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counterpoint

FEATURING

The Power of Peer Exchange

One is a lonely number. Peer exchange connects owners with a team of successful leaders to share ideas, best practices — and hold each other accountable to organic growth.

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MARSHBERRY CONNECT

15.2%

The best 25% of agencies in the MarshBerry Connect Network from 2009-2016 generated 15.2% Organic Growth versus 1.7% generated by those that were not part of MarshBerry's Connect Network.*

*Source: MarshBerry's proprietary financial management system, Perspectives for High Performance (PHP). Past performance is not indicative of future results. Individual results may vary.

MarshBerry Connect network partners out-perform, out-earn and outlast the competition.

Think about it.

Growth is a prerequisite in today's dynamic market. So what are you doing about it? At MarshBerry, we know that growth depends on sharing best practices, data and ideas. The numbers speak for themselves: the top quartile firms in our network achieved 8.94X the growth of non-member firms*. So think about your future. Think together.

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Connecting to Peer Exchange

In the world of networks, forums, and peer exchange groups, we see massive amounts of collaboration, synergies, and intelligence being shared among members and participants. If you sit back and consider all the various boards you sit on and groups you belong to, imagine how life would be different without them.

Marsh, Berry & Company, Inc. ("MarshBerry") has been fortunate to work with several networks within the insurance industry. The Worldwide Broker Network, United Benefit Advisors, The Council of Independent Agencies and Brokers and the Benefit Advisors Network are just a few of the many strong network groups MarshBerry considers partners. The common theme among all these groups is they are all designed to connect and grow agencies across the nation and even the world. Without peer exchange, we believe you are missing out on a wealth of information, best practices, and critical relationships that you can't just Google or read about in the Wall Street Journal. As you will read in this month's issue, growth through MarshBerry's Connect peer exchange network is almost expected if you are committed to the work.

Have you ever considered partnering with another independent firm or even a group of independent firms within a certain network? Consider the girth and power behind a consolidation of several top agencies all looking to achieve the same goal. Even more, ponder the investors who are all looking to share in the profits of a growth engine with such scale.

Sitting right outside of the world of independently owned firms, there is a whole slew of hungry investors ready to deploy various amounts of capital and grab more market share. It seems that almost every industry is consolidating and in our professional experience, there is no end in sight, especially in the insurance space.

Consider the consolidation in the health insurance space alone. In early 2017, MarshBerry brokered a transaction that brought 24 independent agencies and one networking organization together to form the seventh largest privately held employee benefits firm in the U.S.[1] At the end of 2017 drugstore giant, CVS Health Corporation, announced they agreed to buy Aetna Inc., one of the largest health insurers in the U.S. for approximately $69 billion[2]. This year, Cigna Corporation agreed to buy Express Scripts Holding Company, the nation's largest pharmacy benefit manager, for approximately $52 billion[2]. We are seeing that the health care industry is one of the most rapidly changing industries right now and as more partnerships are being formed, the tougher it will likely be to continue to compete.

Connect to a network that will help you gain perspective and continue to achieve scale whether through best practices or consolidation in this ever-changing marketplace. Whether your biggest goal is to double in size or remain independent, having other partners to walk alongside you is critical.

Chairman & Chief Executive Officer, MarshBerry

[1] *www.insurancejournal.com*
[2] *www.nytimes.com*

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About counterpoint

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The Power of **Peer Exchange**

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How many people in your business have the same responsibilities that you do? Who else is charged with the demands an owner faces — attracting and managing talent, growing the company, overseeing operations, making decisions that impact the lives of your staff?

As they say, it's lonely at the top...

As an owner, you bear the emotional and financial burdens that business brings. You're the one who ultimately decides whether to change how producers are compensated. You have the last word on whether to hire this person, or fire that person. These are tough decisions that can be difficult to navigate, especially when you live, breathe, sweat and bleed the business. You're too close to it.

So, what's the answer?

Who can you trust — where can you get support? It's not like you'll spill your guts to the competitor across town.

This is where peer exchange comes into play — a network of growth-minded owners in different non-competing markets who share numbers, ideas, what worked and what didn't. It's about having a third-party voice who can evaluate a business challenge and remove the emotion and other personal baggage to make a sound decision.

Take this example: an owner inherits several producers after taking over the family business. The owner soon realizes that the commission rate for said producers is 60%. The owner knew the rate was too high — but how do you work through such a delicate issue? Peer exchange.

In this situation, your peers can provide clear, unemotional guidance in order for you to move the business forward. If these types of issues are left unaddressed, firm growth goals could be in jeopardy.

So, who can you go to for honest, unbiased advice? If you have never experienced the power of peer exchange — and you're planning to grow — now is the time to consider joining a network of peers that can hold you accountable to your goals.

Leaders Who 'Get You'

Owners that participate in peer exchange grow more — and grow faster.

MarshBerry tracked agencies participating in a peer exchange for eight years and compared their performance with those that do not belong to a peer group. The difference was quite dramatic. The average organic growth for the Top 25% of agencies in peer exchange was 15.2% vs. 1.65% for non-network agencies. EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization) as a percentage of net revenue for the Top 25% of agencies in networks was 27.4% vs. 13.7% for agencies not in a network.

