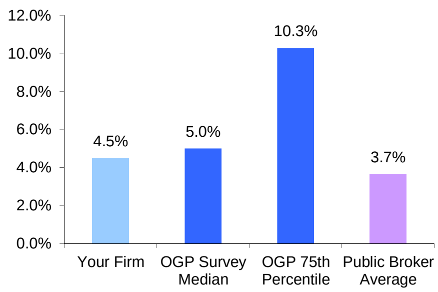
Organic Growth & Profitability Survey (OGP) - Q1 2012

- Median annualized revenue for surveyed firms is approximately $15 million, average is over $30 million. All U.S. geographies represented.
- Public broker averages include AJG, AON, BRO, MMC and WSH and are taken from public filings and press releases.

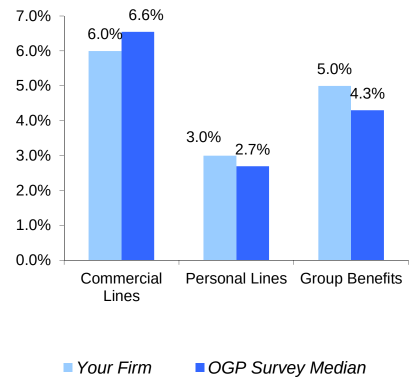
Organic Growth

Total Agency Organic Growth



Your organic growth rank:	40th - 50th percentile

Organic Growth by Product Line

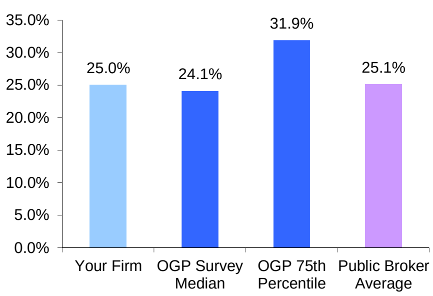


Reagan Consulting Observations

- Median organic growth continues its rise, registering at an even 5.0% for the first quarter of 2012.
- The driver of overall agency growth is now commercial lines. Making up about 60% of the typical OGP firm's revenues, commercial lines grew at 6.6% in Q1.
- Commercial lines growth, boosted by a friendly rate environment and increasing exposures, now exceeds group benefits growth.
- **OGP Projected 2012 Growth: 5.6%** OGP firms have revised their guidance upward from 5.0% in the Q4 2011 survey.

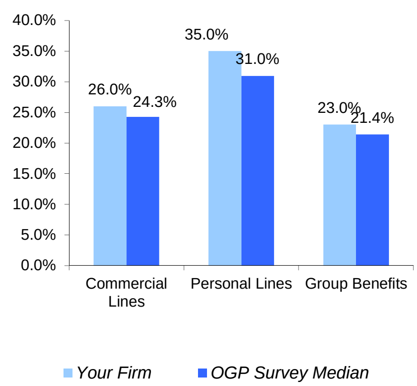
Profitability

Total Agency EBITDA Margin



Your profitability rank:	50th - 60th percentile

EBITDA Margin by Product Line

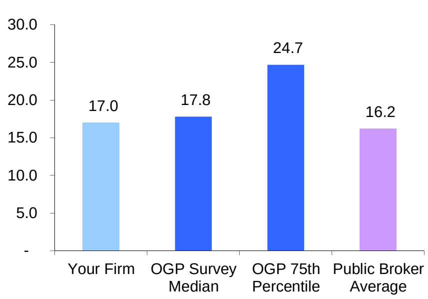


Reagan Consulting Observations

- The median EBITDA margin in Q1 2012 of 24.1% was down slightly from last year's Q1 margin of 26.0%.
- Please note that these EBITDA margins are temporarily inflated by contingent income, which is recorded on a cash basis for many OGP firms.
- Contingent income results were mixed in Q1 2012, with the median contingent income falling by 1.3%.
- **OGP Projected 2012 Margin: 19.0%** OGP firms have revised full-year guidance up a full point from 18.0% to 19.0%.

