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Former CEO, Philadelphia Insurance Company

Current Director/Investor, 1251 Capital Group



AGENDA

- Insurance Industry Overview
- Benefits of Private Equity
- How to Select a Partner
- 1251 Value Proposition
- Succession Planning

INSURANCE INDUSTRY OVERVIEW

STOCK PRICE PERFORMANCE



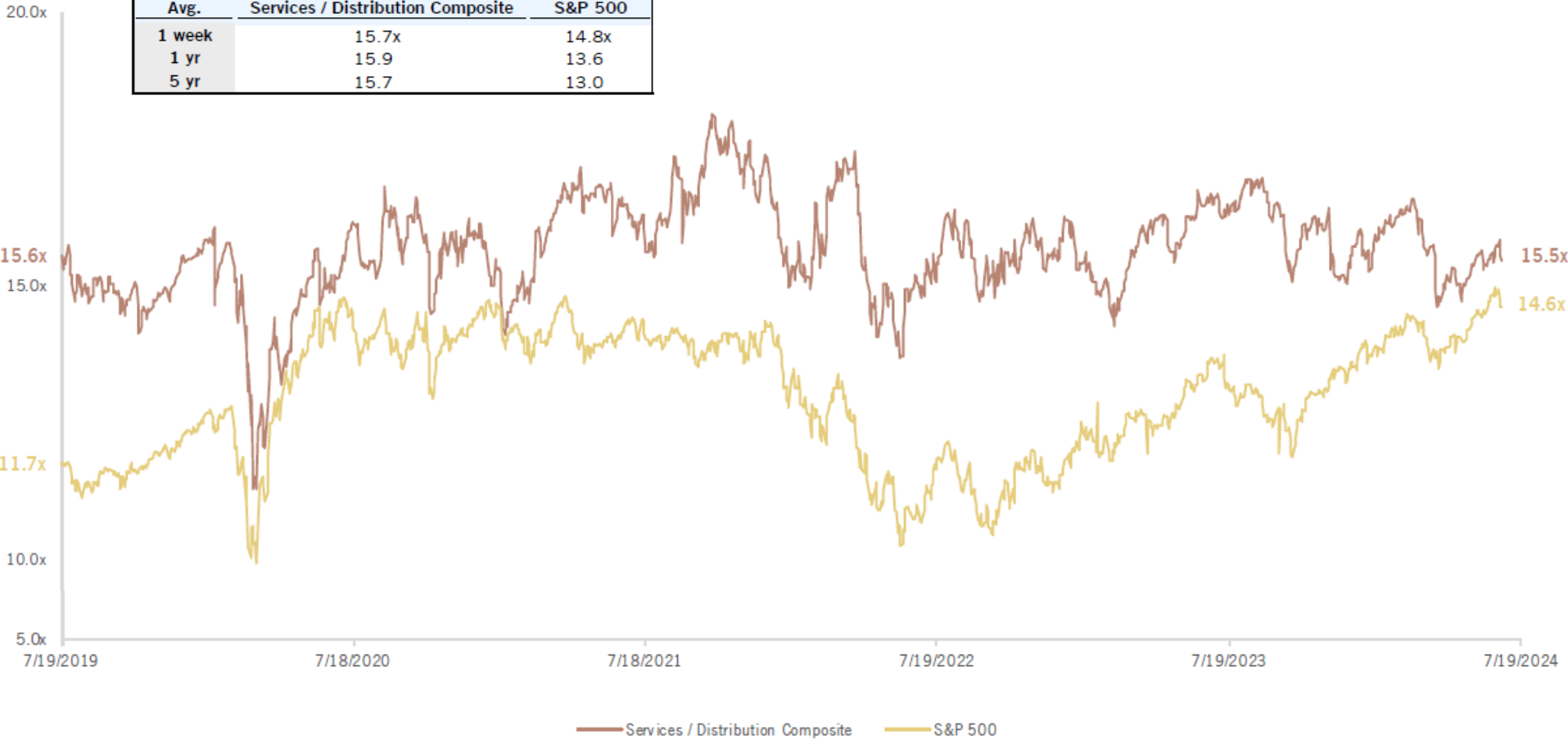
Source: CapIQ.
Note: Market data as of 07/19/2024.

— Life Composite — P&C Composite — Services / Distribution Composite — S&P 500 — S&P Financials