With these results, we understand why in 2017 the most agencies in 18 years joined MarshBerry's peer exchange. Consider what tends to happen when an owner continues managing in their own business silo, isolated from the support and advice of other owners. According to MarshBerry's proprietary database, Perspectives for High Performance, we know the average industry organic growth rate is 5.8% per year. So, if your goal is to double in size, at that rate, it would take 24 years. Who wants to join a company that has a 24-year growth plan?

Peer exchange helps push each other to break execution into workable steps, and to assign tasks tied to timelines to teams.

How will you attract valuable talent to your business — and keep the good people you have — if they don't see the business moving forward?

With this nearly stagnant growth, perpetuation fades as a possibility — it's a dream and selling is the reality. (And, don't expect to get a high market valuation with this type of performance.)

Joining peer exchange gives you the power of many owners' experiences. You essentially adopt a board of leaders who understand the industry, your business challenges and have been through similar situations themselves. We can learn so much from each other. Not to mention, peer exchange members hold each other accountable to attaining goals.

At our spring exchange conference, Chris McChesney, author of *The Four Disciplines of Execution,* said, "There are two principal things a leader can influence when it comes to producing results: strategy, and the ability to execute the strategy. Which one of these do leaders struggle more with? Execution!"

Peer exchange helps push each other to break execution into workable steps, and to assign tasks tied to timelines to teams. They meet to review progress and when goals aren't met, they ask, "Why?" Peers can hold you accountable to working the plan. No wants to show up to the meeting and say, "I didn't do what I said I would do."

Should You Tap into Peer Exchange?

Are you committed to growth? Will you go beyond building strategy and execute on it? Will you share financials and "how you do it" openly so you can gather constructive insight from peers? (How will you react if a peer suggests your way is not the best?)

Knowledge-share is invaluable. Ultimately, it inspires growth and success — and a solid network of support.

Peer exchange partners are growth-focused and dedicate the time and resources to execute on their strategies. If the plan is to grow by X%, you will likely have to reinvest money back into the business, make some new hires, and possibly let some existing employees go. It's an investment and a commitment, but the bigger issue is time. You must be willing to focus on your strategies.

And, as you receive insight and listen to the lessons learned from peers, you'll be called on to share your own experiences in business — the good, bad and ugly. (We learn more from our mistakes than our successes.) Remember, your peers are not competitors. They are not based in your market. But they are like-minded leaders who are running organizations similar to yours. Knowledge-share is invaluable. Ultimately, it inspires growth and success — and a solid network of support. If this is what you seek, a peer exchange network is where you can find it.

What to Expect

MarshBerry's Connect members meet in person twice annually for several days.

They share their challenges and successes, best practices, and they talk about issues including compensation, profitability, sales, perpetuation and beyond. In between these face-to-face meetings, conference calls run by a facilitator keep the networks in constant contact.

Wonder if you're a good fit? MarshBerry's has a new evaluation process called MAX Performer. If you qualify, your agency is named one of the top agencies in your geographical area—and we help promote your success. You are partnered in a peer exchange group with top agencies in other markets, gaining the benefits of the network. Additionally, you receive benchmarking information through our Perspectives for High Performance (PHP) report, and access to an employee engagement study to better understand your own team.

Ask yourself honestly: Who do you go to for advice? Who can you count on for honest feedback? Who will encourage you to grow — and hold you up to the highest standards set for your business?

METRIC OF THE MONTH

Peer Exchange Helps High Performers Transition to Best in Class

Being a member of MarshBerry Connect clearly helps high-performing[1] agencies maximize their organic growth opportunities and profitability, especially after the U.S. Great Recession period.

In our analysis, the Top 25% (elite group) of firms in Connect enjoyed significantly higher organic growth and EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization) as a percentage of net revenue than agencies that had never participated in a network. The Top 25% of Connect members and those that were never part of MarshBerry's network reflected 20.1% and 3.4% organic growth, respectively between 2009 and 2017. The Top 25% of Connect firms and never network agencies reflected 27.5% and 15.1% EBITDA %, respectively between 2009 and 2017.

[1] "High-performing firms" are defined as the top 25% of firms in terms of financial performance based on the most recent quarter of submissions in Marsh, Berry & Company, Inc.'s Perspectives for High Performance proprietary database.

Congratulations to our 2018 Pinnacle and Pin Up winners!

Both accomplishments are awarded in relation to an organization's Performance Indicator Number (PIN), a MarshBerry proprietary calculation that summarizes a firm's financial and operational performance.

MARSHBERRY PINNACLE

The Pinnacle Award is an honor that acknowledges the agency with the highest PIN, excluding agencies who have won within the last five years.

We are pleased to congratulate **Dillingham Insurance** (Enid, OK) on winning the Pinnacle award. The firm quickly rose to the top after joining APPEX in 2016.

MARSHBERRY PIN UP

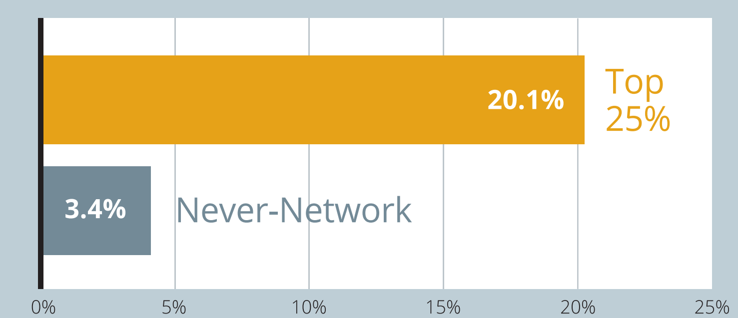
This award recognizes the agency with the largest increase in PIN since joining MarshBerry Connect.

