

Business Insurance

www.BusinessInsurance.com

As seen the week of:

July 21, 2008

SPOTLIGHT

World's 10 largest insurance brokers

Ranked by 2007 brokerage revenues

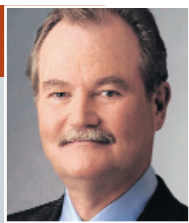
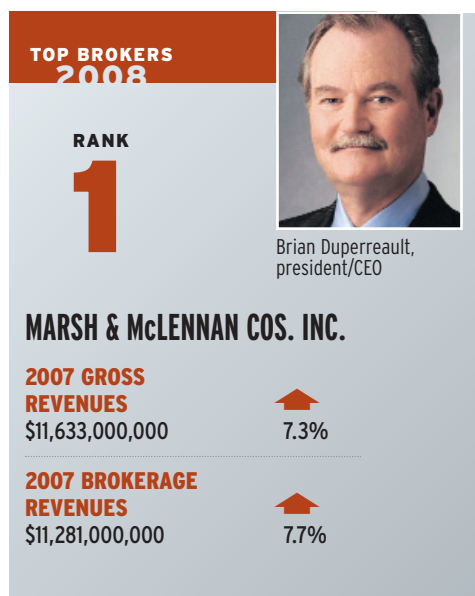
Rank	Company/Address	Phone/Web site	Chief executive	2007 brokerage revenues	% change	2007 employees	2007 offices	Percentage of revenues*							
								Commercial retail	Wholesale ¹	Reinsurance	Employee benefits	Personal lines	Services	Investments	Other
1	Marsh & McLennan Cos. Inc. 1166 Ave. of the Americas, New York, N.Y. 10036	212-345-6000 www.mmc.com	Brian Duperreault, president/CEO	\$11,281,000,000	7.70%	56,100	700	38.68	0	7.75	28.95	0	21.59	2.22	0.81
2	Aon Corp. 200 E. Randolph St., Chicago, Ill. 60601	312-381-1000 www.aon.com	Gregory Case, president/CEO	\$7,096,000,000	7.74%	35,900	500	64.93	0	12.07	15.67	0	2.30	4.03	0.99
3	Willis Group Holdings Ltd. ² 51 Lime St., London EC3M 7DQ England	44-203-124-6000 www.willis.com	Joe Plumeri, chairman/CEO	\$2,463,000,000	5.80%	13,100	321	56.17	3.96	22.42	10.43	1.32	1.24	3.72	0.74
4	Arthur J. Gallagher & Co. The Gallagher Centre, 2 Pierce Place, Itasca, Ill. 60143-3141	630-773-3800 www.ajg.com	J. Patrick Gallagher Jr., chairman/president/CEO	\$1,457,241,000	10.78%	9,102	150	39.29	7.75	0	14.58	1.09	27.07	6.14	4.08
5	Wells Fargo Insurance Services Inc. 150 N. Michigan Ave., Suite 3900, Chicago, Ill. 60601	312-423-2500 wfs.wellsfargo.com	David J. Zuercher, chairman/president/CEO	\$1,282,130,000	27.10%	7,273	171	60.97	1.66	0.14	12.45	6.99	4.31	2.78	10.70
6	Jardine Lloyd Thompson Group P.L.C. 6 Crutched Friars, London EC3N 2PH England	44-207-528-4444 www.jltgroup.com	Dominic Burke, group chief executive	\$947,346,400 ³	11.84%	5,436	75	50.31	7.42	12.50	16.43	1.41	7.34	4.58	0
7	BB&T Insurance Services Inc. P.O. Box 31128, Raleigh, N.C. 27622	919-716-9777 www.bbt.com	H. Wade Reece, chairman/CEO	\$877,391,500	4.17%	3,947	102	48.93	25.24	0	6.97	8.91	0	5.08	4.88
8	Hilb Rogal & Hobbs Co. ² 4951 Lake Brook Drive, Glen Allen, Va. 23060	804-747-6500 www.hrh.com	Martin L. Vaughan, chairman/CEO	\$779,950,000	12.06%	4,200	140	58.07	9.07	0.78	20.37	6.36	2.89	1.78	0.69
9	Brown & Brown Inc. 220 S. Ridgewood Ave., Daytona Beach, Fla. 32114	386-252-9601 www.bbinsurance.com	J. Hyatt Brown, chairman/CEO	\$757,642,624	7.06%	5,047	125	38.52	16.98	1.28	12.41	6.06	3.70	3.18	17.87
10	Lockton Cos. L.L.C. 444 W. 47th St., Suite 900, Kansas City, Mo. 64112-1906	816-960-9000 www.lockton.com	David M. Lockton, chairman	\$728,203,000 ⁴	10.81%	3,864	45	69.40	7.52	1.72	19.18	0.30	0	1.89	0