INSURANCE INDUSTRY OVERVIEW

VALUTATION TRENDS

5 Year EV / NTM EBITDA		
Avg.	Services / Distribution Composite	S&P 500
1 week	15.7x	14.8x
1 yr	15.9	13.6
5 yr	15.7	13.0

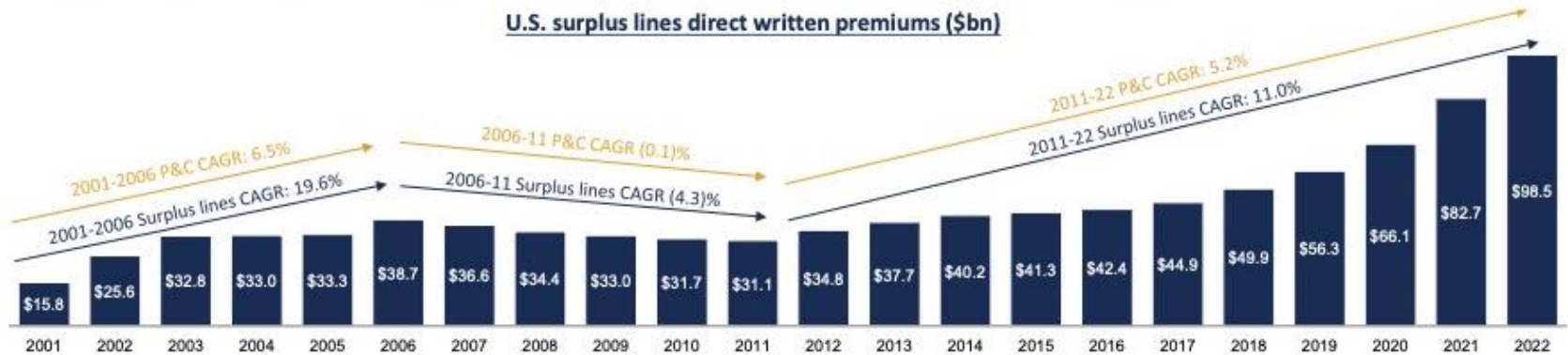


INSURANCE INDUSTRY OVERVIEW

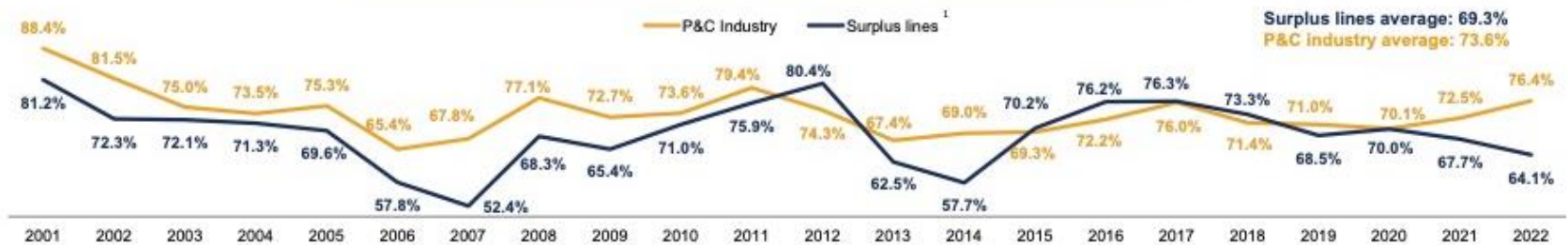
E&S MARKET OVERVIEW

The E&S market has seen significant growth and generated better underwriting results than the broader P&C industry

U.S. surplus lines direct written premiums (\$bn)



Net loss and LAE ratio – U.S. domestic professional surplus lines vs. P&C industry



Source: A.M. Best
 † Represents domestic professional surplus lines (DPSL) as defined by A.M. Best

BENEFITS OF PRIVATE EQUITY LIQUIDITY EVENT/ACCESS CAPITAL

- Taking some or all value off the table
- Diversify financial risk
- Significant financial resources and expand opportunities
- Work/life balance for founders

BENEFITS OF PRIVATE EQUITY GROWTH ACCELERATION

- Capital infusion
- Strategic guidance
- Organic growth: best practices, new products
- Inorganic growth: acquire other companies

BENEFITS OF PRIVATE EQUITY NETWORK/PROFESSIONALIZATION

- Improve & streamline operational efficiencies
- Improve governance & management reporting
- Extensive industry contacts
- IT, HR, Audit, ERM

BENEFITS OF PRIVATE EQUITY TALENT GAP

- Private equity ensures continuity
- Owners can step back but still be involved
- Assure day to day efficiencies - well trained staff
- P/E has extensive “resume book” of talent

BENEFITS OF PRIVATE EQUITY DOWNSIDES TO CONSIDER

- **Second liquidity event required in 3-5 years**
- **Focused on short-term wins**
- **Difficult to invest in growth beyond 3-5 years**
- **Debt reduces operating flexibility**
- **Generalists have limited industry knowledge/operating expertise**

HOW TO SELECT A PARTNER TRACK RECORD

- Histories of investments- success or failures
- Talk to prior owners who sold
- Hands on vs. passive
- Clarify level of involvement
- Monthly reporting metrics

HOW TO SELECT A PARTNER VALUE ADD/CULTURAL FIT

- Strategic guidance/industry connections
- Operational expertise
- Shared values/ethics
- Approach to decision making

HOW TO SELECT A PARTNER RANK GOALS

- Retain employee's
- Maintain business legacy
- Alignment of strategic direction/mission
- Future vision of company
- Maximize value