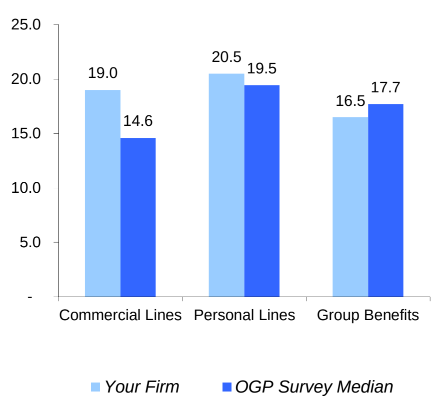
The Rule of 20 (1)

Total Agency Rule of 20



Your Rule of 20 rank:	40th - 50th percentile

Rule of 20 by Product Line



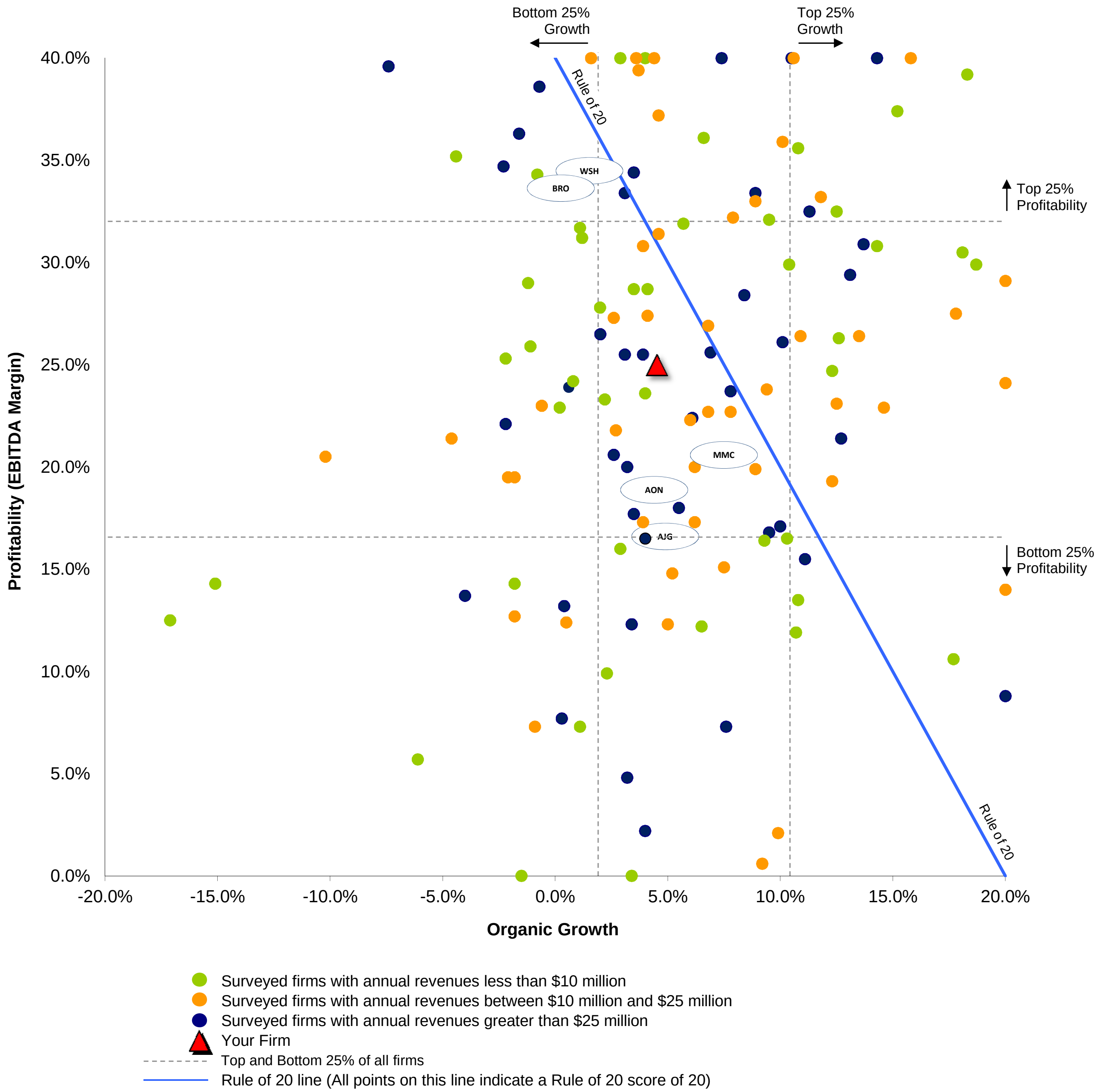
Reagan Consulting Observations

- Stronger growth numbers have pushed Rule of 20 scores upward, with the median score in Q1 2012 coming in at 17.8, higher than Q1 2011's score of 16.9.
- Rule of 20 scores in Q1 are temporarily inflated by cash-basis recording of contingent income.
- **OGP Projected 2012 Score: 15.1** The median full-year Rule of 20 score is now projected to be 15.1, slightly higher than the initial 2012 projection of 14.0. This full-year number reflects contingent income spread across the entire year's results.

