

INSURANCE AGENCY CONSOLIDATION AND THE IMPACT TO NETWORKS

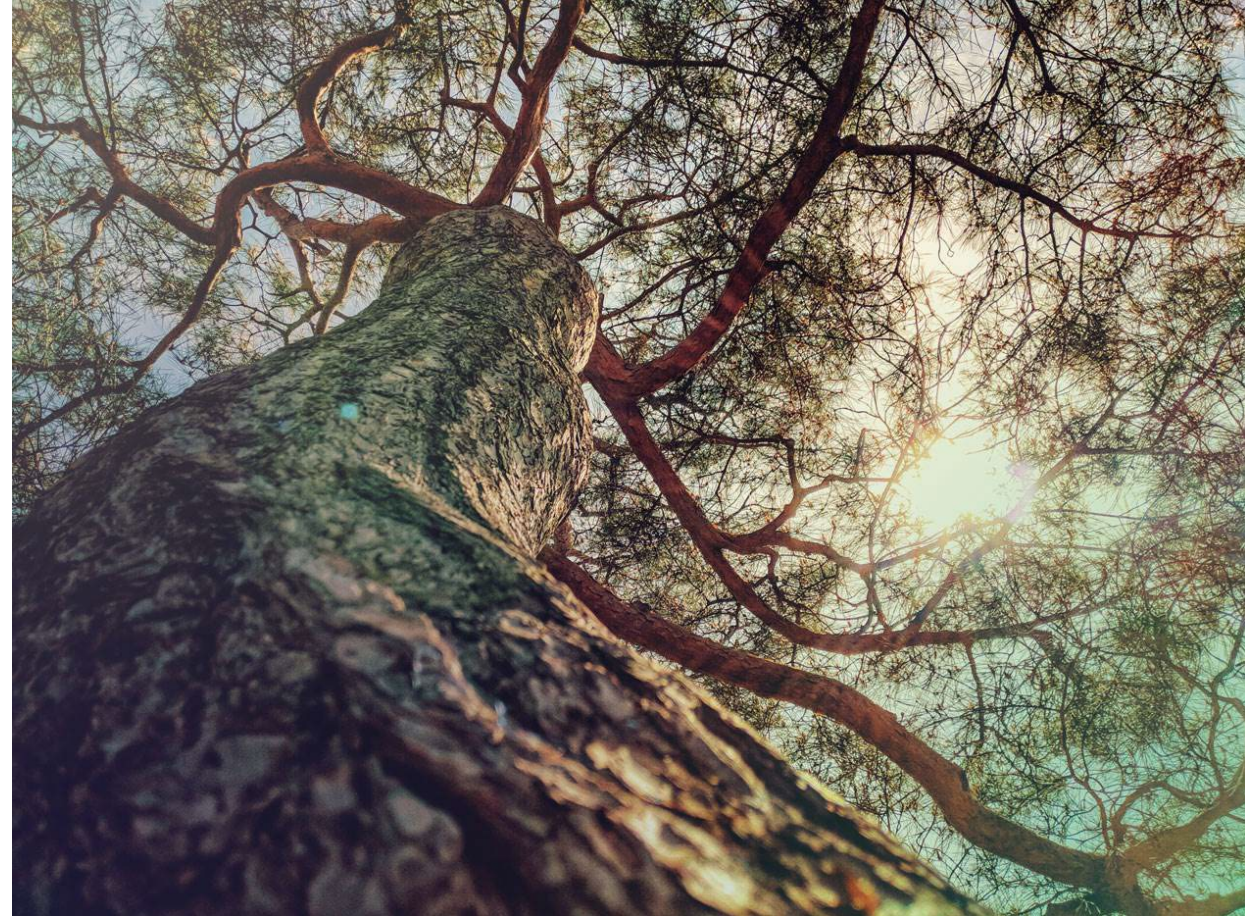
Mike Strakhov, CPCU
Head of Insurance Lending
Live Oak Bank
January 24, 2023

