

BUSINESS INSURANCE®

July 21, 2014

www.businessinsurance.com

SPECIAL REPORT

WORLD'S 10 LARGEST INSURANCE BROKERS

Ranked by 2013 brokerage revenues

Rank	Company/address	Phone/website	Officers	2013 brokerage revenue	% change	Employees	Offices	Percentage of revenues*							
								Commercial	Wholesale	Reinsurance	Personal lines	Employee benefits	Services	Investments	Other
1	Marsh & McLennan Cos. Inc. 1166 Ave. of the Americas New York, New York 10036	212-345-6000 www.mmc.com	Daniel S. Glaser, president/CEO	\$12,270,000,000	2.9%	55,000	585	44.3%	0.0%	9.2%	0.0%	34.5%	11.9%	0.4%	(0.1%)
2	Aon P.L.C. 8 Devonshire Square London, England EC2M 4PL	44-207-623-5500 www.aon.com	Gregory C. Case, president/CEO	\$11,787,000,000	2.7%	66,000	500	45.7%	0.0%	12.7%	0.0%	20.5%	20.9%	0.3%	0.0%
3	Willis Group Holdings P.L.C. 51 Lime St., London England EC3M 7DQ	44-203-124-6000 www.willis.com	Dominic Casserley, CEO	\$3,633,000,000	5.1%	18,000	400	51.9%	5.3%	23.5%	2.1%	14.6%	2.0%	0.4%	0.2%
4	Arthur J. Gallagher & Co. The Gallagher Centre 2 Pierce Place Itasca, Illinois 60143-3141	630-773-3800 www.ajg.com	J. Patrick Gallagher Jr., chairman/ president/CEO	\$2,742,000,000	15.0%	16,336	400	33.1%	12.2%	0.0%	4.1%	17.8%	19.2%	13.8%	0.0%
5	Jardine Lloyd Thompson Group P.L.C. The St. Botolph Building 138 Houndsditch London, England EC3A 7AW	44-207-528-4444 www.jltgroup.com	Geoffrey Howe, chairman; Dominic Burke, group chief executive	\$1,746,454,140 ¹	23.5%	5,165	105	38.8%	71%	21.4%	1.3%	24.0%	6.8%	0.6%	0.0%
6	BB&T Insurance Holdings Inc. P.O. Box 31128 Raleigh, North Carolina 27622	919-716-9777 www.insurance.bbt.com	H. Wade Reece, chairman/CEO	\$1,582,443,400	6.9%	6,406	114	38.9%	40.7%	0.0%	6.0%	9.1%	0.0%	0.9%	4.4%
7	Brown & Brown Inc. 220 S. Ridgewood Ave. Daytona Beach, Florida 32114	386-252-9601 www.bbinsurance.com	J. Hyatt Brown, chairman; J. Powell Brown, president/CEO	\$1,355,502,535	14.0% ²	6,992	247	51.7%	14.3%	1.1%	6.2%	16.5%	9.6%	0.0%	0.5%
8	Wells Fargo Insurance Services USA Inc. 150 N. Michigan, Suite 3900 Chicago, Illinois 60601	312-423-2500 wfis.wellsfargo.com	Laura Schupbach, executive vice president and head of insurance	\$1,350,022,000	(14.3%)	5,689	54	40.8%	0.1%	0.0%	14.6%	15.3%	19.6%	0.3%	9.4%
9	Hub International Ltd. 300 North LaSalle St. 17th Floor Chicago, Illinois 60654	312-279-4882 www.hubinternational.com	Martin P. Hughes, chairman/CEO	\$1,147,560,000	16.1% ²	6,389	312	56.2%	5.2%	0.0%	19.5%	18.0%	0.8%	0.3%	0.0%
10	Lockton Cos. L.L.C. 444 W. 47th St., Suite 900 Kansas City, Missouri 64112-1906	816-960-9000 www.lockton.com	John L. Lumelleau, president/CEO; David M. Lockton, executive chairman	\$1,116,822,000 ³	10.9% ²	5,300	64	64.5%	4.5%	2.9%	0.5%	26.9%	0.0%	0.8%	0.0%

*Percentage of revenue may not add up to 100% due to rounding. 1 British pound = \$1.6529. 2 2012 restated. 3 Fiscal year ending April 30.

