

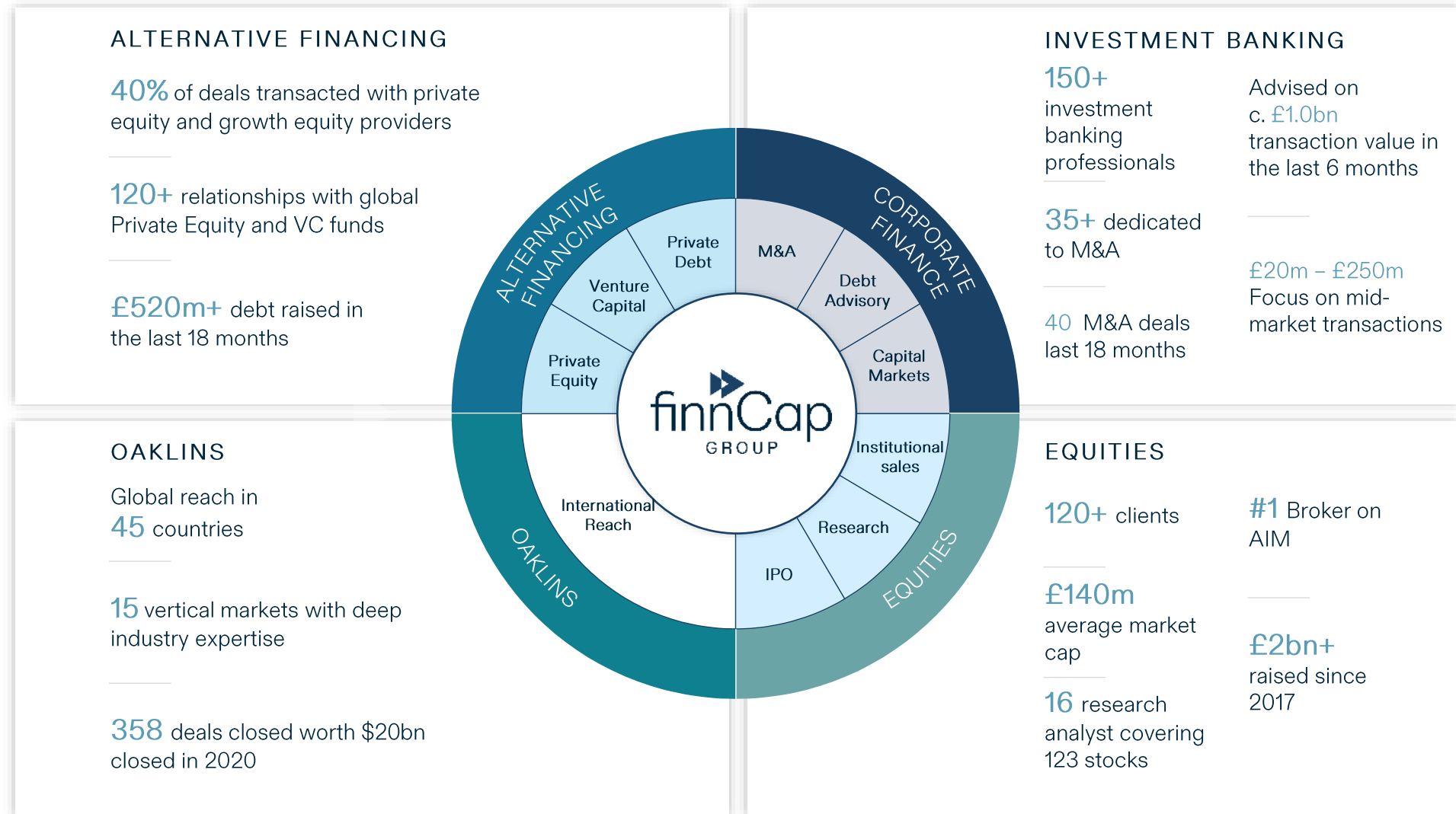
Insurance and Insurtech Overview

Newsletter

Q1 2022



A Bit About Us



M&A team – extensive experience in financial services



Ben Goldring
Head of Financial Services



Anthony Platt
Technology Partner

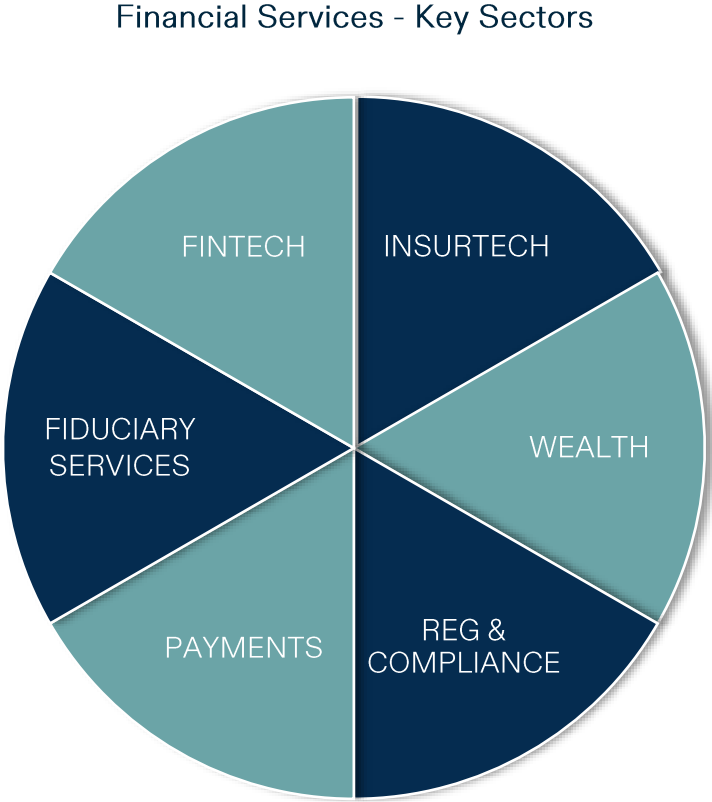
Ensure optimum capital structure



Alistair Hay
Partner
Head of Debt Advisory



Graham Cooke
Partner
Debt Advisory



Jonny Franklin-Adams
Co-Head, Corporate Finance



Marc Milmo
Director, Corporate Finance



Karl Morris
Research



Leigh Webb
Director
Head of PE Coverage



Jamie Blewitt
Head of Growth Capital

Planning for all exit options and pre-IPO marketing

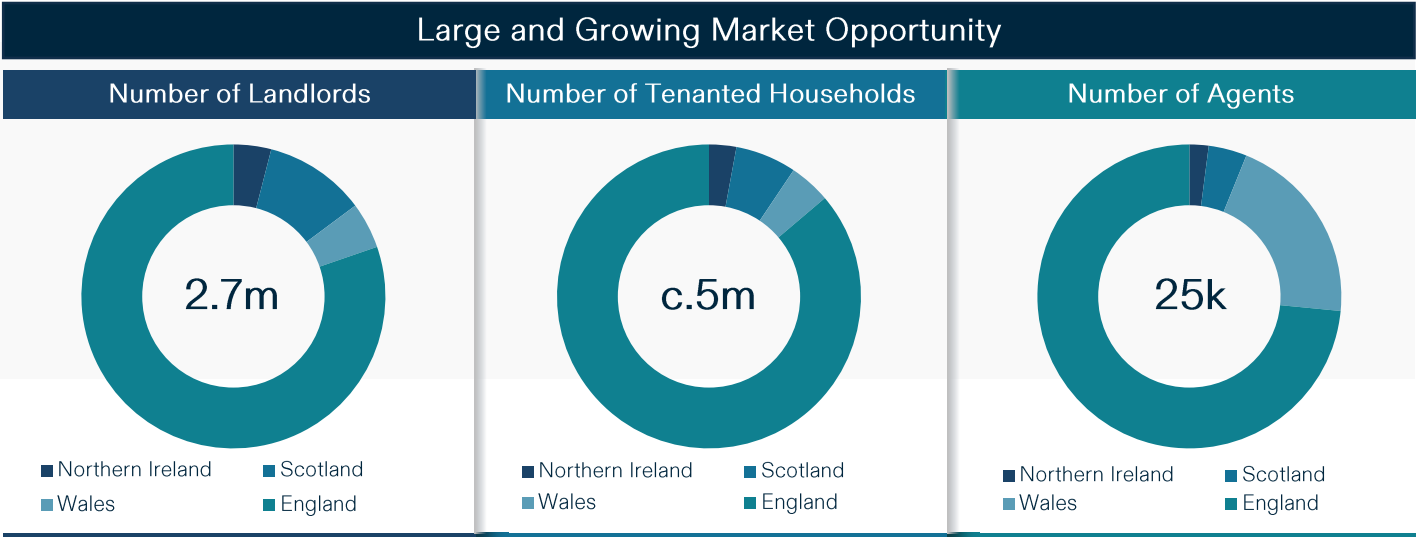
Access the right pools of capital

- Hamilton Fraser is a data-rich business committed to a digital-first strategy, enabling its customers to protect against and manage key risks
- The business provides specialist insurance and risk management for the private rented property sector and the cosmetic and aesthetic practitioners industry, with a reach across the UK.
- The business is a trusted and highly profitable risk management solutions business serving its customers, including the UK government.
- Hamilton Fraser’s networked market position and comprehensive solution set creates resilience and the opportunity for transformational growth
- FinnCap Cavendish advised the shareholders of Hamilton Fraser on the business’ sale to Global Risk Partners (GRP), one of the UK’s largest independent insurance intermediaries, for an undisclosed sum.
- Post completion, which is subject to regulatory approval, the broker will become part of GRP’s high growth digital division and all of its employees, including Co-Founder and CEO Eddie Hooker, will be integrated into the GRP group.

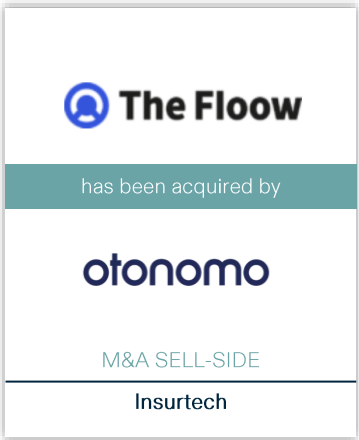