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January 24, 2023

MERGERS & ACQUISITIONS UPDATE

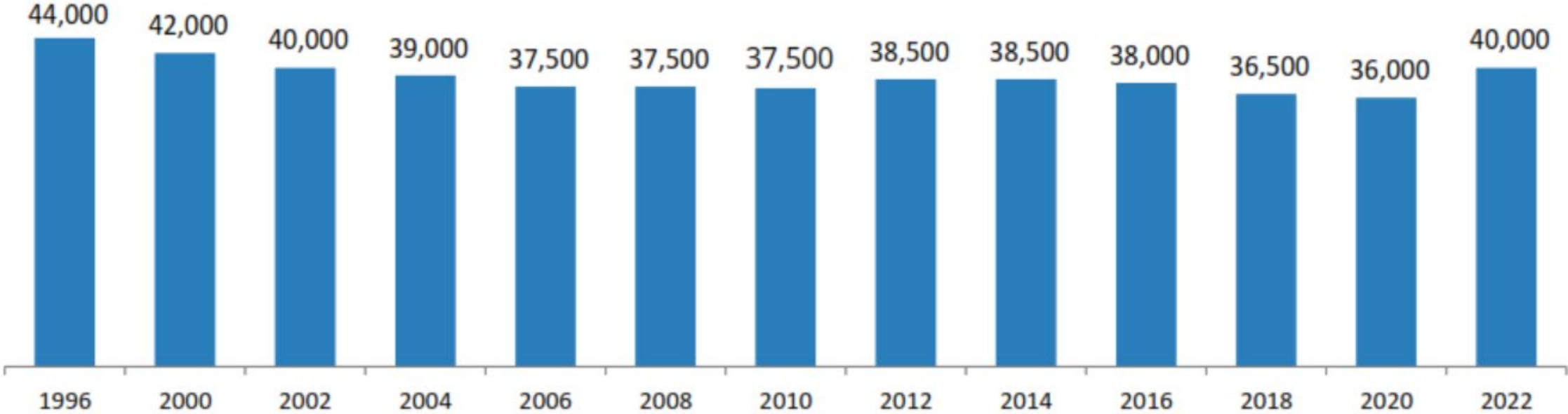
AGENDA

- Overview of Insurance Distribution Mergers & Acquisitions Activity
- Impact to Networks and the Dynamics of the Marketplace
- Network Solutions