Source: BI survey

2013 gross revenue:	\$3.18 billion
Percent change:	26.2% ▲

2013 brokerage revenue:	\$2.74 billion
Percent change:	15.0% ▲

While Arthur J. Gallagher & Co. continues to make the smaller acquisitions that have become routine for the broker, a string of large purchases that started with Gallagher's August 2013 acquisition of Bollinger Inc. have drawn considerable insurance industry attention and could transform the company.



J. Patrick Gallagher Jr., chairman, president and CEO

Meanwhile, 2013 was a "rock star year" for the broker, said J. Patrick Gallagher Jr., the company's chairman, president and CEO. "Everybody in the company accomplished so much, and it was things that were not happenstance — a lot of planning, a lot of effort," Mr. Gallagher said.

Gallagher reported brokerage revenue of \$2.74 billion in 2013, a 15.0% increase over 2012, placing the company fourth in *Business Insurance's* annual ranking of the world's largest brokers.

Gallagher also posted 6% growth in organic commissions and fees in 2013 vs. 4% in 2012.

Meyer Shields, managing director at Keefe, Bruyette & Woods Inc. in Baltimore, groups Gallagher's acquisition activity into two types.

"We've seen a really steady stream of small acquisitions at Gallagher, probably more than any other broker," Mr. Shields said of the first type. The second type is "transformative deals on the international front," he said.

While the Bollinger purchase wasn't international, Mr. Shield includes the \$319.6 million deal

among the "transformative" acquisitions because of its size.

Transformative international deals included the acquisition of Toronto-based Noraxis Capital Corp. in July for about \$388 million; the acquisition of the insurance brokerage units of Australia's Westfarmers Ltd. in June for \$938 million — Gallagher's

largest deal to date; the April acquisition of London-based Oval Group of Cos. for \$350.2 million; and the September 2013 acquisition of the London-based Giles Group of Cos. for \$291.7 million.

"By taking all these international stakes, what Gallagher is doing is laying the groundwork to be a global broker," Mr. Shields said. "I don't think they'll do it quickly, but I think that's their long-term goal."

While the purchases have raised questions from investors and Wall Street, Mr. Gallagher said it's not a change in strategy.

"If you look at each one of these transactions, including Bollinger, you had someone that looks and feels very much like Gallagher who's been very active themselves in acquiring businesses for well over a decade," Mr. Gallagher said. "So when we got into the due diligence and looked, what we saw was: You know what, these folks bought what we would have wanted to buy."

Gallagher still applies what John W. Wicher, principal at John Wicher & Associates Inc. in San Francisco, calls a "no jerks" philosophy in acquisitions.

"If you fit (Gallagher's) culture, it is a very positive place to be," Mr. Wicher said. "You might be a fabulous producer, 30% margins. But if the culture of your organization doesn't fit, they're not going to do the deal."

While Mr. Gallagher said he expects the broker to slow its buying pace somewhat for the rest of this year, "the press releases will continue because we're not going to stop our bolt-ons."

the pre-eminent, premier claim organization in the world," Mr. Gallagher said. "What we are becoming is the claims department for insurance companies."

Gallagher Benefit Services Inc., the broker's employee benefits operation, also posted a strong performance and built a compliance team to deal with requirements of the Patient Protection and Affordable Care Act. "We've also expanded our platform in benefit consulting into Canada and

"If you fit (Gallagher's) culture, it is a very positive place to be. You might be a fabulous producer, 30% margins. But if the culture of your organization doesn't fit, they're not going to do the deal."

John W. Wicher,
John Wicher & Associates Inc.

Wherever they make acquisitions, "I see them remaining primarily a middle-market broker," said Timothy J. Cunningham, managing director at investment banking and consulting firm Optis Partners L.L.C. in Chicago.

Mr. Gallagher said the company's brokerage operations had a limited benefit from the insurance rate environment and insurer discipline in 2013. "Our results, as good as they were, had less than 1% revenue impact from the rate environment and the exposure growth," he said.

The broker's Gallagher Bassett Services Inc. third-party administration operation also had a strong 2013.

"I do believe that we are building

into the U.K.," Mr. Gallagher said.

"We've got good global coverage for clients in countries where we don't have an owned presence" with Gallagher Global Alliance.

Gallagher's Risk Placement Services wholesaling operation also is performing well, he said, offering "a solid, strong open-market broking team as well as program management capabilities."

"I could not have said this five years ago, but I can say with confidence today that for any account of any size located anywhere in the world in any area of insurance, we can be helpful," Mr. Gallagher said. "We can handle that account."

By Rodd Zolkos

This reprint brought to you compliments of Arthur J. Gallagher & Co.



Arthur J. Gallagher & Co.