The Spring 2018 Pin Up winner was **Foa & Son Corporation** (New York, NY) with a 65% increase since joining APPEX in 2009. Foa has been a diligent and persistent client, making incremental changes in the interest of improving agency value.

Interested in increasing value and staying in control of your firm's destiny?
Contact us at Connect@MarshBerry.com or 440.354.3230.

We encourage all firms to customize their growth strategy to help optimize their specific industry and/or geographic opportunities — however, in our opinion, being a part of Connect where you can share best practices and thought leadership, can help lead to greater success.

ORGANIC GROWTH FOR NEVER NETWORK VS. TOP NETWORK PERFORMERS



Source: MarshBerry Perspectives for High Performance (PHP). Data as of May 2018 and includes data between the 2009 and 2017 reporting periods.

It's All About **The People**

Rogers & Gray Insurance Agency shares how reinvestment in training, development and the agency's infrastructure primes the firm to put top talent in the field.

By **Alison Wolf,**
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"We focus on being a great place to work, and telling that story," says Michael C. Robinson, Chairman and Partner at Rogers & Gray Insurance Agency in South Dennis, Massachusetts. In 2017 the firm was named one of the Top 100 independent insurance agencies in the country — operating in all 50 states — and in 2015 was ranked as the "Best Agency to Work For in the U.S." by *Insurance Journal.* Founded in 1906, Rogers & Gray completed a successful perpetuation plan in 2014 that reignited its commitment to people, and repackaged its core values and company culture.

Continued Reinvestment

"Our growth has helped the continued reinvestment in people," says David T. Robinson, President, CEO and Partner. "

And, as an agency that heavily invests back into our infrastructure and people, we have amassed what we would deem as the toughest senior management team, production team and overall staff out there, and we'd put them up against anyone."

The reason this team is at Rogers & Gray? "The culture," David says. "And, because we reinvest in every single one of them." Reinvestment means doing more than teaching the industry's products. It involves a robust Rogers & Gray Academy that addresses the firm's process and culture. New hires learn not just what the agency offers, but how to deliver it. The firm recently added a commercial lines trainer to support its onboarding and career development efforts. "That makes a new employee's experience vastly different, and we are not taking our top service people out of the field to train new staff — we have people with the skillset to train and teach do that," Michael says.

MarshBerry sat down with Rogers & Gray to learn more about what drives its culture, how technology is giving the firm a leg up in a competitive market, and what the agency is looking forward to as it continues on a growth trajectory following perpetuation.

Tenacious Talent

Onboarding a new producer used to require about 18 months to two years of training and mentorship, Michael says. Today, "it's a matter of six to eight months, and we are able to do far more in that time," he says. That's because the firm is focused on finding people who are a cultural fit and bring sales skills to their organization.

"We hire for skillset, not insurance experience," Michael says, noting that more than half of new hires come to Rogers &

Gray with no prior insurance experience, and that goes for the sales and service sides of the agency.

Not only are new hires mentored on the Rogers & Gray process, they eventually go deep on an area of expertise and become specialists. "We think that specialization is key to producers' success," David says, relating that some of the agency's product niches include healthcare, real estate, hospitality, and the non-profit sector. While construction has historically been a significant industry the firm serves, it is seeing expansion in those other niches, David points out, highlighting real estate.

The accolades Rogers & Gray receives for its culture are a boon for recruiting, Michael says. "We are being extremely proactive through our academy where people learn the business," he says. "Between our public relations work, and the honors we receive, and continuing to reinvest in the academy, we have been planning for growth because our goals will require bringing on a number of new hires."

The reason this team is at Rogers & Gray? "The culture — and, because we reinvest in every single one of them."

David adds, "It still takes us time to hire and find the right skillsets, so we are ramping up our efforts to make that less of a challenge. It takes time to fill specific positions, and we are continually focused on that."

Leading with Edge

Technology efforts at Rogers & Gray Insurance are targeted toward clients and improving their overall experience.

This speaks to the firm's acquisition of Your Poncho in early 2017, and its efforts to incorporate the InsurTech company's technology into its existing agency structure. Formerly billed as "your trusted advisor," Your Poncho is a 2015 start-up that sought to build a tech-enabled home, auto and life insurance agency that shopped coverages for users and seamlessly transferred their policies.

"Your Poncho opened our eyes and we had already been thinking about that experience," David says. "We taught them [Your Poncho] the insurance business, while they taught us the breadth and opportunity technology allows for us, and we are visualizing what's truly possible."

The biggest stumbling blocks to the technology are carrier integrations, "because they are just such large organizations with different priorities." But, David says, the Your Poncho play "gave us a leg up and allowed us to start from a different foundation as we continue to build a plan."

Not to mention, adopting an InsurTech platform shows Rogers & Gray employees the agency is committed to reinvesting in its infrastructure and staying ahead of the curve. Indirectly, this can have a positive impact on recruiting efforts and attracting people who are growth-focused and a cultural match for Rogers & Gray.

Meanwhile, Rogers & Gray has an expanding footprint, with geographic office moves. The firm will put a stake in the Boston market, and it operates in every state. The agency also continues to develop its technology and programs — true, niche products it develops internally vs. relying on carriers to introduce programs. Creativity is the key, Michael says. "We want to be nimble and continue moving the industry forward." ■

In 2002, the firm joined MarshBerry's Peer Exchange Network which the firm has attributed much of their success to. Since joining the exchange, Rogers & Gray has more than tripled in top line revenue. In addition, the firm's Earnings Before Interest, Taxation, Depreciation and Amortization (EBITDA) margin has shown improvement by almost 10% in the 15-year period.

