

INSURANCE DISTRIBUTION

MARKET UPDATE | **SUMMER 2023**



Insurance Distribution – Summer 2023

Houlihan Lokey Market Update

Dear Clients and Friends,

We are pleased to present our Insurance Distribution Market Update for summer 2023.

It seems we are at the crossroads of conflicting metrics, which seem to be showing a bit more economic stability than what we last saw in our winter 2023 publication. Furthermore, we are starting to see more competition on the financing side that should bode well for M&A valuations, especially for insurance distribution companies, which continue to be resilient.

In this latest market update, you will find industry insights, a public markets update, and selected transaction announcements to help you stay informed of our dynamic and constantly evolving sector.

We hope you find this update to be informative and that it serves as a valuable resource to you in staying abreast of the market. We look forward to staying in touch, whether in person or via video conference.

Best regards,

The Houlihan Lokey Insurance Team



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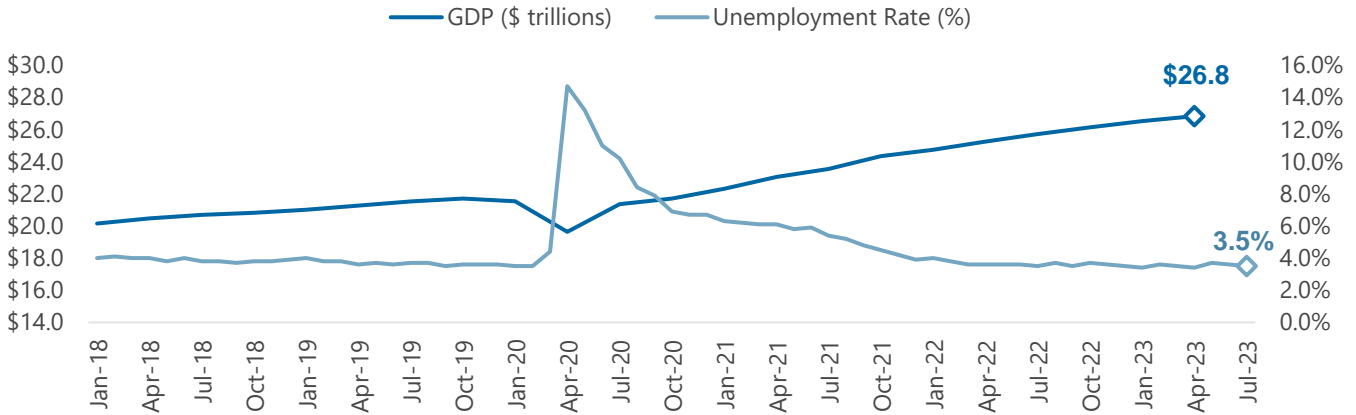
Insurance Subverticals Covered
Insurance Services
Life and Health
Life Settlements
Property and Casualty (P&C)
Reinsurance
Title
Warranty

Services Provided
M&A Advisory
Capital Raising
Financial Restructuring
Board and Special Committee Advisory
Valuation Services
Fairness Opinions
Illiquid Financial Assets Divestiture

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Economic Trends

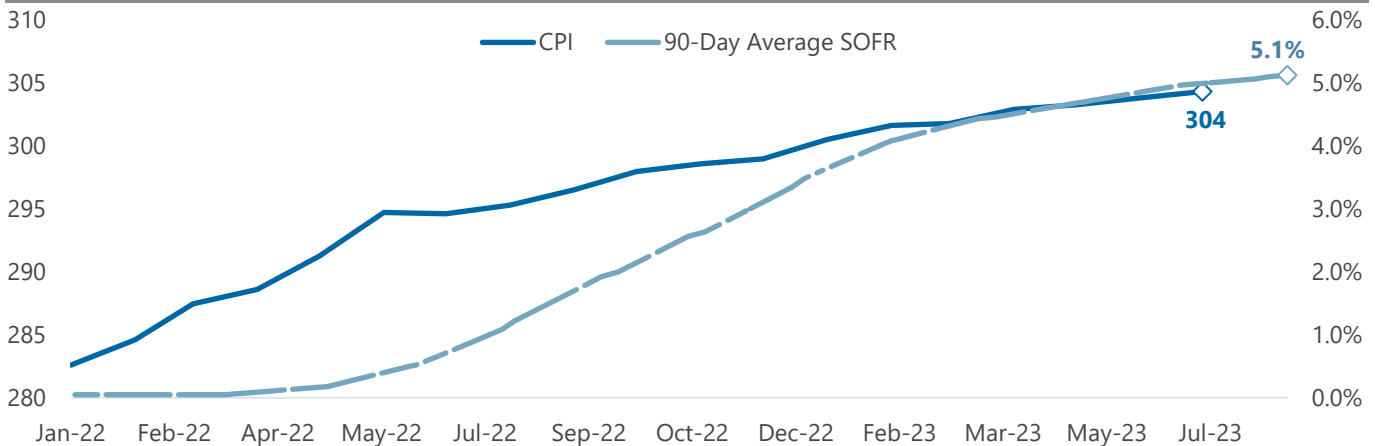
U.S. GDP vs. Unemployment (Jan. 2018–July 2023)



