

NOTABLE DEALS IN INSURANCE AND PRIVATE EQUITY

Trends and what it takes to win in 2024

The insurance sector continues to offer attractive investments and growth opportunities for private equity. Here, we take a look at notable deals in five segments: brokerage, managing general agents (MGAs), claims management, fronting, and property catastrophe underwriting. Our team highlights key trends and shares perspectives on how market participants and private equity investors can drive profitable growth and win in 2024.

1. NOTABLE BROKERAGE DEALS

Large insurance brokerages continue to attract investment interest

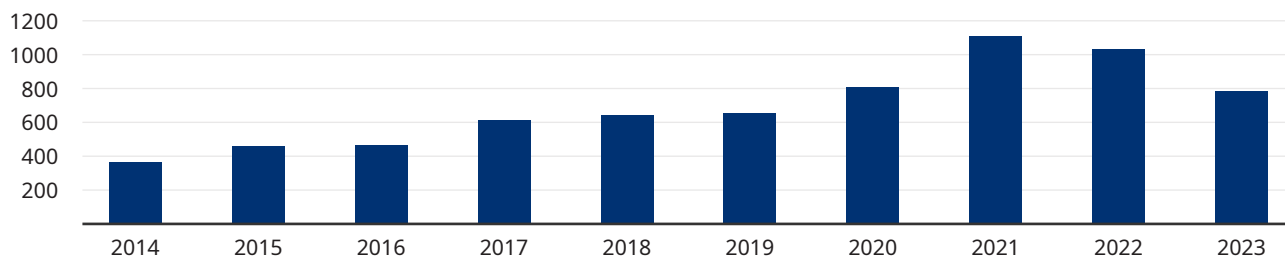
- **Leonard Green & Partners** acquired a substantial minority stake in **Hub International**, a leading global insurance broker valued at \$23 billion.
- **KKR & Co. Inc.** consolidated their ownership and invested more than \$1 billion to become the largest shareholder of **USI Insurance Services**, a leader in risk management, employee benefits and retirement consulting.
- **Stone Point Capital** acquired a minority stake in **Truist Insurance Holdings**, the sixth largest insurance brokerage in the United States. **Mubadala Investment Company** and other co-investors are participating in the approximately \$1.95 billion investment with Stone Point Capital.
- **GTCR** and **Apax Partners** are considering a sale or IPO of **AssuredPartners**, an independent insurance broker and MGA, that could be valued up to \$16 billion.

- **Aon** to acquire **NFP**, a middle market property and casualty broker, benefits consultant, wealth manager and retirement plan adviser, in a transaction valued at \$13.4 billion at closing; representing an exit for Madison Dearborn Partners and HPS Investment Partners.

Key takeaways

It was a more challenging market in 2023, with less activity and fewer transactions from large and medium-sized private equity-owned businesses. Buyers and sellers had different expectations as they faced multiple headwinds (higher interest rates, inflation, stricter borrowing/lending standards, geopolitical uncertainty). Overall, insurance brokerage platforms have been good investments, and in 2023, deal valuations for brokerages were high and did not come down. It was harder for private equity players to find deals and they did not want to let go of their cash cow. In the US, this resulted in private equity-backed firms reshuffling their capitalization (cap) table and large-scale platforms consolidating.

Total announced US agency and brokerage M&A deals (annual)



■ US brokerage deal transactions

Source: [OPTIS Partners](#)

Winning in brokerage for 2024

Currently, there are dual pressures at play in the market. The number of potential buyers is smaller because many of the biggest private equity firms already own an insurance brokerage asset. Absent an IPO or mega-merger, we expect brokers to find novel ways for stakeholders to take money off the table. For example, Leonard Green & Partners minority stake in HUB created a secondary marketplace or liquidity event for their employee shareholders to cash out more frequently.

We believe that the market will disproportionately reward consolidators that deliver well-integrated and operationally efficient insurance brokerages.