The M&A market for insurance distribution continues to consolidate. Founders looking to exit need to articulate clearly what makes their business special. For Eddie and the Hamilton Fraser team this has been the way they have consistently anticipated market evolutions and created bespoke risk protection products to meet those emerging regulatory and risk requirements. I look forward to seeing Hamilton Fraser flourish in their new partnership with GRP.

Ben Goldring, Head of Financial Services, commented

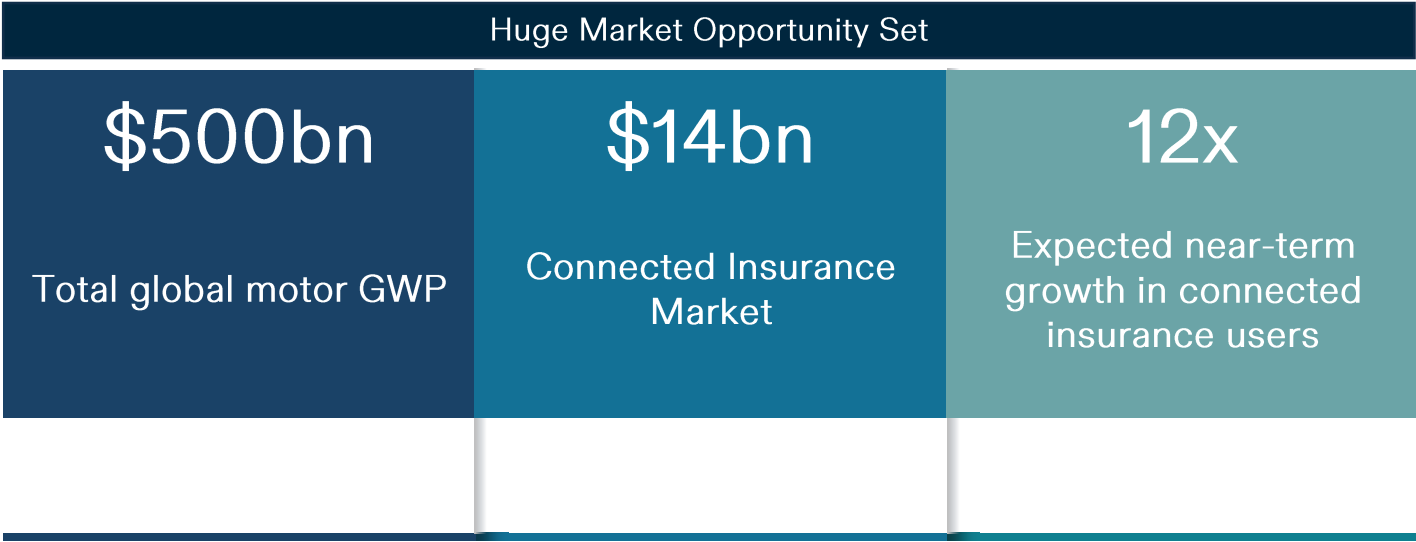


- The Floow specialises in advanced telematics systems for the insurance, mobility and travel industries
- The Floow’s value proposition is a set of unique data analysis, risk scoring and behavioural improvement technology solutions that enable its clients to provide connected insurance products to their end users
- Data is collected from sensors, smart phones and vehicles to offer solutions that combine data, social and actuarial science technology, enabling better risk selection and more personalised technology propositions for drivers
- Since its inception in 2012, the business has grown substantially, becoming a trusted provider of telematics solutions to global automotive insurance organisations
- Cavendish advised The Floow on the sale to Otonomo Technologies (Otonomo), one of the world’s largest vehicle data platforms, for up to \$70m plus growth capital.
- Post completion, which is subject to regulatory approval, The Floow will be able to utilise data direct from telematics-enabled vehicles to provide its cutting-edge solutions to its clients



“ The M&A market for telematics providers is buoyant, driven by a real need for automotive insurers to offer its customers increasingly personalised solutions. Cutting-edge technology is the backbone of these solutions. Partnering with Otonomo is a fantastic opportunity for Aldo and his team to continue building The Floow’s product roadmap. The addition of vehicles as an actuarial data source creates a powerful market position for the Floow and its solutions. I look forward to watching their journey.

