



BROKER TRENDS & PROFILES

Agents and Brokers
Rankings & Directory
2016

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Brokers step up merger activity

Buying out rivals helps larger firms keep growing in soft market

BY MARK A. HOFMANN

Despite a still-soft commercial property/casualty insurance market, insurance brokers have performed fairly well over the past year or so. The record merger and acquisition activity, encompassing the blockbuster joining of Willis Group Holdings P.L.C. and Towers Watson & Co. as well as hundreds of smaller transactions, established larger entities that are better able to compete in the marketplace.

Questions remain, however, about the pace

of economic growth on which brokers depend for new business as well as their ability to post healthy organic growth.

Still, most analysts like what they have seen in the past year.

“Generally, the broker marketplace is in a good spot,” said Phil Trem, senior vice president at Woodmere, Ohio-based Marsh Berry & Co. Inc. “A lot of organizations are getting bigger, and that’s a key factor in overall success. It continues to be a great business.”

Quentin McMillan, director of equity research at Keefe Bruyette & Woods Inc. in New York, said brokers have outperformed

2 Aon P.L.C.

2015 gross revenue:
\$11.68 billion

Percent increase
(decrease):
(3.0%)

2015 brokerage
revenue:
\$11.66 billion

Percent increase
(decrease):
(3.0%)



Gregory C. Case,
president and CEO

Like many peers, Aon P.L.C. faces challenges in growing in today's market, but the brokerage plans to address them by servicing its clients innovatively.

In 2015, the London-based company's brokerage revenue dropped 3.0% to \$11.66 billion, making it No. 2 in *Business Insurance's* 2016 ranking of the world's largest insurance brokers.

Aon's gross revenue also dropped 3.0%, to \$11.68 billion. "The biggest issue for Aon, like most of the big brokers, is trying to squeeze out further profit margin expansion," said J. Paul Newsome, managing director at Sandler O'Neill & Partners L.P. in Chicago.

"They and others are near a record high in terms of their profit margin and intend to get them even higher. But as you can imagine, as you get those profit margins higher and higher, it typically makes it more difficult to make that happen," Mr. Newsome said.

"Unless you see a change in the insurance market," top-line growth is largely tied to, and will be in line with, global gross national product growth, he said.

Over the past couple of years, Aon's financial results focus "has been more about financial engineering benefits," which has been accomplished through measures including changing its domicile to the United Kingdom and significantly lowering employee pension costs. That "means they've been able to buy back a lot more shares," a focus expected to continue for the next couple of years, Mr. Newsome said.

Aon is "already in just about every business in the insurance brokerage world. I would expect them to make small, incremental transactions to enter into incrementally smaller markets," he said.

Aon reported a 2015 organic growth rate of 3.0%, no surprise to analysts.

"Organic growth is going to largely be determined by pricing, which remains negative," said Quentin McMillan, New York-based director of equity research at Keefe, Bruyette & Woods Inc. in New York. "We believe that Aon, as well as the rest of the brokers, can continue to show 3% to 4% organic growth going forward."

Michael J. O'Connor, Chicago-based CEO of Aon Risk Solutions, said the company has faced a "pretty stiff foreign exchange headwind" that its results have reflected.

However, customer service remains a key focus to growing the business.

"Aon is united in one goal — enabling our clients to make better business decisions in a dynamic and complex market. Around the world, we are utilizing our collective intellectual capital and harnessing data and analytics to recognize patterns, drive new insights and create value on behalf of our clients," Aon President and CEO Gregory C. Case said in an email. "We see tremendous opportunity to deploy our innovative solutions and expertise in the areas of risk, retirement, health and talent to help our clients navigate this changing landscape."

Mr. O'Connor noted that over the past year, Aon, which changed its domicile from Chicago to London in 2012, moved into a new London headquarters dubbed the "cheese grater" because of its resemblance to the kitchen tool.

The vast majority of Aon's London team has moved from other locations into the building, which creates an opportunity for Aon to bring its team together and offers an environment where people can work together effectively, Mr. O'Connor said.

Worldwide, Aon had 69,000 brokerage employees in 2015, the same as the previous year.