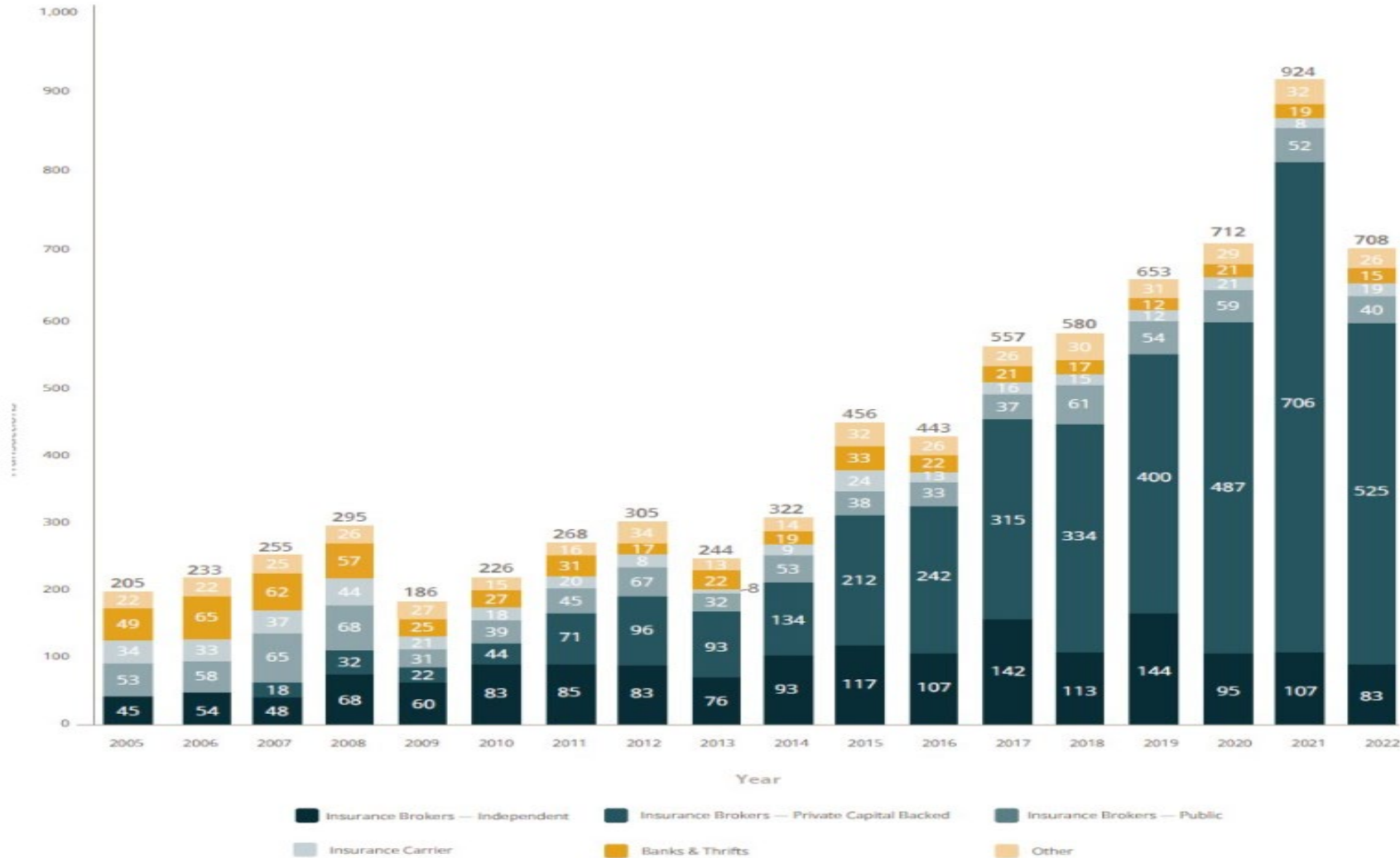
MERGERS & ACQUISITIONS UPDATE

Total Number of Independent Agencies, 1996-2022



Source: 2022 Agency Universe Study – Future One and Insurance Agents & Brokers of America