2. NOTABLE MGA DEALS

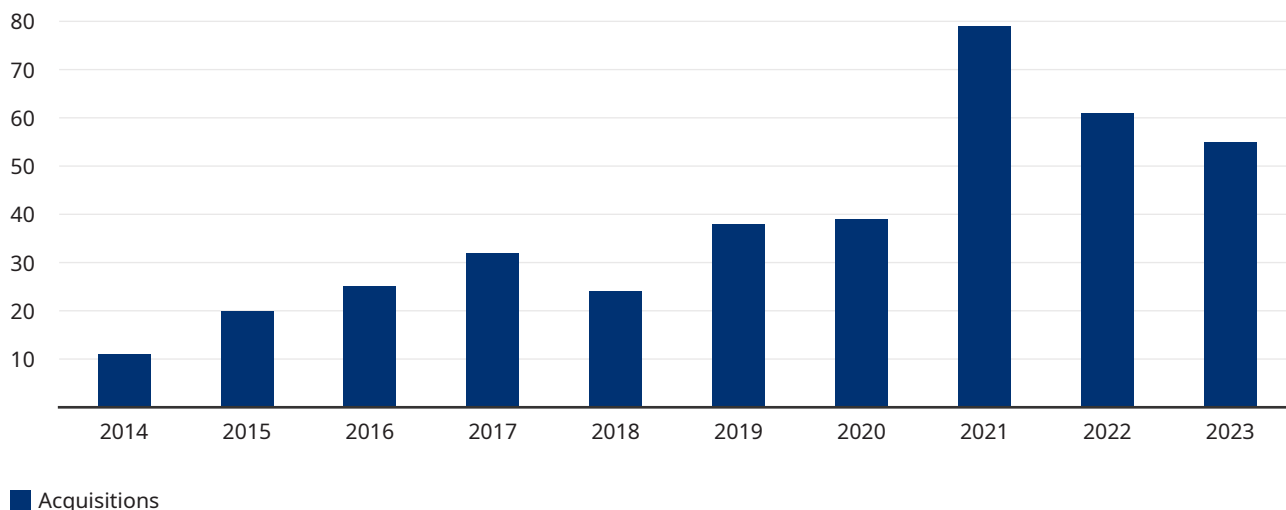
Proven MGAs became attractive investments

- **Warburg Pincus** acquired **K2 Insurance Services**, with a diversified portfolio and MGA programs across specialty commercial, specialty transportation, international and personal lines.
- **Goldman Sachs Asset Management** acquired **Doxa Insurance Holdings**, an MGA underwriting and distribution company based in North America.
- **The Travelers Companies, Inc.**, made a strategic play to enhance its capabilities in the cyber insurance segment and acquired **Corvus Insurance Holdings, Inc.**, a cyber insurance managing general underwriter, for approximately \$435 million.

Key takeaways

With high growth potential and low infrastructure costs, managing general agents (MGAs) continue to perform well and are attractive investments for private equity firms. MGAs can offer several advantages to traditional insurers, such as more advanced data, analytics, distribution, and underwriting capabilities. As it became harder to find new MGA acquisitions in 2023, private equity investors were keen to buy portfolios or platforms that had a proven track record of identifying and on-boarding successful programs — rather than pursuing niche monoline MGAs, focused on a specialty but also riskier due to higher concentration in a given area and greater reliance on a small number of risk capital providers for capacity.

Number of acquisitions of US MGAs, MGUs, Program Administrators (PAs), and wholesalers



Source: Conning, Inc.

Winning with MGAs in 2024

With the softening in the financial lines, players are seeking traditional capacity. For example, the Corvus Insurance Holdings deal signals continued investment interest for traditional carriers in a high performing and rapidly growing market segment. In 2024, there will be two tracks to increase growth and win as an MGA through

diversification and vertical integration. Assembling a diverse set of programs allow MGAs to become more relevant and give optionality to carrier partners. To create value in an existing platform, private equity owners should look to integrate capabilities that can be shared across programs, including underwriting, data, analytics, and tools such as generative AI.

3. NOTABLE CLAIMS SERVICES DEALS

Robust demand, scarcity of investable platforms

- **Blackrock Alternatives' Long Term Private Capital (LTPC)** acquired **Alacrity Solutions Group**.
- **CNL Strategic Capital** acquired **Sill Public Adjustors**, a leader in public adjusting in North America. Oliver Wyman advised CNL Strategic Capital on this transaction.