Economic Factors

- Tailwinds From Strong Consumer Spending** | Despite the concerns, the U.S. economy remains resilient, as observed by stronger than expected consumer spending in Q2 2023.
- Positive Signals From Domestic Economy** | The unemployment rate rebounded to pre-pandemic levels, as domestic GDP steadily grows at 2.4% YoY.
- Controlled Inflation** | Due to a series of interest rate hikes from the Fed, inflation has been cooling down, beating analyst estimates across the board.
- Market Volatility** | While the overall bearish sentiment persists from 2022, the market has steadily regained momentum, with S&P rising 14.3% YTD.

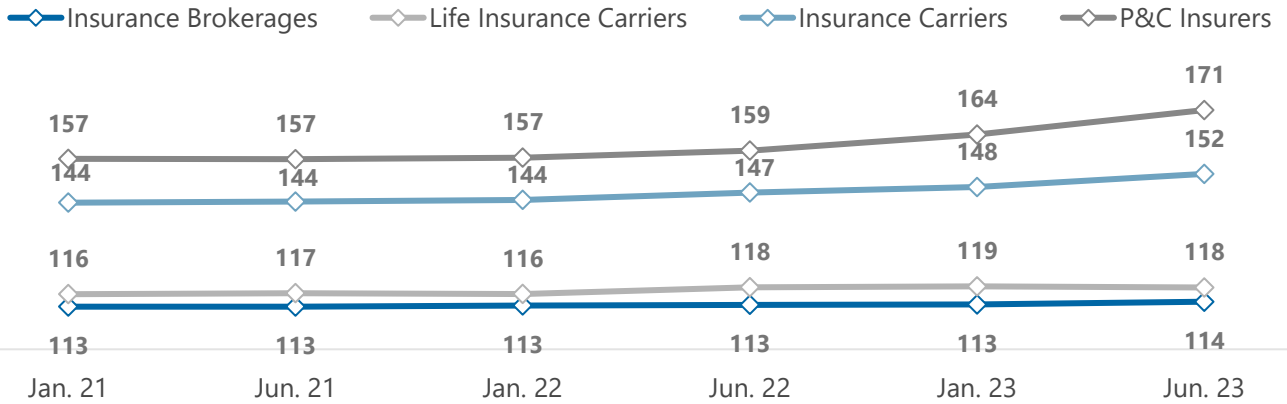
U.S. CPI vs. 90-Day Average SOFR (Jan. 2022–June 2023)