1251 VALUE PROPOSITION DIFFERENTIATED PARTNERS

- **Permanent capital partners** interested in building enduring businesses; forever time horizon
 - Create value for customers, owners, and employees without toxic short-termism
- **Value-added advisors** supporting management
 - Help achieve growth and operational goals while maintaining independence
- **Exclusively focused** on investing in commercial P&C specialty niches
 - Only partnering with a select handful of program administrators and specialty agencies
- **Growth mindset** with deep insurance operating expertise
 - Experience building and leading preeminent insurance businesses

1251 VALUE PROPOSITION

PRIVATE EQUITY BACKED “ROLLUP” STRATEGY

Permanent owner of
businesses and provides
operating expertise

- Risk losing control of culture, strategy and employees
- Channel conflicts and impact to customers
- Increased bureaucracy
- Integration problems
- Heavy oversight or replacement of management altogether

1251 CAPITAL GROUP

Provides the benefits of both worlds,
with significant differentiation to sellers

- **Independence:** Empower management to grow their business
- **Operating Expertise:** Experienced and focused operating partner to accelerate growth and maximize profitability
- **Long-Term Capital:** No secondary liquidity event necessary for the target
- **Direct Ownership:** Allows management to hold direct equity while bringing in a partner
- **Debt Free:** No debt on target required; holding company can be leveraged

DIRECT OWNERSHIP BY PRIVATE EQUITY

Partners with management
teams and provides
financial resources

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SUCCESSION PLANNING

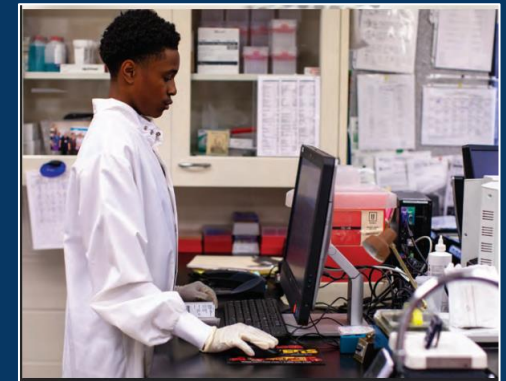
TALENT GAP/INDUSTRY SOLUTIONS

- US Chamber Commerce estimates 50% insurance workforce will retire in the next 10 years- 600,000 high paying open jobs
- Insure the future for equity and improved productivity
- 11% population live below the poverty level- get them these jobs
- Hire a Cristo Rey Student - internship
- Help them get a Risk Management Degree
- Lets all be part of the solution



Cristo Rey Philadelphia Work-Study Program

- Provides motivated students with quality education and valuable work experience in preparation for college.
- Students work one day per week at over 100 companies across various industries in the greater Philadelphia area.
- 4 Students share 1 Job
- Earnings from Work-Study jobs help offset most of the cost of education.
- Questions? Contact pcolter@crphs.org or call 267-321-9557



SUCCESSION PLANNING

START PIPELINE IN COLLEGE - MAGUIRE ACADEMY AT SJU

- Focus on offering 'best-in-class risk management, insurance data analytics, Insurtech, and actuarial science curricula leveraging experiential learning.
- Expand talent development and recruiting to proactively support diverse, underrepresented student populations.
- Model success by creating industry, organizational and professional partnerships to build inspiring outcomes.
- Contact: Mary Ann Cook, Ed.D., MBA, CPCU; Executive Director, Maguire Academy of Insurance and Risk Management, St. Joseph's University at: mcook@sju.edu; ph-610.660.2262
c-610.805.4419

SUCCESSION PLANNING MAGUIRE ACADEMY AT BOWIE STATE



- *Program implemented in October 2023. 16 Academy Students, all have taken the first course, “Principles of RMI”. 4 students have interviewed or accepted positions with RMI Brokers or Insurers.*
- *RMI Board established. 17 members: 3 major Brokers, (Aon, Marsh & Willis), 6 P&C Insurance Companies, Risk Managers, Morgan Stanley, Law Firm and more.*
- *\$50,000 Grant awarded for Course Development. 4 RMI Courses approved by the University. 15 total courses to be added by 2025 toward a full RMI Major Degree.*

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SUCCESSION PLANNING

GALLAUDET UNIVERSITY

RMI PROGRAM

- **RMI Graduates to Date:** 52 (*RMI Program Started in Fall, 2015*)
- **Student Graduate Employment:** Philadelphia Insurance Co., Hartford Insurance, Selective Insurance, Arthur J Gallagher (AJG), AHT Insurance, Brown & Riding Insurance Services, Hylant Insurance, State of Texas, Department of Risk Management, The Baldwin Group.
- **Types of Jobs:** Licensed P&C Brokers, Licensed Surplus Lines Brokers, Licensed Life Insurance Agents, Audit Department, Underwriting Department, Customer Service, Analyst, Claims Department.
- **Required RMI Courses:** *RMI 201*, Intro to RMI; *RMI 301*, Property & Casualty; *RMI 210*, Insurance Company Operations; *RMI 315*, Underwriting; *RMI 401*, Topics in RMI; *RMI 410*, Enterprise Risk Management
- **RMI Electives:** *RMI 305*, Life Insurance; *RMI 206*, Emerging Risks
- **Executive Director:** James H. Bruner, 607.738,3422, james.bruner@Gallaudet.edu

THANK YOU