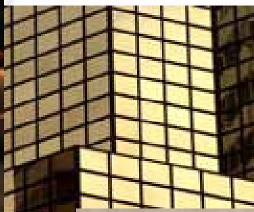
Banks in Insurance:

A Comprehensive Look at the State of the Bank-Insurance Brokerage Industry



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Overview

"Cross selling is a pipe dream. Every bank has failed in insurance and it will never work."

Conceding the fact that financial institutions have failed to capture initial cross-sell penetration goals to date, bank insurance distribution is still evolving. Leading banks will make it work. Many others may be doomed for failure. What separates the two is a well-defined and executable bank-insurance strategic plan; the executive commitment necessary to include insurance as a core offering in the overall bank supermarket of products; and a peak performing and scalable foundation agency acquisition upon which to build out the insurance platform.

Leading banks in insurance brokerage continue to realize strong financial and operational performance. Financial success for leading bank-owned agencies has become an almost certainty and is led by strong organic growth figures.

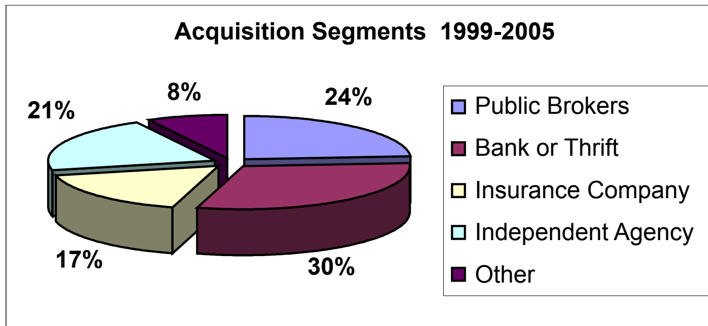
YTD 6-30-06 Growth Rates by Segment

	Public Brokers (1)	Bank-Owned Agencies (2)	Large Indep. Agencies (3)
Total Comm/Fees Growth			
Total Growth	8.4%	7.8%	7.2%
Organic Growth	3.7%	6.1%	5.5%

(1) Source: Select Public Broker Information, MarshBerry (Excludes MMC)
(2) Source: Public Information, MarshBerry Bank Agency NetworK (BANK)
(3) Source: MarshBerry Independent Insurance Agency Clientele

After weathering a sea of change during the past seven years, leading banks are well positioned to capitalize on unique competitive advantages of best of breed closed acquisitions, capital, a diverse inventory of insurance products and services, and thousands of core clients to leverage.

For leading banks, insurance brokerage is not a losing proposition, as many would like to believe. Bank insurance brokerage is instead an integral and profitable product offering consistent with institutional objectives. Consider the fact that an estimated 652 banks have spent approximately $4.7 billion since 1999 acquiring over 1,100 insurance agencies. While many institutions have indeed purchased a single agency under the "one and done" scenario, leading banks are committed to continued insurance expansion. Banks have led the insurance acquisition charge with respect to the number of announced agency acquisitions since 1999 (see pie chart on following page):



SNL Financial; Charlottesville, VA

These acquisitions, combined with organic growth, will result in bank-agency brokerage revenues of almost $4.2 billion for 2006. If the growth trend continues, bank-owned insurance operations will account for 10% of total net written P&C premiums in the next few years. Should you doubt the commitment banks have made to insurance distribution, the following chart illustrates the expansion momentum demonstrated by some of the most active bank-agency acquirers.

Leading Bank-Agency Acquirers

Bank	Est. Number of Deals 1999-2005
BB&T	42
Community First / BancWest	22
Wells Fargo & Co.	21
FNB Corp.	12
Wachovia	10
Sky Financial Group, Inc.	10
Commerce Bancorp., Inc.	8
Compass Bancshares	8
First Niagara	7
Evans Bancorp, Inc.	7
Webster Financial Corp.	7
Cullen / Frost Bankers, Inc.	7
Old National Bancorp	7
TD BankNorth	6
BNC Corp.	6
TOTAL DEALS	**180**

Sources: American Banker, MarshBerry

Unfortunately, hundreds of bank-owned insurance platforms nationwide find themselves relegated to insurance purgatory, either unaware of actual performance or uncertain with respects to future direction.