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Industry Trends

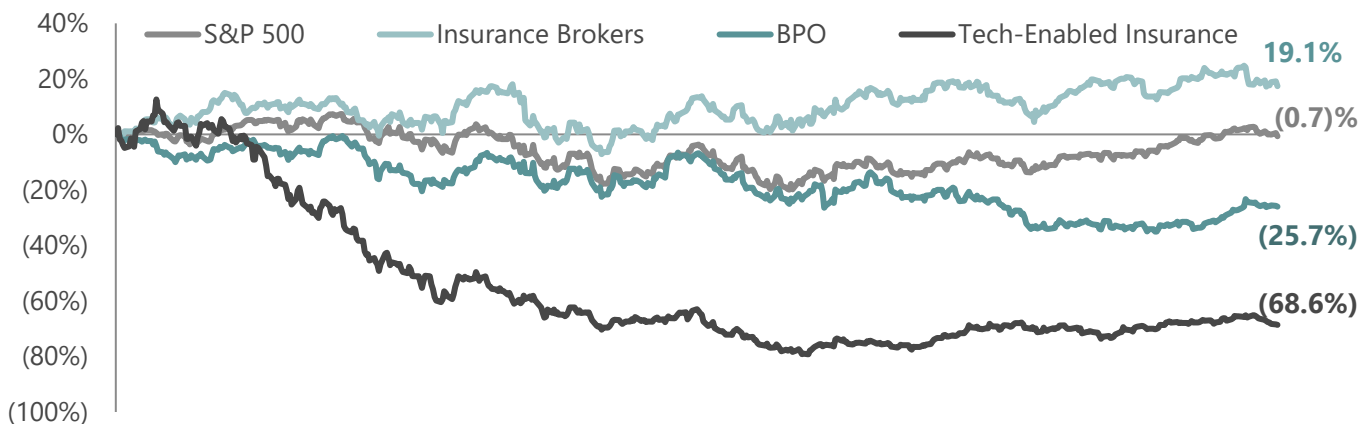
Producer Price Index by Insurance Industry (Jan. 2021–June 2023)



Industry Trends

- Global commercial insurance pricing rose 3% in Q2 2023, compared to 4% in the prior quarter.
- P&C premiums persist at equilibrium in Q2 2023, driven primarily by inflation and natural catastrophes.
- Rising/elevated interest rates have allowed commercial carriers to capitalize on larger investment returns, positively impacting their bottom line.
- Data analysis will serve as a key driver for insurance brokers, as leveraging data will allow them to identify new market opportunities and enhance the customer experience through customization and efficiency.
- While the industry faces external pressures, the outlook remains bright.

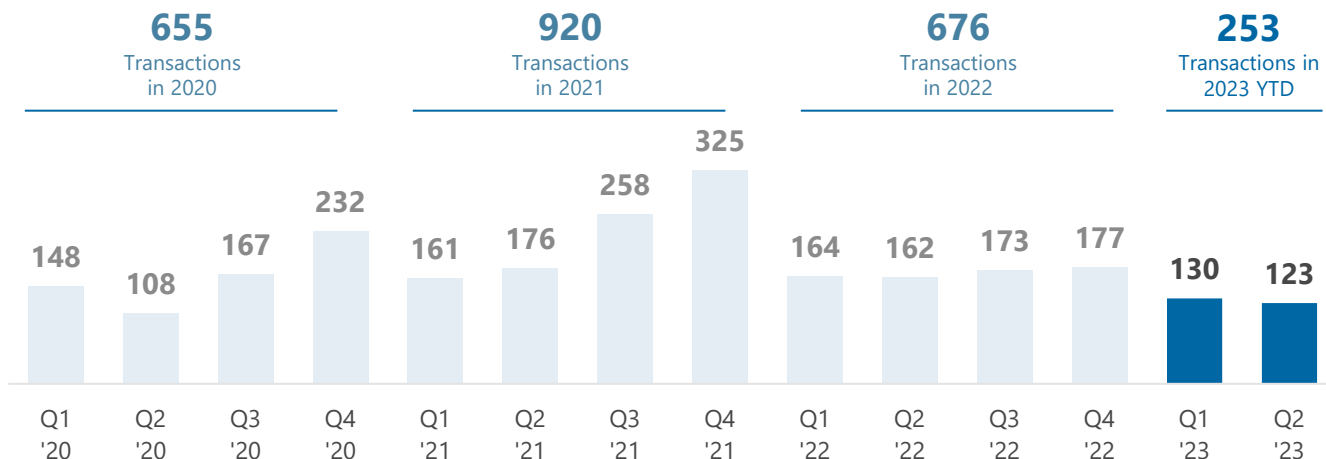
Equity Market Index Performance (June 2021–Aug. 2023)



