



Impacts on Distribution Property-Casualty Insurance

January 29, 2018

2019 INA Summit

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Changes in Distribution

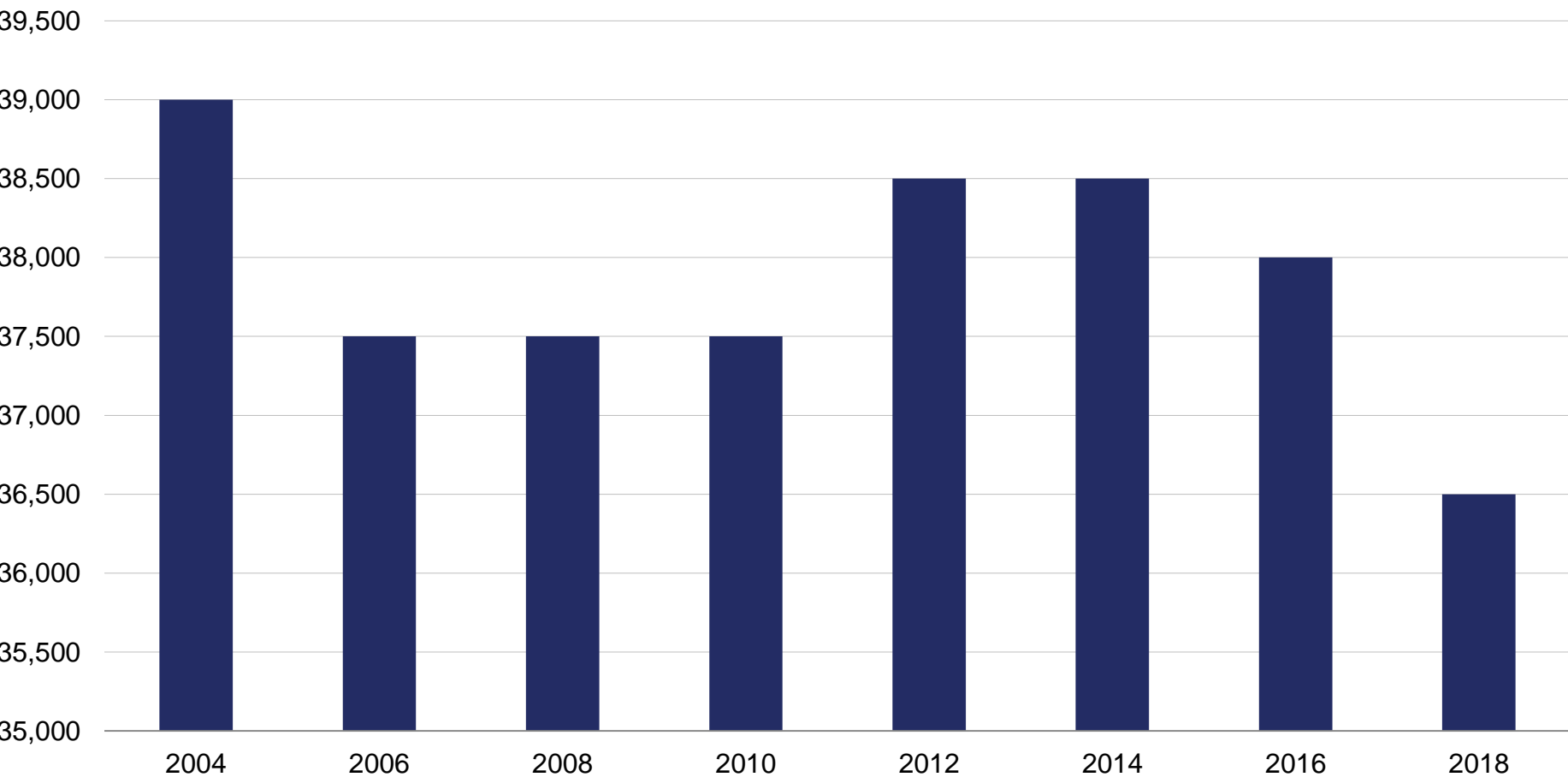
Demographic Changes

Pressures on Distribution

CHANGES IN DISTRIBUTION

Declining Trend in the Number of Independent Agents/Brokers

Total Number of Independent Agents

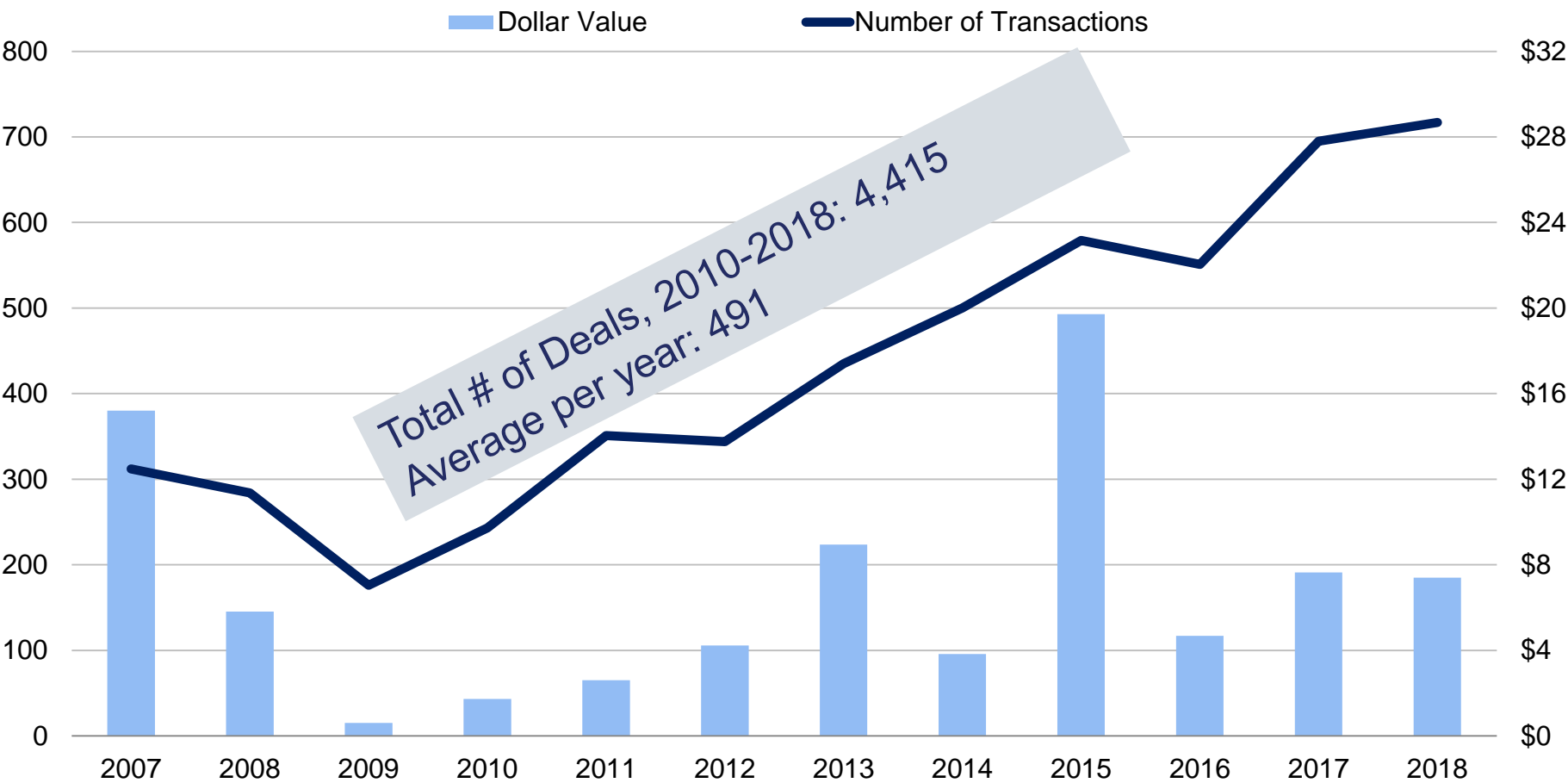


Prepared by Conning, Inc. Source: The Big I Agency Universe Study, 2018

Insurance Distribution M&A Off the Charts

Number and Volume of Announced Insurance Distribution-Related Mergers & Acquisitions

