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MYTH BUSTERS: WHY YOU SHOULD THINK DIFFERENTLY ABOUT GROWTH

MarshBerry's 2018 Market & Financial Retail Outlook Report reveals an air of steady consistency. ***How will your agency break the mold?*** *Page 2*

FEBRUARY **2018**

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2018 Agenda Highlights

- State of the Industry: How Do We Think Differently?
- Merger & Acquisition Hot Topics & Trends*
- Industry Panel Discussion: Who's Sitting at the Table?
- Alternative Perpetuation and Employee Benefits "TED Talks"
- Searching for a Self-Starting, Go-Getting Producer with a Hunter Mentality
- The Power of Comparison: Benchmarking and Peer Interaction
- Growth & Profit: The Secret Sauce

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CONTRIBUTING AUTHORS

MEGAN BOSMA,
Senior Vice President

MOLLY CONNELL,
Senior Consultant

COURTNEY FERRARA,
Senior Consultant

JONATHAN HULL,
Financial Analyst

TOMMY MCDONALD,
Vice President

MITCH MIKOLETIC,
Consultant

CHRISTINA MORAN,
Business Unit Manager – Peer Exchange Networks

ALISON WOLF,
Director, Research

DANI ZHELEZOVA,
Data Consultant

ABOUT COUNTERPOINT

CounterPoint is the proprietary publication of MarshBerry. The magazine offers eleven editions annually and is published for independent insurance agents and brokers, national brokers, private equity firms, banks, credit unions, insurance carriers and specialty distributors.

FEBRUARY SPOTLIGHT

During 2017, Marsh, Berry & Company, Inc. ("MarshBerry") completed two studies on the retail and specialty distribution marketplaces.

While most of this edition focuses on the retail market — we are extremely proud of our efforts to complete a best-in-class report on the specialty distribution market.

MarshBerry's Insurance Services Division's ("ISD") 3rd Annual Market & Financial Specialty Distribution Report ("Report") defines specialty insurance distributors as managing general agents, managing general underwriters, program administrators, (collectively referred to as "MGAs" for purposes of this Study) and wholesale brokers ("Wholesalers").

In 2017, we had 135 specialty distributors participate in the Study, which is a 10% increase from 2016. The survey respondents represent approximately 5% of the specialty distribution market which MarshBerry estimates to be around 2,500. During our Peak Performance Conference, held in Park City, UT, in January 2018, we shared the results with the attendees.

Four high-level takeaways from our Report include the following:

1 Obstacles to Perpetuation

Respondents cited that "Age of Owners" and "Lack of Talent/Candidates" are the largest obstacles to perpetuation, a response consistent with 2016. It is worth noting that 13% of respondents cited a "Lack of Capital" as the third obstacle, indicating that current valuations are maybe making it difficult for internal perpetuation.

2 Growth Expectations

Both MGA and Wholesaler respondents expected double-digit organic growth in 2017. Wholesalers' organic growth expectations increased over 1% from 2016, while MGAs' expectations declined by 0.8% from 2016. Expectations were fueled by growth initiatives focused on geographic expansion followed closely by expanding product offerings, specifically cyber liability.

3 Underwriting Risk

Specialty distributors' underwriting risk represents a risk-sharing arrangement with its capital provider in which the specialty distributor participates to a certain extent in the gains/losses. Risk sharing aligns interests and economically incentivizes both specialty distributors and capital partners to optimize risk selection. More than half of the respondents (51%) indicated that they have a risk-sharing arrangement with their capital provider with a "commission slide/profit commission" being the most popular arrangement.