For Connect Partners, Success is **No Flash in the Pan**

By **Brian Ambrosia,** Vice President
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The recipe for driving the value of an agency is no secret. Growth and profitability are the two main ingredients, and every agency owner knows that there are no substitutes for either. So why then do so many agencies struggle when it comes to executing on their plan to grow and increase profitability? The answer is simple — neither come easily, especially when agencies attempt to achieve them without any help along the way.

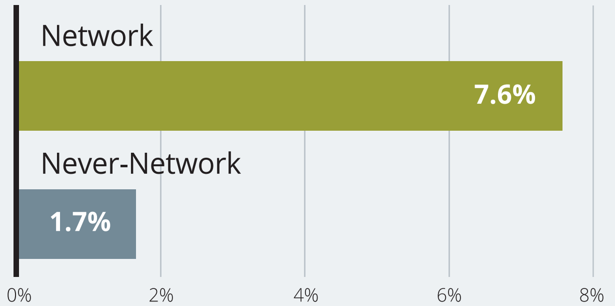
MarshBerry Connect

MarshBerry's Connect peer exchange network is just one of many services that MarshBerry provides to assist agencies that seek to increase their value by improving both their top and bottom lines.

Connect provides participating agencies a unique opportunity to confidentially discuss common issues, exchange successful operating strategies, uncover solutions and develop action plans – all in an effort to help each other improve performance, grow and ultimately, help drive the value of their respective organizations. And it works!

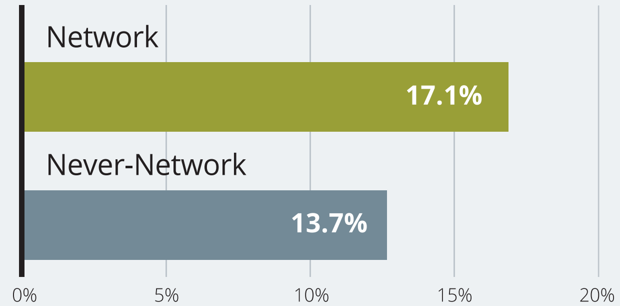
Based on MarshBerry's proprietary financial management system, Perspectives for High Performance (PHP) from 2009 and 2016, agencies that participated in Connect achieved an average annual organic growth rate of 7.6%, compared to an average annual organic growth rate of 1.7% for non-network agencies. Notably, the top performing 25% of network partners grew organically on average 15.2% per year, or almost nine times greater than the average non-network agency.

ORGANIC GROWTH BY NETWORK PARTICIPATION CATEGORY • 2009-2016



Source: MarshBerry's proprietary financial management system, Perspectives for High Performance (PHP)

EBITDA AS A % OF NET REVENUE BY NETWORK PARTICIPATION CATEGORY • 2009-2016



Source: MarshBerry's proprietary financial management system, Perspectives for High Performance (PHP) ; EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization

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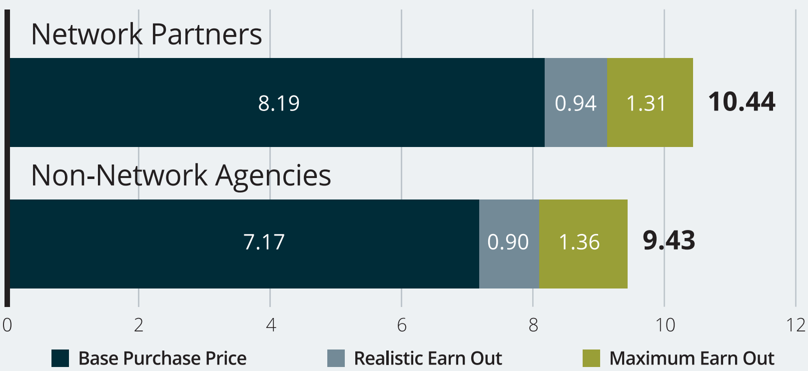
The data tells a similar story when it comes to profitability, which is measured as an agency's Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) as a percentage of net revenues. Between 2009 and 2016, Connect partners achieved an average EBITDA margin of 17.1%, compared to 13.7% for non-network agencies. The top performing 25% of network agencies maintained an average EBITDA margin of 27.4% -- exactly double that of the average non-network agency.

With Connect partners outperforming their non-network peers in the areas of organic growth and profitability, based on our proprietary deal data, we have seen that Connect members have, on average, recognized a higher valuation multiple when perpetuating externally than their non-network peers. For transactions that occurred between 2012 and April 1, 2018, the average Base Purchase Price for network partners was 8.19x EBITDA, compared to 7.17x EBITDA for non-network agencies. Including the Realistic Earn Out, the average transaction price for network partners was 9.13x EBITDA, compared to 8.07 for non-network agencies. Finally, when considering a Maximum Earn Out, those EBITDA multiples increased to 10.44x EBITDA for network agencies and 9.43x for non-network agencies. In each instance, network agencies were able to command in excess of 1.0x EBITDA more than their non-network counterparts.