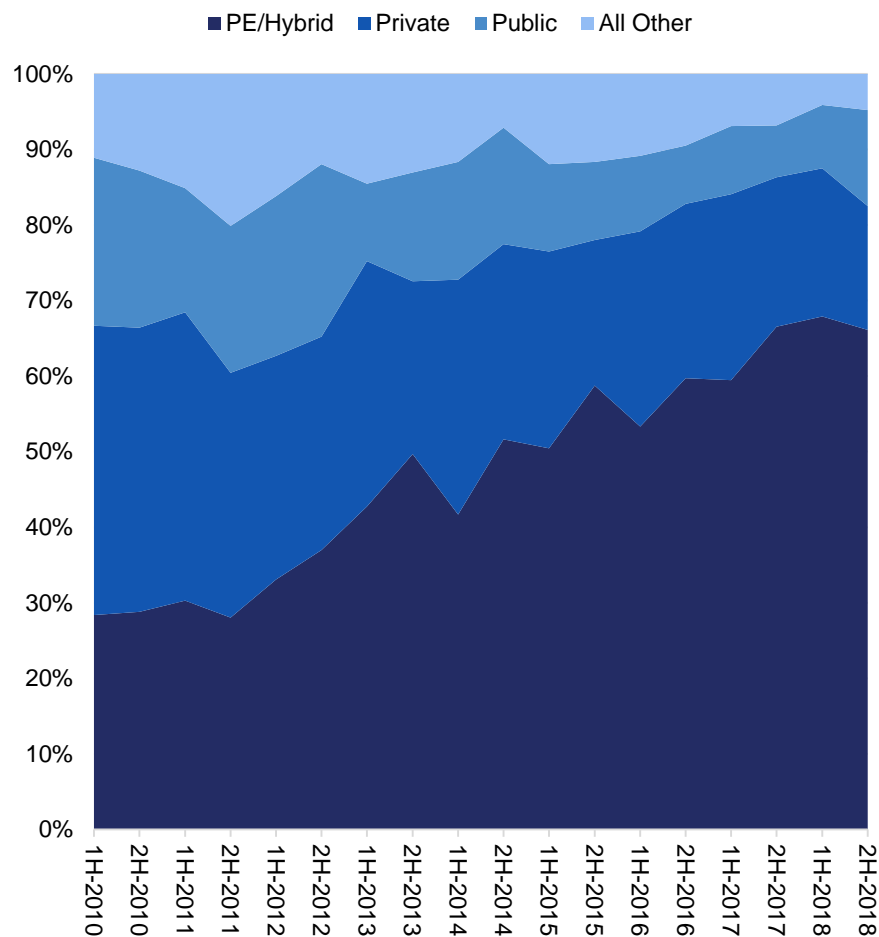
Global, \$ in billions



Prepared by Conning, Inc. Source: Company press releases and news articles

Influence of Private Equity Is Growing

% Total Transactions by Buyer-Type



Most Active Acquirers, 2018

Acquirer/Owner	Total
Acrisure	102
Hub International <i>Hellman & Friedman</i>	49
Arthur J. Gallagher & Co.	41
Broadstreet Partners <i>Ontario Teachers and Century</i>	34
Alera Group	26
Assured Partners, Inc. <i>Apax Partners</i>	22
NFP Corp. <i>Madison Dearborn Partners</i>	18
Seeman Holtz P&C	17
Brown & Brown, Inc.	14
Risk Strategies Co.	8