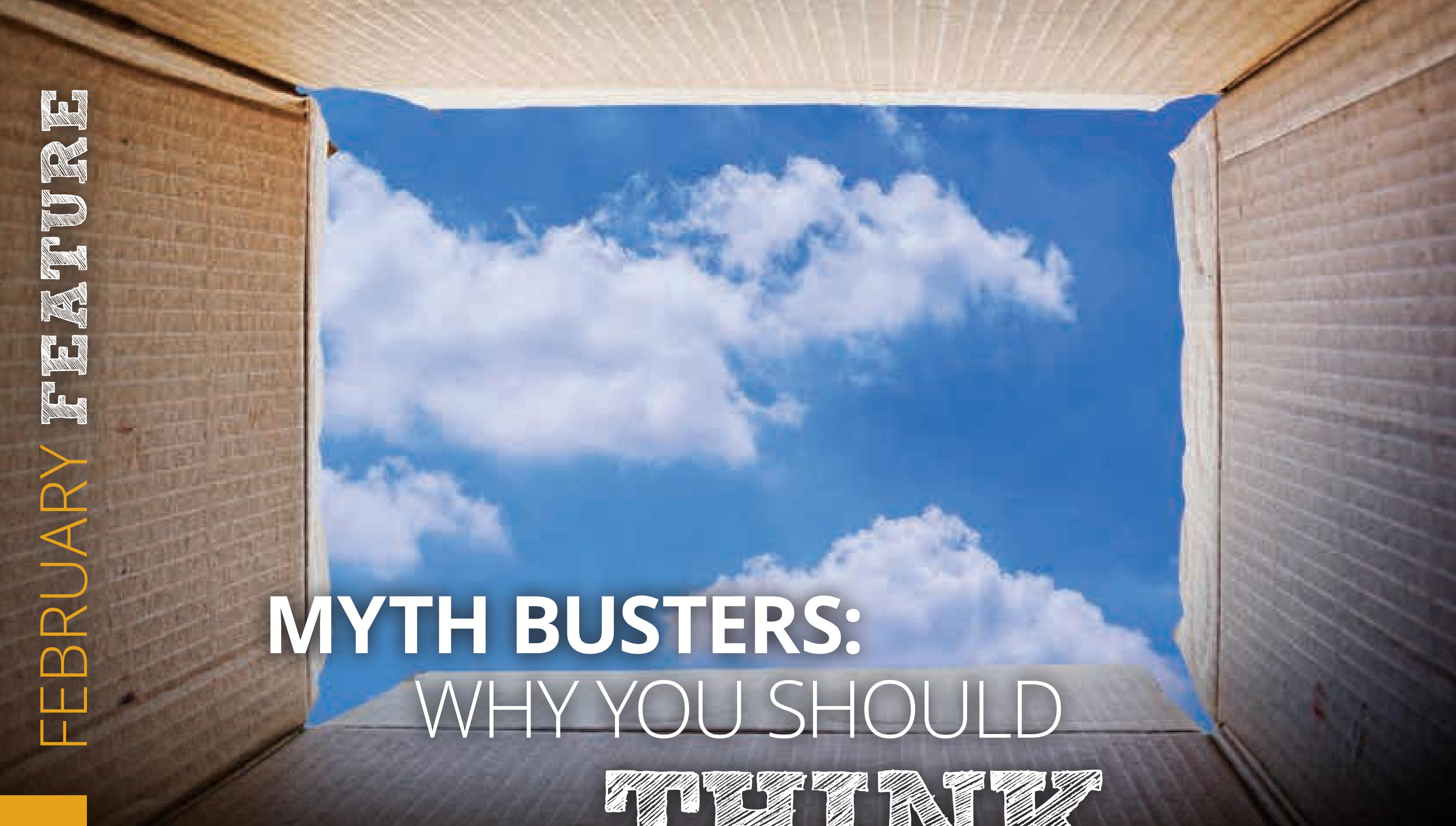
4 Tenure of Carrier Markets

Our respondents indicated that their current programs, on average, have been operating for an average of 18 years and supported by its current carrier for more than ten years. Tenure of this magnitude indicates that programs have been, and continue to be, profitable, thereby differentiating specialty distributors from other insurance distribution methods.

Interested in learning more about our Market & Financial Reports for both the retail and specialty distribution market?

www.MarshBerry.com/industry-studies

FEBRUARY FEATURE



MYTH BUSTERS: WHY YOU SHOULD THINK DIFFERENTLY ABOUT GROWTH

Old reliable. In many ways, the insurance industry can be characterized this way — consistent renewal business gives most agencies a comfortable cushion to rest on, no matter what the market does. The challenge is, firms have a false sense of security — why fix what isn't broken? Sure, renewal income helps maintain business, but what about driving growth?

by ***Megan Bosma,*** Senior Vice President

440.392.6553 | Megan.Bosma@MarshBerry.com

IF STATUS QUO IS WHAT YOU'RE SEEING IN YOUR AGENCY, YOU JOIN THE MAJORITY OF FIRMS SURVEYED IN MARSHBERRY'S ANNUAL MARKET & FINANCIAL RETAIL OUTLOOK REPORT.

The 32nd annual report is compiled using anonymous general independent agency information, financial, market, carrier and technology data, along with data from MarshBerry's proprietary financial management system Perspectives for High Performance (PHP).

Insurance businesses showed no remarkable uptick in growth or profitability — though we can't say 2017 was completely same-old, given the dynamic political environment, merger & acquisition (M&A) activity ignited by attractive multiples, and InsurTech concepts grabbed attention from some market players. Not to mention, 2017 was hardly "business as usual" because of devastating tropical storms that caused momentous damage in some states, resulting in significant claims that impact the industry at-large. Businesses located in the eye of disaster zones are certainly taking more of a hit, as the old 80/20 rule goes. They're shouldering 80% of the burden, yet there is a ripple effect that makes some waves for everyone.

Meanwhile, there's an expectation that the market will harden in coming months, which explains in part why firms have taken a steady tact during the past year. Following the prior year's presidential election, and 2017's tropical storms, many agencies are battening down the hatches — sitting tight, staying the course. They're holding strong. The good news is, this mentality produces consistent results. However, flat performance — stagnancy — does not position a firm for future sustainability or perpetuation.

If you think that no news is good news, we invite you to read on as we bust four other myths about growth, talent, operations and technology.

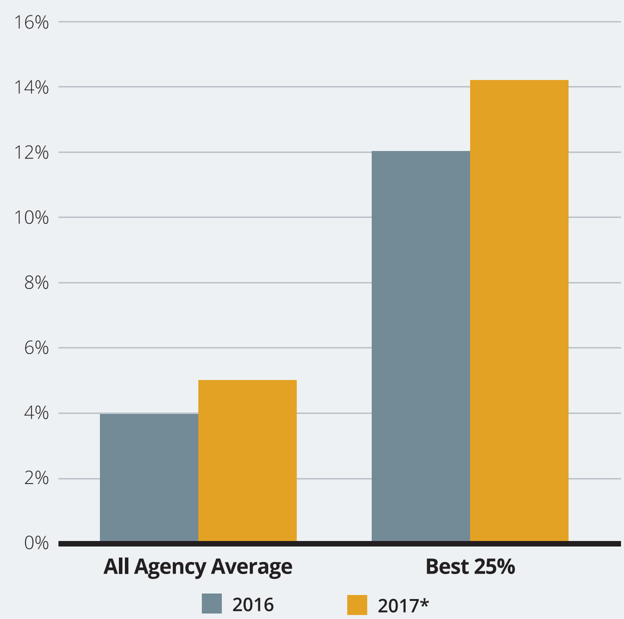
MYTH #1:
No (Growth) News Is Good News

What's wrong with steady growth? It's certainly better than shrinking, and we'll agree that maintaining revenue is a sign of stability. The problem is, many agencies view flat growth as a sign of a healthy business — nothing's broken, everyone's staying the course.

This mindset is fueled by dependable renewal income that gives agency producers a cozy security blanket. There's little motivation to change or evolve when you can do the minimum and maintain renewal business. On the other hand, agencies with motivated producers who are incentivized to hunt and sell new business — who drive for better performance — can move the growth and profitability needle for their agencies. And this is critical, because a firm that wants to double revenue in five years needs to achieve 20% new business each year. The 20% new business becomes 13% - 14% organic growth after accounting for anticipated leakage (defined as attrition, rate changes and exposure base compression/expansion).

