GJC

Insurance Broking Consolidator or Not?

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www.gjcadvisory.com

Overview

The Independent Broker Market
Choices and opportunities available to you

Executive summary

Key questions for Independent brokers	Consolidator	GJC Advisory
Q – Will the proposition strengthen my relationship with clients by providing reciprocal work opportunities for them & also include a deep dive analysis of my relationship strength with these clients plus identify development areas?	X	✓
Q -Will my staff get individual coaching and mentoring, by an independent professional, to help them reach their full potential and career plan goal?	X	✓
Q – Will the legacy left by proprietors, who exit and leave their business post sale, be seen by their staff, and clients?	X	✓
Q - Will I get access to a cover & product suite that fits my clients demands and needs and not that of my owner?	X	✓
Q – Will I get access to funds, that are suitably culturally aligned with a significant panel of lenders & funders, to develop the infrastructure I want for my business, staff and clients?	X	✓
Q – Will I get support to deliver FCA compliance protocols, relevant to my business and market sector, and not those demanded of a large consolidator.	X	✓

The consolidator perspective

The consolidator model is based on year on year annualised growth to finance debt, increase EDBITA margins, appease shareholders and the stock market in certain cases. A typical annual increase expected across the general insurance divisions of these businesses would be 5 - 8% of total operating revenues.

Achieving this objective by pushing renewal retention and driving new business is a major challenge. All budgets are typically based on a 92% compound renewal rate, with new business targets set at circa 10% of total revenue.
There is another option open to consolidators to achieve their targets and this is by acquisition of an Insurance broking or employee benefit business. To maximise out this income opportunity the consolidator will: -

Move clients on to their existing schemes and facilities, and this will impose demands on to them in terms of administration, paperwork, surveys and additional meetings

Charge commercial insurance administration fees to these clients

Sell these clients premium payment loans, where the consolidator benefits from over rider % payments over the base rate agreed with their provider

Cross sell and upsell to the client assertively

The GJC Advisory approach

At GJC Advisory, we have a different offering to independent brokers than the sale of their business to the super hungry consolidator model.
The service we offer Insurance brokers at GJC Advisory is based on the following principals: -

Growth

Support brokers with a deep dive financial review to understand margins, cost base and profit levels. We put in place action plans with the management team to drive performance in all key areas noted to improve performance, critically in that initial and vital first 90-day period where embedding change programmes is key, to drive growth and recovery. We can help identify and embed new products, for example general insurance brokers do not sell employee benefit products proactively, and also support our client with relevant and professional marketing campaigns.

People

Retention of key people in an independent brokerage is a challenge, as the lure of additional income and wider opportunities within the consolidator model can be appealing. But whilst these opportunities certainly do exist, they come with additional targets, increased hours, increased competition for roles and acute pressure to perform. We offer independents a world class coaching and mentoring programme for all their staff aimed at developing their skills - both personal and technical, to help take them on their career journey without having to jump ship.

Acquisitions

We can provide the market intelligence, finance and cultural / people support so businesses can grow themselves, which in turn will increase their total operating revenue and profit margins.

Clients

We offer a support package to help our broker partners retain their existing clients via independent reviews, directly with their clients, reciprocal business opportunities and coaching / training for the client facing staff on how to understand the strengths of their relationships with clients and how to build strategic bridges on the development areas identified.

Sale or exit planning

If a broker client of ours does want to sell, and the MBO and shareholder exit strategies are not available, we will work with our clients to put them in the best possible position to maximise out on the sale / deal price that they will get. The key is putting in place a plan at least 6 months out from any sale programme starting, to increase top line revenue, manage costs and drive EBIDA margins. We have even worked with clients to identify who they would like to sell to and bring the relevant parties to the discussion table.

Different approaches, but the point is independent brokers have choices and what they choose to do is a gift given to them for the benefit of their staff, clients and personal legacy.