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

New York, October 26, 2009
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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TAGS/KEYWORDS
Guy Carpenter, program, MGA, general agents, specialty, mergers, acquisitions, carriers, insurance

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