We did not see this type of growth among firms surveyed in our annual Market & Financial Outlook Study (Study). In 2016, end-of-year growth totaled 4%. By the end of the third quarter in 2017, we saw an average 5.0% organic growth. (Based on benchmarks, that's about 15% less growth than what's necessary to drive sustainable performance.) We

ORGANIC GROWTH:
AVERAGE VERSUS BEST 25% OF AVERAGE



**Last Twelve Months ended preliminary 9/30/17*
Best 25% represents the highest quartile of reported organic growth
Source: MarshBerry proprietary financial management system Perspectives for High Performance ("PHP").

did see a slight growth uptick in certain individual lines of business, including commercial auto, commercial property, and employment practices . But, there were no major waves.

So, is flat growth a good thing? We're glad to see that agencies aren't reporting negative growth, but we also recognize that to run a profitable business long-term, doing the "old reliable" thing doesn't mean extra credit for a firm's value.

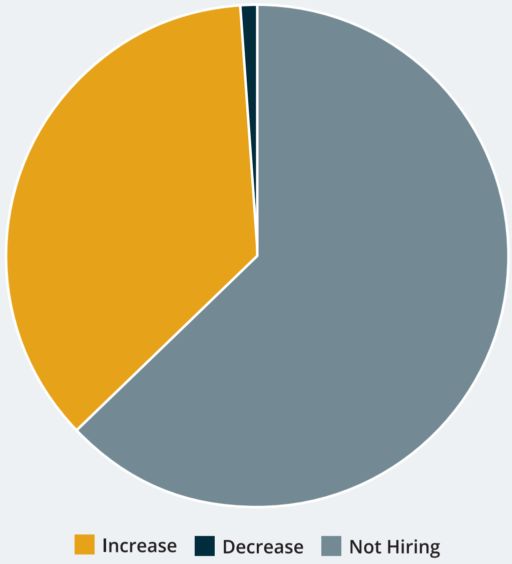
MYTH #2:
Hire for Industry Experience

Sixty-three percent of firms surveyed said they do not plan to hire more employees in 2018. Of those who do, they're seeking producers with three or more years of industry experience. A surface look at this prerequisite might make sense. Of course, you want to recruit talent that understands the industry, right? (Well, we beg to differ.)

When firms only want to hire producers from within the industry, this tells us those agencies are not invested in training and development. It's easier and less expensive to onboard producers who already have insurance experience. But a warning — just because a producer has worked in the insurance industry for a few years does not mean it's a plug-and-play hire. It does mean that you'll likely get more of the "same old."

We've been banging this drum for decades: Hire for talent, train for skills. Look beyond the industry for producers who have the resilience, energy, drive and desire to learn and push forward. Producing new business is hard work. It takes grit — and it requires ongoing sales training, mentorship and coaching. It's a team-effort, where veteran producers must step up and teach — and compensation must reward talent that is achieving goals.

Increase, decrease, or not hiring?



Source: 2018 MarshBerry Market & Financial Retail Outlook Report

Take a good hard look at your recruiting efforts. Are you limiting the hiring pool by only looking for producers with industry experience? Do you have training and development programs

METRIC OF THE MONTH

PRODUCER **TURNOVER:**
Terminated Production Personnel as % of Total Production Personnel

Number of Production Personnel Separations This Year divided by Average Production Personnel Headcount This Year

This ratio measures the turnover rate within the production personnel class. In general, lower turnover is better. However, low turnover shouldn't come at the expense of keeping poor performers for too long, when they should transition out of the role instead. According to data from MarshBerry's proprietary financial management system, Perspectives for High Performance (PHP), on average, production personnel turnover is currently just over 10%, and tends to hover between 10% and 11%. We also isolated the performance of agencies who ranked within the top 25% based on their Organic Growth ("High Growth Agencies"), to compare.

We found that over the last five years, the agencies with the highest organic growth consistently had a lower turnover rate compared to the overall average.

in place to support new producers? These are critical investments for firms that plan to grow organically and perpetuate.

MYTH #3:
InsurTech Is for Investors

InsurTech is bringing technologies to the market that solve problems, address client demands — tools that are highly specialized, data-driven, progressive, mobile and efficient.

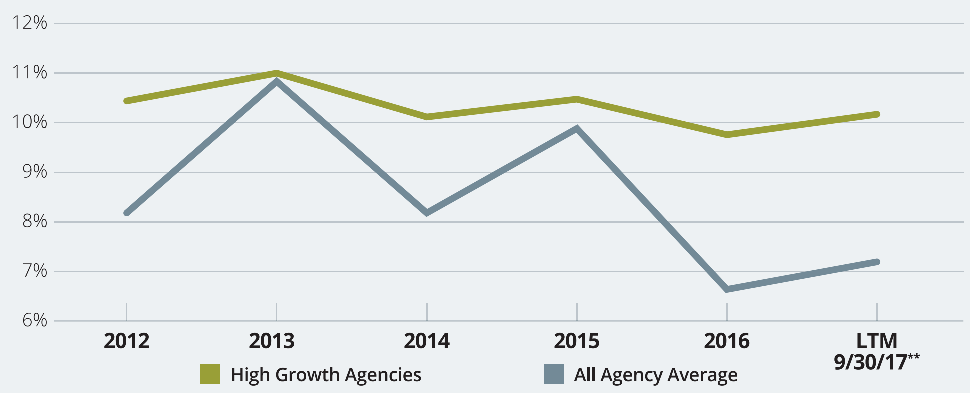
InsurTech includes telematics, analytics to assess risk, and comparison shopping tools. Technology could allow for digital claims processing and systems to make carriers more efficient. It's all about improving customer experience — providing new ways of doing traditional tasks.