AGENCY VALUE COMPARABLES • 2012-APRIL 1, 2018
MAXIMUM PURCHASE PRICE AS MULTIPLE OF EBITDA



Source: MarshBerry proprietary database of transactions in which we were directly involved in. Multiples are averages and do not imply that all deals fall within these parameters .EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization

Our mission at MarshBerry is to help clients Learn, Improve, and Realize their Value. MarshBerry Connect embodies this mission by creating exclusive forums for communication among qualified non-competing agencies to help each other improve every aspect of their business and to hold each other accountable for doing so. Based on the data, network partners outperform their non-network peers in the areas that matter most — growth, profitability and value creation.

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definitions

BASE PURCHASE PRICE
The dollar amount Paid at Close, plus the Live Out the seller will receive.

PAID AT CLOSE
The amount of proceeds paid at the closing of a transaction, including any escrow for indemnification items.

LIVE OUT
The amount a buyer may initially hold back, but which is paid as long as the seller's performance does not materially decline. This may also be paid at closing, but could be subject to a potential adjustment. If the Live Out is not paid at closing this payment is usually paid within one to three years, contingent upon delivering on the seller's pro forma revenue or EBITDA.

REALISTIC EARNOUT
The anticipated dollar amount to be achieved in the future based on a number of factors including actual historical seller performance and buyer/seller review and discussion of earn out metrics, etc.

MAXIMUM EARN OUT
The maximum possible earn out payment based on future performance. In certain circumstances where deals are not capped, this number represents the likely maximum through discussions with buyers and sellers.

EARN OUT
The earn out represents the amount the seller can potentially achieve following a deal closing based upon the achievement of certain goals, typically related to growth of revenue and/or EBITDA.

EBITDA
Earnings Before Interest, Taxes, Depreciation & Amortization

Meet. Share. Grow.

MARSHBERRY CONNECT

By **Christina Moran, PhD,** Business Unit Manager, Connect

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MarshBerry's Peer Exchange Networks

Relaunch as Connect

For 21 years, MarshBerry's peer exchange networks have been described by clients as "invaluable," "great," a "wealth of useful knowledge," "strategic," "wonderful," "strong," "accountable," "helpful," and most importantly, they "drive value." Throughout that time, our networks have lovingly been referred to by a whole host of names; to recall a few: MarshBerry, APPEX, BANK, TASC, networks, peer exchange, peer groups, executive forums, pseudo board of directors, leader roundtables… And all those names have different connotations and lineages depending on what client or MarshBerry staff member you ask.

In the spring of 2018, our peer exchange network members relaunched as MarshBerry Connect. MarshBerry Connect replaces all the names listed above, but the essence of the forum remains the same: to help clients learn, improve, and realize their value.

Interested in increasing value and staying in control of your firm's destiny?

Contact us at Connect@MarshBerry.com or 440.354.3230.

Included in the MarshBerry Connect offering:

- Over 30 years of benchmarking data, Perspectives for High Performance (PHP)
- Semiannual summits to come together with peers and MarshBerry industry professionals
- Live MarshBerry University webcasts and access to archived webcasts
- An annual administration of MarshBerry's Employee Engagement Survey
- A subscription to MarshBerry ***CounterPoint***
- MarshBerry's exclusive member library, ResourceHub
- Deep discounts on MarshBerry and partner conferences, education courses, and more

MarshBerry Connect members can continue using their membership as they have become accustomed to throughout their tenure. More member enhancements and subsequent member education will be shared as enhancements become available for use. And in 2019, members of BANK, TASC, and APPEX will all come together at semiannual summits in April and September, enhancing opportunities for networking and program offerings while preserving the intimacy of the SIG environment our clients have come to know and love.

We thank our MarshBerry Connect members for their diligence, commitment, and dedication to superior results over the last 21 years and look forward to continuing the journey into the forum's next chapter.

REVGEN

12 WEEK PRODUCER TRAINING PROGRAM

Ready to enroll in a sales training program to actually produce results?

Based on the best practices of million dollar producers in the insurance industry, MarshBerry's RevGen teaches producers how to build a sustainable sales process.

What makes our training program better than the rest? We follow-up our two-day, in person seminar with 12 weeks of virtual training and coaching to ensure strategies taught are applied to real situations.

PRODUCERS LEARN ABOUT:

- Building a Sustainable Sales Process
- Niche Development
- Qualifying Prospects
- Opening Doors
- Mentorship and Producer Relationship

BEGINNING:

June 12-13, 2018
Hilton Orrington/Evanston
Conference Center Hotel
1710 Orrington Ave, Evanston, IL 60201

PRICING:

Standard: $3,299
Network Member: $2,999
Current Coaching Client: $1,499

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A Sound Investment:
The C-A-S-E for Creating a Company Organizational Chart

By **James Harrison,** Strategy Consultant
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For many, the current value of your business is the culmination of a tremendous amount of hard work, sacrifice, and risk-taking. Your agency is your life blood, possibly your sole retirement fund, or even an economic vehicle for future generations. While the business has likely been built on the backs of one or a few individuals, the focus is often on the sales engine of the organization. Though revenue generation is arguably the most important priority, there also needs to be an investment in efficiency and preservation.

> At its core, a business is only as strong as its infrastructure; and while not the most glamorous aspect of the business, the right infrastructure is one of the most critical.

At its core, a business is only as strong as its infrastructure; and while not the most glamorous aspect of the business, the right infrastructure is one of the most critical. Before we discuss the key benefits of a strong organizational design, let's discuss a practical example.

