



Q3 2016 Newsletter

Your source for the latest opportunities and concierge-level services.

Letter from the CEO

We hope this email finds you well, and that the third quarter has been a successful one for your business.

M&A Market conditions remain extremely active, particularly with insurance distribution companies. Insurance Journal's recently released [Q1 M&A activity](#) statistics revealed that the first quarter of 2016 was the second most active quarter for M&A transactions in the past 10 years. All indications are that these trends should continue for the foreseeable future, as aggressive private equity backed buyers continue drive the market.

Carrier M&A activity has also remained high, as evident by M&A Services closing three transactions in the third quarter including WR Berkley's acquisition of Intrepid Insurance Company from Daimler, Watford Specialty Insurance Company's acquisition of Professionals Direct from Hanover and State National acquisition of United National Specialty Insurance Company from Global Indemnity plc. M&A services successfully served as an advisor to all three sellers. We believe this market trend will also continue as larger carriers continue to actively pursue acquiring smaller and mid-size carriers as bolt on acquisitions.

Recently M&A has also been involved in the Brazilian insurance market, which currently presents investment and partnership options for carriers looking to expand or grow their existing presence in Brazil.

We look forward to keep serving your needs through our services that include M&A transactions, capital financing, fronting, renewal rights, reinsurance, strategic advisory, and program placements. M&A knows the insurance industry and our advisors make each client's project a priority, offering unparalleled concierge-level service. M&A Services business philosophy since the firm's inception has been to provide unbiased, focused, and value added advice to our clients and I am proud to say our team continues to deliver on that promise every day.

Sincerely,

Jason C. Murgio, CEO

Recently Closed Transactions

 DAIMLER sold Intrepid Insurance Company to  M&A Served as the sole financial advisor to Daimler AG	 The Hanover Insurance Group sold Professionals Direct Insurance Company to Watford Specialty Insurance Company M&A Served as the advisor to Hanover	 GLOBAL INDEMNITY plc sold United National Specialty Insurance Company to StateNational M&A Served as the sole advisor to Global Indemnity
 integro acquired HEALTHCARE RISK SPECIALISTS M&A served as the sole financial advisor to HealthCare Risk Specialists	 AssuredPartners Acquired ELM Insurance Brokers M&A served as advisor to ELM Insurance Brokers	 AssuredPartners Acquired Pat Moore Insurance Services M&A served as advisor to Pat Moore Insurance Services
 TANGRAM Insurance Services sold renewal rights book to Twenty Mile Insurance Services M&A Served as the advisor to Tangram	 Crabdree INSURANCE sold to  Shepherd INSURANCE M&A Served as the advisor to Crabdree	

Upcoming Events

Up Coming Industry Conferences -

Throughout the year Merger & Acquisition Services travels to numerous locations, whether hosting a hospitality suite, serving as a panel speaker, or just being on hand to meet face to face with clients and prospective clients to discuss the insurance marketplace. Our advisors believe this interaction is critical to keeping pace with changing market conditions. The list below represents select occasions where advisors of Merger & Acquisition Services will be available to meet with new and existing clients.

- **16th Annual TMPAA Summit - October 17-19, 2016 in Scottsdale, AZ**
- **PCI Annual Meeting - October 23-25 in Dallas, TX***
- **IMAC Cayman Captive Forum - November 29th - December 1st, 2016 in Grand Cayman, Cayman Islands.**

If you would be interested in meeting with us please contact Vanessa Silva at vsilva@maservices.com to schedule an appointment.

* M&A Services is not a registered member of PCI. However, our advisors will be available for confidential meetings at nearby locations for the duration of the events.

[See all upcoming events here.](#)

MGA Book Roll

M&A Services' Book Roll offers a unique opportunity for program managers and MGA's to maximize the fee income stream of their existing books of business **without selling their agency**. This strategy is ideal for principals that recognize the value of the business they produce but are not interested in divesting ownership. It allows agency owners to extract the embedded value of stable, low loss ratio business by partnering with highly rated paper who can assist and foster growth of existing books of profitable business. The program provides the following benefits for agency principal:

- Allows the principals the ability to monetize their agency immediately **without** giving up any control or ownership of the agency.
- Continue to receive a market based commission structure.
- Partnership with an established, financially sound, committed "A" rated carriers.
- A long term appointment contract offering stability and consistency in your markets.
- There is no financial obligation borne by the program manager to participate as M&A's fees are borne by the carrier.

M&A has close to two decades of experience in the insurance sector, working with carriers, program managers and agencies, allowing us to help parties maximize their revenue stream. If you would be interested in learning more about how this Book Roll program works and if your agency might qualify, please contact Danial Baransky directly at dbaransky@maservices.com. All inquiries are kept confidential and you incur no obligation to M&A.

Shells

Merger & Acquisition Services is considered to be the trusted source for insurance companies and agencies that seek to start up an insurance carrier operation, expand their geographic footprint, or enter the US insurance market. The shell market has been extremely active with over 8 transactions occurring in 2015 and early 2016. Successfully completing over 100 Insurance Shell Company transactions in the past 10 years, M&A continues to be the leading advisor throughout the United States.

M&A brings a team of senior financial advisors who can assist in all matters of a transaction and are available to discuss the process of buying an Insurance Shell Company or the phases involved in selling an Insurance Shell Company.