OVERVIEW OF M&A ACTIVITY – 2022

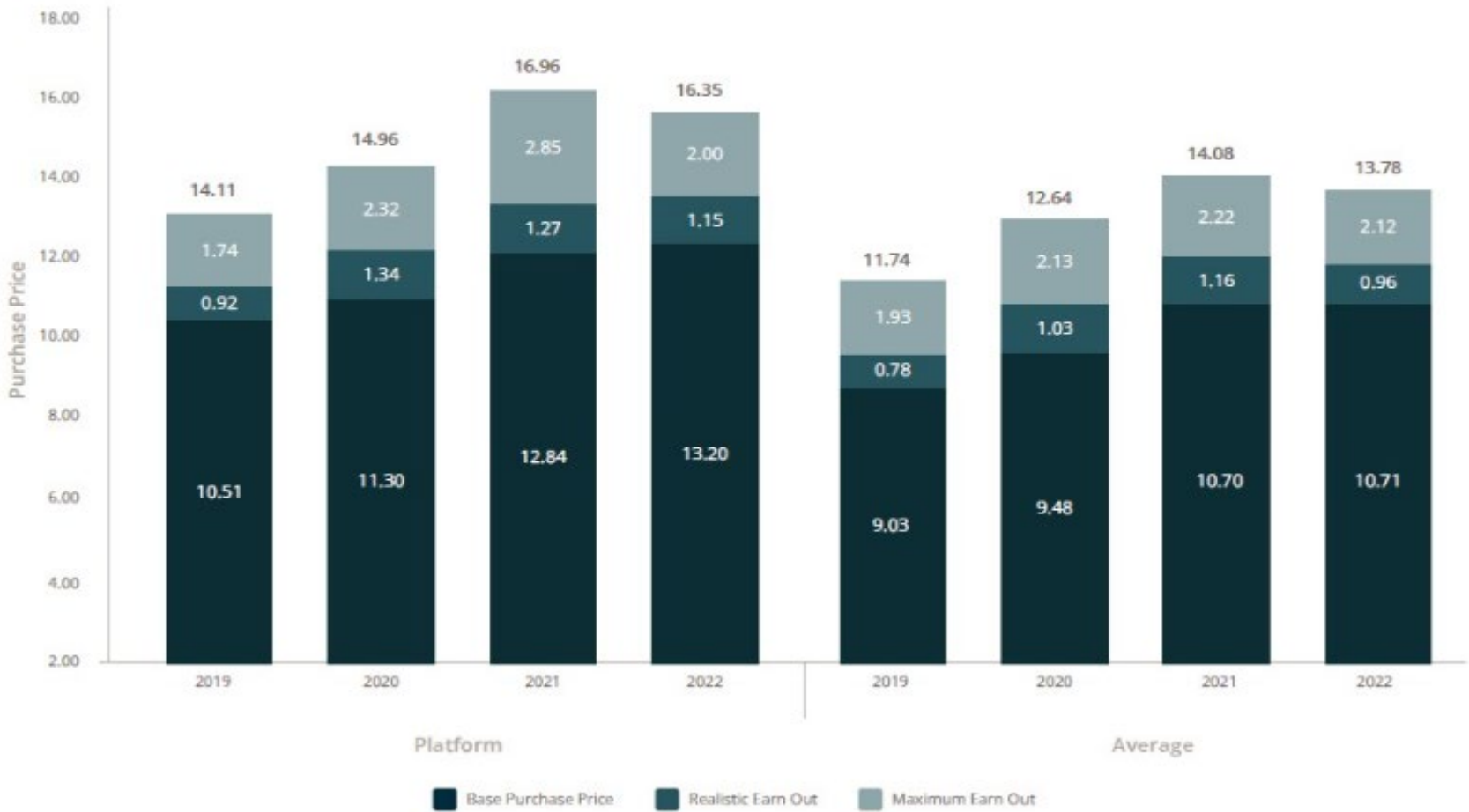


Announced Deals:
Transaction involving large public, private equity & large private buyers that make their acquisition activity available to the public

