

FOR IMMEDIATE RELEASE

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## 65% of broker mergers have failed to meet objectives

Insurecom, the Software and Broker Solutions Company, has published an independent industry research paper, *Extracting Value: Lessons learned from Broker Consolidation*. Insurecom commissioned research firm Vanson Bourne with a brief to independently open dialogue with at least 100 business leaders of major and well known consolidating intermediaries across the UK to discuss what drove them to undertake a merger, to reflect upon the challenges posed by post-merger integration, and reveal how successfully they believe their initial objectives were fulfilled.

In the wake of the recent wave of Merger and Acquisition (M&A) activity, extracting value from ever expanding brokerages is at the top of the intermediary sector's agenda. In fact as a result of the credit market squeeze, for many acquisition-hungry intermediaries who may have already obtained leveraged funding, the extraction of material value in excess of the obvious GWP gains has become increasingly business critical. With this in mind, Insurecom set out to examine the true impact of consolidation on the UK brokerage sector, and objectively reveal the secrets of those who have been successful in creating value.

The study results revealed that little more than a third (36%) of the mergers undertaken were considered by broker business leaders to have completely delivered on their objectives. As many as a quarter (25%) were not successful at all, while the greatest proportion (39%) were described as having been only 'partially' successful. Just over a quarter (27%) of senior brokers felt that the mergers they had implemented delivered significant value. A worrying few (7%) felt that their merger has created no value at all and been a 'waste of time and resource'.

The research examining the true impact of intermediary consolidation across the UK has revealed that 'normal M&A' integration challenges when encountered by insurance brokers not only caused many of them business disruption, but also ultimately impaired the industry's efforts to drive value from the recent M&A frenzy.

Philip Walter, CEO, Insurecom comments: "We were surprised that brokers were so forthcoming and introspective about their experiences. The results are quite candid, and clearly reveal the points of failure within many of the mergers and acquisitions that have occurred within our industry over the past two years. The industry has struggled to reap the benefits of consolidation, despite the opportunities and value that can be created by integrating successfully."

The report reveals that many brokers participating in the research have appeared to amend their priorities for the future based on lessons learnt. When describing the possibility of undertaking a future acquisition, brokers placed less importance on the integration of financials and far greater importance on the integration of other business areas. Almost two thirds (64%) believed that the integration of operations will be important to the success of future consolidation and an impressive three quarters (76%) stress the importance of integrating business processes and procedures in future mergers.

Phillip Walter, CEO, Insurecom concludes: "The research evidence gathered for this report statistically revealed that brokers who neglect to encompass a holistic approach to acquisition through fear of 'rocking the boat' with their staff and causing 'too much' change were also the same brokers that experienced the greatest negative impact on staff morale, the greatest long-term business disruption, and the least actual financial reward.

To achieve sustainable value from a merger, our investigations indicate that brokers must dedicate more time and money towards the proper integration of all areas of business, in particular IT systems and it's involvement with business process. This ensures effective bonding and control with the acquired brokerage, creating business productivity and growth".

This study is Insurecom's second industry whitepaper, and is part of an ongoing commissioned series of independently researched studies.

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## Further Information

### Extracting Value: Lessons Learned from Broker Consolidation.

This report is based on independent research among senior decisions makers in major UK insurance brokers, all of whom have undergone a merger or acquisition during the last five years.

All independent research for this report was conducted in 2008 on behalf of Insurecom by the research firm Vanson Bourne Limited ([www.vansonbourne.com](http://www.vansonbourne.com)).

### Notes to Editors:

Insurecom Limited is the fastest growing software house in the general insurance intermediary market. Insurecom develop and deliver innovative software solutions that offer real business efficiencies, reduced costs and a modern scalable platform to help large multi-office brokers conduct insurance business more effectively. Over 17% of all general insurance brokers across the UK exclusively use Insurecom software.

Insurecom's groundbreaking business solution *agencyPlus* is empowering a growing number of large or consolidating insurance intermediaries to break free from the constraints of ageing legacy systems. Our flagship product was agile developed from the ground up using the latest modern technology, and together with our unique consultative approach Insurecom is enabling these brokers to meet their strategic business goals more efficiently than ever before.

Insurecom's end-to-end broker solutions deliver substantial productivity benefits by creating a single view of all customer data and automating processes including FSA compliance; all whilst driving accelerated growth through the ability to make agile manoeuvres into new markets. Insurecom is dedicated to ensuring their clients deliver a superior customer experience.

If you would like further information please contact:

### Catherine Young

Insurecom Limited

t: 01273 85 2132

e: [catherine.young@insurecom.co.uk](mailto:catherine.young@insurecom.co.uk)