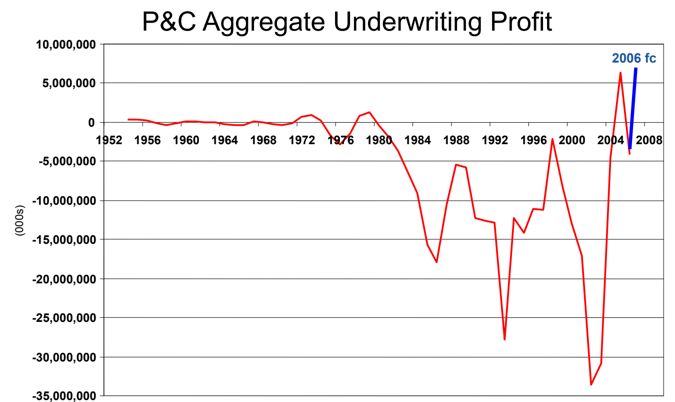
Economic Environment

The P&C soft market is here to stay, with no relief in sight. Even after 2005 catastrophic losses, insurer balance sheet improvement, interest rate increases and rate adequacy have converged to prolong the rate reduction environment. Specifically, insurance premium growth of 1.8% during 2005 was a mere fraction of the 2002 hard market peak of 14.8%.

While the $60 billion hurricane loss that hit the underwriting and reinsurance markets during 2005 was significant, the losses merely offset the huge underwriting profits realized during the first half of 2005. As a result, the insurance sector is not seeing rate hardening across the board. On the contrary, price hikes for 2006 are largely confined to those lines most susceptible to catastrophic losses. Combining standard lines and catastrophic lines, estimates suggest that P&C premium growth will total, at best, 3.5% during 2006. Standard lines will advance at a paltry 1.8%.

Metrics and forecasts suggest that the current rate environment is likely to get worse before it gets better. P&C insurance company surplus improved to a record high of $427 billion during 2005, despite the hurricanes. According to ISO and the Property Casualty Insurers of America, surplus increased to over $440 billion during the second quarter 2006.

The latest projections suggest that 2006 will be only the second year since 1978 to show an underwriting profit. Through the first quarter of 2006, the ISO and PCI report P&C net underwriting gains of $8.6 billion.



To top it all off, the Federal Reserve has raised the benchmark federal funds rate 17 times since June of 2004. What does all this mean? When improved surplus converges with an increase in interest rates, the result is a marked increase in carrier investment income and hence cash flow underwriting.

The difference between historical cash flow underwriting cycles and the market today is the fact that carriers are now adding stricter underwriting requirements to the mix. Stricter underwriting is the result of Wall Street pressuring insurers to increase 2005 return on equity from 10.5% to numbers more aligned with those of Fortune 500 companies (the 15% range). As a result, insurance companies are plotting to improve efficiency to support further rate reductions by increasing volume requirements and maintaining fewer appointments. Despite the historic trend of expanding agency appointments in a soft rate environment to capture market share at the expense of underwriting profit, carriers are now dictating increased underwriting stability as they seek to maintain record ROE gains.

If the stock market starts to gain predictable momentum and underwriters feel they can count on an increase in their equities portfolios, it could be devastating for small, low-growth agencies, whether public or private.

Carriers are tiering the distribution force (a la “A”, “B”, and “C” clients), not only in terms of volume and underwriting profitability, but also in terms of perpetuation ability from a leadership and carrier-agency relationship perspective. Capacity will be reallocated and reserved for larger players that have good loss ratios, commit to volume increases, and have an organic growth culture and production staff that can support profitable premium growth.

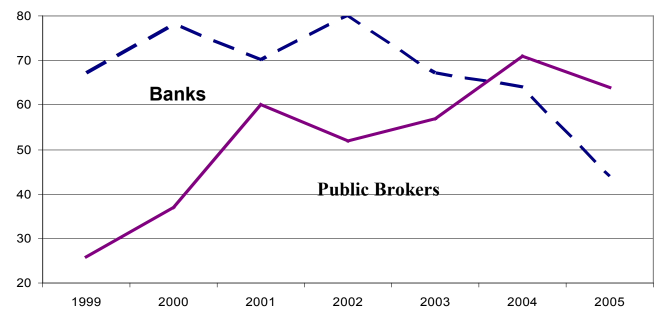
This carrier pressure, combined with the merger and acquisition supply and demand dynamics, dictates that consolidation within the independent agency system will continue. Based on our projections, the number of insurance agents and brokers with revenues in excess of $500,000 will fall from approximately 11,700 in 2005 down to 10,000 by 2010. At the same time, the average size of these insurance distributors will continue to increase, growing from $4.1 million in 2005 to $5.8 million by 2010. Additionally, the number of agents and brokers with over $10 million in annual revenue will see an almost 50% increase over this time period.

Size and growth do matter. They help solidify carrier clout, expand the inventory of products and services offered insureds, help attract and retain staff, drive earnings, and build the reinvestment capacity needed to ensure long-term prosperity and leadership perpetuation.

M&A environment

Despite the fact that banks have executed the most number of deals since 1999, bank activity is slowing relative to public brokers.