Current L&H Opportunities:

- **Client seeking widely licensed life, annuity or health company**
- Southeast Life Company Going Concern

Current P&C Opportunities:

- A+ rated insurance company seeking to purchase a widely authorized non admitted / Excess & Surplus lines shell company
- Widely Licensed P&C Admitted Carrier with Commercial Lines
- Widely Licensed P&C Admitted Carrier with Personal Lines
- Regional P&C Admitted Carrier
- Single State NJ Premium Tax Benefit Company

Please contact Paul Procops at pprocops@maservices.com to learn more about the process and the opportunities above.

[Learn more about our Shell Transactions.](#)

Distribution

The valuation and market for insurance distribution businesses is at an unprecedented peak over the past twelve months, and is expected to remain high for the next six to eighteen months. Industry valuations are driven primarily by private equity capital that has made significant platform investments in the past three years, leveraging 3:1 and 4:1 with historically low interest rate debt.

Further, stock market prices and trading multiples for publically traded brokerage firms are at all-time highs, allowing the publically traded acquirers to compete with the private equity aggregators at the higher valuations. This combination of low interest rate leveraged private equity capital and high priced publically traded companies has created an expansive and competitive landscape for insurance distribution assets, and therefore, increased the multiples of earnings (EBITDA) valuations for small and mid-sized distribution assets.

Currently, the market is priced at approximately a 50% premium to valuations from two to three years ago.

For more information on Distribution or the opportunities listed above please contact Chris Hughes directly at chughes@maservices.com

[Learn more about Distribution services](#)

Agency Financing

Through our registered broker-dealer Merger & Acquisition Capital Services, LLC we develop custom financing solutions for agencies of all sizes.

M&A's team of experienced dealmakers advises our clients through all aspects of capital financing and M&A transactions including sourcing lenders, producing offering memorandums, and assisting in preparing presentations for potential lenders and equity partners.

M&A's expertise and industry knowledge allow us to approach a diverse cross section of capital providers simultaneously, often reducing the total time to fund transactions, and because M&A manages the entire process, agency owners are free to focus on running their business rather than managing the capital raising effort.

If you are currently looking to raise capital for your agency, or MGA, to fund an acquisition, a partner buy-out / buy-in, or to refinance existing agency debt, contact us today to learn how Merger & Acquisition Capital Services can develop a customized solution for you.

Please contact Trevor Murgio directly at tmurgio@maservices.com . All inquiries will be held strictly confidential.

[Learn more about Agency Financing](#)

Program Insurance

M&A Services' Managing Director [Chris Hughes](#) and Insurance Programs advisor [Paul Surdel](#) will be attending the upcoming **TMPAA Convention In Scottsdale, AZ from October 17-19**. Please contact [Vanessa Silva](#) to set up appointments, or contact Chris and Paul directly. Thank you.

Insurance Programs services offered:

- Represent MGAs/MGUs seeking program insurance carriers.
- Our program carrier relationships are now over 60 and growing.
- Represent MGAs/MGUs seeking fronting program insurance carriers requiring 100% quota share reinsurance.
- Represent wholesale brokers seeking to bundle certain profitable homogeneous books of business into insurance programs.
- Represent underwriting start-up groups seeking program design and placement consultation.

M&A Recent Programs Placed:

- Placed an E&S Tier 1 Homeowners program for a southeastern MGA. Program placed with an "A+" carrier, allowing the MGA to write business in the southeastern and mid-Atlantic states.
- Placed a Surety contractors bond program for a western MGA. Program placed with a regional mid-western carrier that was looking to expand their surety writings on the west coast .

For more information on programs and how our Program Team might help your MGA/MGU, please contact Frank See at fsee@maservices.com or Paul Surdel at psurdel@maservices.com .

[Learn more about Program Business services](#)

News



M&A Services at CHART Exchange -

The M&A team attended The CHART- Exchange conference in Baltimore, MD October 3-5 as a Preferred Vendor and Speakers. Jason Murgio, M&A's CEO and Chris Hughes, M&A's Managing Director presented a workshop on Tuesday October 4th geared towards agency and carriers regarding the merger & acquisition process, valuations and market trends. M&A Services is very proud of the partnership with CHART and we look forward to see you next year at the 2017 CHART Conference.

To learn more about The CHART Exchange, please visit their website (<http://chart-exchange.com>)

Our Services

[Merger & Acquisition Services](#) is a boutique investment bank, specialist advisory and financial services firm devoted specifically to participants within the insurance industry.

Our mission is to provide concierge-level services and expertise within the insurance industry by assisting firms with their corporate development and acquisition/divestiture objectives. M&A Services has closed more than 100 transactions over the past 10 years and has earned continuous placement within the "Top 5 Financial Advisors in Insurance Underwriting" according to SNL Financial.

Our [Services](#) include:

- **Carrier M&A Transactions**
- **Agency M&A Transactions**
- **Agency Financing**
- **Capital Raising**
- **Strategic Advisory**
- **Valuation Services**
- **Program Business**
- **Renewal Rights**
- **Fronting**
- **Reinsurance.**



CALL US TODAY at 212-750-0630 for a confidential consultation with one of our senior advisors.

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