Source: MarshBerry Digital Magazine – Viewpoint – January 5, 2023

MERGERS & ACQUISITIONS MULTIPLES

AGENCY VALUE COMPARABLES: MAXIMUM PURCHASE PRICE AS A MULTIPLE OF EBITDA²



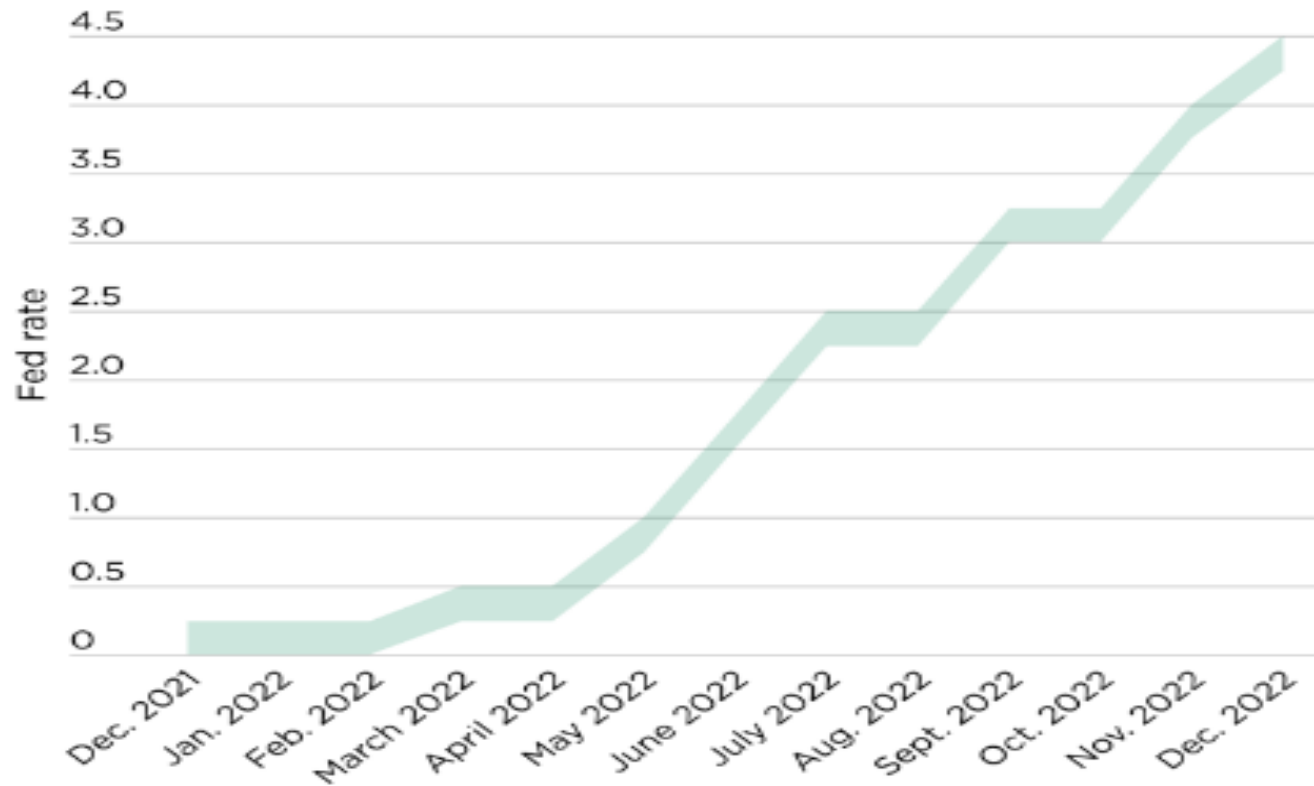
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Transaction involving large public, private equity & large private buyers that make their acquisition activity available to the public

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FED RATE HIKES 2022

The last year of Fed rate hikes

The Federal Reserve has been raising its funds rate at a steady clip to combat inflation.