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Trends Impacting M&A

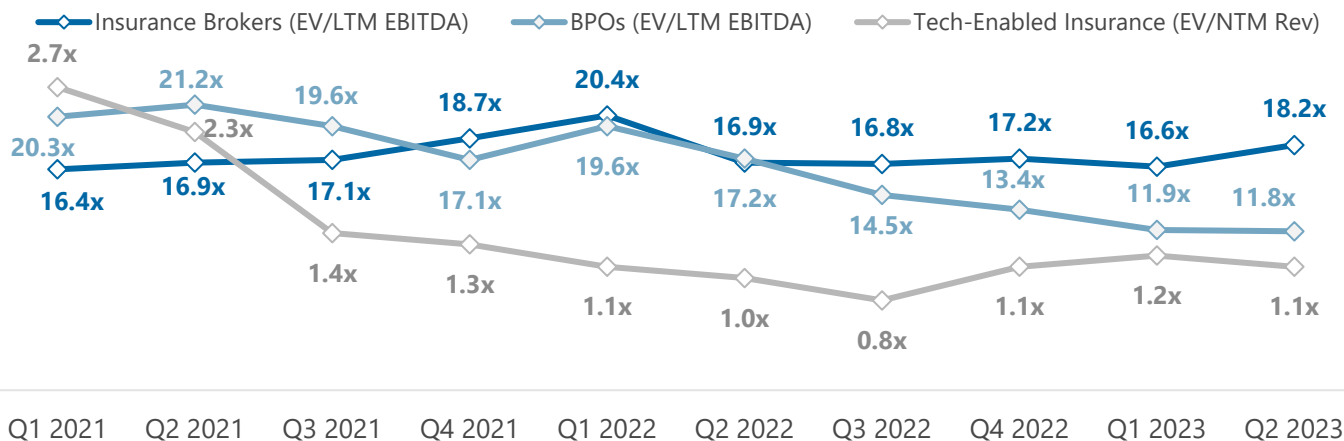
U.S. Insurance Broker M&A Deal Count



M&A Impacts

- Globally, M&A activity has remained sluggish as investors continue to remain cautious in being acquisitive. More attention is being paid to which sectors they focus on and the quality of target companies.
- As interest rates have increased and persist, access to capital has become more constrained, particularly impacting leveraged buyouts and how investors approach valuations.
- Among the buyers, private-equity-backed/hybrid companies remain highly active, accounting for 69% of transactions in Q2 2023.
- Despite the broader macro headwinds, the insurance distribution sector continues to maintain attractive valuation levels relative to other related sectors.

Public Company Valuation Multiples



Sources: LIMRA, KFF, WINK, McKinsey, S&P Global, The Council, OPTIS Partners.

Note: Public company constituents include Brokerage (MMC, AON, AJG, BRO, WTW, BRP, RYAN), Business Process Outsourcing (ADP, FIS, TTEC), and Tech-Enabled Insurance (FTDR, LMND, QNST, EVER, MAX, HCI, HIPO, EHTH, GOCO, SLQT, ROOT, GSHD).




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M&A Activity

Recent Notable Transactions (Dec. 2022–Present)

Announced/ Closed Date	Acquirer	Target	Deal Value (\$M)
Aug. 2023	 Marsh McLennan Agency	 GRAHAM COMPANY	N/A
June 2023*	Brookfield	 AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY*	\$4,300
May 2023*	<i>RenaissanceRe</i>	VALIDUS RE (a portfolio company of )	~\$3,000
Apr. 2023*	LGP LEONARD GREEN & PARTNERS	 HUB	Undisclosed minority raise (with implied enterprise value of ~\$23 billion)
Feb. 2023	CARLYLE HGGC		Minority raise of \$500 million (with implied enterprise value of ~\$5 billion)
Feb. 2023	STONE POINT CAPITAL	 Truist Insurance Holdings	Undisclosed minority sale (with implied enterprise value of ~\$15 billion)
Dec. 2022	ALTARIS	 TREAN INSURANCE GROUP	\$316**

Featured Transactions



has been acquired by

ALTARIS

Sellside Advisor


- Trean is a leading provider of products and services to the specialty insurance market.
- Trean was acquired by funds managed by Altaris for \$6.15 per share in cash, which represents a premium of 133% to the 30-day volume-weighted average price per share as of the announcement date.
- Houlihan Lokey served as the exclusive financial advisor to the special committee of the board and rendered a fairness opinion in connection with the transaction.



has sold certain branches of its West Coast local retail title operations to




a portfolio company of




Sellside Advisor

- Doma is a tech-enabled title insurance platform that divested its title branch network.
- Doma has sold certain assets of its West Coast, Midwest and Florida, and Texas local retail title operations to Williston Financial Group (a portfolio company of Golden Gate Capital), Near North Title Group, and Capital Title (a Shaddock Company), respectively.