Jamie Blewitt, Head of Growth Capital, commented ”

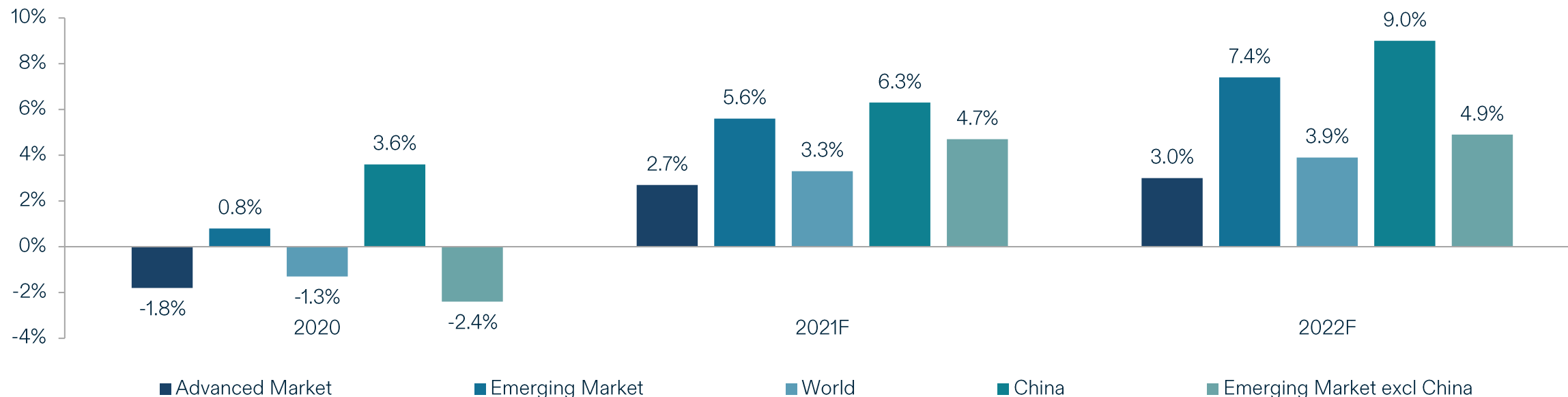


A close-up photograph of a person's hands working on a laptop. One hand is on the keyboard, while the other holds a smartphone. The image is partially obscured by a dark blue, semi-transparent overlay that covers the right side of the frame. The text 'Insurance Market Overview' is written in white on this blue background.

Insurance Market Overview

2021 was a pivotal year for the global insurance industry as it returned to growth following 2020 and became more agile, digital and customer-centric. 2022 looks brighter still albeit with concerns over the fallout following Russia's invasion of Ukraine

Global Insurance Market – Outlook

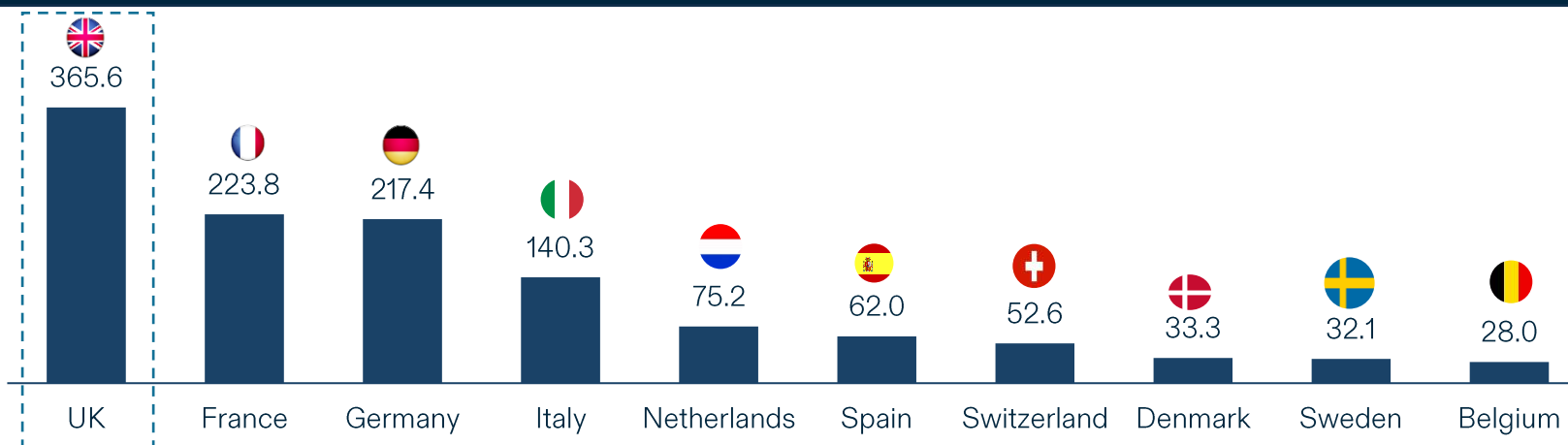


- Insurance stocks had a torrid time in 2020 as life and health stocks were downgraded severely in the early days of the pandemic, largely due to their exposure to low interest rates and fixed-income investment strategies. However, since then life stocks have recovered more quickly than their non-life counterparts.
- The hardening in commercial markets was not enough to offset drops in other lines (e.g., marine, aviation), which suffered from dramatic drops in travel. The outlook for both life and property and casualty (P&C) stocks has been brighter for 2021, owing to the economic recovery and increased availability of vaccines.
- Russia's recent invasion of Ukraine means insurers are facing exposure in multiple areas including political risk insurance, aviation, trade credit, and marine cargo with the full effects yet to be played out at the time of writing

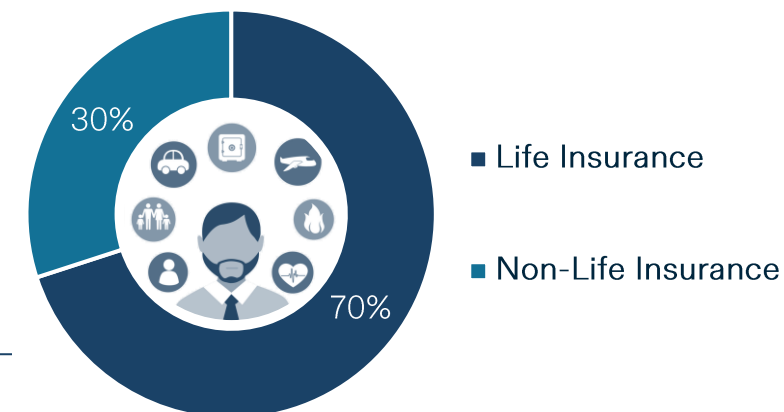
Insurance Market in the UK – Snapshot

The UK remains highly attractive for investment and a leading player in the global Insurtech space

Total Premium Written in Europe (in bn euros)



Life & Non-Life market share in UK (%)



- The UK is the 4th largest insurance market in the world and the largest in Europe.
- The UK insurance market contributed £29.1bn to the UK economy and recorded a trade surplus of around £17.4bn of insurance and pension services.
- The market accounted for 5.8% of global premiums and around one-quarter of premiums in advanced European economies.
- UK is a global leader in Insurtech driven by many of the trends set out in the right, not least a well-educated market and deep pools of capital available.
- In 2020 the London Market saw almost 10% increase in commercial insurance premiums written since 2018.