Key takeaways

Claims management services is an increasingly interesting investment for private equity firms. Combining different services and technology solutions along the claims value chain represents an attractive opportunity.

There is robust demand, but only so much space in this highly competitive segment. The claims service proposition is strong. This includes many benefits, including cost effectiveness and optimization, increased operational efficiency, and

can offer automation and advanced technological solutions, such as machine learning, Gen AI, and the stronger integration of data analytics. Demand continues to rise as insurance carriers outsource their end-to-end claims handling, which can offer faster response times for customers and provide investigation, management and resolution services.

Winning in claims for 2024

With the scarcity of larger platforms, investors are facing stronger competition in this segment. To win requires players to assemble and roll up many smaller businesses that offer a more diverse set of underlying products and services.

4. NOTABLE FRONTING CARRIER DEALS

Fronting competition increased

- **Onex Partners** announced a deal to acquire **Accredited**, the global program management business of **R&Q Insurance Holdings (R&Q)**.
- **Bain Capital** has been linked to an investment in a start-up hybrid-fronting business being launched by **Spinnaker** founders Dave and Ken Ingrey, and in partnership with Baldwin Risk Partners.
- **Bridgehaven Insurance**, a new hybrid-fronting carrier, has launched with the backing of **Flexpoint Ford (Flexpoint)**.

Key takeaways

There has been an influx of private equity capital into the fronting market — resulting in a large number of competitors where there previously were few. According to a report by Conning, “during the last five years, the fronting insurance space has grown from a premium size of about \$4 billion to exceeding \$12 billion.”

Competition and other market dynamics present opportunities and challenges. The bankruptcy of insurtech Vesttoo, which was reinsuring several fronting companies, exposed the ‘real risks’ in fronting companies and the need for stronger governance and controls. The previous fee and risk model of fronting companies is evolving.

With the hardening reinsurance market, fronting companies will struggle to transfer 100% of the risk to reinsurers. Reinsurers are now requiring fronting companies to retain more risk and operate more similarly to traditional insurance companies than product packagers.

Winning in the fronting sector in 2024

Fronting supports the growth and proliferation of the MGA market and M&A activity in the fronting carrier space will continue and be a theme for 2024. Fronting arrangements provide companies with many advantages, such as speed to market and access to reinsurance markets. We expect increased price competition, investments in controls and governance, and consolidation this year.

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5. NOTABLE PROPERTY CATASTROPHE UNDERWRITING DEALS

Institutional money returning as insurers and reinsurers trim capacity to manage volatility

- **Bregal Sagemount** and **FTV Capital**, two leading growth-focused private equity firms, acquired a substantial minority stake in **Neptune Flood Incorporated**, a leading digital insurtech platform and private flood insurance provider.
- **Vantage** raised ~\$1.5 billion for its 2024 **AdVantage** sidecar strategy.
- Global reinsurance giant **Munich Re** has returned to capital markets with its sidecar vehicle **Eden Re II Ltd.**, and the issuance of a \$28.5 million with the first tranche of notes in 2024.
- Full list of collateralized [reinsurance sidecar](#) issues by **Artemis**.

Key takeaways

A hardening market and the need to increase resilience in the face of climate change brought a renewed focus on property catastrophe (CAT) risks. Several sidecar investments were made in 2023, allowing the reinsurance market to partner with and attract private equity capital.

Winning in 2024

As climate change manifests, the interest in capital to get behind CAT risk will continue. Insurers and reinsurers can use such vehicles as a way to leverage their underwriting capabilities while also insulating their own balance sheets from underwriting volatility, creating the conditions for increased demand. A prolonged hard market in insurance and now reinsurance is likely to give capital providers confidence that the risk-return profile is attractive and increasing desired returns. The key to winning in this space, where the underlying risks are complex and the universe of investors who understand it is relatively small, is demonstrating how the sponsor delivers through the cycle underwriting "alpha."

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GET STARTED

Oliver Wyman's work for private equity investors is informed by the wide-ranging strategy, operations, risk and capital management, and actuarial work we do for industry incumbents and challengers — across the property and casualty, life and annuity, and accident and health industry segments. We offer unparalleled depth and breadth of experience to insurance sector investors in value creation, integration, post-investment service offerings and due diligence. Please reach out to learn more.

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