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SPECIAL REPORT

WORLD'S 10 LARGEST INSURANCE BROKERS

Ranked by 2015 brokerage revenue

2016 Rank	2015 Rank	Company/address	Phone/website	Officers	2015 brokerage revenue	Percent increase (decrease)	Employees	Offices	Percentage of revenue*							
									Commercial	Wholesale	Reinsurance	Personal lines	Employee benefits	Services	Investments	Other
1	1	Marsh & McLennan Cos. Inc. 1166 Avenue of the Americas New York, NY 10036	212-345-5000 www.mmc.com	Daniel S. Glaser, president/CEO	\$12,912,000,000	(0.4%)	60,000	619	44.4%	0	8.7%	0	33.4%	13.6%	0.3%	(0.3%)
2	2	Aon P.L.C. 8 Devonshire Square London EC2M 4PL, England	44-207-623-5500 www.aon.com	Gregory C. Case, president/CEO	\$11,661,000,000	(3.0%)	69,000	500	42.7%	0	11.7%	0	22.7%	22.8%	0.2%	0
3	3	Willis Towers Watson P.L.C. ¹ 51 Lime St. London EC3M 7DQ, England	44-203-124-6000 www.willistowerswatson.com	John Haley, CEO; Dominic Casserley, president/ deputy CEO	\$8,124,000,000	115.7%	39,000	500	27.8%	2.8%	10.4%	4.5%	40.2%	13.9%	0.2%	0.1%
4	4	Arthur J. Gallagher & Co. The Gallagher Centre 2 Pierce Place Itasca, IL 60143	630-773-3800 www.ajg.com	J. Patrick Gallagher Jr., chairman/ president/CEO	\$3,990,200,000	13.0%	21,537	570	32.3%	9.8%	0	3.5%	14.9%	13.5%	26.0%	0
5	5	Jardine Lloyd Thompson Group P.L.C. The St. Botolph Building 138 Houndsditch London EC3A 7AW, England	44-207-528-4444 www.jlt.com	Geoffrey Howe, chairman; Dominic Burke, group chief executive	\$1,697,854,440 ²	4.7%	5,602	115	39.0%	7.8%	19.9%	1.9%	24.9%	6.1%	0.5%	0
6	6	BB&T Insurance Holdings Inc. 3605 Glenwood Ave. Suite 201 Raleigh, NC 27612	919-716-9777 www.insurance.bbt.com	John Howard, chairman/CEO	\$1,676,025,000	(2.2%)	6,272	112	36.7%	43.2%	0	5.9%	10.0%	0	0.4%	3.8%
7	7	Brown & Brown Inc. 220 S. Ridgewood Ave. Daytona Beach, FL 32114	386-252-9601 www.bbinsurance.com	J. Powell Brown, president/CEO	\$1,656,951,014	5.7%	7,807	236	57.2%	13.0%	0	5.1%	15.7%	8.8%	0.1%	0.2%
8	9	Hub International Ltd. 300 N. LaSalle St. 17th Floor Chicago, IL 6065	877-402-6601 www.hubinternational.com	Martin P. Hughes, chairman/CEO	\$1,470,477,000	13.5%	8,195	378	55.7%	4.6%	0	16.6%	22.2%	0.7%	0.1%	0
9	10	Lockton Cos. L.L.C. ³ 3444 W. 47th St. Suite 900 Kansas City, MO 64112	816-960-9000 www.lockton.com	John L. Lumelleau, president/CEO; David M. Lockton, executive chairman	\$1,328,569,000	8.0%	6,000	78	64.7%	3.0%	2.4%	0.7%	28.5%	0	0.7%	0
10	8	Wells Fargo Insurance Services USA Inc. 10 S. Wacker Drive 17th Floor Chicago, IL 60606	312-423-2500 wfs.wellsfargo.com	Laura Schubbach, head of insurance	\$1,316,335,000	1.3%	5,264	52	38.6%	0.1%	0	14.7%	15.1%	18.9%	0.3%	12.2%

*Percentage of revenue may not add up to 100% due to rounding. 1 Reflects 2016 merger of Willis Group Holdings P.L.C., Towers Watson & Co. and Gras Savoye & Cie. 2 British pound = \$1.4746. 3 Fiscal year ends April 30.

Source: BI survey

4 Arthur J. Gallagher & Co.

2015 gross revenue: **\$5.39 billion**Percent increase (decrease): **16.6%**2015 brokerage revenue **\$3.99 billion**Percent increase (decrease): **13.0%**

Arthur J. Gallagher & Co.'s aggressive international expansion over the past three years appears to be paying off as the brokerage reports another year of strong, acquisition-fueled growth.

While it's still unclear how the June "Brexit" vote in the United Kingdom will affect its operations there, the brokerage's recent acquisitions in Australia, Canada, New Zealand and elsewhere are contributing to its growth and are expected to provide bases for further acquisitions.

The international buys come as the U.S. market remains sluggish in many areas and competition for domestic acquisitions is increasing.