Number of Deals by Acquisition Segment



Bank-agency activity has been declining since 2002 for three main reasons. First, many banks maintained a flawed insurance strategy. They rushed into the buying frenzy and purchased, not partnered with, a single insurance operation. Many banks offered premium pricing to the first willing seller and ended up with short-term leadership, a service-oriented organization and huge reinvestment obligations due to a lack of agency bench strength. At the same time, these quick-to-the-punch bank executives offered no commitment, direction, or resources for growing the insurance operation and incorporating it as a core bank product.

In the late 1990’s, banks ignored integrating their insurance operation as initial financial performance was bolstered by the hard rate environment. Inevitably, the market softened, growth flattened, earn-outs were completed and non-competes expired. The average deal structure attained minimum return hurdles based on about 7.2% annual earnings growth. The years 2004 and 2005 proved to be the first that the average bank-owned insurance operation fell short of earnings targets, realizing under 6.0% earnings growth. While peak performers have experienced sound financial performance, the average acquired agency has served simply as an underperforming stand-alone investment and the justification for halting insurance expansion.

The result for many banks was an acquisition without bank commitment or continuous agency reinvestment. Banks solved the stock perpetuation issues of the former agency owners, but are now confronted with stagnant growth and a lack of next generation leadership. Almost eighty percent of bank-insurance producers generate under $75,000 in new business commissions each year and seventy percent of all producers are over the age of 40. On the contrary, peak performing bank-insurance entities employ producers that generate in excess of $100,000 annually while continuing to reinvest in production talent. Only fifty-one percent of the producers in high growth bank-insurance platforms are over the age of 40.

While these statistics are not germane to bank-insurance distributors alone, they are a major reason some agencies decided to sell. Leading banks have recognized this void, reinvested in top quality producers and leaders, and implemented the accountability and controls necessary to retain a total agency sales culture.

The second reason for the drop in bank-agency activity resides in the fact that historically, most active bank acquirers spent much of 2004 and 2005 on integration activities. Faced with a softening market and multiple, disparate profit centers, banks committed corporate resources internally to focus on centralizing certain back office areas to drive the bottom line.

The final reason for the decline in activity was a sell-side issue. The supply side fueled M&A activity over the last several years as many independent agents needed to sell due to the lack of a defined business plan, an unorganized sales culture, lack of recruiting to replace talent, little investment in the balance sheet and an undisciplined approach to transferring leadership, books of business and stock.

High performing agencies that sold, on the other hand, were not typically for sale. Rather, when approached, they sold to align themselves with a well-capitalized partner, gain access to value added resources, achieve liquidity, be on the front edge of the consolidation of the financial services industry or to gain access to bank customers as an outlet for new business production. Quality agents with such an aptitude have been the target for leading bank acquirers.

Buy-side appetites remain at an all time high across all buyer segments. Due to organic growth rates of approximately 1.7%, public brokers must acquire in order to satisfy Wall Street earnings growth expectations. Banks, on the other hand, want to acquire as past deals have been successful. Privately held agencies are opportunistic buyers seeking roll-in opportunities.

While the first quarter of 2006 was relatively slow from an overall industry deal perspective, activity is picking up quickly as regulatory concerns and seller apprehension subsides. Despite a slow first half of 2006, the total number of announced deals by public brokers and banks increased approximately 12% over the first eight months of 2006 versus the same period of 2005. Based on current pipelines, the last four months of 2006 will see a flurry of activity.

Increased demand is also coming from the recent trend of private equity firms such as HM Capital Partners (Swett & Crawford), Austin Ventures (Beecher Carlson) and StonePoint (Lockton International Holdings), among others, making substantial investments in the insurance distribution space. Private equity firms are not focusing exclusively on the largest 20 or so brokers in the country. Many equity firms are exploring a targeted approach of consolidating mid-sized agencies. When partnering with private equity firms, the private independent agencies have access to the capital, expertise and resources necessary to compete for deal activity with the capacity to deploy, in some cases, hundreds of millions of dollars.

Just as banks are moving into insurance and insurance companies are moving into banking, many diversified financial services firms are also seeking increased holdings within the distribution market. The face of the financial services industry continues to evolve and that means increased competition for deals. The long-term trend is that the number of bank-agency transactions will continue to fall. The industry will see a declining number of banks buying insurance agencies, but an increasing number of banks doing multiple acquisitions.

Divestitures

One reason the market believes that banks are failing in insurance revolves around bank-insurance divestitures. Bank boards and executives are increasingly questioning their initial insurance investment, both from a strategic and capital perspective. Given the flat yield curve and margin pressure, bank CEO's are immersed in strict analysis of each bank operating segment.

Boards and executives are comparing the insurance return on capital relative to the overall bank return on capital. While insurance executives are quick to point to a soft market rate environment as justification for declining earnings, bank executives do not accept excuses. They mandate certain levels of performance for the bank as a whole and if current insurance executives cannot keep pace with bank performance, bank leadership will either find someone who can or consider divestiture of the non-performing asset.