Agencies are watching InsurTech — not necessarily jumping on board, but considering how technologies might impact the way they conduct business in the future. And that's smart! Because, if we look at the financial industry and "fintech," there are tech tools that are now so mainstream we can't imagine life without them. (Think: mobile banking.)

While we see private equity looking at systems and processes to improve carrier efficiency, in the future we believe these investment and technologies will evolve into the broker and agency spaces. Whether it's improving claims processing or underwriting, there's a place for InsurTech at agencies and forward-thinking firms are considering how these technologies could drive performance, reduce cost and, ultimately, propel profit.

Continued on Page 6

AVERAGE PRODUCTION PERSONNEL TURNOVER*: HIGH GROWTH AGENCIES VS. ALL AGENCY AVERAGE



**Lower performance is better.*

*Source: MarshBerry proprietary financial management system Perspectives for High Performance ("PHP"). Results for 2012 through 2016 are as of the twelve months ended December 31st. **Results for 2017 include the most recent available 2017 data through LTM ended 9/30/17. Data accessed 12/8/17. The number of separations includes both voluntary and involuntary terminations, but does not include job changes (e.g. a producer that moves into an executive role). High Growth Agencies are those within the top quartile of the database based on their organic growth results for the given year.*

LTM = Last Twelve Months

MYTHBUSTERS

Continued from Page 5

Most of the tech investments we've seen in the industry in 2017 (and prior) were allocated to agency management systems for tracking policies. As for social media adoption, under a third of agencies had job postings on social media at the time of our analysis. We see this as a reflection of available positions and/or a comfort level with social media.

As the trust level with social media rises and other positions open up, we expect that firms will post more on social media.

MYTH #4:
Steady Profit Proves Our Value

What is value, really? When we look holistically at an agency, value is measured by growth and profitability — and by talent and culture. There is the numbers side of value, and the "soft side" that encompasses the work environment, training and development — the mojo. When a firm produces consistent profits, this speaks to the value of the firm.

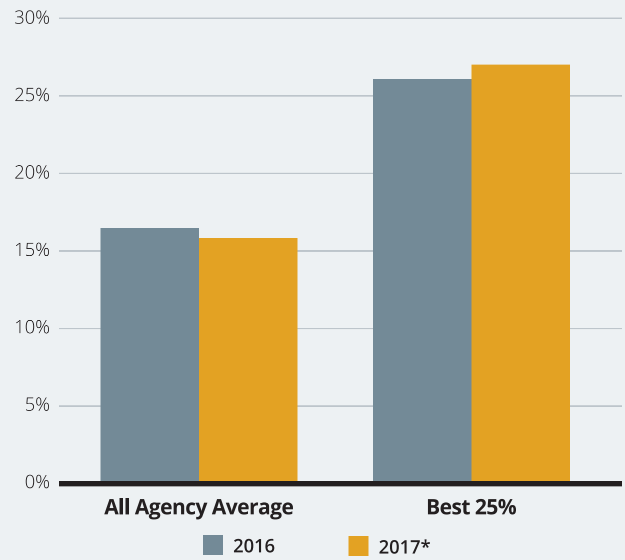
On average, our 2017 Study showed firms achieved a 15.8% profit through the third quarter of 2017, compared to 16.5% at the end of 2016. Meanwhile, we saw the Best 25% of firms achieve a 26.3% EBIDTA (Earnings Before Interest, Taxes, Depreciation & Amortization) in 2016 and 27.0% EBITDA in 2017 through Q3. The takeaway is firms comfortable with "average" performance experienced an uptick in growth and a decrease in profit, while the Best 25% firms experienced a higher level of growth and an increase in profit.

So, does flat growth and profitability mean that agencies are proving their value? Yes, and no. While there is value to consistent, profitable growth there is even greater value when an agency produces a track record of increased profitability year over year while enhancing growth.

It means they're working hard inside, developing a culture of motivated, energized team members who are pushing to reach goals.

IT'D BE EASY TO ACCEPT THESE MYTHS AS TRUTHS AND CONTINUE BUSINESS AS USUAL.

EBITDA AS % OF NET REVENUES: AVERAGE VERSUS BEST 25% OF AVERAGE



**Last Twelve Months ended preliminary 9/30/17*
Best 25% represents highest quartile of reported EBITDA
Source: MarshBerry proprietary financial management system Perspectives for High Performance ("PHP").

Thinking Ahead, Growing Forward in 2018

Following a year of relatively flat growth and profits, and an overall feeling of playing it safe, the tendency is to stick with what's comfortable. But this temptation can be damaging to a firm in the long-term.

Think of this steady, consistent growth period as an ideal time to take stock of your operation and consider its strengths and weaknesses. How could you tune up training and employee development? How could you cast a wider recruiting net to find talent that's driven to sell — and not used to a comfortable recurring income model? How could you infuse energy into the workplace to inspire your people to push for more than average growth?

You can start this exercise by asking yourself where you see your firm five years from now. Then, work backward and begin addressing the areas of your business that must evolve so you can push performance and drive value. Use this time of "old reliable" as an opportunity to try something new that could make a positive impact on your agency next year and beyond.