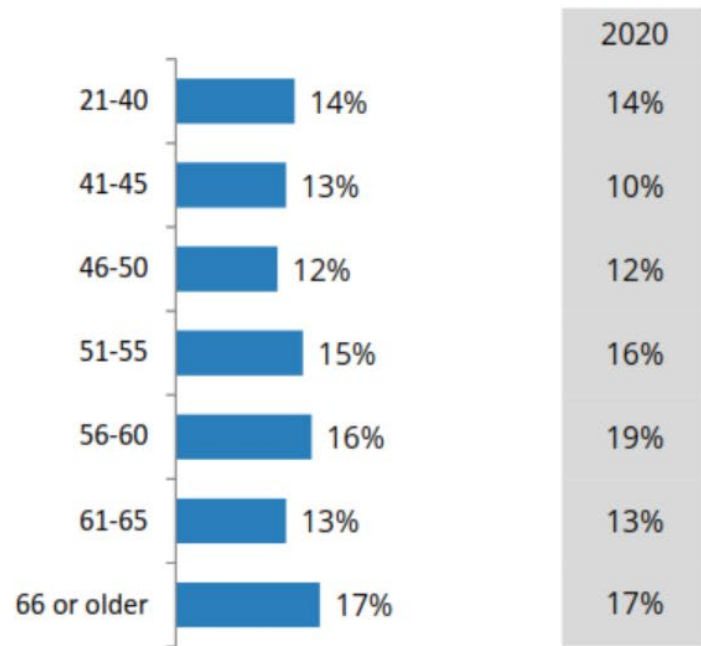
Source: NerdWallet

MERGERS & ACQUISITIONS UPDATE

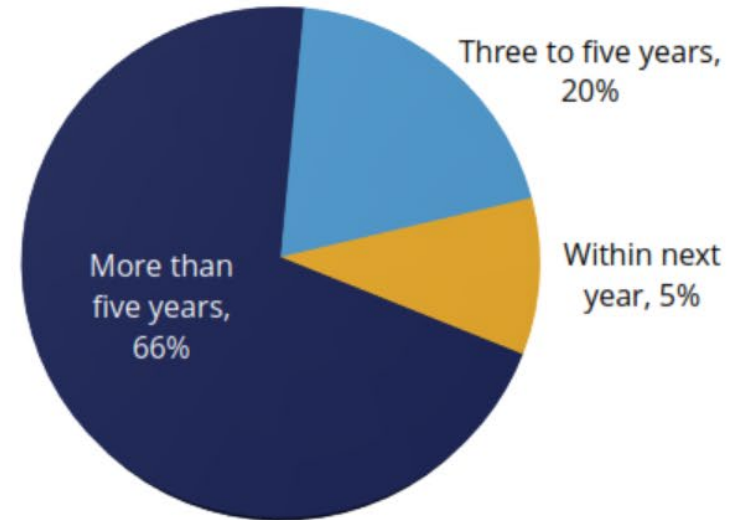
Almost four in ten anticipate some type of ownership change in the next five years, but only a few expect a change in the next year.

- The average age of principals with 20% or more ownership in their agencies is 54 years old, with 17% of those principals age 66 or older.
- However, even when at least one agency principal is age 66 or older, fewer than one in three (32%) anticipate an ownership change in the next three years.

Age of Principals With 20+% Ownership



When Agencies Anticipate Major Ownership Changes
(involving at least 20% of agency ownership)