has sold certain assets of its Midwest and Florida local retail title agency operations to



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has sold certain assets of its Texas local retail title operations to



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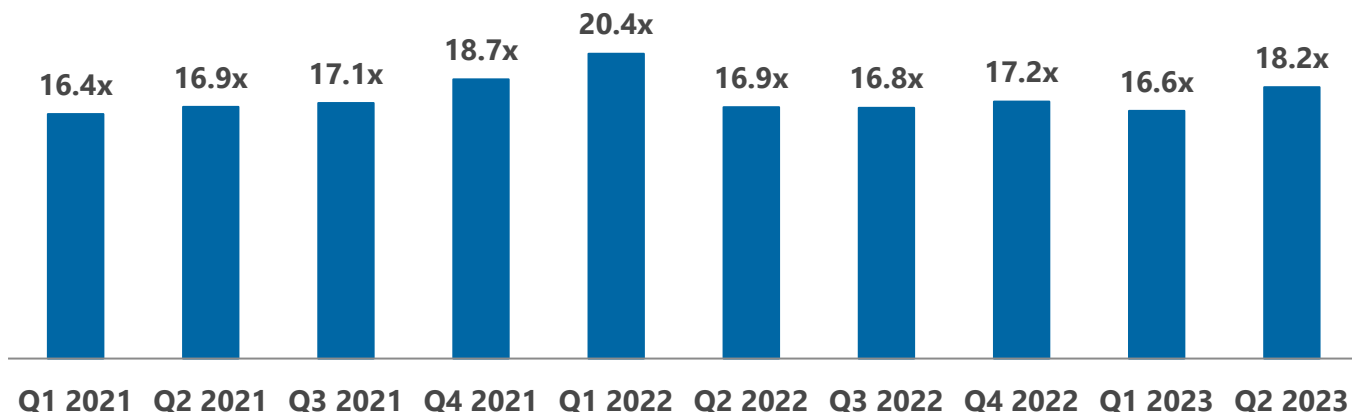
- Houlihan Lokey served as the exclusive financial advisor to Doma in its sale transactions.



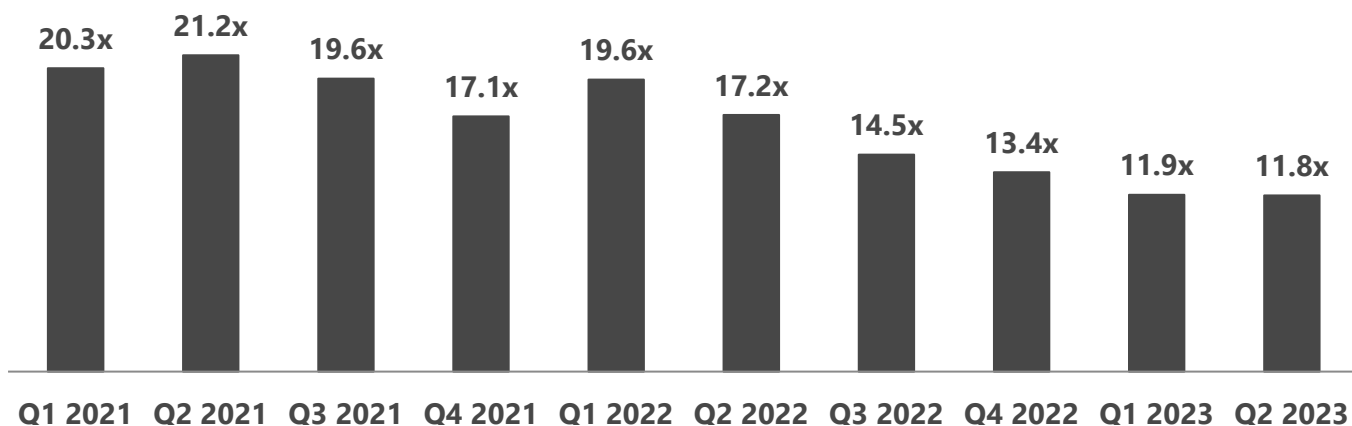
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Public Company Valuation Multiples