Think about the process of building a house. What most people tend to focus on are the aesthetics like the size, lot, style and floorplan. While these are important components, it's likely that the foundation of the house does not make the top 10 considerations of new home builders. Agency leaders face similar decisions — do they go after the exciting endeavors like acquisitions, attracting talent, and dividends, or do they grind through the challenging but fruitful work of designing a clear organizational chart, defining roles, and enforcing accountability? Think back to what it would be like to build a home without a stable foundation.

It's not enough to scribble something during a staff meeting that you use as your working organizational chart; you need a formalized foundation. We work proactively with our network clients to design the ideal structure based on industry best practices. Here's the C-A-S-E for creating and excelling in the crafting of your company's organizational chart.

C Communication

The first problem an organizational chart addresses is one of communication. People want to know not only what their roles are, but also who they can go to for key items throughout the organization. Implementing a strong organizational chart can help clarify who is driving in which lanes and help everyone get to the organization's end goal faster.

A Accountability

Everyone has accountability to someone, whether to a manager, owner, or team member; however, without a formalized structure, accountability can be inconsistent or not enforced as people tend to resort to the informal "unspoken" structure. Clearly understanding who is responsible for holding whom accountable provides the necessary framework to ensure enforcement.

S Structure

While some companies claim to exist in environments where people choose their own titles and "work just gets done" without a rigid infrastructure, some level of structure can make everyone's life easier. For example, are you a producer or an executive? What goals are you responsible for? The design of the organization is paramount to support company growth, communication, efficiency, accountability, employee engagement, and provide a career roadmap for employees.

E Efficiency

Enhanced understanding of responsibilities, simple lines of communications, and the shortest route between organizational inputs and goals are objectives of strong organizational design. An efficient process minimizes rework, wasted time, errors, misunderstandings, employee turnover, and lost revenue.

With the tenets clearly defined for you, it is time to take your organizational structure seriously and invest in the future of your firm. Having high-performing people in the right roles sets the tone for accountability, accelerates growth, and increases profitability. It's time to decide if you want to be Average or one of the Best 25% of the agencies in the industry.

The only thing stopping you.

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In my previous role, my firm was a member of MarshBerry's TASC network — designed for firms focused primarily on their "Total Agency Sales Culture." During our Strategic Issues Group (SIG) sessions, we were routinely challenged by all participants. For me, some of our greatest and rewarding ideas came from within the safest environments I have ever been in. I am extremely grateful for everyone's professional input and encouragement.

Over my eight-year exposure to TASC, I came to realize three simple truths that separate organizations, leaders, and attendees. The first two are accountability and execution - either they are strong components of your firm's DNA or they aren't. You can try to have one without the other but if equally balanced, a firm will enjoy great results, in a healthy environment. Both are routinely stressed by MarshBerry since they can be found, in varying degrees, in every organization.

Within a SIG your resolve to embrace truths #1 and #2 are tested. However, truth #3, learning to fear regret more than failure is the toughest pill to swallow. Every summit, you're urged to craft a crystallized vision and purpose of your organization but find yourselves lamenting that we never `got around to it', lacked the resources, etc. As a partner of MarshBerry, we can help you through this transformative process. The power of Connect, the SIGs, and the exposure to industry-leading MAX performance strategies can be leveraged by any organization, regardless of size, geography, or legacy. Quite frankly, the only thing stopping you is you.

Reach out and we can help make your organization better today and for tomorrow.

Q&A
with John Wepler

1 How has the adoption of Accounting Standards Codification 606, Revenue From Contracts With Customers ("ASC 606") impacted reported earnings for brokers in the first quarter of 2018?

This new standard became effective for public entities with fiscal years beginning after December 15, 2016, and while it is uncertain how this standard may evolve or be interpreted as we move forward, we have seen that this new pronouncement has had a material impact on the timing and recognition of certain revenue and expense items for several public brokers. ASC 606 requires a retrospective method of adoption, which allows companies more than one option when illustrating compliance with the current guidance. Several brokers provided ample disclosures in the publishing of their respective first quarter financial results regarding adoption of ASC 606. Many brokers chose the Modified Retrospective Method. This method does not require a company to restate historical financials, but instead, they must provide a 2018 comparison of first quarter revenue, profitability, growth, and other metrics under the guidance of the new standard as compared to these same results under historical accounting standard methodologies.

The resulting financial impact is mixed. Willis Towers Watson Public Limited Company (WLTW) reported reduced revenue, net income and adjusted EBITDA as a result of the adoption of ASC 606. WLTW reported approximately $300 million less revenue, $226 million less net income, and $284 million less adjusted EBITDA through the first quarter of 2018 adopting the standard versus historical revenue recognition practices. Conversely, Marsh & McLennan Companies, Inc. (MMC) reported increased revenues of approximately $161 million and increased net income of $75 million as a result of the adoption of ASC 606. Both Aon PLC. (Aon) and Brown & Brown, Inc. (BRO) experienced increases in net revenue and net income because of the adoption of ASC 606.

This new standard will involve an element of "judgment" as it relates to non-public retail agents and brokers, which is part of the additional work that will keep many accountants busy in 2018. Careful consideration must be made in determining if the new rules materially change revenue reported regarding the treatment of direct bill, agency bill, and contingent income.