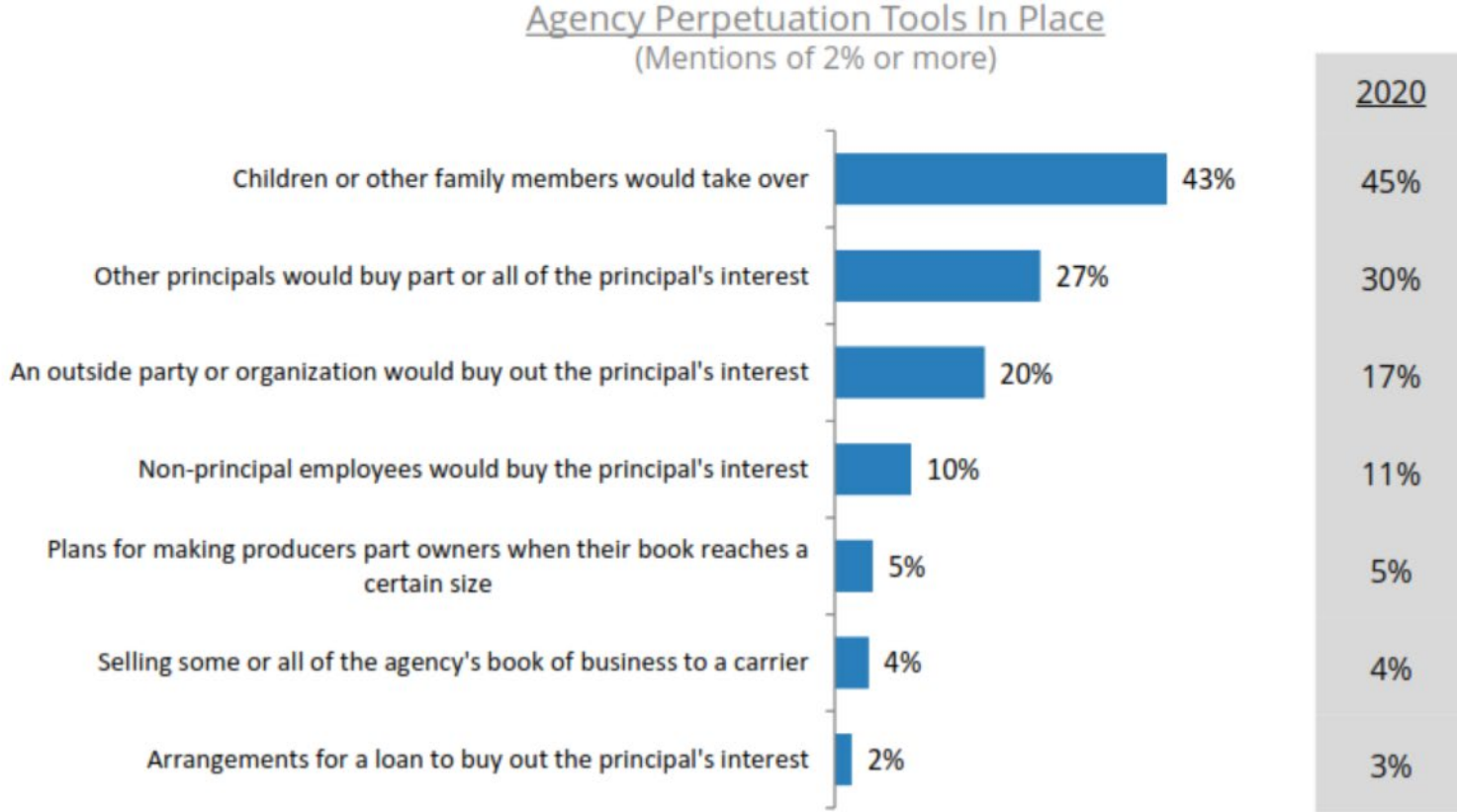


Source: 2022 Agency Universe Study – Future One and Insurance Agents & Brokers of America

MERGERS & ACQUISITIONS UPDATE

More than eight out of ten (85%) agencies have some type of agency perpetuation tool or plan in place, comparable with 2020 (89%).

- Only four plans/tools are currently in place at 10% or more of independent agencies.



Source: 2022 Agency Universe Study – Future One and Insurance Agents & Brokers of America

MERGERS & ACQUISITIONS UPDATE – NETWORKS

Headlines

SIAA Acquired By Private Equity Group Odyssey Partners Agency Checklists April 6, 2021

Renaissance Alliance Completes Acquisitions of Agency Network Exchange and United Valley Insurance Services Press Release January 4, 2022

MarshBerry Platform and First Choice Agents Alliance Combine to Create Insurance Industry's Most Robust Aggregator Press Release August 2, 2022

Keystone to Add Bainswest Agencies in Oklahoma, Missouri

Network Merger: New Jersey Alliance's 22 Agencies to Join Keystone Group Insurance Journal December 13, 2022

SIAA Finishes 2022 with Multiple Acquisitions and Over 700 New Member Agencies Press Release - January 10, 2023

Georgia Agency Partners Joins Up with SecureRisk, Forming Large U.S. Partnership Insurance Journal October 19, 2022

MERGERS & ACQUISITIONS UPDATE – NETWORKS

Insurance Journal – Top 20 Agency Partnerships

2022 Rank	Last Year	Agency Partnership	2021 Total P/C Revenue
1	1	SIAA	\$1,456,811,303
2	2	ISU Insurance Agency Network	\$1,268,922,000
3	3	MarshBerry Connect Platform LLC	\$917,556,522
4	4	Keystone Insurers Group Inc.	\$558,373,350
5	5	SecureRisk LLC.	\$487,104,679
6	5	Renaissance Alliance Insurance Services LLC / Agency Network Exchange LLC (ANE) / United Valley Insurance Services Inc	\$456,122,144
7	NEW	The AC Companies	\$442,063,616
8	6	First Choice Agents Alliance LLC	\$365,512,729
9	7	The Iroquois Group	\$296,349,571
10	8	Combined Agents of America LLC	\$192,287,692
11	9	Smart Choice	\$189,334,035
12	12	Pacific Interstate Insurance Brokers	\$129,456,774
13	15	Brightway Insurance	\$107,689,990
14	16	Georgia Agency Partners	\$106,257,000
15	14	Insurors Group LLC	\$102,000,000
16	17	GreatFlorida Insurance	\$82,492,685
17	18	Bainswest Inc.	\$62,604,281
18	NEW	Insurance Associates of America LLC	\$61,487,012
19	20	The Insurance Alliance Network	\$41,705,993
20	19	PacWest Alliance Insurance Services Inc.	\$33,957,650

Top 20 Networks are changing.....