Bank executives and the market have taken notice of bank-insurance divestitures over the past few years. HUB has publicly announced its intention to be the buyer of choice for bank-insurance divestitures. A number of banks have sold off their insurance offerings. No doubt, more will come. However, while lagging insurance returns and overall underperformance can not be debated for some, many of the divesting banks never wanted to be in the insurance business in the first place and inherited the insurance operation via bank acquisition.

Just as consolidation continues to pervade the independent insurance arena, so too is the case with banks. Some banks found themselves with a sizable insurance operation through

multiple bank acquisitions, not multiple insurance acquisitions. In some cases, this led to a bank assuming control of an insurance platform when the operation lacked leadership or a definitive growth strategy or where insurance resided outside the core product scope of the bank. When this happened, a few banks made the decision to divest the insurance entity and reallocate capital and resources back toward core bank products.

A wave of bank-insurance divestitures may be fast approaching, but for another reason. Many banks are realizing a fair return on their insurance investment, but a seemingly unacceptable return relative to institutional targets. Often, executives are unfairly seeking the same ROE numbers from the insurance operation as they do from other bank lines without considering the different risk profiles. As some bank executives look at RAROC (Risk Adjusted Return On Capital), however, they have concluded that insurance provides a better overall return than many other core bank products. As bank boards and executives continue to scrutinize the financial performance and risk adjusted returns provided by various business units, a "get in" or "get out" mentality will ensue with respects to insurance. The point is that banks must make fair financial comparisons before making large scale changes within the insurance brokerage arm.

Bank Insurance Strategy

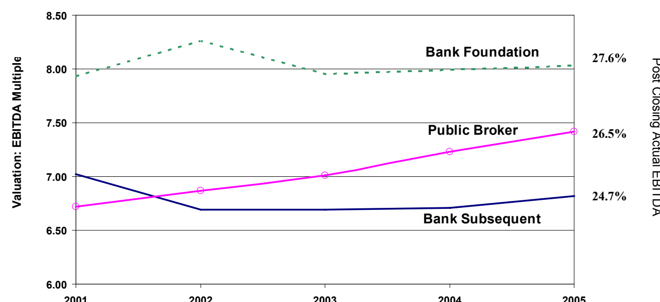
Acquire

The overreaching insurance strategy of successful banks has been to buy a foundation agency, integrate the agency into the bank organization/culture, leverage growth through cross-selling and restart the cycle by continuing to buy and build the operation.

Leading banks are migrating their way through this process. Most banks in insurance, however, are still in the infancy stages of this overall strategy. They have acquired a foundation agency in their core footprint, but have done little since. Invariably, the success or failure of any transaction is predicated upon post-closing performance.

Leading banks entered the insurance business by acquiring multiple and scalable best of breed insurance operations to serve as a profitable stand alone financial investment with the understanding that meaningful bank-insurance cross-selling and insurance alignment would be a multi-year process. These banks are not buying commodity-type agencies simply to buy short-term non-interest income or expand products.

Leading banks seek both immediate earnings per share accretion and future trusted advisor, non-interest income, wallet share, and earnings enhancement. As such, they are comfortable paying a premium for peak performing agencies. The following graph illustrates market pricing, including consideration for post-closing performance.



Based on the above, leading banks are getting what they paid for. Among other characteristics, the foundation agencies are scalable in size, large enough to realize over 25% post-closing EBITDA, and have an existing sales culture to continue to drive stand-alone earnings growth. Additionally, foundation agencies maintain a leadership group committed to building out the bank-insurance platform on behalf of the bank.

Leading banks remain determined to successfully add insurance as a new isle in the overall bank supermarket of products. During 2006, 88% of leading banks in insurance plan on acquiring another insurance agency and 71% of those same leading banks report that past acquisitions are attaining the base level of profitability expected at closing.

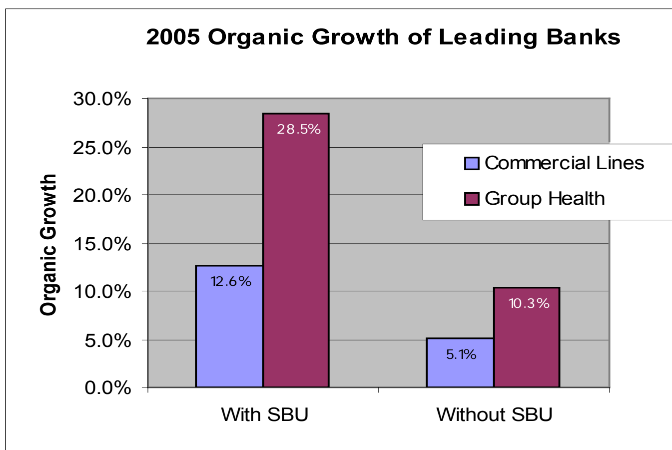
Integrate

It took several years and a softening premium rate environment for banks to understand the differences between the banking and insurance cultures.

