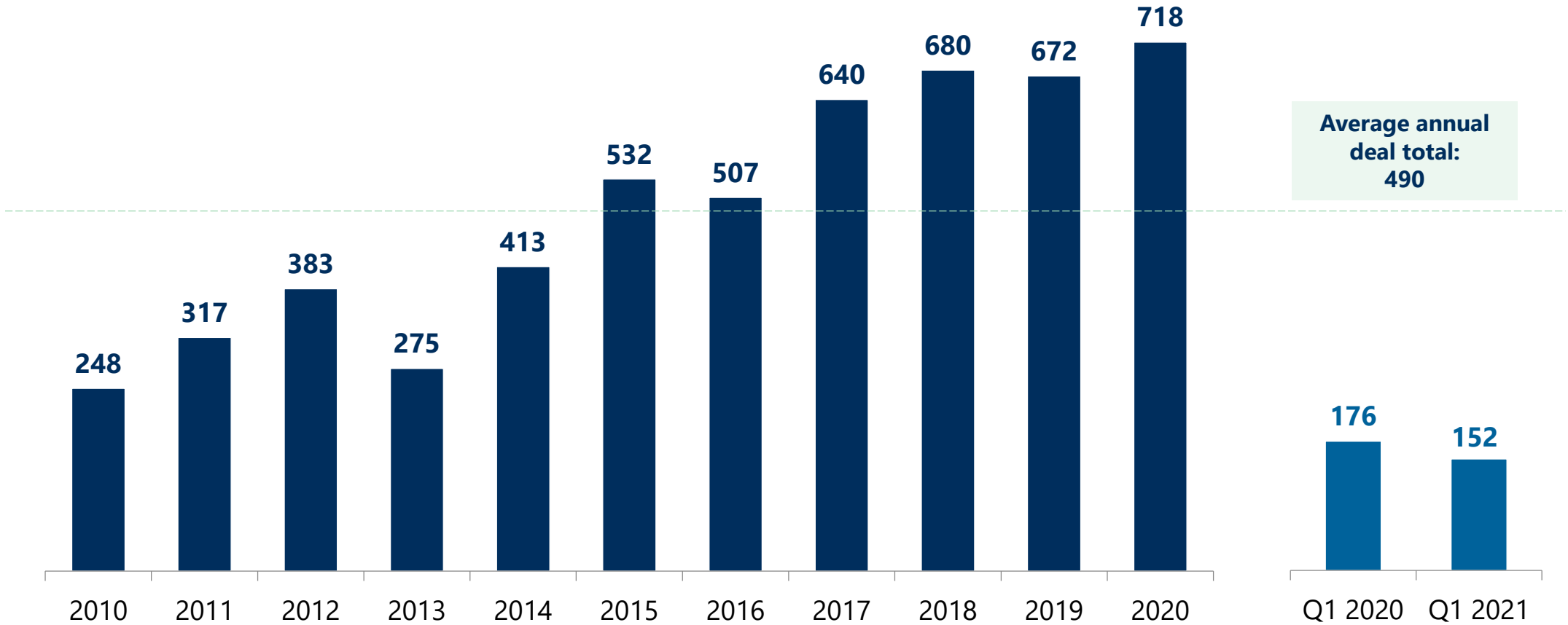
- ✓ Good operating fundamentals
- ✓ Low interest rates (and WACC)
- ✓ Favorable tax law changes
- ✓ Intense competition from high-performing acquirers
- ✓ Strong stock market

Size & Scale (Can) Matter

- Carrier Access and Clout
- Industry Expertise
- Value-Added Services & Capabilities
- Technology
- Centralized Services (Quality & Efficiency)
- Access to Capital
- Marketing / Marketplace Visibility

Consolidation

Number of Deals



Key Assets at Risk



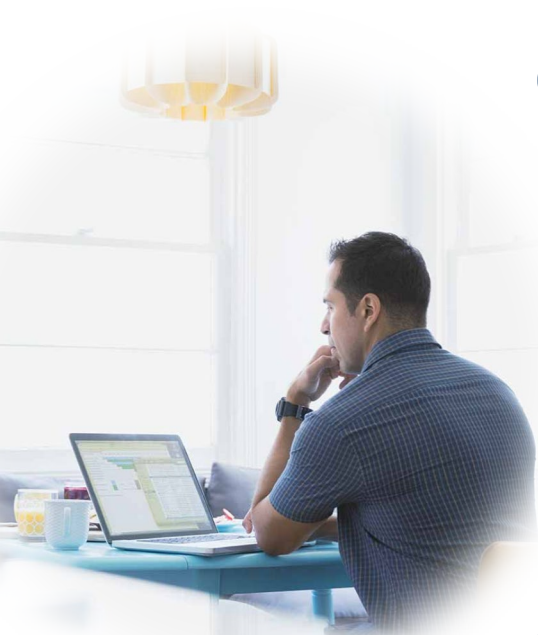
Millennials (age 25-40) more likely to change jobs

