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IAP's Quarterly Senior Executive Interview

Q&A with Grahame Millwater

In the face of continuing significant insurance and reinsurance losses and volatility, a hardening market, and significant M&A activity, Insurance Advisory Partners talks to Grahame Millwater, President, Global Insurance at Acrisure about his insights on the growth and development of Acrisure and the state of the insurance and reinsurance market.



Grahame Millwater

President, Global Insurance at Acrisure, a global fintech leader providing intelligence-driven financial services solutions for insurance, reinsurance, real estate services, cyber services, and asset and wealth management.

Insurance and Insurtech Experts



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- 1. Acrisure seems to continue to go from strength to strength, becoming an insurance distribution powerhouse. Can you give us a little detail on the size and scope of the business today and your growth strategy? What is the amount of premium you place in the market today? How many employees do you have?**

The business will be approximately \$4bn in revenue by the end of 2022, with about \$32bn of premium and approximately 15,000 employees. It is always difficult to forecast exactly where we will grow as we will add about another 125+ businesses through acquisition this year. However, suffice to say, our record-breaking growth continues!

- 2. Are we in a hard insurance and reinsurance market and how is the pricing environment affecting Acrisure and its clients. Is there sufficient insurance and reinsurance capacity available to satisfy client needs at a reasonable rate?**

We are in so many segments (commodity, personal lines, all the way through to complex catastrophe reinsurance) that it is difficult to generalize. However, we are seeing increased evidence of capacity issues, from Californian residential wildfire exposure through to Property Catastrophe issues for our insurer clients. Obviously, this interview is on the back of Hurricane Ian hitting Florida and the Carolinas in the past week. That will only add to the pressures on capacity and pricing. However, we are an innovative company both on the insurance and reinsurance sides of our business, and these are times when a group like Acrisure can deliver real value to our clients.

- 3. Are rising interest rates and the slowing and uncertain economic environment having any impact on your insurance businesses? What is your outlook for the business in 2023?**

Insurance, generally, is very resilient in times of economic macro issues and pressures, and I feel this will be no different for our insurance businesses in 2023. We have to remain focused on our clients and helping them weather the economic storm. However, at times of economic risk (in fact of any risk)

insurance remains critical. Obviously, if those businesses can't survive then that can become a potential issue in terms of our own revenue, but past recessions generally show that impact to be relatively low. The period in which we had the most concern was in COVID when literally some activity just almost ceased (e.g., public/commercial transportation where we have a large presence). Even then the impact was not huge - we are such a heavily diversified group!

4. What is your prognosis for strategic consolidation, away from private equity led transactions, in the brokerage space in 2023. What are your views on current valuations for retail brokers and MGAs, and where do you see valuations trending over the next few years?

Each year I say that these valuations can't continue to trend upwards in the brokerage space, and each year they do! At Acrisure, we have been incredibly disciplined in a market where multiples have continued to increase, and even though we will make over 125 acquisitions this year, we will have looked at close to 1,000 potential targets.

We have a huge advantage to other buyers, with 80% of our acquisitions having been referred from our prior acquisitions (or "Agency Partners" as we refer to them). This allows us to avoid many competitive "processes", as well as what we believe to be a great reflection on how our Agency Partners feel about life within the Acrisure Group.

However, I will say it again. With interest rates on their current path, and other economic stresses, I cannot see how certain of our competitors, private equity or trade, can continue to sustain the pricing levels they have been willing to execute on. Time will tell if this time I am right!

5. Can you tell us a little bit about the other businesses, outside of insurance distribution, that Acrisure is growing?

We are growing fast in Real Estate Services (residential and commercial) and also have remarkable growth in our 360-degree cyber security business (assessment, advisory and insurance). We are currently assessing other lines of financial and risk services. Many of these are very successful in their own right, but "all roads lead to insurance", as they are all distribution opportunities for our insurance products and services.

6. How would you describe the war for talent in the brokerage space? How does Acrisure differentiate itself as a home for talent?

The war is ongoing. However, the sheer scale, entrepreneurial nature of our business, and the fact we are a private company (in excess of 70% of the business is owned by approximately 1,700 employees) and not private equity

owned and controlled is a pretty compelling story - not only to retain our talent, but to attract it!

7. Congratulations on the recent approval to launch the Flux Syndicate at Lloyd's of London. Do you think that we will see more of a convergence between distribution, underwriting and the capital behind it?

We have a very clear plan around the fact that we believe there will be increasing convergence between distribution and access to all types of underwriting capital. We have a fantastic and highly diversified portfolio of risk, mainly small to middle market, and not only diversified in the US but also increasingly globally.

We see significant advantages to our clients in being able to offer programs and MGAs to take their risk to low-cost underwriting capital, but also to be able to “manufacture” innovative solutions for their needs. We are also clear that we will continue to offer a diverse range of solutions, from traditional insurers all the way to MGAs backed by reinsurers or even fund capital.

We believe that the world of risk solutions will look significantly different in the next five years. We also believe our scale and the nature of our portfolio lends itself to Acrisure being at the forefront of that change. We do not intend to be in the underwriting capital business itself, and we will always be very aware that we have a duty to the underwriting capital we are aligned with. The sustainability of the underwriting capital we partner with is very important to the future of our business model.

The Flux Syndicate provides us with another platform with which to partner with capital, within the very attractive Lloyd's environment.

8. What would you describe as Acrisure's biggest opportunity in 2023?

We have several. Continued M&A opportunity, accelerating organic growth, continued roll out of our insurance value chain strategy, entry to other lines of businesses, and finally paramount is our adoption of leading technology and data. All are very important, very significant and very intertwined. Therefore, I hate to pull out any one of these. I would say the biggest opportunity is that as a senior team we remain incredibly focused and aligned on delivering the overall plan and strategy!

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