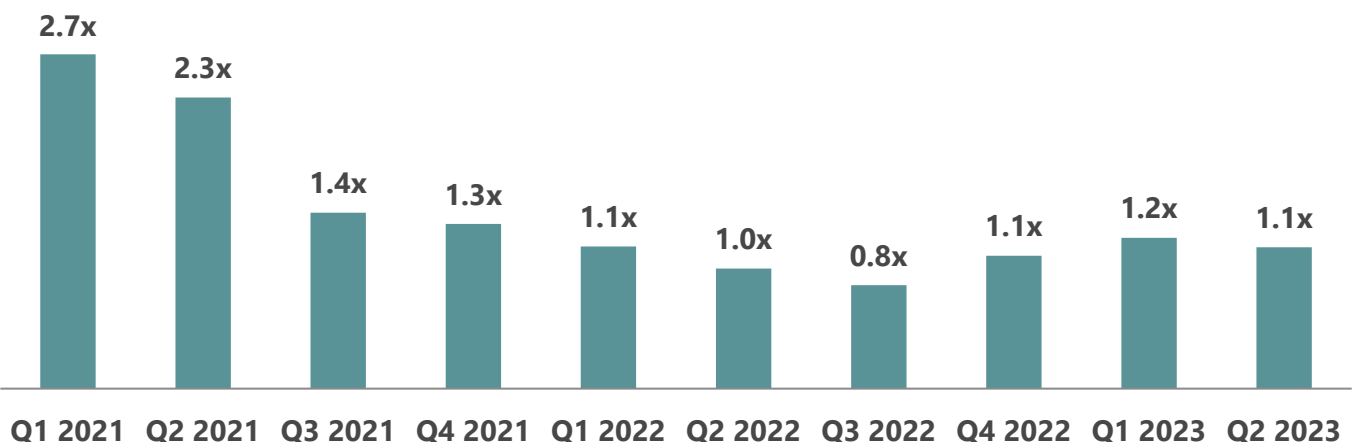
EV/LTM EBITDA—Insurance Brokers



EV/LTM EBITDA—Business Process Outsourcing



EV/NTM Revenue—Tech-Enabled Insurance



Source: S&P Capital IQ as of August 15, 2023.

Note: Public company constituents include Brokerage (MMC, AON, AJG, BRO, WTW, BRP, RYAN), Business Process Outsourcing (ADP, FIS, TTEC), and Tech-Enabled Insurance (FTDR, LMND, QNST, EVER, MAX, HCI, HIPO, EHTH, GOCO, SLQT, ROOT, GSHD).