The United Kingdom's vote to leave the European Union will not affect this process, Mr. O'Connor said.

"We don't expect that to have any impact in terms of approach, philosophy and how we move forward," he said.

In March, Aon announced that Bryon Ehrhart, previously Chicago-based CEO of Aon Benfield Americas, was promoted to global head of growth and development, a move that is intended to boost growth.

The company said Mr. Ehrhart, who joined Aon in 2004 and reports directly to Mr. Case, will explore ways to accelerate Aon's growth initiatives.

"We've got an extremely talented leadership team and a deep bench, and part of what we want to continue to do is to basically develop our people, give them opportunities to lead and to innovate, both within our firm and also with our partners," Mr. O'Connor said.

Mr. Ehrhart is a "great example of that talented leader," Mr. O'Connor added.

By Judy Greenwald

OFFICE locations: Illinois, Missouri.

FOUNDED: 1961

BUSINESS TYPE: Broker

RETAIL BROKERAGE: Commissions, 91%; fees, 9%.

SUPPLEMENTAL COMPENSATION: 7%, does not disclose.

OFFICERS: Anthony D. Chimino, CEO; Daniel G. Klaras, president; Jacquelyn K. Gould, COO.

CONTACT: Steven A. Handmaker, chief marketing officer, 847-463-7176, shandmaker@assuranceagency.com.

AssuredPartners Inc.

200 Colonial Center Parkway
Lake Mary, FL 32746
407-804-5222
www.assuredptr.com

TYPE OF COMPANY: Private

	2015	2014
Premium volume	\$5,305,033,766	\$4,334,530,800
Gross revenue	\$570,326,869	\$465,991,262
Brokerage revenue	\$570,193,798	\$465,882,535
U.S. clients	97.5%	96.4%
Non-U.S. clients	2.5%	3.6%
Brokerage retail	58.94%	59.94%
Wholesale	3.77%	4.52%
Personal	11.38%	10.13%
Employee benefits	23.58%	22.33%
Services	2.31%	3.06%
Investment income	0.02%	0.02%
Employees	3,191	2,563
Retail offices	148	133

OFFICE LOCATIONS: All U.S. states and territories

FOUNDED: 2011

BUSINESS TYPE: Agent/Broker

RETAIL BROKERAGE: Commissions, 82%; fees, 18%.

SUPPLEMENTAL COMPENSATION: 7%, automatically.

ACQUISITIONS: Refer to www.assuredptr.com

OFFICERS: Jim Henderson, CEO; Tom Riley, COO.

CONTACT: Paul Vredenburg

Axion RMS Ltd.

2651 Warrenville Road
Downers Grove, IL 60515
630-789-9508
www.axionrms.com

TYPE OF COMPANY: Private

	2015	2014
Premium volume	\$380,000,000	\$308,000,000
Gross revenue	\$10,256,542	\$12,736,428
Brokerage revenue	\$10,256,542	\$12,736,428
U.S. clients	99%	99%
Non-U.S. clients	1%	1%
Employee benefits	100%	100%
Employees	34	39
Retail offices	2	2

FISCAL YEAR ENDING: June 30

OFFICE LOCATIONS: All U.S. states and territories

FOUNDED: 2015

BUSINESS TYPE: Broker

RETAIL BROKERAGE: Commissions, 50%; fees, 50%.

SUPPLEMENTAL COMPENSATION: 3%, automatically.

OFFICERS: James P. Lill, CEO; Suzanne Hammond, executive vice president-finance/CFO; Tom Hutchinson, principal; Dan Hutchinson, vice president-operations; Jason Shirk, principal.

CONTACT: Suzanne Hammond

B

Baldwin Risk Partners

4010 W. Boy Scout Blvd., Suite 200
Tampa, FL 33607
813-387-6842
www.bks-partners.com

TYPE OF COMPANY: Private

	2015	2014
Premium volume	\$255,000,000	\$200,000,000
Gross revenue	\$25,407,688	\$19,865,042
Brokerage revenue	\$24,347,010	\$19,771,654
U.S. clients	100%	100%
Brokerage retail	23.75%	23.08%
Personal	40.79%	48.24%
Employee benefits	31.4%	28.12%
Investment income	0.01%	0.01%
Other	4.06%	0.46%
Employees	174	128

OFFICE LOCATIONS: All U.S. states and territories

FOUNDED: 2006

BUSINESS TYPE: Agent/Broker

RETAIL BROKERAGE: Commissions, 70%; fees, 30%.