2 Where do brokers see the most opportunity for investment in technology and data analytics to drive top-line growth?

The digitalization of today's world has given rise to a growing number of risks that challenge how brokers and clients perceive and evaluate risk. On the flip side, this digitalization process also presents unique opportunities and advancements for clients to challenge the status quo.

Aon stated that they are committed to create differentiated value through a portfolio of investments in data analytics, cyber risk advisory, and content driven insight to optimize their data centers and application management systems. They anticipate investing over $1B dollars in technology platforms that will yield an anticipated savings of $450M over the next three years. MMC is specifically focused on enhancing their flood and cyber risk platforms using data analytics software that will help their clients think more holistically about these coverages. BRO has announced their continued reinvestment in a multi-year plan that includes standardizing their agency management system across all platforms, upgrading core infrastructure, and gaining a better insight on their data collection and analysis processes.

Technology and data analytics are changing the game and disrupting the insurance landscape. Those who will succeed in the technological arms race are those who can harness the power of technology to their advantage. Complacency is not an option.

Sources: Data for Aon PLC, Brown & Brown, Inc., Willis Towers Watson PLC and Marsh & McLennan Companies was obtained through the 1Q18 public investor calls for each organization as well as other publicly available sources; MarshBerry opinion and experience. EBITDA: Earnings Before Interest, Taxes, Depreciation & Amortization.

Marsh, Berry & Co., Inc. and MarshBerry Capital, Inc. do not provide tax or legal advice. These professionals should be consulted separately before implementing changes to your tax or legal matters.

The Broker Tear Sheet is a proprietary quarterly report from MarshBerry that highlights critical ratios and statistics on the performance and market value of the five publicly traded insurance brokers.

The information is compiled from a number of credible sources including: S&P Global Market Intelligence, Yahoo! Finance, Morningstar and Reuters reports along with company websites. The one and five year Financial Performance Indicators are updated after each broker's year end filing (Q4), while the remaining metrics are updated on a quarterly basis.

1Q18 Snapshot (as of 03.31.18)

BROKER	AON	AJG	BRO	MMC	WLTW
Total Revenue LTM (in $ mil)	10,743	4,884	1,918	14,546	8,190
Number of Employees (FTEs)[1]	50,000	26,783	8,491	65,000	43,000
Number of Offices[1]	500	650	241	600	400
Revenue per Employee ($)	214,860	182,369	225,854	223,785	190,465
Revenue per Office ($)	$21,486,000	$7,514,462	$7,957,378	$24,243,333	$20,475,000
ENTERPRISE VALUE[2]					
Common Stock Price ($)[4]	140.33	68.73	25.44	82.59	152.19
Number of Shares Outstanding (in 000s)[4]	245,200	182,075	276,074	507,931	132,400
Market Capitalization (in $ mil)	34,409	12,514	7,023	41,950	20,150
Plus: Total Debt (in $ mil)	6,100	3,273	972	6,327	4,592
Plus: Preferred Stock & Minority Interest in Subsidiaries (in $ mil)	84	70	0	0	158
Less: Cash & Short Term Investments (in $ mil)	597	698	558	1,168	954
Equals: Enterprise Value (in $ mil)	$39,996	$15,159	$7,437	$47,109	$23,946
BOOK OF BUSINESS VALUE					
Market Capitalization (in $ mil)	34,409	12,514	7,023	41,950	20,150
Less: Tangible Net Worth (in $ mil)	-4,827	-1,291	-607	-2,429	-3,514
Equals: Book of Business Value (in $ mil)	$39,236	$13,805	$7,630	$44,379	$23,664
ORGANIC GROWTH					
Organic Growth[3]	3.0%	5.1%	5.7%	4.0%	6.0%
Total Growth	-12.5%	11.7%	9.4%	9.9%	8.8%

AON *= Aon Risk;* ***AJG*** *= Arthur J. Gallagher;* ***BRO*** *= Brown & Brown;* ***MMC*** *= Marsh McClennan Companies;* ***WLTW*** *= Willis Towers Watson*

1 *Number of employees and number of offices are estimates based on data provided in annual reports, S&P Global Market Intelligence and on corporate websites by each company.*

2 *Numbers may not add up due to rounding.*

3 *Both Organic Growth and Total Growth represent the most recent quarter (MRQ) in comparison to the same period for the prior year for all reported segments. As such, the difference is comprised of growth by acquisition and disposition of applicable business units for the MRQ. It could include items such as contingent revenue, acquisition revenue and disposed revenue from those that would exclude it from their organic growth calculation. Organic Growth calculations vary by broker (see reverse side).*

4 *BRO had a 2:1 stock split on March 29, 2018.*

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1Q18 Financial Performance Indicators (as of 03.31.18)

GROWTH

Total Revenue LTM (in $ mil)	
MMC	14,546
AON	10,743
WLTW	8,190
AJG	4,884
BRO	1,918
Median	8,190

^Organic Growth Quarter End 1Q18	
WLTW	6.0%
BRO	5.7%
AJG	5.1%
MMC	4.0%
AON	3.0%
Median	5.1%

^Organic Growth Year to Date as of 03.31.18	
WLTW	6.0%
BRO	5.7%
AJG	5.1%
MMC	4.0%
AON	3.0%
Median	5.1%

Revenue YOY Growth as of 12.31.17	
AJG	8.1%
BRO	6.5%
AON	6.4%
MMC	6.3%
WLTW	3.6%
Median	6.4%

Revenue Growth 5 Year CAGR	
WLTW	18.4%
AJG	13.4%
BRO	9.4%
MMC	3.2%
AON	-2.7%
Median	9.4%