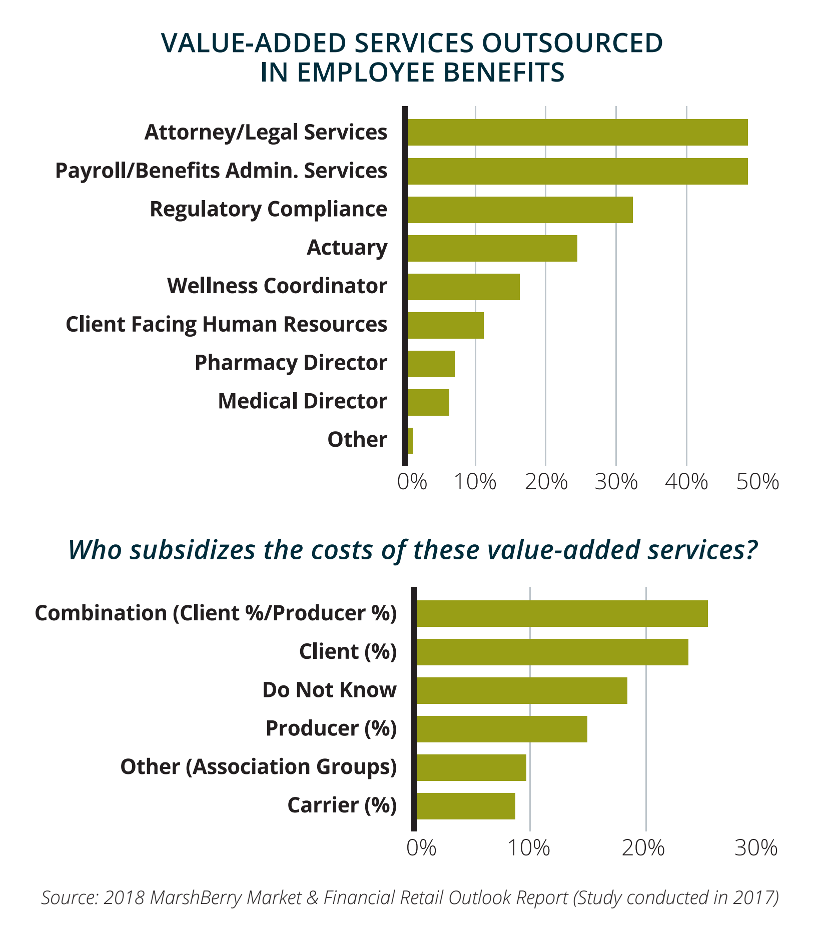
More For Less:
"Value"-Added Services

by ***Tommy McDonald,*** Vice President
440.392.6700 | Tommy.McDonald@MarshBerry.com

We are seeing that Employee Benefits (EB) firms continue to face new challenges as it relates to growth, profit and valuation. The continued pressure clients and competitors are placing on the distributors of employee benefits and related products and services should make for an interesting 2018 year.

The results produced from our 2018 Retail Market & Financial Outlook Report (Study conducted in 2017) reinforce two trends:

1. **EB firms are doing more for their clients than ever before; and**
2. **the majority of firms are incurring the cost in the agency versus a deduction to sales compensation or charging a fee for service to the client.**



Source: 2018 MarshBerry Market & Financial Retail Outlook Report (Study conducted in 2017)

With continued customer interest in human capital consulting and complimentary services that surround traditional employee benefit products, we do not expect the need for the broker to deliver these services to diminish, but rather expand. We also see many firms in certain geographies dealing with carrier compensation changes which could have a negative impact on broker commission (from the carrier) further creating challenges for growth and profits.

We believe that developing a pricing model or funding strategy for the continued "value" added resources needed to be competitive will be an important strategy for EB firms of all sizes as the industry continues to evolve. If not, firms should expect to continue to do more for less, thus potentially shrinking firm value.

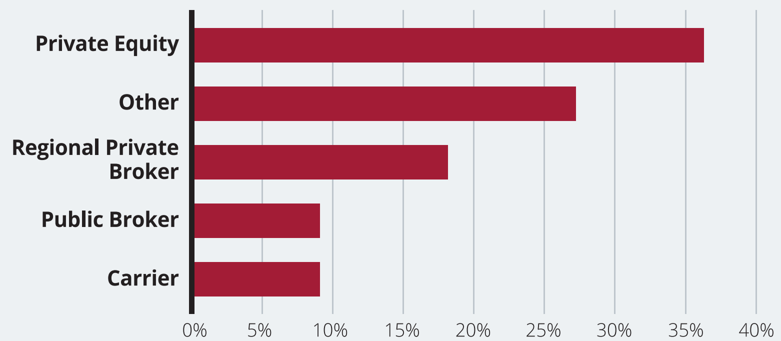
Market & Financial M&A Highlights

by ***Molly Connell,*** Senior Consultant
440.392.6584 | Molly.Connell@MarshBerry.com
and ***Courtney Ferrara,*** Senior Consultant
440.392.6586 | Courtney.Ferrara@MarshBerry.com

In 2017, Private Equity (PE) backed buyers continued to be the main drivers of deal activity and value, representing 305 of the 536 announced year to date deals as of December 31, 2017, or 57% of all deals.[2]

Insurance distribution is not only intriguing to PE-backed buyers, but agencies/brokers are intrigued by the PE opportunity as well. According to 2018 Market & Financial Retail Outlook Report (Study conducted in 2017) results, over a third (36%) of respondents believe "private equity" would be the buyer they are most interested in. Second to private equity was the category "other buyers" which may include nontraditional buyers like InsurTech companies or credit unions, for example. Regional private broker buyers were intriguing to 18% of Study respondents. Public Brokers were tied for least attractive to respondents with carriers, at 9% of respondents. There is perceived flexibility with PE buyers with regards to deal structure and life after the deal that sellers may not believe is the case with public brokers, making them a less attractive acquirer to many sellers.

Who would be the most intriguing buyer?



Source: 2018 MarshBerry Market & Financial Retail Outlook Report

BASED ON OUR PRELIMINARY ANALYSIS OF DEALS CLOSED IN 2017[1] MARSHBERRY CONTINUED TO SEE **STRONG VALUATIONS FOR INSURANCE BROKERS.**

[1]MarshBerry proprietary database. Data compiled from transactions in which we were directly involved, those from which we have detailed information, and transactions in the public record. Numbers may not add due to rounding. Past performance is not necessarily indicative of future results. All years shown are calendar year-ends except for 2017, which is through December 7, 2017. Base Purchase Price: The amount of proceeds paid at closing, including any escrow amounts for indemnification items, (i.e., Paid at Close) plus amounts that the buyer may initially hold back, but which are paid as long as the sellers performance does not materially decline, or which may be paid at closing but are subject to a potential adjustment (i.e., Live Out); Realistic Earn Out: The likely earn out to be achieved in the future based on a number of factors including actual seller performance, buyer and seller realistic discussion of earn out metrics, etc. Maximum Earn Out: The additional earn out above the Realistic Earn Out, that if achieved, would generate the maximum possible earn out payment .