International deals have been an important recent development for Gallagher, providing opportunities for more expansion and more locations to expand into, said Ken Billingsley, senior vice president and research analyst at Washington-based investment bank Compass Point Research & Trading L.L.C.

"It gives them more shots on goals and more goals to shoot at," he said.

International acquisitions tend to have higher costs than domestic deals, but the competition for acquisitions has pushed up U.S. prices, said J. Paul Newsome, managing director and senior insurance analyst at Sandler O'Neill & Partners L.P., Chicago.

"There's a lot of private equity firms competing, and the M&A environment has been pretty frothy ... it's not that we'll see negative returns, but the benefits are just less than they were in years past," he said.

Overall, Gallagher saw strong growth in 2015, with brokerage revenue up 13.0% to \$3.99 billion, placing it No. 4 on *Business Insurance's* 2016 ranking of the world's largest brokers. Gross revenue increased 16.6% to \$5.39 billion.

Organic growth was 5%.

In its commercial retail brokerage sector, which accounted for \$1.74 billion in revenue, non-U.S. revenue growth was particularly strong. Revenue from non-U.S. offices grew 30.7% to \$754.4 million; U.S. offices grew just 1.8% to \$985.8 million.

The firm performed well despite an extremely competitive market, said J. Patrick Gallagher Jr., chairman, president and CEO of the Itasca, Illinois-based brokerage.

"It's a hard slog out there," he said, adding that the market has remained "relatively rational" in pricing in the eight years since the financial crisis because low interest rates have reduced instances of cash-flow underwriting by insurers.

Continuing its long-established strategy of acquisition-based growth, Gallagher bought 42 firms in 2015, Mr. Gallagher said. "That's 42 firms who chose us because it's competitive ... the brokerage market is a key target for private equity, and our strategic competitors are out explaining to people why (brokerage firms) should join them," he said.

Its biggest 2015 acquisition was Boston-based William Gallagher Associates Insurance Brokers Inc., for which it paid \$151.5 million, according to stock market filings.

Acquisitions continued in 2016, with eight buys in the first quarter, the largest of which was the insurance management operations of

Bermuda-based Kane Group Ltd. for \$30.8 million, according to filings.

Gallagher announced earlier this month that it had bought an 85% stake in Stockholm-based brokerage Brim A.B. Terms were not disclosed.

Gallagher made an international splash in 2014, particularly with its purchase of Wesfarmers Ltd. in Perth, Australia, which has since been rebranded as a Gallagher firm.

It has also expanded in the United Kingdom, but it's unclear how the U.K.'s recent vote to leave the European Union will affect that business.

Should the U.K. go into recession as a result of the move, as some economists predict, all brokers will be affected, but the drop in the value of sterling could make acquisitions cheaper, Mr. Billingsley said.

While many of its larger deals have been in English-speaking countries, Gallagher has firms or investments in firms in 33 countries, including Chile, Colombia, Mexico, Norway, and the Philip-



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

ines. "So we really are building out a global platform," Mr. Gallagher said.

But the brokerage is maintaining its niche and specialty focus, he said.

Gallagher has 32 property/casualty verticals and 15 benefits verticals where "we feel we are as accomplished as anyone in helping those clients

beyond just buying insurance; it really is becoming business partners. Those are the areas that are growing fastest for us," he said.

Employee benefits also have been a growth area since the 2010 passage of the U.S. health reform law, he said.

One big upcoming change is moving its headquarters. In 2017, the firm will return to the building in Rolling Meadows, Illinois, that it left 26 years ago. The building, which Gallagher will own, is refurbished and updated.

"It will be a real boost to our culture because there will be more people on a floor ... you are going to run into people all the time," Mr. Gallagher said.

By Gavin Souter

LARGEST BENEFITS BROKERS

Ranked by 2015 global benefits revenue

Rank	Company	2015 employee benefits revenue	% increase (decrease)	% of 2015 revenue
1	Marsh & McLennan Cos. Inc.	\$4,313,000,000	(0.9%)	33.4%
2	Willis Towers Watson P.L.C. ¹	\$3,278,000,000	N/M	40.2%
3	Aon P.L.C.	\$2,657,000,000	(0.7%)	22.7%
4	Arthur J. Gallagher & Co.	\$802,715,000	19.4%	14.9%
5	NFP Corp.	\$530,000,000	4.6%	40.7%
6	USI Insurance Services L.L.C.	\$441,248,004	3.2% ²	42.5%
7	Jardine Lloyd Thompson Group P.L.C. ³	\$425,274,640	(3.8%) ²	24.9%
8	Lockton Cos. L.L.C.	\$381,226,000	9.7%	28.5%
9	Hub International Ltd.	\$326,028,000	23.8%	22.2%
10	Brown & Brown Inc.	\$260,126,835	5.2%	15.7%

NM=Not meaningful. 1 Reflects merger of Willis Group Holdings P.L.C., Towers Watson & Co. and Gras Savoye & Cie. 2 2014 restated. 3 British pound=\$1.4746 for 2015.

Source: BI survey

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



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