Prepared by Conning, Inc. Source: Optis Partners, company press releases, public filings, and news articles

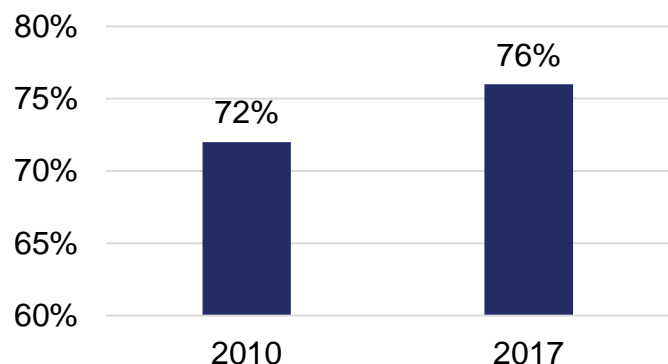
Concentration of Premium Is Growing

Company	2010 Revenues
Marsh & McLennan Cos.	\$4,662,240
Aon plc	4,242,400
Willis Group Holdings	1,650,000
Wells Fargo	1,649,538
Arthur J. Gallagher	1,557,199
BB&T Insurance Holdings	1,078,577
Brown & Brown Inc.	964,016
USI Insurance Services	632,249
Lockton Cos.	578,800
Hub International Ltd.	510,257
Total Top Ten	\$17,525,276

Company	2017 Revenues
Marsh & McLennan Cos.	\$6,877,150
Aon plc	4,410,952
Willis Towers Watson	3,814,520
Arthur J. Gallagher	3,132,186
BB&T Insurance Holdings	1,918,256
Brown & Brown Inc.	1,857,270
USI Insurance Services	1,635,039
Hub International Ltd.	1,459,360
Lockton Cos.	1,157,574
Alliant Insurance Services	1,123,600
Total Top Ten	\$27,385,906

56% growth in revenue

Top 10 Share Within Top 100



For comparison (2010-2017):

Total P&C DPW:	35% growth
Personal Lines DPW:	38% growth
Commercial Lines DPW:	33% growth