Producers want best tools available

Producer value is increasing with agency values

Restrictive covenants don't always protect the business

Remote Working



- COVID confirmed it works for insurance
- Very appealing to portions of the workforce (eliminates commutes, can improve working environment)
- Can reduce occupancy expense
- Can expand geographic market for talent
- Many employers will offer it
- You will offer it or compete against it
- Must address impact on culture

State of the Union

Number of networks growing

Number of agency partners within networks growing

Private equity has identified networks

Consolidation of networks happening

Competitive pressures between networks growing

Pressure to add and expand offerings

Success measured by success of members

Broad diversity in networks

- Number of agency partners
- Size of agency partners
- Quality of agency partners
- Services offered to agency partners

INA Confidential Survey for Networks

(19 participants)

Number of
Agency Partners
in Your Network:

11 - 600

Average
Commission Income
of Your Partners:

**\$150K -
\$20,000K**

Average
Organic Growth Rate
of Your Partners
(past 3 years):

**-2% to
12%**

INA Confidential Survey for Networks

(19 participants)

Services Provided:

**If Offer
Rank Importance
To Agency Partners
1(most), 2, 3, 4, etc.**

Enhanced Carrier Compensation	1
Expanded Carrier Access	2
Networking Among Agency Partners	3
Large Account Assistance	4
Producer Recruiting	5
Group Purchasing	6
Technology Support (AMS access, IT support, etc)	7
Account Placement Assistance	8
Management Training	9
Data Analytics	10

INA Confidential Survey for Networks

(19 participants)

Services Provided:

	If Offer Rank Importance To Agency Partners 1(most), 2, 3, 4, etc.	Which of These Services Set You Apart From Other Networks? 1(most), 2, 3, 4, etc.
Enhanced Carrier Compensation	1	2
Expanded Carrier Access	2	1
Networking Among Agency Partners	3	3
Large Account Assistance	4	
Producer Recruiting	5	
Group Purchasing	6	
Technology Support (AMS access, IT support, etc)	7	4
Account Placement Assistance	8	4
Management Training	9	5
Data Analytics	10	5
Sales Training		4
Perpetuation Training/Support		5
Specific Industry Expertise/Programs/Support		5

INA Confidential Survey for Networks

(19 participants)

Services Provided:	If Offer Rank Importance To Agency Partners 1(most), 2, 3, 4, etc.	Which of These Services Set You Apart From Other Networks? 1(most), 2, 3, 4, etc.	Offered? 1(most), 2, 3, 4, etc.
Enhanced Carrier Compensation	1	2	2
Expanded Carrier Access	2	1	1
Networking Among Agency Partners	3	3	2
Large Account Assistance	4		3
Producer Recruiting	5		5
Group Purchasing	6		5
Technology Support (AMS access, IT support, etc)	7	4	4
Account Placement Assistance	8	4	4
Management Training	9	5	5
Data Analytics	10	5	5
Sales Training		4	5
Perpetuation Training/Support		5	5
Specific Industry Expertise/Programs/Support		5	4
Social Media Consulting/Assistance			3
Web Site Consulting/Assistance			4
Comparative Rating			5
Captive Access/Consulting/Capabilities			6
Advertising/Marketing Assistance			7
Accounting Service/Outsourcing			8
Loss Control Services			8
Claims Consulting/Support			8
Telemarketing Assistance			8
EB Sales Support			8
EB Services (wellness, compliance,comm, technology)			8

Deliver to your Network "Core" Carriers

- A faster growing book of business
- Better loss ratios on book of business
- A more efficiently delivered book of business

Have Higher Quality Agency Partners

- Age and Stage
- Growth
- Professionalism
- Aspirations

Elevate your Agency Partner's Performance

- Train them
- Empower them
- Encourage them
 - Peer Pressure
 - Carrots & sticks
- Provide Capital

Deliver on Most Important Offerings

- 1) Producer Recruiting / Training / Management
- 2) Technology / Data Analytics
- 3) Perpetuation Assistance
- 4) Facilitate Networking