Key Driving Factors



High level of expertise; employs 300,000 jobs in an industry which is highly skilled



Complex ecosystem of insurance firms and services



World's largest specialty insurance and reinsurance market, operating in 200+ countries



Deep reserves of capital

Market trends are supportive of Insurtech but markets and investors are becoming increasingly focused on unit economics



Emergence of personalised products

Customers prefer personalised insurance covers instead of one-size-fits-all. This has driven flexible coverage options, micro insurance and peer-to-peer insurance innovations. With increasing demand for innovative products and services, traditional insurers have either acquired technology capabilities or partnered with technology-led companies.



AI & Automation for claim settlement

Robotic Process Automation (RPA) and AI have been centre stage in insurance, driven by improved data channels, better data processing capabilities and advancements in AI algorithms.



Advanced Analytics & Proactiveness

Premiums have become highly personalised, enabled by new sources of tech-enabled data such as Internet of Things, mobile-enabled InsurTech apps and wearables. With the connected devices market poised to grow strongly in the next five years, Property and Casualty (P&C) insurers will be able to extract real-time and accurate data.



Mainstreaming Blockchain

Blockchain technology provides the advantage of secure data management across multiple interfaces and stakeholders without loss of integrity. From identity management and underwriting to claims processing, fraud management and reliable data availability, the technology offers reduced operational costs, which should boost the insurance industry.













Increasing scrutiny of Insurtech

While Insurtech has shown significant growth in the areas of auto, home ownership and cyber insurance, the market has seen a significant “risk-off” approach in the past 6 months. Root, Metromile, Hippo and Lemonade have all seen significant market cap drops and volatility. To thrive, Insurtech must show an ability to turn a profit and control loss ratios

Top VC-backed Insurtech Companies by Total VC Raised To Date

Globally, Insurtech companies in 2021 raised \$14.1 billion across 633 deals

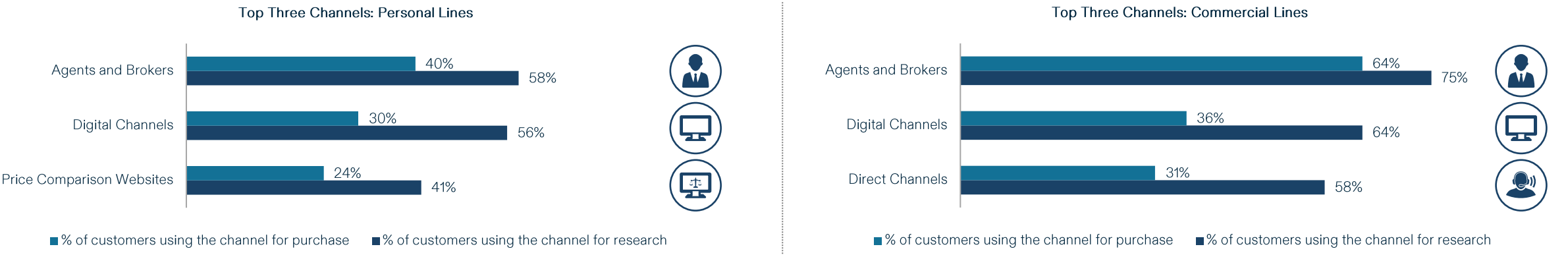
Top VC-backed Insurtech companies by total VC raised to date*

Company	Vertical	VC Raised to Date (\$M)
 DevotedHealth	Health & life	\$1,917.5
 平安健康 PING AN HEALTH	Health & life	\$1,150.0
 wefox	Distribution & intermediation	\$913.0
 NEXT	Commercial	\$886.0
 Collective Health	Distribution & intermediation	\$755.0
 gusto	Distribution & intermediation	\$696.3
 ESSENCE HEALTHCARE	Health & life	\$556.0
 Medbanks	Health & life	\$544.9
 Coalition	Commercial	\$520.0
 ACKO	P&C	\$504.0

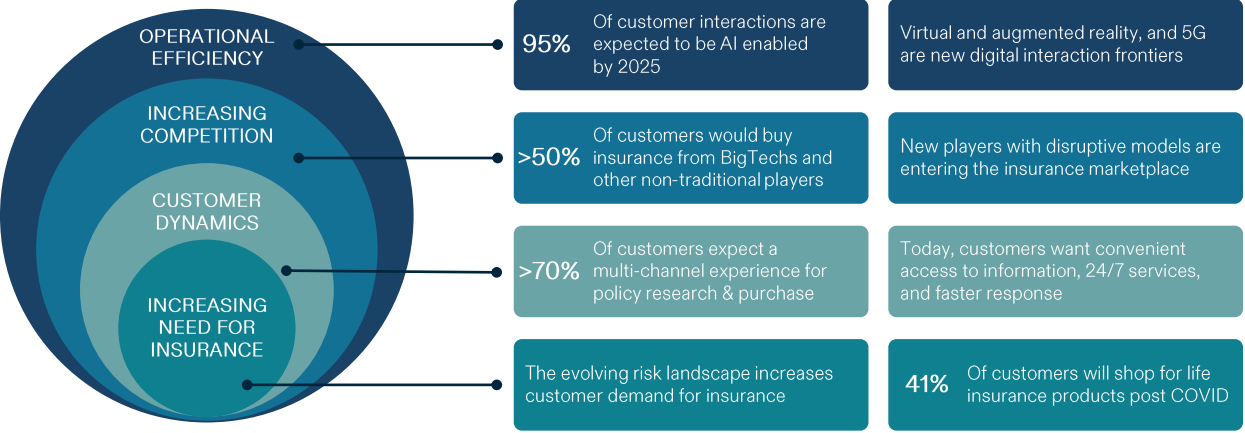
The image features a dark blue background with a white, abstract, angular shape on the left side. This shape contains a photograph of business people in a meeting. One person is pointing at a document on a clipboard, while another is holding a pen. The text 'Insurance Distribution' is written in white, sans-serif font across the blue background.

Insurance Distribution

Insurance agents and brokers are customers' most trusted resources for general research and purchase needs



Driving Factors for Distribution Channels



“ The pandemic-induced lockdowns have propagated the frequent usage of websites and mobile apps for purchasing products and services, including insurance policies. This prolonged usage of digital channels has significantly accelerated the customer demand for self-service

- Christohe Bourguignat
CEO and Co-Founder, Zelros

“ Decades ago, brokerages were about matching markets. Today, customers want assurance they are getting the best, so brokers must be armed with more information and benchmarks. The business is not just relationship-driven anymore-knowledge-driven advisory is becoming critical.