Agency Networks Are Increasing Membership and Revenue

Largest Agent Networks

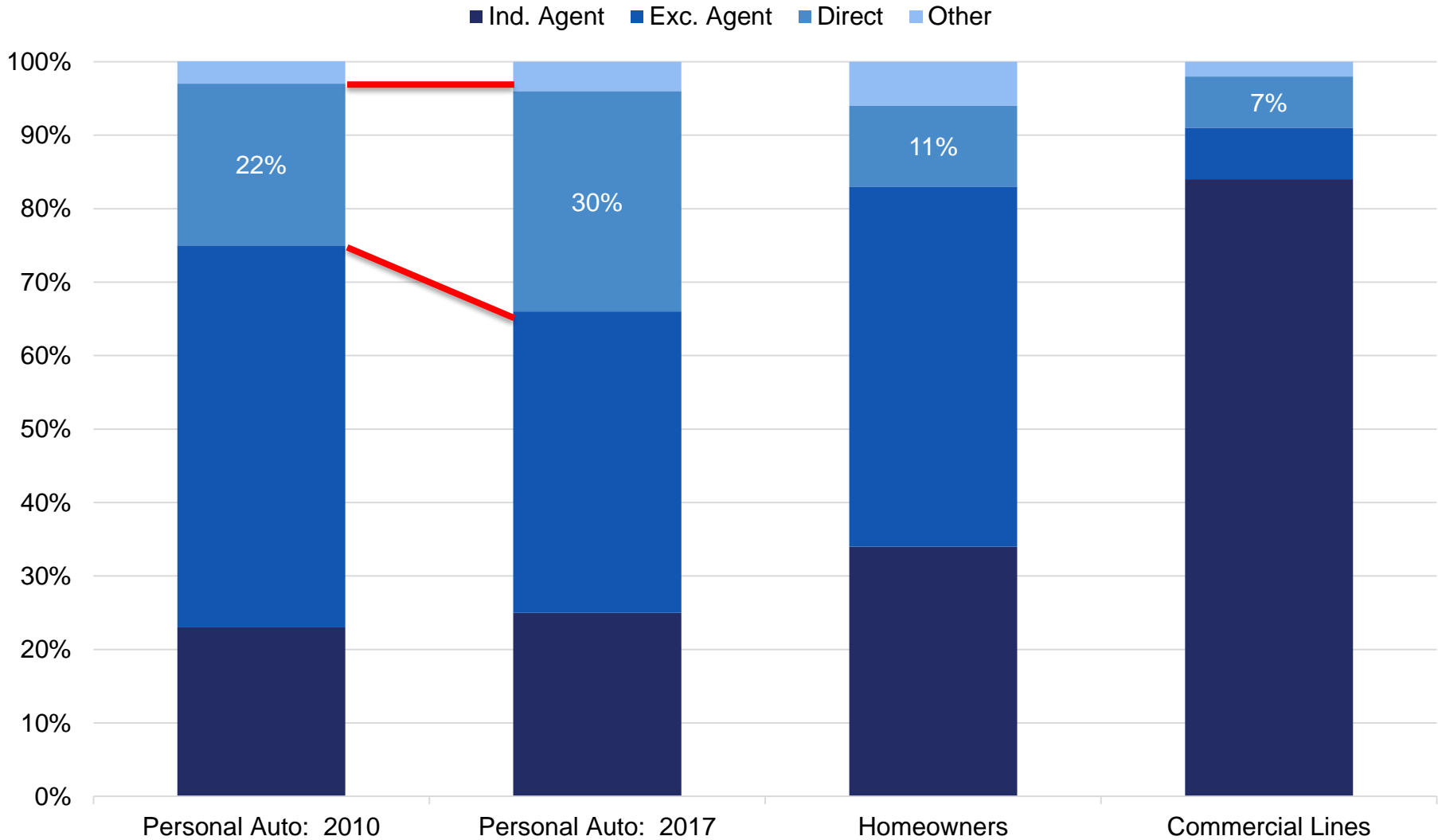
\$ in millions

Network	Total 2017 P-C Revenue	Total 2017 P-C Premium	Number of Member Agencies
SIAA Inc.	\$1,087	\$7,400	7,000
ISU Insurance Agency Network	468	3,829	189
Keystone Insurers Group	406	3,387	300
SecureRisk	280	2,119	123
The Iroquois Group	174	1,159	2,250
Combined Agents of America LLC	116	807	60
Renaissance Alliance Insurance Services LLC	103	614	90
United Valley Insurance Services Inc.	98	785	105
Smart Choice	91	745	6,300
Insurors Group LLC	87	479	13
Top 10 Totals	\$2,910	\$21,324	16,430

Agency Networks engage with 45% of all agencies!!!

Prepared by Conning, Inc. Source: Prepared by Conning, Inc. Source: *Insurance Journal*, company websites and press releases

Personal Lines Leading Shift To Direct Distribution

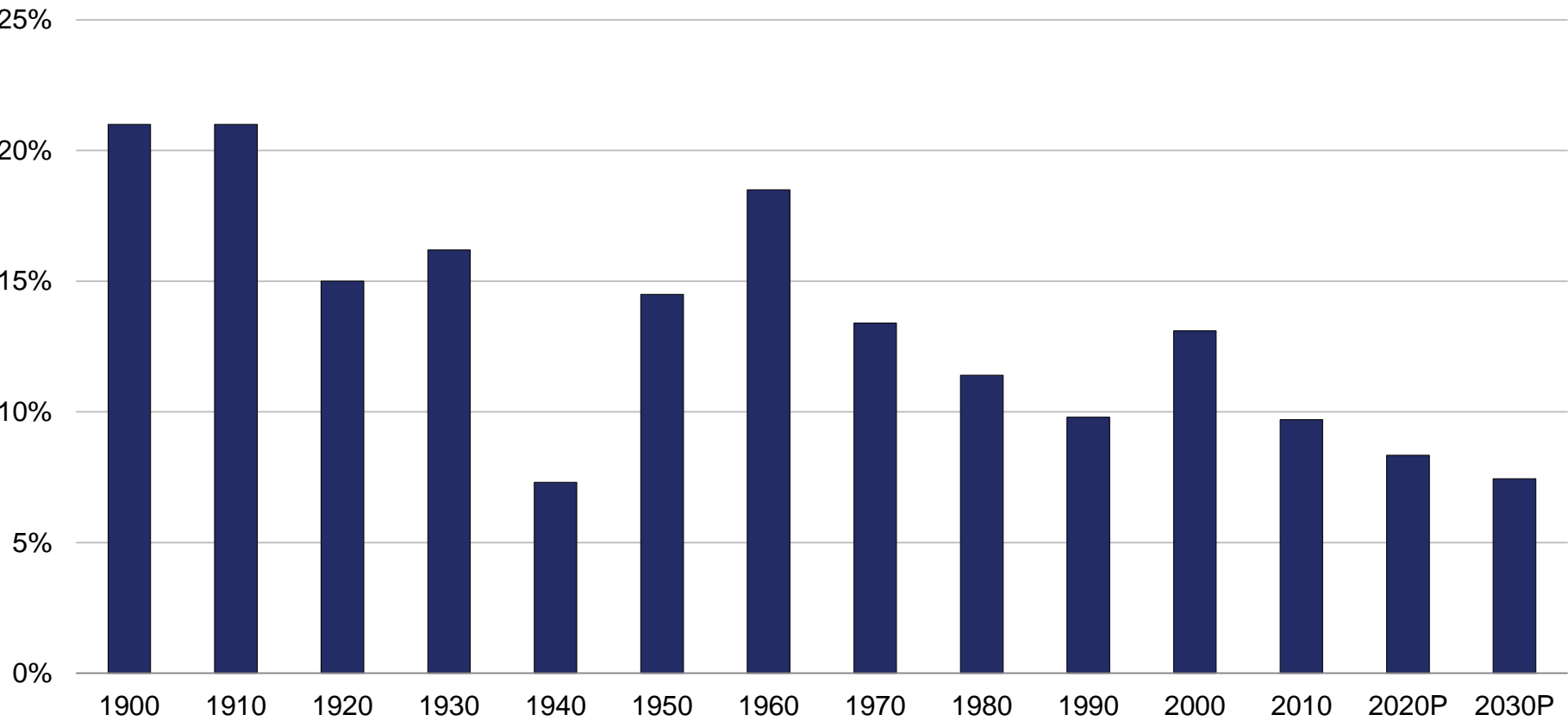


Prepared by Conning, Inc. Source: ©2018 A.M. Best Company—used by permission, company press releases, public filings, and news articles