A focus for leading banks in insurance is the integration of acquired agencies. Expense management gains have not immediately been realized, but over time after multiple acquisitions. Progress is being made to migrate to a common agency software system, centralize the CFO, HR, Sales Manager and Company Management functions, and institute a single producer compensation formula across the insurance platform.

Culture Category	Banks	Insurance Agencies
Operating Structure	Rigid, Formal, Structured	Flexible, Informal
Sales Orientation	Mass Marketing	Targeted Individual Approach
Servicing Capabilities	Process Driven	Relationship Driven
Technology	Expertise	Relative Inexperience
Financial Objective	Earnings Driven	Revenue Driven

Top performing banks ahead of the integration curve are working to create a centralized small business unit comprised of certain insurance lines within acquired agencies. Centralization is a desire to reap expense savings and to properly structure the insurance operation for selling and servicing the insurance needs of the bank's core customers. As most banks historically focused cross-selling efforts on the bank's middle market commercial customers, leading banks are also targeting small commercial accounts, personal lines, group benefits and high net worth individuals. Seventy-eight percent of leading banks have instituted a small business unit for commercial lines and thirty-three have a small business unit for group health. The table below shows the 2005 organic growth results for those high performing banks with small business units in the commercial and group areas:

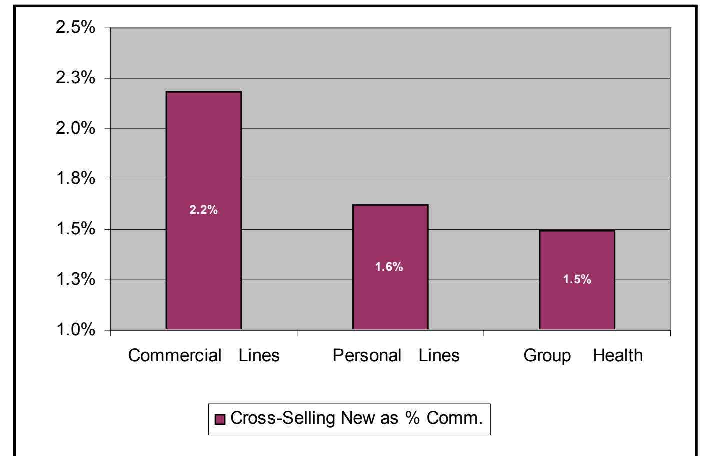


While the implementation of a small business unit alone will not drive organic growth peak performance, it can expand profit margins. Below is a snapshot of one bank's insurance composite:

Based on the composite, there is great insurance earnings potential embedded within a bank's core customer base of retail households and small commercial accounts. Success never stems from trying to immediately mass market to the customer base post-acquisition. Momentum in high performers is gained over time by cross-referencing specialty niche areas of the insurance operation with the bank customer base.

Leverage

The best performing banks are generating new business cross-selling revenue equivalent to about 2%-4% of prior year insurance commissions. Please refer to the chart below for the average bank to insurance cross-selling statistics by line of business.



Aggressive cross-sell targets for leading banks during 2006 are in the 7% to 10% of prior year commission income range – meaningful enough to offset softening rates and client attrition rates.

Seventy-eight percent of leading banks have joint sales teams to facilitate cross-sell goals. These banks recognize the importance of relationships, both externally and internally. Before successful external cross-selling can be facilitated, internal cross-functional bank relationships must be established. Banks furthest down the cross-sell highway maintain formal internal forums for lenders, trust advisors, branch managers, asset manager, and insurance producers to build trust and relationships as a cross-sell comfort mechanism.

	% Revenue		% Accounts		Profit Margin		Growth Rate	
Personal Lines	8%		53%		32%		3%	
Small Group	3%	20%	10%	91%	30%	High Margin	3%	Low Growth
Small Commercial	9%		28%		25%		2%	
Large Group	12%	80%	2%	9%	27%		18%	
Large Commercial	68%		7%		17%		14%	

This provides lead generators with an opportunity to understand one another's products, servicing capability, expertise and desired target accounts. Good credit risk and good underwriting risk are far from synonymous.

From an accountability perspective:

1. *55% of leading banks have implemented electronic referral forms/databases*
2. *48% of leading banks have insurance referral goals for bank employees*
3. *39% of leading banks have deposit or loan goals for insurance producers*

Senior departmental bank managers are often involved in managing and mentoring joint sales teams. Such participation not only provides guidance for each team and an accountability reporting channel directly to bank executives, it serves to illustrate to the entire bank the importance of cross-selling.