- Amit Mantrow
Chief Data and Analytics Officer, Lockton

“ It is difficult to provide a multi-channel experience while distributing products where risk coverage is wider and requires expert advice for choosing the product. For commercial lines, agents and brokers are critical in providing meaningful advice

- Paul Esmein,
Deputy Chief Executive Officer, Covea

“ Demand for self-service features is accelerating. Customers are inevitably exploring insurance offerings online and then reach out to offline channels, such as brokers, to make a purchase

- Gunter Uytterhoeven
Chief Marketing Officer, AXA Belgium

“ We expect the amount of sales via digital channels to continue to grow. In the future, digital will be the most important distribution channel. However, there will always be the need to talk to someone and for staff to follow up on digital leads when the customer needs support

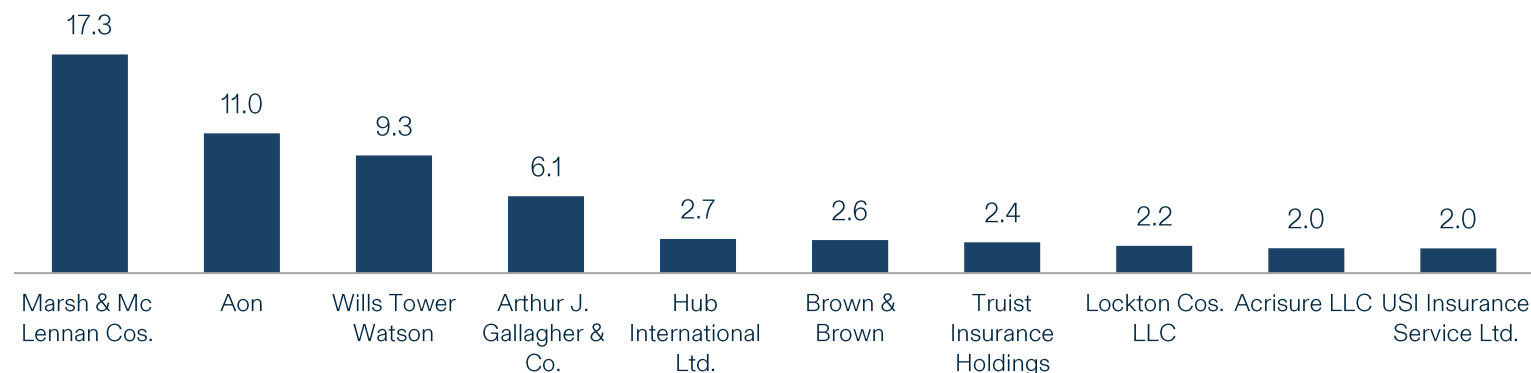
- Trond Fladvad,
CEO, Storebrand Forsikring AS

A traditional market being upended by digital transformation and new entrants

Global Insurance Agents / Brokers – Market Size (In \$bn)

- The global insurance brokers & agents' market is expected to grow from \$350.2bn in 2020 to \$457.3bn in 2025 at a CAGR of 6%.
- North America was the largest region in the global insurance brokers & agents' market, accounting for 44% of the market in 2020.
- Western Europe was the second largest region accounting for 31% of the global market, while Eastern Europe was the smallest region in the global insurance brokers & agents' market.
- Non-traditional companies such as Google, Amazon and Walmart are entering the insurance intermediary market to capitalise on their brand image, large capital and customer base. Their primary focus is on distribution of health, property and casualty insurance products.

Leading Global Insurance Brokers by Revenue (2020) (in \$bn)

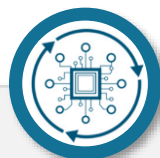


Global Insurance Agents / Brokers – Key Trends



Nontraditional Companies Entering the Space

Nontraditional companies such as Google, Amazon and Walmart are entering the insurance intermediary market to capitalize on their brand image, large capital and customer base. For example, Verily formerly known as Google Life Sciences is has entered the health insurance industry via Coefficient



Insurance Brokers & Agents Investing In Digital Technologies

Brokers are continuing to boost investments in AI, automation and big data while expanding the use of mobile devices. According to insurance digital transformation survey, 39% of agents provide web-based portals to customers.



Transformation in Risk Management

As more customers are empowered to effectively handle standardized risks, there is tremendous potential and opportunities for insurance brokers in the area of emerging risks. Insurance brokers are thus becoming risk facilitation leaders to address the need for profitability.



Changing Roles of Advisors

Technology is providing personalized offers that are increasingly more accurate than the ones recommended by the most experienced brokers. In addition, digital interventions and automation are ensuring reduced intermediary commissions and fees for customers.




Dynamic Regulatory Changes

Insurance broking firms are positioning regulatory and compliance risk management programs as competitive differentiators of agility.

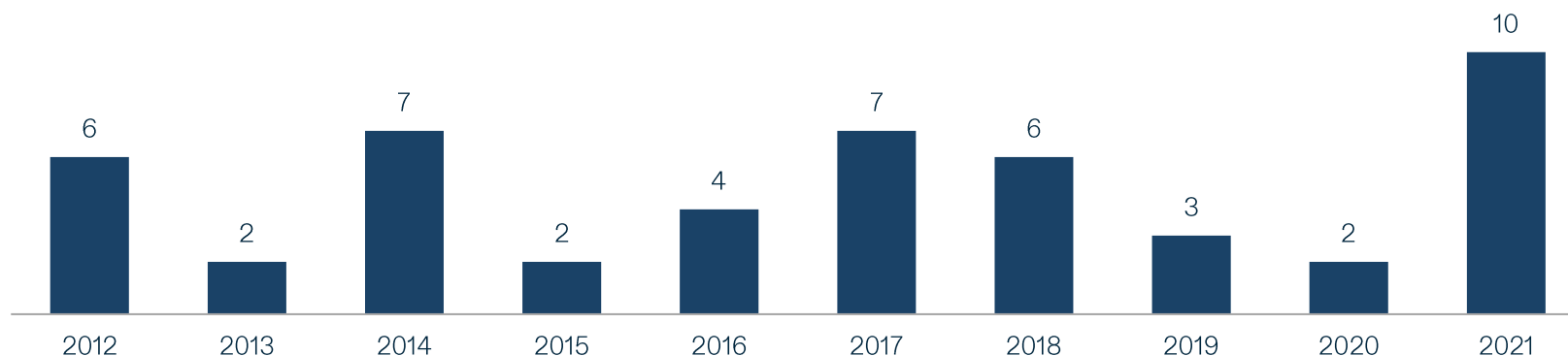
UK-based Agents/Brokers – Overview

The UK market continues to consolidate with the highest number of new entrants to the top 50 UK brokers on record in 2021

UK-based Insurance Agents / Brokers - Snapshot

Top 10 Insurance Brokers – UK (2021)		
	Agents / Brokers	Brokerage
1	 MARSH	£1.46bn
2	Willis	£1.13bn
3	 THE Ardonagh GROUP	£1.06bn
4	 AON	£1.04bn
5	 howden	£993.0m
6	 bgl	£739.5m
7	 Gallagher	£728.4m
8	 LOCKTON	£384.7m
9	 Hastings	£337.2m
10	 SAGA	£215.4m