DEMOGRAPHIC CHANGES

U.S. Population Growth Rates are Slowing

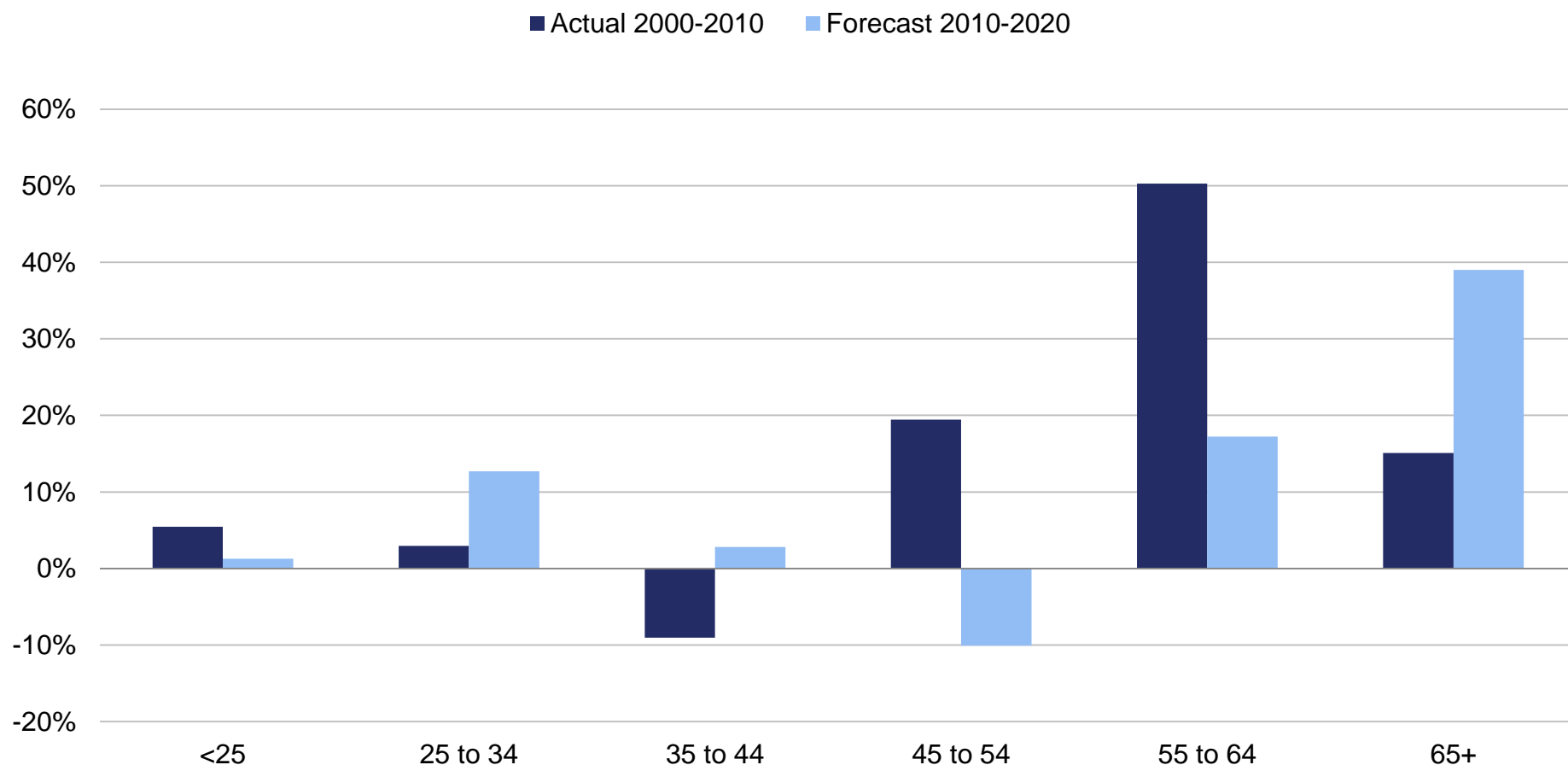
U.S. Population Growth by Decade



Prepared by Conning, Inc. Source: U.S. Census Bureau, Department of Commerce

The Aging of America

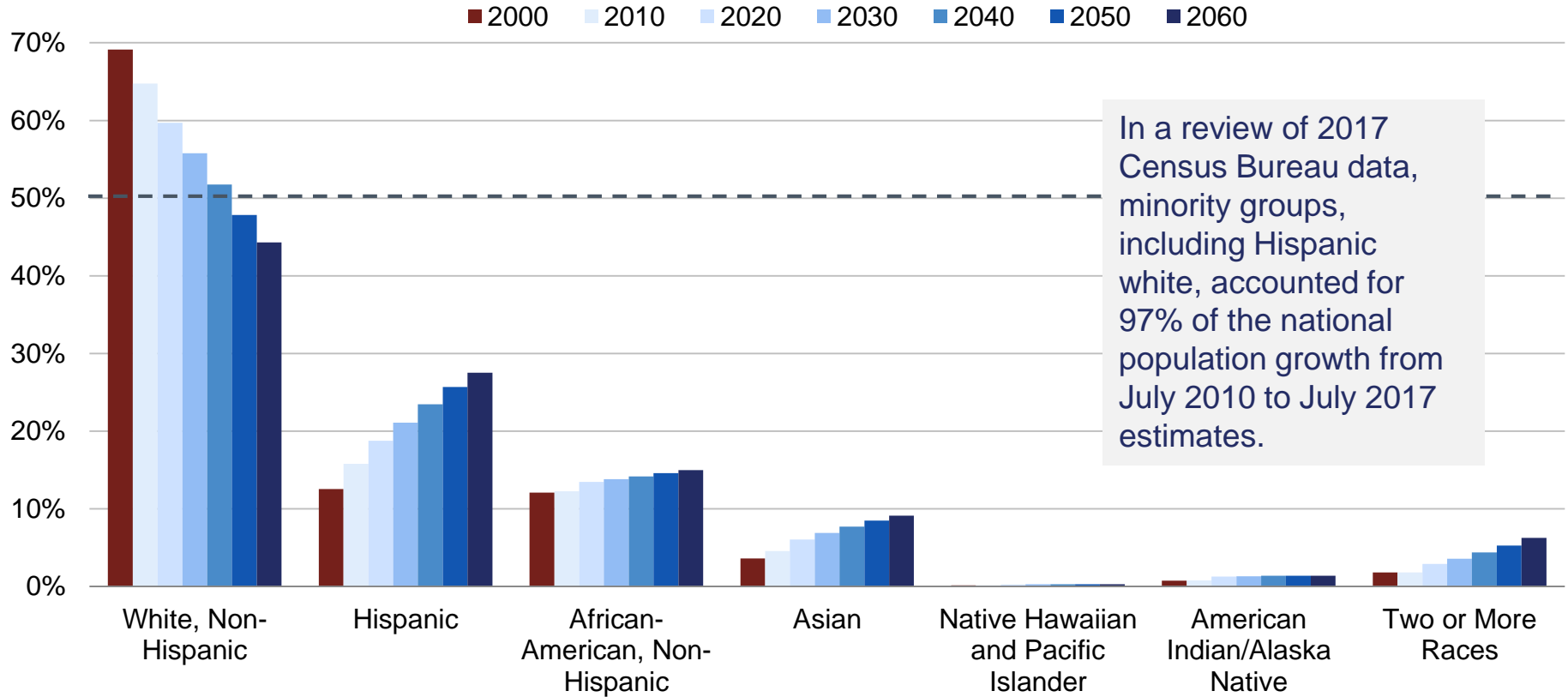
U.S. Population Growth Projections by Age Cohort