[2]Preliminary deal activity is as of January 5, 2018 and is subject to change. All transactions are announced deals involving public companies, private equity backed brokers, private companies, banks, companies as well as others including private equity groups, underwriters, specialty lenders, InsurTech, etc. All targets are U.S. only. Past performance is not necessarily indicative of future results. Source: S&P Global Market Intelligence, Insurance Journal, and other publicly available sources

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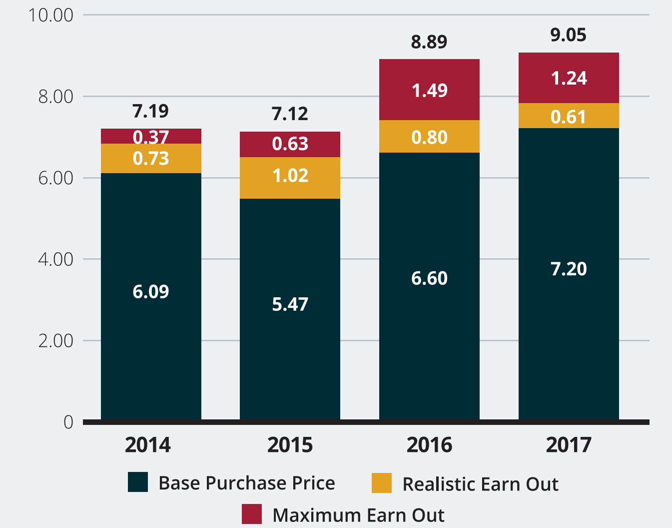
Overall values appear to hover around the same high levels seen in 2016 with a slight uptick in the Base Purchase Price as deal activity continued at historic levels. According to our 2018 Market & Financial Retail Outlook report, respondents believe their agency to be worth 3.1x revenue. In MarshBerry's experience, firm value is often a factor of both revenue and profitability also referred to as Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), among many other things, and deals are typically priced as a multiple of EBITDA. We also note that our Study respondents reported an average EBITDA margin (EBITDA/Revenue) target of 22% for full-year 2017. In the case of the average Study respondent, if we translate a 3.1x revenue multiple for a 22% EBITDA firm into terms of an EBITDA multiples, it results in more than 14x EBITDA in purchase price. By comparison, the realistic purchase price (Base Purchase price plus Realistic Earn Out) for the average deal in 2017 was roughly 8.7x EBITDA.

AGENCY VALUE COMPARABLE (MAXIMUM PURCHASE PRICE AS A MULTIPLE OF EBITDA)[1]



Source: MarshBerry proprietary deal database. Data compiled from transactions in which we were directly involved, those from which we have detailed information, and transactions in the public record. Numbers may not add due to rounding. Past performance is not necessarily indicative of future results.

What this means is Study respondents may have unrealistically high expectations for the value of their firms at the current profitability levels, particularly if the agency is planning an internal sale of ownership, which typically trade at lower multiples than external sales based on what we see as tracked within our proprietary deal database.[3]

[3]*Source: MarshBerry opinion and experience.*

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MarshBerry's Intellectual Capital Team Launches InsurTech Channel Check

A Channel Check is a "light survey" using primary research*, conducted by MarshBerry, to gather opinions on relevant topics from within the industry.

Our second edition focuses on InsurTech. While it may resemble a "Wild West" environment — InsurTech is full of technology-related companies that are striving to solve problems and remove inefficiencies in the insurance industry.

*The **InsurTech Channel Check** addresses:*

- **What does InsurTech mean?**
- **Is InsurTech leading a shift from product-centricity to consumer-centricity in insurance?**
- **What's the uptake on these technologies?**

Download your complimentary copy at **www.MarshBerry.com/InsurTechCC**

Need help identifying where your agency should focus? Contact us for a strategy consultation at 800.426.2774 or visit us online at www.MarshBerry.com.

**Primary research is defined as discussions used to gather specific perspectives related to an industry trend and/or market participant. It can involve questionnaires, surveys or interviews with individuals or small groups. It may or may not be used for exploratory purposes and is not intended to be used to assist in making investment decisions.*

FOR THE RECORD

What does it take to **Drive Agency Value?**

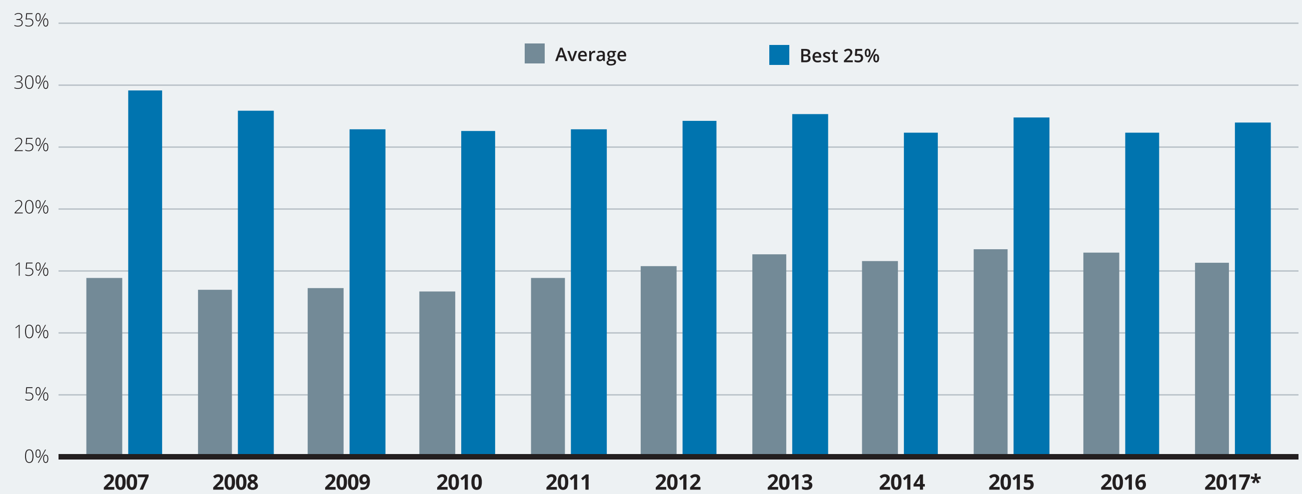
by ***Mitch Mikoletic,*** Senior Consultant
440.220.5432 | Mitch.Mikoletic@MarshBerry.com