PROFIT

EBITDA LTM (in $ mil)	
MMC	3,532
AON	2,363
WLTW	1,371
AJG	1,084
BRO	602
Median	1,371

EBITDA Margin LTM	
BRO	31.4%
MMC	24.3%
AJG	22.2%
AON	22.0%
WLTW	16.7%
Median	22.2%

EBITDA Margin 5 Year Average	
BRO	32.1%
MMC	22.1%
AON	20.9%
AJG	18.8%
WLTW	18.4%
Median	20.9%

EBITDA YOY Growth as of 12.31.17	
WLTW	16.8%
AJG	8.6%
MMC	8.2%
BRO	4.5%
AON	-7.2%
Median	8.2%

EBITDA Growth 5 Year CAGR	
AJG	15.7%
MMC	8.6%
BRO	8.3%
AON	-3.9%
WLTW	N/A
Median	8.5%

BALANCE SHEET

Tangible Net Worth (in $ mil)	
BRO	(607)
AJG	(1,291)
MMC	(2,429)
WLTW	(3,514)
AON	(4,827)
Median	(2,429)

Tangible Net Worth as % of Revenue	
MMC	-16.7%
AJG	-26.4%
BRO	-31.7%
WLTW	-42.9%
AON	-44.9%
Median	-31.7%

Debt to LTM EBITDA *Lower performance is usually best*	
BRO	1.6
MMC	1.8
AON	2.6
AJG	3.0
WLTW	3.3
Median	2.6

Working Capital/ LTM Revenue	
BRO	22.9%
WLTW	22.0%
AJG	16.2%
MMC	14.8%
AON	13.6%
Median	16.2%

Days of Working Capital	
BRO	110.0
WLTW	84.0
AJG	66.9
MMC	66.8
AON	55.4
Median	66.9

VALUE

Market Cap (in $ mil)	
MMC	41,950
AON	34,409
WLTW	20,150
AJG	12,514
BRO	7,023
Median	20,150

Price-Earnings Multiple	
WLTW	46.9
MMC	26.0
AON	23.5
AJG	18.1
BRO	17.3
Median	23.5

Book of Biz Value as Multiple of LTM Revenue	
BRO	4.0
AON	3.7
MMC	3.1
WLTW	2.9
AJG	2.8
Median	3.1

Book of Biz Value as Multiple of LTM EBITDA	
WLTW	17.3
AON	16.6
AJG	12.7
BRO	12.7
MMC	12.6
Median	12.7

Enterprise Value as Multiple of LTM EBITDA	
WLTW	17.5
AON	16.9
AJG	14.0
MMC	13.3
BRO	12.4
Median	14.0

RETURN

Dividend Yield Quarter End 1Q18	
AJG	2.3%
BRO	1.9%
MMC	1.8%
WLTW	1.4%
AON	1.1%
Median	1.8%

Earnings Yield Quarter End 1Q18	
AJG	2.2%
AON	2.1%
WLTW	1.8%
MMC	1.6%
BRO	1.3%
Median	1.8%

Price Per Share Growth LTM*	
AJG	23.1%
BRO	18.6%
AON	17.1%
WLTW	14.8%
MMC	9.9%
Median	17.1%

Price Per Share 5 Year CAGR	
AON	21.8%
MMC	19.5%
AJG	13.6%
BRO	12.3%
WLTW	8.9%
Median	13.6%

Total Return LTM	
AJG	24.7%
BRO	23.4%
AON	19.5%
WLTW	18.0%
MMC	13.8%
Median	19.5%

***AON** = Aon Risk; **AJG** = Arthur J. Gallagher; **BRO** = Brown & Brown; **MMC** = Marsh McClennan Companies; **WLTW** = Willis Towers Watson*

** BRO had a 2:1 stock split on March 29, 2018.*

^ As reported in the MD&A published by each company; and calculated and reported slightly differently by each. AON: Includes all revenue except business unit transfers, unusual items and reimbursable expenses. AJG: Includes base organic commission & fee revenue and excludes supplemental and contingent commission revenue, impact of prior year large account wins, run-off related to the New South Wales Workers' Compensation Scheme, South Australia ramp up fees and New Zealand claims administration. BRO: Includes total commissions excludes profit sharing and guaranteed supplemental commissions. MMC: Includes all segments of revenue, using consistent currency translation (excluding divestitures, transfers among business units, acquisitions, and deconsolidation of Marsh India). WLTW: Includes total commissions & fees (excludes goodwill impairment charges, debt extinguishment, investment income, and other income). All broker organic growth calculations exclude the impact of foreign currency translation, divestitures, transfers, disposed operations, and the first twelve months of acquisition commission & fee revenue.

TERMINOLOGY KEY: **LTM:** LAST 12 MONTHS (03.31.18); **CAGR:** COMPOUND ANNUAL GROWTH RATE (12.31.17); **EBITDA:** EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION; **NM:** NON-MEASURABLE; **YOY:** YEAR OVER YEAR

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ON THE **HORIZON**

Mark your **calendars!**

JUNE 2018

06.12-13 | **RevGen:** Producer Training Program
06.26 | **MarshBerry 360,** London, England

SEPTEMBER 2018

09.10–12 | **Connect (BANK/TASC),** Atlanta, GA

OCTOBER 2018

10.16–18 | **Connect (APPEX), Las Vegas, NV**

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