SUPPLEMENTAL COMPENSATION: 17%, on request of client.

NONRETAIL SUBSIDIARIES: Fort Myers, Florida; Naples, Florida.

ACQUISITIONS: FMO, Orlando, Florida, April 20, 2016.

OFFICERS: Lowry Baldwin, founding partner; Elizabeth Krystyn, managing member; Laura Sherman, managing member.

CONTACT: Trevor Baldwin; 813-984-3216; tbaldwin@bks-partners.com.

BancorpSouth Insurance Services Inc.

1 Mississippi Plaza
200 S. Spring St.
Tupelo, MS 38804
228-563-8362
www.bxs.com

TYPE OF COMPANY: Public

	2015	2014
Premium volume	\$965,000,910	\$983,990,345
Gross revenue	\$114,681,864	\$113,557,067
Brokerage revenue	\$114,581,596	\$113,374,165
U.S. clients	100%	100%
Brokerage retail	67.11%	67.23%
Wholesale	4.95%	4.95%
Personal	8.27%	8.54%
Employee benefits	16.6%	16.82%
Services	2.99%	2.3%
Investment income	0.09%	0.16%
Employees	614	604
Retail offices	33	33

OFFICE LOCATIONS: Offices in eight U.S. states

FOUNDED: 1882

PARENT: BancorpSouth Inc.

BUSINESS TYPE: Agent/Broker

RETAIL BROKERAGE: Commissions, 97.1%; fees, 2.9%.

SUPPLEMENTAL COMPENSATION: 7.53%, automatically.

NONRETAIL SUBSIDIARIES: Gumtree Wholesale Brokers, Jackson, Mississippi.

ACQUISITIONS: None

OFFICERS: James Threadgill, vice chairman-Bancorp-South; Markham McKnight, president-BancorpSouth Insurance; Scott Naugle, chief administrative officer-BancorpSouth Insurance.

CONTACT: Scott Naugle, 228-563-6101, scott.naugle@bksi.com.

Baty & Associates L.L.C.

9575 Katy Freeway, Suite 450
Houston, TX 77024
713-468-0700
www.batyins.com

TYPE OF COMPANY: Private

	2015	2014
Premium volume	\$12,979,891	\$12,264,101
Gross revenue	\$1,274,767	\$1,402,727
Brokerage revenue	\$1,274,767	\$1,402,727
U.S. clients	100%	100%
Brokerage retail	68.24%	62.12%
Personal	31.43%	18.01%
Employee benefits	24.21%	19.86%
Employees	11	14

OFFICE LOCATIONS: Alabama, Arizona, Arkansas, California, Colorado, Indiana, Kansas, Louisiana, Maine, Mississippi, Nevada, Oklahoma, Oregon, Tennessee, Texas, Utah, Vermont, Washington, West Virginia.

FOUNDED: 2011

BUSINESS TYPE: Agent

SUPPLEMENTAL COMPENSATION: On request of client

OFFICERS: Rick Baty, Amy Noles, Kae Loan.

CONTACT: Amy Noles

Bazzi & Partners S.p.A.

Via Carlo Morini 4
Casale Monferrato 15033, Italy
39-01-42-33501
www.bazzipartners.com

TYPE OF COMPANY: Private

	2015	2014
Premium volume	\$36,920,600	\$48,209,000
Gross revenue	\$4,837,685	\$6,316,756
Brokerage revenue	\$4,837,685	\$6,316,756
U.S. clients		3%
Non-U.S. clients		97%
Brokerage retail		89.75%
Personal		6.54%
Employee benefits		3.71%
Employees		23

CURRENCY: Euro; converted at applicable exchange rate.

FOUNDED: 1982

PARENT: Nextra Holding S.p.A.