Have agency owners been misguided regarding what it takes to drive the value of their organization? Aside from "excellent service," what differentiates your agency from the competition? What strategies actually result in your company writing new business?

These are relevant questions as owners forecast the future value of their agencies. Too often, however, we see owners who have been lulled into complacency by believing that external factors will always cause the value of their agency to increase, regardless of the agency's growth, or lack thereof. This mentality that "a rising tide lifts all boats" may be why many owners are reluctant to implement new initiatives or to hold individuals accountable to growth goals. Yes, external market factors may be responsible for a recent increase in value of your agency, but valuation multiples and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) margins appear to be stabilizing, and owners can therefore no longer rely so heavily on these factors to help drive the value of their company.

We need to look no further than the economic downturns of 2001 and 2008/2009 to confirm that relying on external factors alone is not a viable strategy for long-term wealth creation. More recently, although the average valuation realistic multiple between 2012 and 2016 increased approximately 22%,[1] based on preliminary data as of December 7, 2017, multiples for 2017 appear to be relatively flat compared to 2016. Further, EBITDA margins as a percentage of net revenue — which are important to an agency's ability to turn a profit, make distributions, and give owners the opportunity to

EBITDA AS A PERCENT OF NET REVENUES



**Last Twelve Months as of 9/30/2017 preliminary*

Source: MarshBerry proprietary financial management system Perspectives for High Performance ("PHP").

Only includes agencies from U.S. It excludes agencies from Canada, Puerto Rico, U.S. Virgin Islands, and Peru.

EBITDA: Earnings Before Interest, Taxes, Depreciation & Amortization; "Average" is the average of all agencies in MarshBerry's proprietary database, Perspectives for High Performance (PHP). Best 25% is the best 25% based on organic growth according to PHP. Past performance is not necessarily indicative of future results.

[1]Data compiled from transactions in which we were directly involved, those from which we have detailed information, and transactions in the public record. Numbers may not add due to rounding. Past performance is not necessarily indicative of future results. All years included are calendar year-ends except for 2017, which is through December 7, 2017.

Securities offered though MarshBerry Capital, Inc., Member FINRA and SIPC, and an affiliate of Marsh, Berry & Co., Inc. 28601 Chagrin Blvd., Suite 400, Woodmere, Ohio 44122 • 440-354-3230 perpetuate internally — have remained largely unchanged for a decade. As a result, it is at least conceivable that the proverbial tide may no longer be rising.

SO, TO HELP ENSURE THAT THE VALUE OF YOUR AGENCY CONTINUES TO GROW IN A STABLE EXTERNAL ENVIRONMENT, WE BELIEVE THAT OWNERS SHOULD HAVE **A RAZOR-SHARP FOCUS ON INTERNAL FACTORS IMPACTING THE VALUE OF THEIR AGENCY.**

Creating, implementing and maintaining a dynamic sales culture within an agency is not easy. Very few firms actually have one. According to MarshBerry opinion and experience, the ones that do, write on average 20% of new business as a percentage of their prior year's revenue, and maintain organic growth rates between 10% and 15%. The difference between new business written and organic growth is the amount of leakage (the rate's impact on current book plus reduction or growth in risk exposure, in addition to account retention) the company experiences, which is usually not in their control. Similarly, although not easy, having the discipline to scrutinize agency expenses and operate in a fiscally responsible manner, at least in line with the average agency, is within your control and can have a significant impact on the underlying value of your organization.

For many agency owners, their company is their largest financial asset. Fortunately for some owners, they have seen the value of their agency increase in recent years based solely on external market conditions, without paying particular attention to growth. In an environment where external market factors and margins have appeared to have stabilized, we believe that agencies should focus internally on growth to help drive their value.

Regardless of whether your agency has just been "along for the ride" or has been focused on this issue all along, are you willing to take a look in the mirror and make the necessary changes to help maximize your agency's value in 2018?

PEER EXCHANGE NETWORK NEWS

Mark your calendars!

We are only one month away from the Spring 2018 BANK/TASC Summit at the Swissôtel in Chicago. March 5-7 will be packed with content aimed at helping executives *Think Differently* in 2018.

Highlights include:

STATE OF THE INDUSTRY

The State of the Industry presentation provides an overview of the challenges and opportunities that are currently facing the insurance industry. The session will feature MarshBerry's proprietary data on the industry and market trends to be aware of as you continue to chip away at your 2018 goals.

DEFINING & EXECUTING STRATEGY: THE 4 DISCIPLINES OF EXECUTION

Do you remember the last major initiative you watched die in your organization? Did it go down with a loud crash? Or was it slowly and quietly suffocated by other competing priorities? By the time it finally disappeared, it's likely no one even noticed. What happened? The 4 Disciplines of Execution (4DX) is a simple, repeatable, and proven formula for executing on your most important strategic priorities in the midst of the whirlwind. Join us for a keynote from the book's author himself, Chris McChesney of FranklinCovey.

Register now!

www.MarshBerry.com/SP18BANKTASC

INTERESTED IN INCREASING VALUE AND DRIVING GROWTH IN YOUR ORGANIZATION?

