

News Release

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M&A Appetite Remains Strong among Program Administrators and General Agents, According to Guy Carpenter Survey

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Program administrators and managing general agents (PAs/MGAs) remain interested in growth through acquisition in order to accelerate top-line growth and capture market share, according to Guy Carpenter & Company, LLC's *Fifth Annual Specialty Insurance Program Issuing Carrier Survey*. 72 percent of respondents to this year's survey of PAs and MGAs indicated an interest in growing through acquisition, up slightly from 70 percent in 2008.

ACQUISITION TARGETS BY TYPE

- Fifty-nine percent of respondents to the survey expressed an interest in acquiring other PAs/MGAs, while 44 percent would prefer to acquire carriers. Both figures showed five percent increases since the 2008 survey.
- Interest in wholesalers, on the other hand, has decreased, with only 13 percent of respondents targeting them this year, compared to 23 percent in 2008.
- Five percent of respondents to the 2009 survey are considering acquiring third-party administrators, while the 2008 survey indicated little to no interest in this segment.

FUNDING SOURCES

- To fund acquisitions, the majority of respondents plan to use company funds to make acquisitions (56 percent, compared to 54 percent in the 2008 survey), though company stock also remains a popular source (23 percent).
- The use of institutions as funding sources for M&A has declined sharply in 2009, largely as a result of the worldwide financial crisis. In 2008, 27 percent of respondents indicated an interest in working with private equity partners, while another eight percent listed banks as a financing source. This year, the same sources only garnered only three percent and five percent, respectively.

QUOTE

John Barrows, Program Manager Solutions Specialty Practice, Guy Carpenter & Company, LLC

"Because this is a relatively mature segment of the insurance industry, growth through acquisition or merger remains one of the key methods for achieving growth and building a larger book of business. This trend has been further spurred by the downward pricing trends we have witnessed, coupled with the general lack of significant top- and bottom-line growth. In what is currently a buyer's market for insurance, M&A activity among PAs and MGAs merits close attention for the remainder of the year as we move into 2010."

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LINKS/URLS

Fifth Annual Specialty Insurance Program Issuing Carrier Survey:

<http://www.gccapitalideas.com/2009/10/26/mga-ma-appetite-remains/>

Charts Available for Download: <http://www.gccapitalideas.com/category/chart-room>

GCCapitalIdeas.com Registration: <http://feeds2.feedburner.com/gccapitalideas>

TAGS/KEYWORDS

Guy Carpenter, program, MGA, general agents, specialty, mergers, acquisitions, carriers, insurance

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