Hundreds of other banks, however, still do not have an executable plan for managing insurance, let alone driving cross-selling performance. These underperforming banks have not captured bank-insurance leverage opportunities. Following is a list of challenges that have impeded cross-selling success.

1. *Underperforming banks were quick to promote high volume, low margin insurance products to bank customers, which is not the core competency of the agency*
2. *Bankers individually drove referrals assuming that a good credit risk would be a good underwriting risk*
3. *Only 3% of underperforming banks maintain an electronic referral form/database for tracking referrals*
4. *Less than 10% of underperforming banks use joint sales teams when cross-selling and even fewer have established goals*

The bank-insurance cross-sell journey is no different than the years spent by agencies trying to make group health and commercial lines cross-selling a reality or no different than banks embarking on the journey to sell fixed annuities. Internal referrals will never materialize until technology is leveraged to identify referrals or each side becomes comfortable with the sales/service capabilities of the other. Bankers and insurance producers are currently undergoing a journey that will take time to develop.

Building a Sales Culture

The hard market four years ago fostered a certain degree of complacency within agencies as insurance organizations were growing without selling. The soft rate environment, increased competition, transparency and disclosure and renewed shareholder demands for a fair investment return are changing all that. Top line growth remains a necessity to enhance carrier clout, drive earnings, provide reinvestment capital, and ensure survival.

The new-business production capability of most agencies is not strong enough to make up for premium rate decreases. Leading bank-agency budgets call for 10.5% total growth in 2006, which is based on shareholder return expectations. Unfortunately, organic growth will at best be 6.0%, which forces the bank to rely on accretive M&A activity to hit financial hurdles.

Transparency and disclosure has solidified itself at the forefront of the industry over the last year and a half. As some public brokers have sworn off contingents and will attempt to sell their purity to prospects, disclosure also presents a great opportunity for agencies. The nation's highest growing agencies appear to be the most vocal and proactive regarding the communication of agency compensation, which is a result of their comfort with the agency-insured consultative service value proposition.

Agencies will be increasingly forced to justify compensation through value-added services and differentiation platforms. While almost 70% of high-growth agencies state that they maintain a defined service timeline and stewardship reporting process with a menu of value-added services, few agents and brokers are currently driving down this road. A huge competitive advantage awaits those leading the charge.

Creating and fostering a sales culture within the organization and the subsequent implementation of a defined plan will be the foundation for driving the success of organic growth initiatives during the next several years. With a slowing in rate advancement, banks must now build and implement a true sales culture that cuts across both the bank and the agency, fostering a team driven approach for commercial accounts. Banks must also be cognizant of their core customer base and identify a means to service their insurance needs.

One of the primary objectives of new business production revolves around increasing insurance market penetration in the bank's existing geographic footprint. Successful penetration will depend upon the improved ability to leverage the referral model. Product diversity alone, though is not enough to expand the banks'

trusted advisor position. Consumers also demand deep consulting expertise for their various, and often complex, financial needs.

Typically, the cross selling of insurance services to the bank's medium-to-large commercial accounts is driven by the bank side through joint bank/agency sales teams, which have clearly identified goals. The joint sales teams provide for a quality introduction and an immediate understanding of the target's business and needs. A joint sales team should have clearly identified sales goals which are typically based on revenue, not the number of referrals. A revenue-based approach to goal setting helps the team focus on quality prospects that fit the agency's expertise while discouraging unqualified referrals.

In an effort to maximize hit ratios, leading bank-owned agencies will define the type of medium to large commercial accounts that are desired. Referrals are pre-qualified within the team before formally approaching prospects.

Despite success on the medium-to-large commercial cross-sell, there has been almost no success in enhancing overall wallet share or the number of products per customer with the bank core customer base. The cause of this is an absence of a cross selling focus to the bank's consumer and small commercial borrowers and depositors. As illustrated earlier, building out a small business unit to efficiently handle small or medium personal lines and small health accounts can prove rewarding from an earnings perspective.

Acquired agencies do not normally have the capability or the capacity to immediately embrace commodity product distribution. Keep in mind that the sale of insurance to the average bank customer is not a relationship sale; it is a transactional sale where the customer wants quick conversion at a favorable price. Given low average revenue per customer in this area, converting these customers profitably will require a bank led, extraordinarily efficient, technology-driven delivery channel that produces a sizable volume of filtered qualified referrals that can be converted predictably and with high closing ratios.

The Sales Culture section of the Statistical Benchmarking Results at the end of this report provides a summary of leading organic growth initiatives.

Best Practices Financial Metrics

Based on the sound strategies and practices of leading banks in insurance, the financial results speak for themselves. The statistics given below come from MarshBerry's proprietary benchmarking database called Perspectives for High Performance (PHP).