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BROKER SPOTLIGHT

At Oswald Companies, **They Own It**

Everyone has skin in the game at this employee-owned firm, which is meeting performance metrics, developing strategy-focused leaders and a sales-centric team, and using technology to maximize efficiency.

Authored by ***Alison Wolf,*** Director – Research
440.637.8119 | Alison.Wolf@MarshBerry.com

Synergy and tenacity. Combined, you get a client-focused team that can sell across business lines — a performance-driven culture that believes in the power of moving the needle. Oswald Companies ("Oswald") is a different kind of player in the insurance industry as an employee-owned firm focused on developing leaders into strategic thinkers. It's one of the nation's largest independent insurance brokerage and risk management firms, fueled largely by organic growth and clients.

"We have worked hard to create a more disciplined culture around performance," says Robert Klonk, CEO. "We have transformed our organization," he adds, noting that Oswald has been an ESOP (Employee Stock Ownership Plan) for 33 of its 125 years as a privately-held company. "We have a culture of caring and commitment to our employees."

Those employees care about how the company performs because the firm supports their personal and professional growth, Klonk points out. For example, Oswald earmarks 1.5% of its revenue to training. "They see us investing in them as much as we invest in other things, and they know we truly care about their development," Klonk says.

Everyone has skin in the game.

DEVELOPING SYNERGIES

At Oswald, business units work together to provide solutions across all areas of exposure, cross-sell coverages, and that's a real differentiator in the market, notes Dave Jacobs, President and Chief Operating Officer. So, a producer who calls on a middle-market manufacturing firm is not just representing his or her specific line of business. "You are there to represent Oswald across all units, so you're not only providing risk mitigation solutions in selling Property & Casualty, you are preventing risk, solving problems and creating opportunities in areas such as employee benefits, retirement plans, executive life insurance and personal lines," he says.

This "one company" concept has propelled growth, along with Oswald's specialization in certain areas of expertise.

That includes a comprehensive Design/Construction practice that encompasses every type of coverage the industry requires to do business and manage risk, bundled so clients can rely on Oswald as a single source for insurance and benefits.

The firm has also grown a significant Non-Profit practice that spans this sector, including social services agencies, educational organizations, and health and human services groups. "We have a private school consortium," Jacobs adds, noting that forming group purchasing programs has also been highly successful in the Employee Benefits side of the firm.

This focus on niche practices allows Oswald to go deep for clients in these sectors — and specialization also drives its acquisition activity, which is a minor part of its growth since 90% of revenue stems from organic measures. But when Oswald does choose to expand through acquisition, its decision is centered on gaining talent and bolstering its key business units.

"Our acquisition strategy is Midwest-centric and it's about acquiring what makes us stronger as a firm," says Joseph DuBois, Chief Financial Officer. "That includes additional leadership, technical expertise, additional practices and/or bolt-ons to an existing practice."

Jacobs calls Oswald's acquisition strategy "opportunistic," relating that the culture must align. Those firms that care about the future of their clients and employees are a fit.

Though DuBois adds, "Organic growth still drives our engine."

INVESTED IN THE TEAM

"Being employee-owned drives our culture," Jacobs says, relating that the team at Oswald has an attitude of "we're all in this together."

"We act as one company, and being employee-owned really resonates with our people and keeps us all rowing together," he continues. "We're working toward a common goal, purpose, vision — that stems from being an ESOP company."

Oswald moved to an ESOP structure 33 years ago—a bold move in a consolidation-heavy business environment. Until 2009, Oswald was operating like a family-owned business, "because family was involved in this organization," Klonk points out. In the last decade, with a strong focus on professional development, technical training and strategic planning, the firm has shifted to a performance-driven mindset. The caring culture still makes Oswald feel like a family, except employees are more aligned as a collaborative team of active, engaged owners. They recognize the value of a results-based approach.

This is due in large part to Oswald's investment in training and development at all levels. "We developed a formal program and brought in outside expertise to help with that," Jacobs says. That program combines leadership development and technical training. In the next three years, Oswald will continue to refine its development program. "The key is going to be to continue developing leaders," Jacobs says. "We have a lot of really good managers and strong technicians and we are helping them with training to become better leaders, more strategic thinkers, to manage a P&L more effectively, to be more than a good salesperson, technical person or client-facing person. We want them to think strategically about taking the business to the next level."

Today's leadership team is stronger than ever, DuBois adds. "That has helped us be successful and positioned us very well for the coming years," he says.

When managers and leaders are cultivated to think strategically, they can better manage business metrics, Klonk says.

And when the business thrives, it can continue to provide the type of unique benefits that employees enjoy—such as a one-month sabbatical that is awarded for every 10 years of service. "Our folks come back refreshed and appreciative of having that opportunity," DuBois says, adding that Oswald has been recognized as a workplace of choice. "We are committed to our employees growth and development, and to their long-term wellbeing."

MOVING FORWARD

With Oswald's progressive nature and client-focused collaborative team, investing in development, organic growth and ESOP structure—it's no surprise the firm is also taking a serious look at technology enhancements and considering how InsurTech could be leveraged.

"We are putting a lot of time, effort and resources toward our technology platforms, making technology more efficient as we service clients," said Jennifer Morrissey, Chief Information Officer. Internally, Oswald has addressed its data warehouse so the team can better mine and capture data more efficiently.

Morrissey adds that InsurTech's billing as a "disruption" is far from the truth. "Collaboration is the word," she says. "Overall, it's positive." She envisions ways for Oswald to partner with some InsurTech firms that are using artificial intelligence and predictive tools to analyze the buying behaviors of those purchasing insurance.

Meanwhile, as Oswald plans for the future, the firm is entering a rigorous strategic planning process, which happens every three years. "We are on target now to hit the majority of the metrics we set — our growth metrics are right on target," Klonk reports. "We have high aspirations for the next three years, and the right team to take us through 2020 and beyond. ■

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