Number of New Entrants in Top 50 Insurance Brokers in UK – Past 10 Years



- Marsh was the largest UK broker in 2021, with brokerage of £1.5bn, followed by Willis, with brokerage of £1.1bn.
- Many of the top 10 UK brokers had major liquidity events in 2021, including:
 - Ardonagh hit a \$7.5bn valuation in a new fundraise, with Abu Dhabi Investment Authority joining other institutions in backing the acquisitive insurance group
 - Aon and Willis agreed to terminate discussions to merge
 - Howden agreed to acquire Aston Lark to create a combined group with £6bn of gross written premium for more than 1.7 million policyholders
 - BGL disposed of BGL Insurance to Markerstudy Group for approximately £400m
- Private equity continue to invest in buy&build platforms with a particular focus on digital brokers, high growth players and niche personal lines

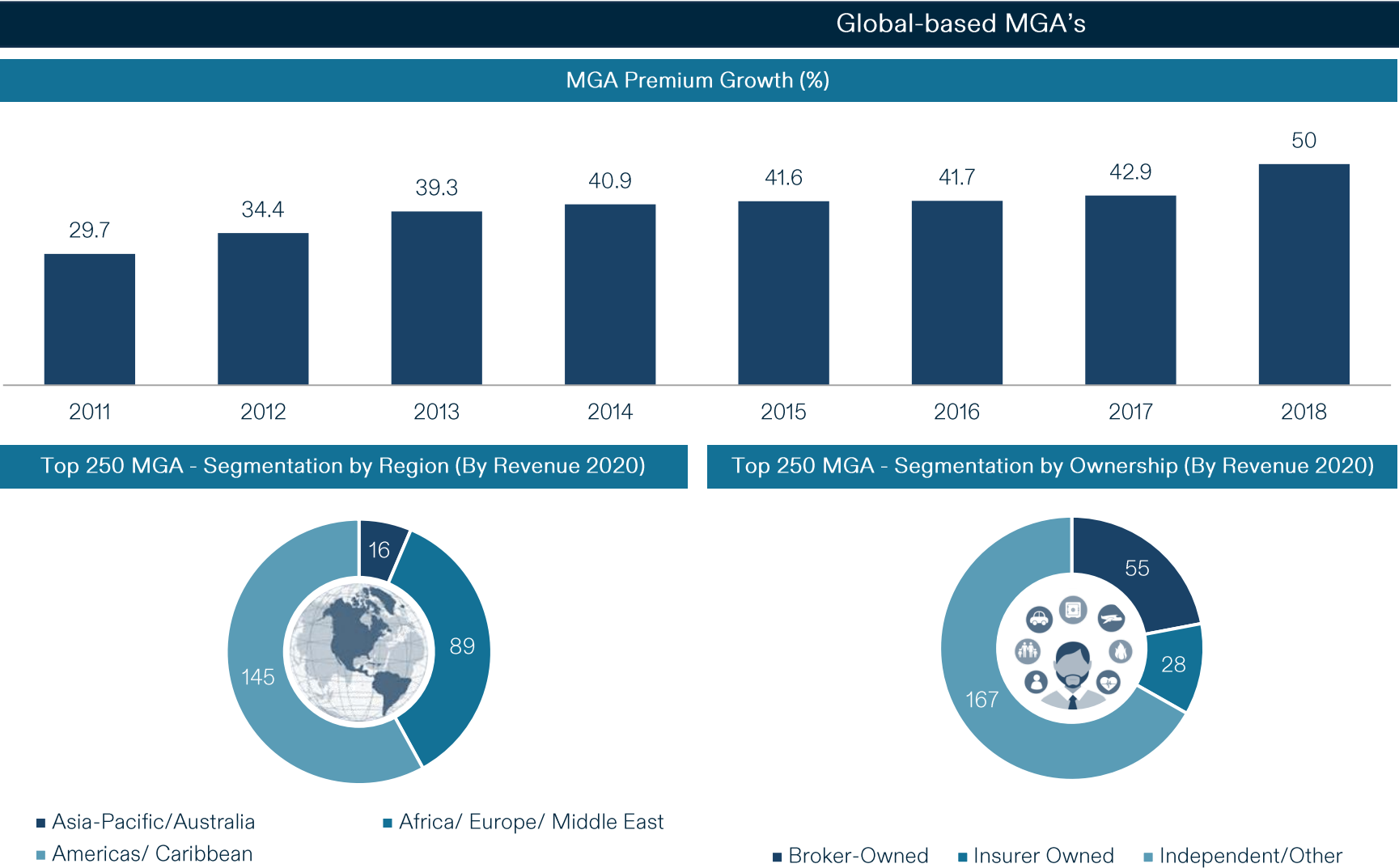
Recent M&A Transactions of Top UK Brokers

howden Provides retail insurance brokerage, specialty and reinsurance brokerage, and underwriting agency service	Acquired  Jan 06, 2022	Acquired  Jan 04, 2022	Acquired  Dec 02, 2021	Acquired  Nov 15, 2021	Acquired  Nov 12, 2021	Acquired  Oct 27, 2021	Acquired  Oct 20, 2021	Acquired  Oct 04, 2021
	Acquired  Jan 24, 2022	Acquired LIGHT B.V. Dec 14, 2021	Acquired  Nov 08, 2021	Acquired  Oct 20, 2021	Acquired  Sep 09, 2021	Acquired  Sep 09, 2021	Acquired  Sep 02, 2021	Acquired  May 10, 2021
	Acquired  Feb 21, 2022	Acquired  Oct 20, 2021	Acquired  Mar 11, 2021	Acquired  Feb 24, 2021	Acquired  Jan 05, 2021	Acquired  Dec 14, 2020	Acquired  Sep 17, 2020	Acquired  Jan 30, 2020
	Acquired  Feb 01, 2022	Acquired  Jan 04, 2022	Acquired  Dec 23, 2021	Acquired Bradawn Insurance Services, Inc. Dec 20, 2021	Acquired  Dec 15, 2021	Acquired  Dec 14, 2021	Acquired  Dec 10, 2021	Acquired  Dec 01, 2021
	Acquired  Jun 01, 2021	Acquired  May 26, 2021	Acquired  Feb 16, 2021	Acquired  Feb 02, 2021	Acquired  Sep 28, 2020	Acquired  Aug 17, 2020	Acquired  Jun 22, 2020	Acquired  Sep 27, 2018

Howden Group (Howden + Aston Lark) has completed 35+ M&A transactions in last 2 years, while PIB Group has completed 20+.