Bank-Insurance Best Practices Financial Metrics

	Average	Peak Performers
Total Comm/Fee Growth	9.0%	18.6%
Organic Comm/Fee Growth	7.5%	12.2%
Revenue	100%	100%
Payroll	47.8%	46.3%
Benefits	9.8%	10.6%
Total Compensation	57.6%	56.9%
Selling; Operating; Admin Expenses	19.3%	15.9%
EBITDA (adds back overhead allocation)	23.1%	27.2%
Employee Marginal Profitability	$73,431	$105,850
Comm/Fee per Producer	$498,142	$836,562
Comm/Fee per Service Person	$244,796	$369,245
Revenue per Support Person	$1,191,837	$1,282,699
PL Retention Rate	89%	92%
CL Retention Rate	89%	95%
Group Retention Rate	91%	96%

Summary

There was no single recipe for bank-insurance success at the outset of Gramm-Leach-Bliley. All financial institutions have learned together. The difference between successful and failing banks in insurance, however, is that leading banks maintained a defined insurance strategy with executive level bank commitment and closed peak performing agency acquisitions upon which a successful insurance operation was built. Failing banks have not.

Banks are here to stay in insurance. Cross-selling success for the leading fifty to sixty banks is not a function of "if" but rather "when." And when cross-selling does become a reality, it will only serve to augment the already high financial performance of the existing best of breed insurance platforms. The extent to which hundreds of other financial institutions with insurance brokerage offerings survive the next five years remains to be seen.

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Statistical Benchmarking Results

The following is a summary from a series of questions that were asked at a recent Bank Agency NetworK (BANK) Summit.

Acquisition	**Yes**	**No**
1. Do you plan to make an agency acquisition during the next 12 months?	88%	13%
2. Do you feel it will be necessary to consistently acquire additional agencies to attain the bank's growth expectations?	71%	29%
3. In general, have acquired agencies attained the base level of profitability that was expected at closing?	71%	29%
4. Will you attempt to acquire one of the following during the next 2 years?		
• Roll-in acquisition	100%	0%
• Foundation agency in another major bank market territory	57%	43%
• Insurance agency with a benefits focus	82%	18%
• Wholesale, MGA or other non-traditional agency	14%	86%
• Out-of-market acquisition to lead de novo bank expansion	23%	77%
5. Estimate the volume of revenue that will be acquired by your bank during the next 2 years		
• $1M - $ 5M	29%	
• $5M - $10M	24%	
• $10M - $20M	24%	
• $20M - $40M	10%	
• Greater than $40M	14%	

Integration	**Yes**	**No**
6. Centralized the CFO function among regional profit centers (RPC)	72%	28%
7. RPCs on one agency management system?	70%	30%
8. If # 7 is no, do you plan to convert in the next 2 years?	90%	10%
9. Insurance operation on the banknetwork?	50%	50%
10. Compliance officer employed within insurance operation?	32%	68%
11. Centralized sales management for production staff?	42%	58%
12. If #13 is no, do you plan to do so within the next 2 years?	50%	50%
13. Formally defined minimum standard of performance to retain producer status?	48%	52%
14. If #15 is no, do you plan to implement within the next 2 years?	82%	18%
15. Require broker service agreement or service timeline on commercial line accounts?	29%	71%
16. Have one producer compensation plan/formula/contract?	57%	43%
17. Do you have a centralized small business unit?	57%	43%
18. Do you plan to build one within the next 5 years?	69%	31%
19. Dedicated CEO of Insurance with no banking responsibility?	90%	10%
20. Centralized insurance carrier management (contracts, compensation)?	65%	35%
21. Human Resources function centralized?	90%	10%
	Bank	**Agency**
22. If HR is centralized, is it centralized with the bank or the agency?	80%	20%

Leverage	Yes	No
23. Electronic referral form/database for referrals from bank?	55%	45%
24. Do bankers have insurance referral goals?	48%	52%
25. Do insurance producers have deposit or loan goals?	39%	61%
26. Do you use joint sales teams among the various banking units?	78%	22%
27. Do you use the following to generate personal line insurance referrals?		
• Credit score	14%	86%
• Purchased mortgage trigger	48%	52%
• Expiration dates within loan servicing system or tracking system?	23%	77%
• If not using the above, do you plan to do so in the next 2 years?	82%	18%
28. Do you use one of the following to generate small commercial line referrals?		
• SIC Codes	16%	84%
• Expiration dates within loan servicing system or tracking system?	14%	86%
• If not using the above, do you plan to do so in the next 2 years?	74%	26%

The following is a summary of recent questions posed to the nation's leading organic growth agents and brokers:

Sales Culture	Yes	No
29. Do your new producers undergo formal, well-defined technical training processes, whether internal or external?	61%	39%
30. Do your new producers undergo formal, well-defined sales training processes, whether internal or external?	70%	30%
31. Are new producers assigned a producer mentor?	52%	48%
32. Do executives or sales managers receive sales coaching or training?	67%	33%
33. Does your agency maintain a minimum account threshold below which producers are not paid commissions or paid reduced commissions?	79%	21%
34. Do producers have minimum annual new business production goals?	85%	15%
35. Do producers have minimum book of business size requirements to retain producer status?	52%	48%
36. Do you publicly show producer year-to-date new business production for the entire organization to see throughout the year?	70%	30%
37. Does your organization maintain producer accountability and tracking systems relative to number of calls, appointments, submissions, proposals, accounts closed, and new business commissions?	46%	54%
38. Does your organization annually review each producers book of business with that individual (i.e. 80/20 rule, average account size, industry risk, account risk, etc.)?	52%	48%
39. Does your organization maintain a defined stewardship reporting (listing of value-added services, timelines, and individuals) tool for producers to leverage with insureds?	70%	30%
40. Do you have established internal cross-sell/referral goals between insurance production lines of business?	39%	61%
41. Does your agency provide producers with a pre-established/pre-qualified or list of leads or prospects?	18%	82%

MARSHBERRY SERVICES

BANK INSURANCE CONSULTING

1. Performance Benchmarking
2. Bank Agency NetworK (BANK) Peer Exchange
3. Sales Management / Producer Training
4. E&O Audit and Compliance Consulting
5. Operational Workflow and Procedures Consulting
6. Cross-Sell Plan Design and Execution
7. Executive/Producer/Staff Compensation Consulting
8. Incentive Plan Design
9. Strategic Planning
10. Financial Controls Consulting
11. Automation Utilization and Conversion
12. Annual Business Assessment

INSURANCE INVESTMENT BANKING

1. Full Buy-Side M&A Representation
2. Insurance Acquisition Planning
3. Agency Search and Screen
4. Agency Valuation
5. Transaction Structure
6. Due Diligence
7. Intangible Asset Allocation, Goodwill Impairment Testing
8. Transaction Negotiation
9. Post-Deal Integration Consulting
10. Automation Utilization and Conversion
11. Letter of Intent Development and Execution
12. Contract Review and Recommendations

SNL Financial
Merger & Acquisition Adviser Rankings
Insurance M&A Deals

Rank	Financial Advisers	1999-2006 Combined # of Deals	2006 # of Deals
1	**Marsh, Berry & Company, Inc.**	**205**	**24**
2	Reagan Consulting, Inc.	78	1
3	Goldman, Sachs & Company	70	3
4	Cochran Caronia Waller LLC	62	10
5	Credit Suisse (USA), Inc.	57	1
6	Mystic Capital Advisors Group, LLC	52	18
7	Merrill Lynch & Co., Inc.	46	1
8	Morgan Stanley	42	4
9	Philo Smith & Company	36	4
10	Hales & Company Inc.	34	5
11	Banc of America Securities, LLC	31	3
12	Keefe, Bruyette & Woods, Inc.	30	7
13	Citigroup Global Markets, Inc.	28	2
13	JPMorgan Securities, Inc.	28	6
15	Merger & Acquisition Services, Inc.	26	12
16	Bear, Stearns & Company, Inc.	24	2
17	WFG Capital Advisors, LP	20	7
17	Lazard Freres & Company, LLC	20	3
17	Lehman Brothers Inc.	20	1
20	UBS Investment Bank	17	4
21	Fox-Pitt, Kelton, Inc.	15	1
22	Harbor Capital Advisors Inc.	14	5
23	Sica Consultants, Inc.	12	2
23	North Bridge Advisors, Inc.	12	1
25	Sandler O'Neill & Partners, LP	10	4
26	Prisco Consulting, Inc.	9	3

All States // Completed/Pending/Term Transactions
Whole and Asset Deals as reported by SNL Financial, January 2007

IDENTITY STATEMENT

MORE transactional experience…

- 211 transactions with Top 100 Brokers
- 503 acquisition transactions closed
- 117 bank/agency transactions closed
- Intermediary for over $3.5 billion in agency transaction value

MORE organizational depth…

- Consultants and intermediaries for 47 of the Top 100 Brokers
- Financial, operational and sales management consulting for agents, brokers and bankers
- Agency Peak Performance EXchange (APPEX) membership with nearly 100 agencies representing $800 million of combined revenue
- Bank Agency NetworK (BANK) membership representing over $900 million in revenue from bank-owned agencies

MORE consulting expertise…

- 15,808 on-site consulting hours in 2005
- 208 years of combined staff consulting experience
- 694 industry seminars and workshops since 1981
- 130 fair market valuations completed annually

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