(1) Reagan Consulting has developed a metric called the "Rule of 20" to provide a quick means of benchmarking an agency's shareholder returns. The Rule of 20 is calculated by adding half of an agency's EBITDA margin to its organic revenue growth rate. An outcome of 20 or higher means an agency is likely generating, through distributions and / or share appreciation, a shareholder return of approximately 15% - 17%, which is a typical agency / brokerage return under normal market conditions. Given current market conditions, however, few firms are achieving a score of 20 or better.

NOTE: If data for your firm reads "0.0%" or "0.0" it may mean that no data was submitted for that metric.

Agency Organic Growth & Profitability Scatter Plot



About the Scatter Plot

In the chart above, we've plotted every firm in the survey that completed both the total agency organic growth section and the total agency profitability section. Each firm's organic growth is plotted along the x-axis, and each firm's profitability is plotted along the y-axis. We've included a couple of guidelines on the graph to help in interpreting the data. The grey dotted lines show the top and bottom 25% of firms in organic growth and profitability. The solid blue line represents all combinations of organic growth and EBITDA margin that result in a Rule of 20 score of 20. Finally, we've broken the firms into groups based on revenue size, as distinguished by the different colored dots. The goal of this scatter plot is to show the wide range of organic growth and profitability results in the industry and to benchmark where your firm falls.

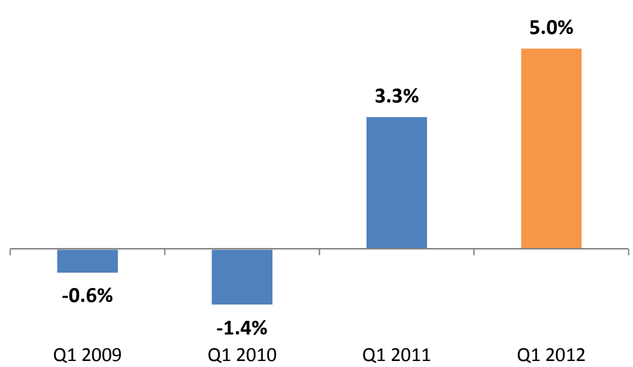
Organic Growth Continues to Climb - But New Forces are Driving Results

by Bobby Reagan & Brian Deitz

It is always important to keep things in perspective. For those that own or work at an insurance agency or brokerage operation, times have been tough over the last several years. However, we can be thankful that they have not been nearly as tough as they have been for those in many, if not most, of the other industries we serve. We now have something else to be thankful for. As the first quarter of 2012 closes, the organic growth results for our industry would suggest that we are also recovering a lot faster than are many, if not most, of the industries we serve.

Organic growth for agents and brokers reached a respectable 5.0% in the first quarter and all indications suggest that it will continue to rise for the balance of 2012 and beyond. The following table presents first quarter organic growth results for the industry in each of the last four years.

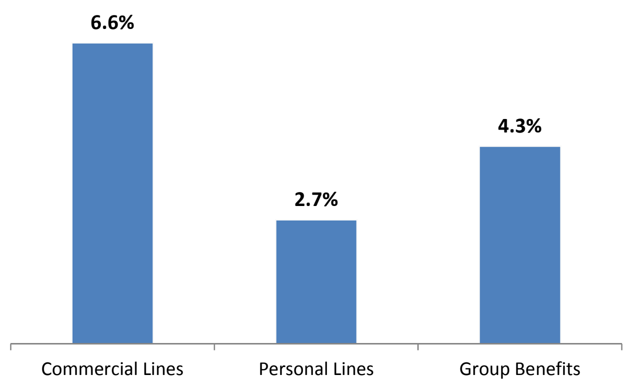
First Quarter Organic Growth (2009 - 2012)



Source: Reagan Consulting Organic Growth & Profitability Survey

As the industry celebrates a return to stronger organic growth rates, there is an interesting trend that has developed among agents and brokers. For the first time in many years, commercial lines organic growth is outpacing employee benefits organic growth. Who would have ever "thunk" that could happen? The table below examines growth by line of business for the first quarter of 2012.