Prepared by Conning, Inc. Source: U.S. Census Bureau, Department of Commerce

Changing Ethnicity Mix

U.S. Population Projections by Race and Ethnicity, 2000-2060



Prepared by Conning, Inc. Source: U.S. Census Bureau, Department of Commerce

Other Pressures Forcing Change in Distribution ...



- **Changing buyer behaviors and attitudes**
- **Technology**
- **New products**
- **Consolidation**
- **Expense pressure**
- **Challenged growth**
- **New entrants**

Prepared by Conning, Inc.

Changing Buyer Behaviors and Attitudes

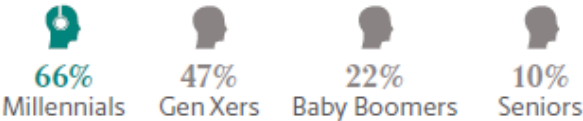
- **Generational evolution (millennials)**
- **Increase in online research and shopping**
impact of peer reviews and influencers
- **Increased use of mobile**
- **Demand for 24/7 access**
- **Demand for personalization/customization**



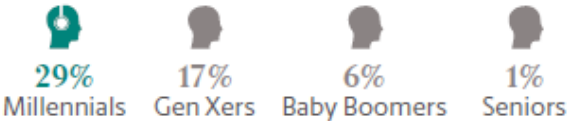
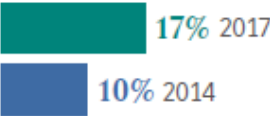
Increased use of Mobile