OVERVIEW OF M&A ACTIVITY - SUMMARY

- Number of independent agents in the US has increased
- 2022 saw a decline in acquisition activity but still robust
- PE firms still very active and will likely continue to be
- Strong multiples for quality agents
- Cost of capital is likely going to impact buyers
- Conditions still good for acquisition activity to continue
 - Demographics
 - Available Capital
 - Multiples
- M&A Activity amongst Networks has picked up.....

Source: Optis Partners – 2021 Agent & Broker Merger & Acquisition Report

NETWORK SOLUTIONS

Challenge: Continue to grow network via organic growth, retaining and attracting new members long term

- Provide best in class market access, compensation, networking, training, discounts on services, tools to grow and manage agencies better.....
- Ensure your members have a succession / perpetuation plan
- Provide access to valuation, perpetuation, acquisition, legal, accounting and financing resources

Source: Optis Partners – 2021 Agent & Broker Merger & Acquisition Report

NETWORK SOLUTIONS

- Industry Experts
- Strategic Communication and Training:
 - Preparing to buy / sell
 - Loan process & preparation
 - Perpetuation & Acquisition

In-Person Presentations, Sponsored Events, Webinars, Co-Branded Marketing Materials
- Financing Solutions – Access to Capital for the Network and Members
 - Acquisitions
 - Transaction between members and outside of network
 - Partner buyouts / buy-ins
 - Perpetuation

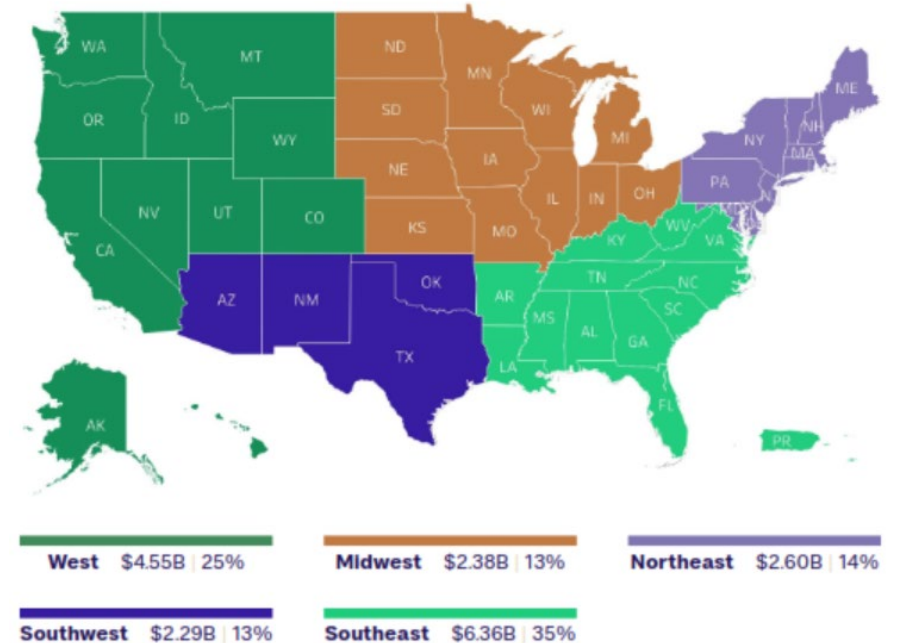
Source: Optis Partners – 2021 Agent & Broker Merger & Acquisition Report

LIVE OAK BANK MIDDLE MARKET LENDING

- Over \$600MM Closed in 2023 Nationwide
- Flexible Acquisition Capital
 - Acquisition Term Loans
 - Recapitalizations
 - Multi-Acquisition/Delayed Draw Term Loan Facilities (DDTL)
- Typical Credit Facility Size: \$10-40MM
- Relationships with Institutional Investors

GEOGRAPHIC DIVERSITY

National footprint with highest loan volume in CA, NC and TX^{1,2,3}



Source: Optis Partners – 2021 Agent & Broker Merger & Acquisition Report



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