Managing General Agents – Overview

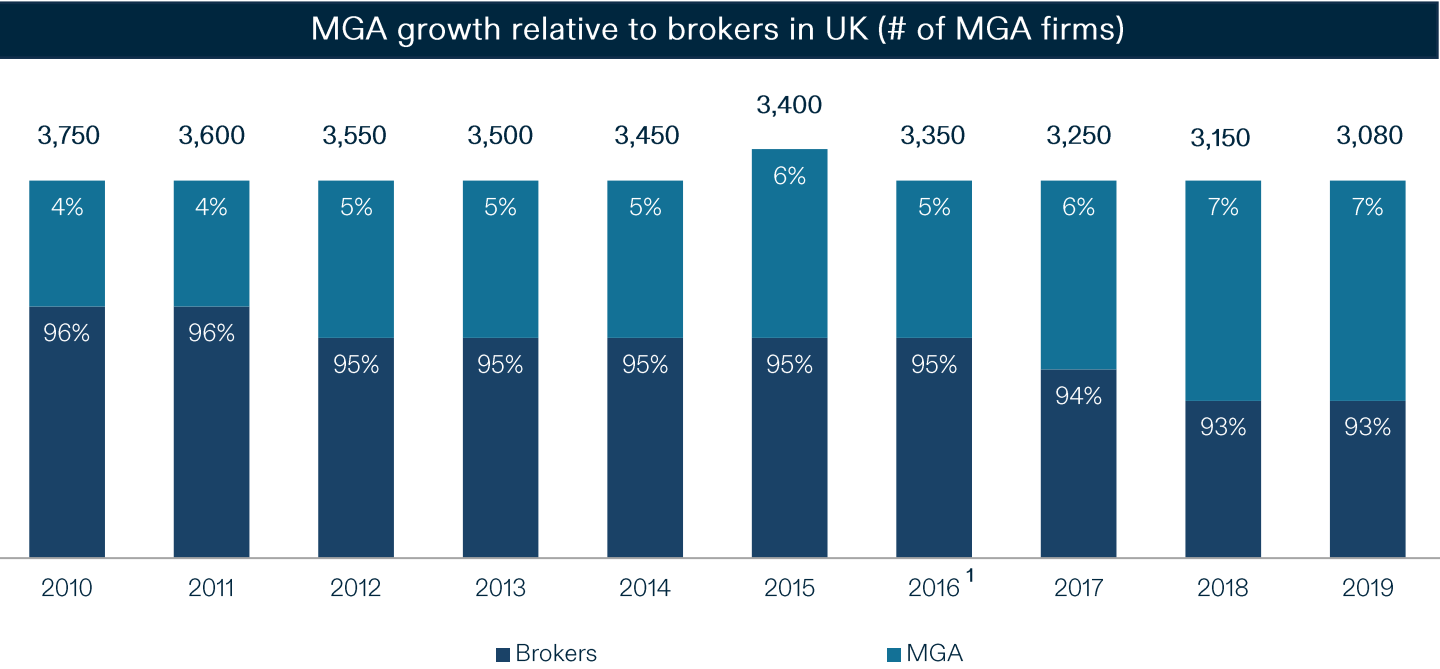
A specialized type of insurance agent/broker who are vested with underwriting authority from an insurer.



- In 2020, revenues earned worldwide by MGAs, MGUs and cover-holders had a value of around \$12.5bn, while the premiums intermediated by such groups stands at ~\$100bn.
- The rapid growth in MGA revenues relative to mainstream broking revenues is driven by the development of specialised risk classes.
- MGA confidence has staged a significant recovery from its pandemic low in 2020 and is at its highest level in three years, with over two thirds (69%) of businesses expecting to expand carrier partnerships in 2022.
- Currently, motor and fleet claims remain depressed, but cyber and data claims have seen significant increases as the world has moved to conduct more business online.
- The top 250 groups accounted for an estimated 79.5% of total revenues earned by these types of group in 2020.

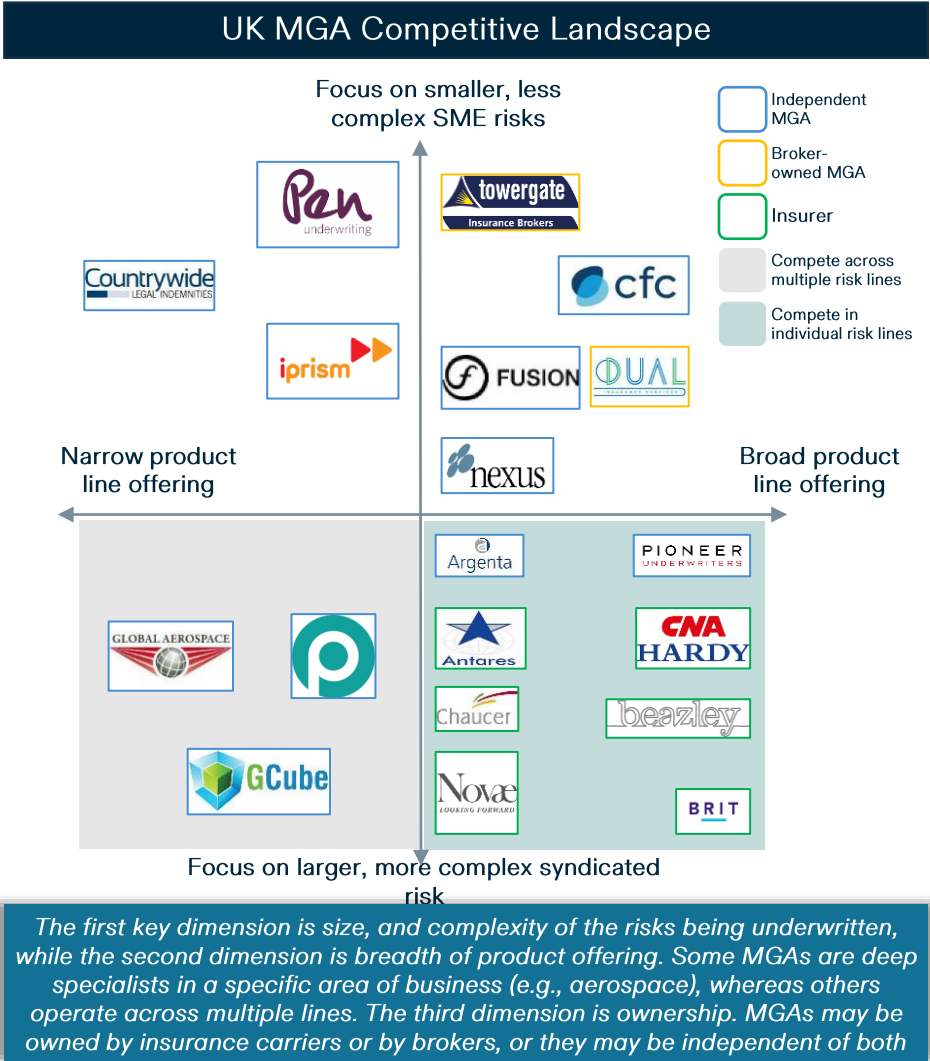
UK-based Managing General Agents – Overview

MGAs are taking an increasing slice of the distribution market



- Managing General Agents (MGAs) are an important, established and fast-growing sector of the UK insurance industry.
- Over 300 MGAs currently underwrite over 10% of the UK's £47.0bn general insurance market premiums.
- We expect to see valuations for specialist MGAs to continue to grow with increasing number of brokers having an MGA capability and co-mingling their carrier base
- An MGA is a natural outlet for technology solutions to plug into because of its established distribution channels. These agencies can also react to market changes quicker than typical insurance companies because they are smaller businesses that are acting on behalf of larger insurers.

Source: L.E.K Analysis, Roland Berger
Note: (1) FCA authorized MGAs



A photograph of a business meeting, showing hands holding a clipboard and a pen, with a person gesturing in the background. The image is partially obscured by a dark blue overlay.