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Public Company Benchmarking



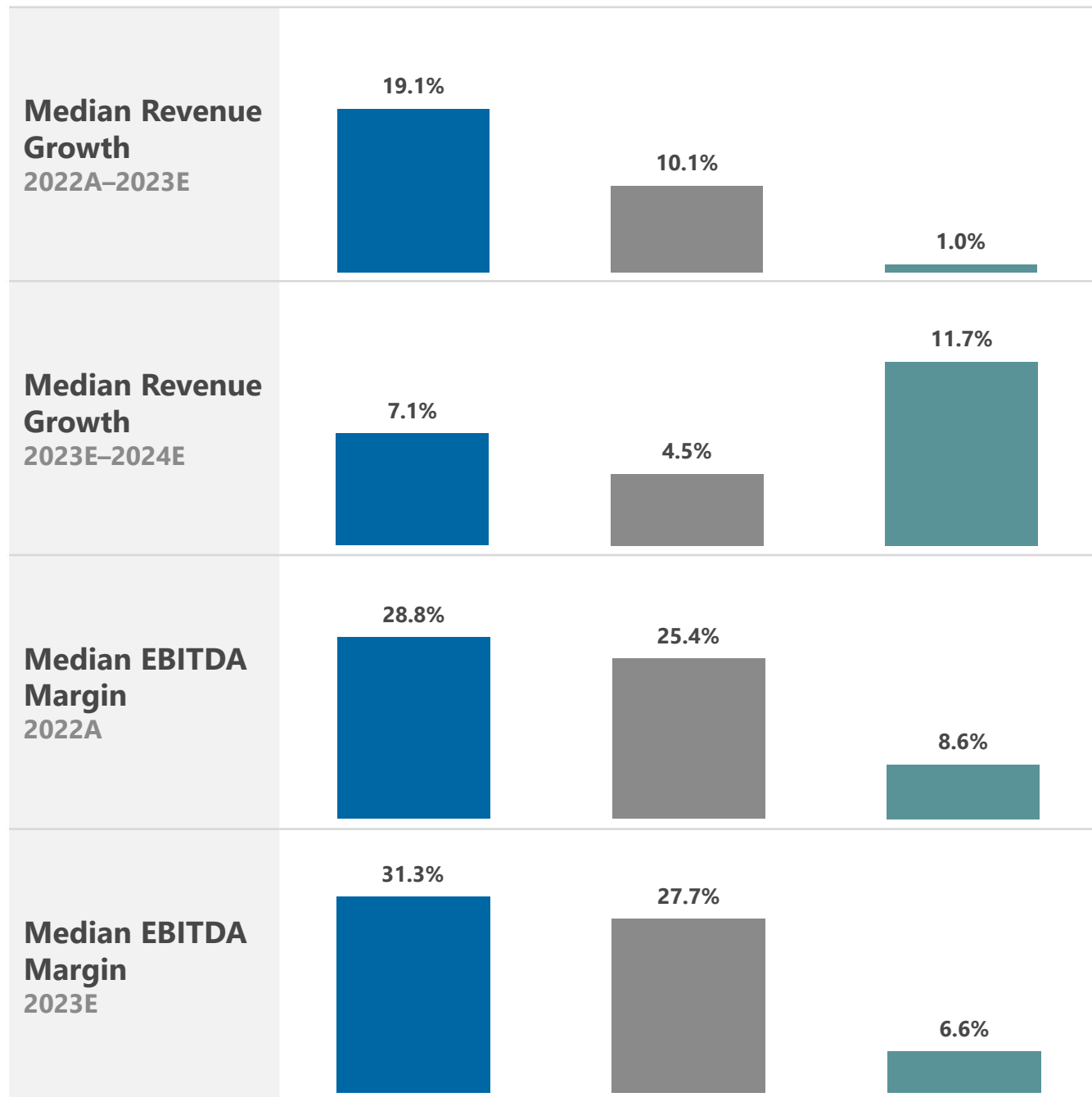
**Insurance
Brokers**



**Business Process
Outsourcing**



**Tech-Enabled
Insurance**



Source: S&P Capital IQ as of August 15, 2023.

Note: Public company constituents include Brokerage (MMC, AON, AJG, BRO, WTW, BRP, RYAN), Business Process Outsourcing (ADP, FIS, TTEC), and Tech-Enabled Insurance (FTDR, LMND, QNST, EVER, MAX, HCI, HIPO, EHTH, GOCO, SLQT, ROOT, GSHD).



Houlihan Lokey



Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

2022 M&A Advisory Rankings Global Transactions Under \$1 Billion

Rank	Advisor	Deals
1	Houlihan Lokey	381
2	Rothschild	369
3	JP Morgan	217

Source: Refinitiv. Excludes accounting firms and brokers.

Exceptional Qualifications—Selected Transactions

Insurance Services and Distribution

has been acquired by

Sellside Advisor

a subsidiary of

has been acquired by

Sellside Advisor

has sold certain branches of its West Coast local retail title operations to

a portfolio company of

Sellside Advisor

has been acquired by

Sellside Advisor

has formed a strategic partnership with

to accelerate growth for Guardian's subsidiary

Sellside Advisor

has been acquired by

Sellside Advisor

has been acquired by

Sellside Advisor

has been acquired by

Sellside Advisor

has received a preferred equity investment from

Exclusive Placement Agent

a division of

has been acquired by

Sellside Advisor

Property and Casualty

has been acquired by

\$450,600,000

Sellside Advisor

has been acquired by

Financial Advisor to State Auto Financial Corp

has been acquired by

Sellside Advisor

Life and Health

has merged with

Financial Advisor

has completed the spin-off of

Financial Advisory Services

has been acquired by

Financial Advisor

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Capital Markets
Financial Restructuring
Financial and Valuation Advisory

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Energy
Financial Services
FinTech
Healthcare
Industrials
Real Estate, Lodging, and Leisure
Technology

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Private Equity Firms
Hedge Funds
Capital Alliances

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