Smartphone Users Who Have Purchased on Phone

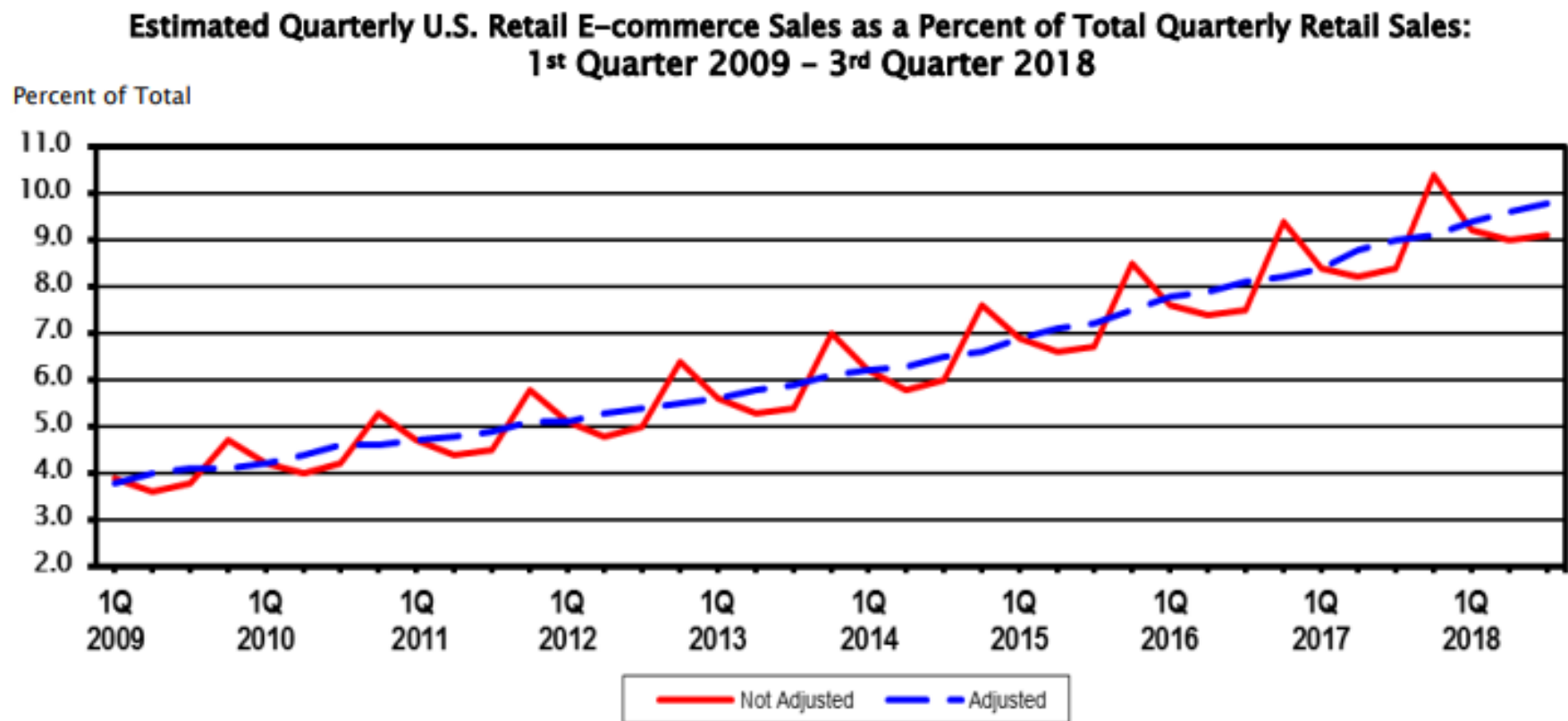


Percentage of Online Purchases Made on Smartphones



Prepared by Conning, Inc. Source: UPS Pulse of the Online Shopper

E-commerce Shopping Continues to Grow



Prepared by Conning, Inc. Source: U.S. Census Bureau, Department of Commerce

New Products Are Putting Pressure on Traditional Distribution

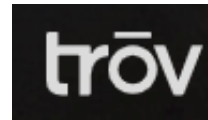
Sharing Economy



Gig Economy



On-demand Insurance



The screenshot shows a mobile app interface for Verifly insurance. At the top, it displays a quote of \$1,000,000 for General Liability. Below this, there's a section for 'Home & Garden' with a visual of a woman in a red shirt and blue apron. To the right of this section, there's a table of estimates: Hour (\$5), Day (\$15), and Month (\$44). Below the estimates, there's a 'WHAT'S INCLUDED (1 item)' section with icons for Home & Garden, Appliance Installation, Chimney Cleaning, and Concrete Construction. At the bottom, there's an 'ADDITIONAL INSURERS' section with a button to 'Add them now or later (optional)' and a 'Get Insured' button.

Choose Your Limit
Select \$1 million or \$2 million policies.

Built for You
Cover many types of work for one low price.

Instant Prices
See estimates by the hour, day, and month.

Tailor Your Policy
Decide when your policy starts and stops, down to the hour.

Add-Ons
Bundle extra activities with your policy in a few taps.

Additional Insureds
Add them instantly and get professional-grade ACORD certificates.

Download on the App Store | GET IT ON Google Play

Prepared by Conning, Inc.

Growth in UBI/Telematics

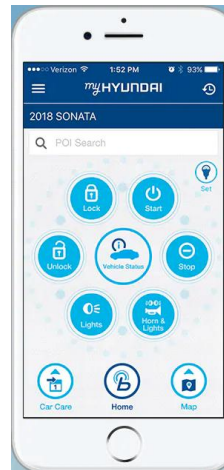
8 of the top 10 Personal Auto insurers have implemented a telematics program.

- State Farm (Drive Safe & Save)
- Progressive (Snapshot)
- Allstate (eSurance)
- Liberty Mutual (RightTrack)
- Farmers (Signal)
- Nationwide (SmartRide)
- Travelers (IntelliDrive)
- American Family (Teen Safe Driver)

Other startups using UBI:

- Metromile
- Root Car Insurance

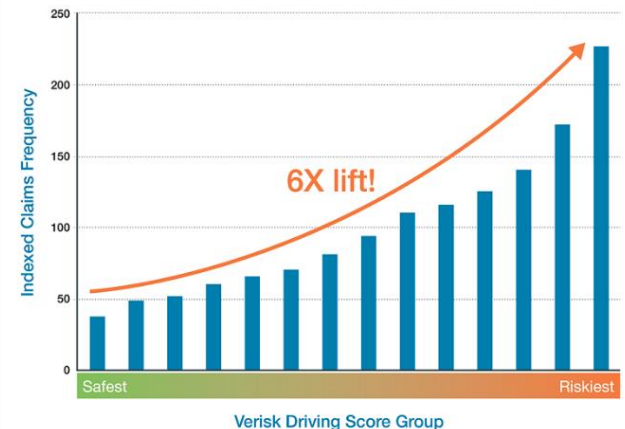
Partnerships are on the rise.



GENERAL MOTORS



Telematics data provides clear segmentation of risk



Source: 2018 Verisk Exchange Scoring Model Lift Study.

Vehicles with the riskiest scores are **6 times more likely** to have claims than vehicles with the safest scores.

Prepared by Conning, Inc. Source: Company press releases, public filings, and news articles