Insurance M&A

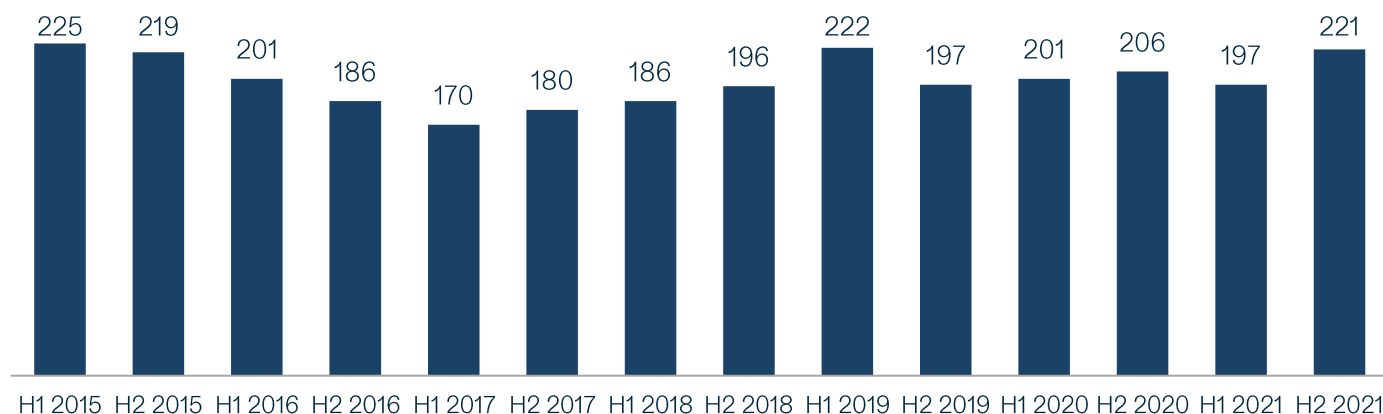
Global M&A Transaction Overview 2021

A highly active market - between 2015 - 2021, the global insurance sector, saw c.2,800 M&A deals

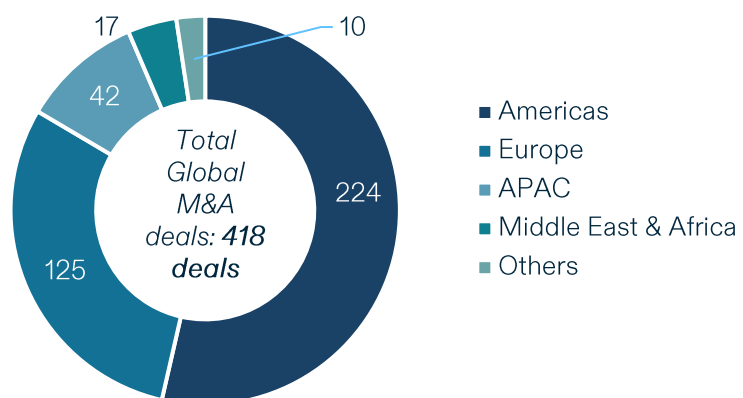
Insurance – M&A activity

- A highly active market - between 2015 - 2021, the global insurance sector, saw c.2,800 M&A deals
- The pandemic has accelerated innovation in the industry with re/insurers prepared to buy, fund or partner with the technology companies that can help provide product innovation and greater agility to deliver a competitive advantage
- In 2021, there was a rebound in the number of large transactions with 25 mega-deals in excess of \$1bn compared to 20 in 2020, including the year's largest, Regent Bidco Ltd.'s takeover of RSA Insurance Group PLC for US\$9.2 bn

Volumes of Deals completed globally 2015-2021



Number of M&A deals by Region in 2021



- The Americas remained the most active region for M&A – accounting for over half of the global annual total – with 224 deals, an annual increase of 17%.
- The U.S. remains the most developed market for Insurtechs, with several firms having reached a mature phase of growth where they are now looking to acquire existing insurance operations to become 'full stack' carriers, rather than becoming agencies that sell policies on behalf of other carriers
- Deal activity in Europe was up 21% year-on-year, buoyed by a stand-out second half, which saw 74 transactions, up from 51 in H1 2021.
- But on the other side, Asia Pacific saw a 44% drop in activity from 75 deals in 2020, down to 42 in 2021. The Middle East and Africa also experienced a similar trend, with a 2021 total of 17 deals, representing a 47% decrease in 2020, which was a bumper year for the region with 32 transactions.

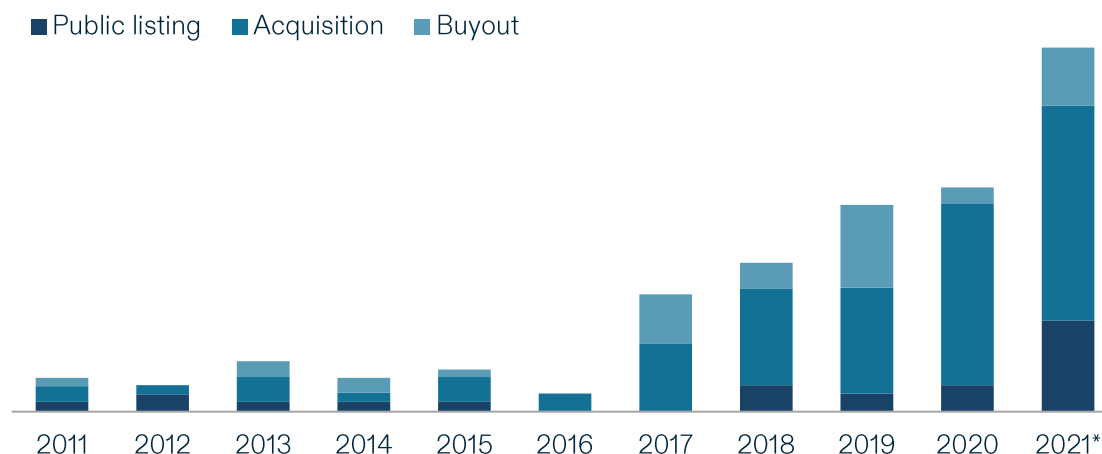
UK M&A Overview

The UK is the leading European country for M&A benefitting from increasing demand for Insurtech businesses

Top strategic acquirers of Insurtech companies since 2018

Name	Deal Count
Arthur J. Gallagher & Company	7
Insurity	5
Applied Systems	5
Zywave	5
Hub International	4
Majesco	4

Insurtech VC Exit Count by Type



M&A outlook in UK market



Macro Environment

The pandemic accelerated the shift towards digital insurance, which will change the behavior of many brokers and benefit those that already have



Private Equity

Private equity is committed to the insurance market, helping drive activity and valuations. In particular, private equity has funded several consolidators' buy and build strategies



Overseas Activity

International investment, particularly from the US, in the UK market continues – e.g. rumors of Brown & Brown as the acquirer of GRP to be their UK arm



'New' Consolidators

Alongside the traditional consolidators, there are several 'newer' consolidators heating up the market, driving demand for the mid size broker base.



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