2012 First Quarter Organic Growth by Line



Source: Reagan Consulting Organic Growth & Profitability Survey

What is the significance of this trend? What do these results tell us? From our review of the data and our work with agents and brokers across the country, we think there are a few significant take-aways.

Commercial Lines

Some positive things are happening on the commercial property and casualty side of the business. Most prominently, after years of declining pricing, rates are firming. While the rate environment still varies by geography and by product line, agents and brokers are seeing more increases in pricing than at any other time in the past seven or eight years. In addition, the economy seems to be improving (if slowly) and many agents have stopped waiting on the market to solve their problems and have gotten refocused on business development.

No longer held down by the double whammy of soft pricing and a weak economy, agents and brokers are successfully growing their commercial lines books again. And because commercial lines is the anchor line of business for so many firms – the typical OGP firm generates over 60% of total revenues from commercial lines – commercial lines growth is driving total agency performance upward. On the back of commercial lines performance, agents and brokers have increased their expected total agency organic growth to 5.6% for 2012.

Employee Benefits

Just as commercial lines begins to gain steam, employee benefits has lost some of its historical growth power. Employee benefits divisions across the agent and broker landscape are being hindered by three forces:

- *Uncertainty.* There is a tremendous amount of uncertainty concerning the fate of recent healthcare reform legislation as we wait for the Supreme Court's decision and the outcome of the November elections. This uncertainty has limited agents' and brokers' willingness to make investments in employee benefits divisions and has caused many firms to "circle their wagons" – simply hanging on to what they have.

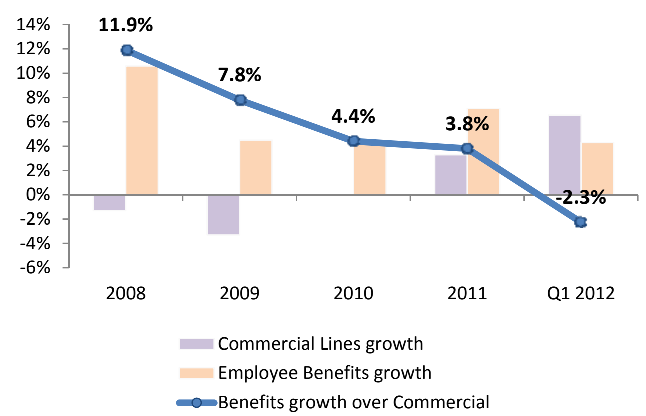
- *Compensation Pressure.* Employee benefits compensation is being challenged from two sides. Carriers have used health care reform as a rationale to alter broker compensation, often reducing the compensation outright or limiting the future growth potential in the business. At the same time, insureds are looking closely at their employee benefit programs and are cutting where they can, focusing on plan design and on the compensation their agent is earning. Competition has added to that pressure.

- *Sales Culture.* On top of all of the external pressures, many employee benefits divisions lack the business development capabilities that the commercial lines side of the business has had to develop over the years. In the past, many benefits operations grew rapidly simply from referrals from existing commercial lines customers and the built-in rate increases that many have come to expect. As these historical drivers of growth diminish, employee benefits operations will need to become aggressive and strategic business development and marketing organizations.

Going Forward

The recent trend between commercial lines growth and employee benefits growth does not come as a complete surprise as the two lines of business have been converging for years. We have been heading in this direction. The chart below looks at the organic growth rates of the two lines of business since 2008.

Organic Growth: Employee Benefits vs. Commercial Lines



Source: Reagan Consulting Organic Growth & Profitability Survey

Despite the employee benefits trending, we continue to believe that this side of the business possesses significant profit-making potential. As the legislative uncertainty comes into focus and as employers begin to add jobs more rapidly, we may see an uptick in employee benefits growth.

Commercial lines, meanwhile, seems poised to more than make up for the decline in benefits results. Growth on this side of the business could even accelerate if the economy can spur some industries – like construction – to a recovery more like the one we've seen in our industry.