Pressure from Digital Sectors

New Business Models



Direct Small Commercial



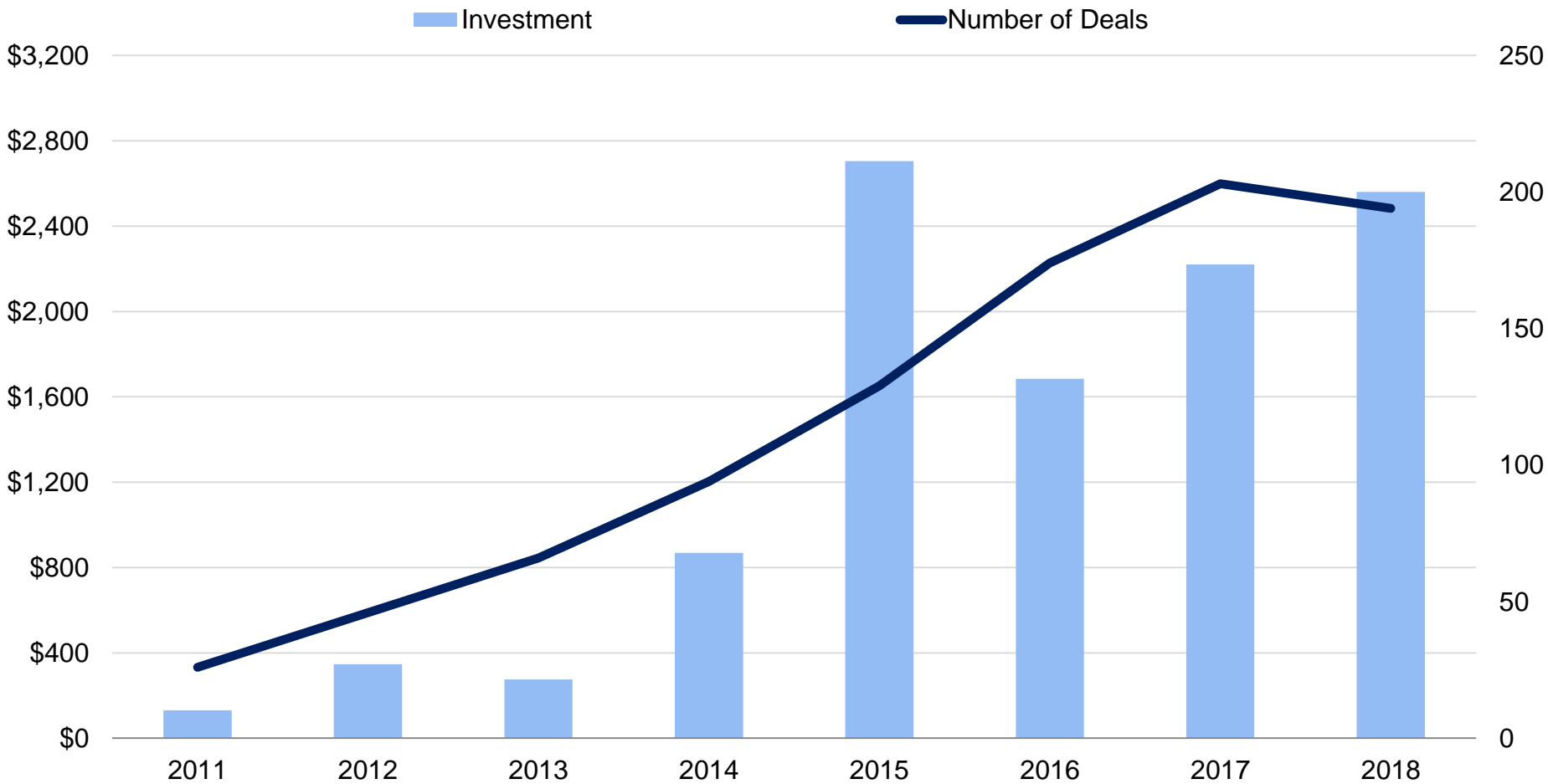
Digital MGAs



InsurTech Has Introduced Numerous New Entrants

InsurTech Investment

\$ in millions



Prepared by Conning, Inc. Source: Willis Towers Watson, CB Insights, "Quarterly InsurTech Briefing", CB Insights InsureTech Connect presentation

Sobering of InsurTech, Shift to Enabling

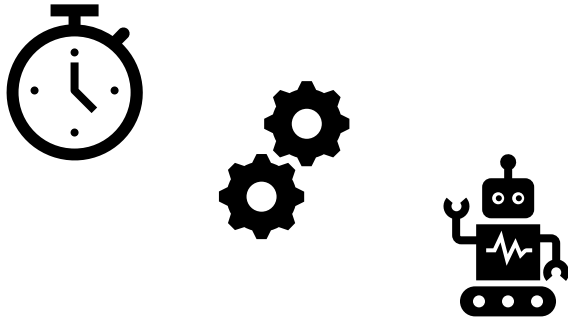
High-Level Value Chain for Insurance



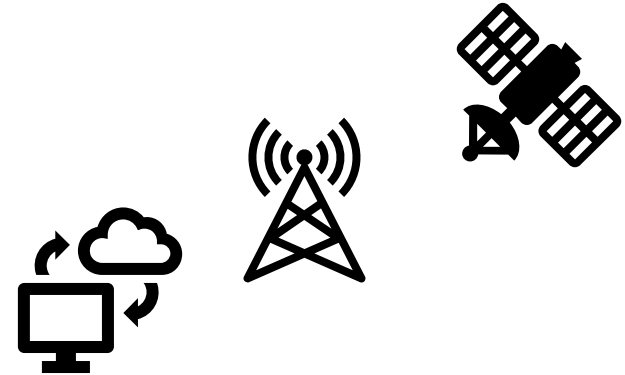
Prepared by Conning, Inc. Source: Willis Towers Watson, CB Insights, "Quarterly InsurTech Briefing", CB Insights InsureTech Connect presentation

Success Drivers for Distribution

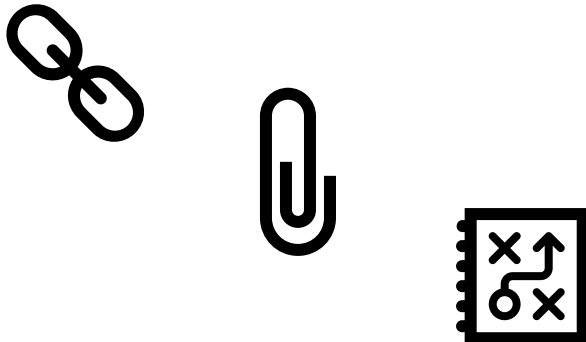
1. Efficient Process and Cost Management



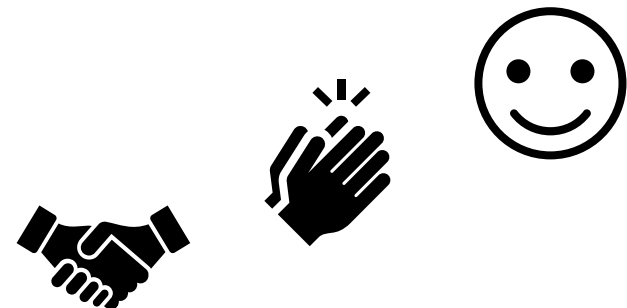
2. Incorporating Outside Data



3. Value-Added Services



4. Enhanced Customer Experience



THANK YOU !!!

CARRIER PANEL

The Future of Insurance Distribution



**Matt
Sternat**
Conning



**Paul
Morrisette**
Chubb



**Sabrina
Freiberg**
Nationwide



**Kim
Garland**
State
Auto



**John
McCaleb**
The Hartford



John Tiene
Agency
Network
Exchange
Moderator



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