



C-NOTES

MARKET INSIGHTS FOR BROKERS

January 2022

State of Brokerage

Happy 2022, I hope you had a restorative holiday (at a minimum a break in routine). At THS, we are coming into this year brimming with ideas, and are energized by the brokerage industry's performance during an intense 2021 that saw insurance market dynamics unlike anything we've seen before.

What excites us are the opportunities progressive brokers and new digital-age players are seizing to put clients at the heart of insurance through digital and business model innovation to create an aligned and proactive market that benefits everyone. There is no natural end game to where advisors can be if they think big and have a high collaborative IQ in helping clients solve complex problems with new approaches and deeper resources. It is such an exciting and important time to be working in the commercial insurance industry.

Looking back at 2021, amidst rising COVID cases, falling COVID cases, vaccines, the "Great Resignation" and so on, the insurance brokerage industry logged a stellar financial performance characterized by strong fundamentals with a second proof of resilience through new waves of the pandemic. YE 2021 average organic growth rate for privately-held brokers is clocking in at ~7-8 percent according to the leading M&A consultants and the industry maintains a steady 6-8 percent CAGR yoy. No wonder investor appetite in brokerage firms shows no signs of slowing; M&A activity continued at a rapid pace in 2021 setting another high watermark with 798 transactions announced as of 1/3/22. This is a 12.2 percent increase compared to 2020 and the fifth straight year of hitting a record high.

Of course, potent challenges remain even for the highest-performing brokerage firms as every industry adapts to an environment with a unrelenting "CAGR" of uncertainty, volatility and disruption. 2022 will neither be the best of times nor the worst of times but reality will prove more nuanced and complicated and business leaders will have to be more intentional than ever in understanding how broader changes impact your business, competitors and markets. The wild ride continues, but for folks in this business of assessing, mitigating and offsetting risk, the environment couldn't be riper for reimagining how the industry delivers the crucial role it plays in creating resilience and financially protecting companies within an uncertain economy.

Check out a couple of our predictions below for 2022.

As always, thank you for reading,

Cheryl Matochik
Managing Director
Third Horizon Strategies

To Watch in 2022

1. Data companies will explode into the insurance market in 2022. [Insurance Innovation Reporter](#)
2. Cyber losses related to ransomware, social engineering and privacy breaches will continue, but security controls pushed by the insurance industry should start showing positive results in 2022. [Threatpost](#), [AmWINS](#)
3. ESG principles will play a leading role in corporate America's next scene (not just at public companies). [The Financial Revolutionist](#)
4. Healthcare delivery will move beyond virtual and in-person care binary and will start to connect the care continuum in more places, like home health. [MobiHealthNews](#)
5. Brokers and employers will step up their efforts on the integration of mental health benefit design vs point solution plug-ins. [Employer Health Innovation Roundtable](#)
6. Combating SUD as part of mental health will grow in concern to employers. [Third Horizon Strategies](#)

Impactful Developments

- The Supreme Court seems poised to block vaccine-or-test policy for workplaces but may allow vaccine mandate for health care workers [SCOTUS Blog](#)
- A Real-time look at "The Great Resignation": December 2021 [Gusto](#)
- Castlight Health and Vera Whole Health combine to pioneer and scale value-based care in the commercial market [Cision PR Newsire](#)
- Aon launches interactive model to quantify impact of social determinants of health for U.S. employers [Aon](#)

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