* Percentage of revenue may not total 100% due to rounding. 1 Revenue from commissions and fees from wholesale brokerage only, excluding income from MGA or other underwriting activities. 2 Willis Group Holdings Ltd. has agreed to purchase Hilb Rogal & Hobbs Co. The deal is expected to be completed in the fourth quarter of 2008. 3 British pound=\$2.0020 (2007) fiscal year ending December 31. 4 Fiscal year ending April 30.

Source: BI survey

Researched by Kevin Edison and Karen Tucker

Visit www.businessinsurance.com/directories for more information and to access the full searchable Directory of Agents and Brokers. Business Insurance now offers the option to purchase the entire online directory as an Excel file or as a PDF.



Brian Duperreault,
president/CEO

The new leaders of Marsh & McLennan Cos. Inc. and retail brokerage subsidiary Marsh Inc. are taking steps to restore profitability at the world's largest brokerage, yet remain mum about any large-scale restructuring, which some observers say is necessary to turn the firm around.

2007 was a difficult year for MMC, said Chairman Stephen R. Hardis, who described MMC's performance in its annual report as disappointing and unacceptable.

Those results, which included a 25% drop in 2007 operating income within its risk and insurance services segment and a 12% drop in consolidated operating income, prompted the board to make key leadership changes.

In December, MMC named Daniel S. Glaser as Marsh's new chairman and chief executive officer. Mr. Glaser, a former London-based American International Group Inc. executive who previously held posts at Marsh Inc. and Willis Group Holdings Ltd., succeeded Brian Storms, who was fired in September after his initiatives to revive the brokerage failed.

In January, former ACE Ltd. Chairman and CEO Brian Duperreault was named president and CEO of parent MMC. He replaced Michael G. Cherkasky, who successfully brokered MMC's \$850 million bid-rigging settlement with New York authorities in early 2005 but was unable subsequently to return the firm to prosperity.

MMC has yet to fully recover from that settlement in which it agreed to cease collecting hundreds of millions of dollars a year in contingent commissions. In addition to lackluster results and a stock price about half of that before the 2004 charges, MMC

also has dealt with morale issues, numerous management changes, employee defections and client losses.

Mr. Duperreault said he believes he has "calmed the waters" and gotten people to feel positive about the organization again.

"I do think there's a different mood here today," he said.

At the same time, he also has taken steps to fix some of the underperforming parts of MMC—namely reinsurance brokerage unit Guy Carpenter & Co. L.L.C. and risk consulting and technology unit Kroll Inc.

In May, he announced MMC would lay off more than 300 Guy Carpenter employees—more than 10% of the unit's workforce—after a 6.5% drop in first-quarter revenues to \$273.0 million, which executives blamed on the soft market, higher retentions and a decline in new business. That move followed the February announcement that Peter Zaffino would succeed David Spiller as CEO of the reinsurance unit.

The following month, Mr. Duperreault named Ben Allen president and CEO of Kroll to replace Simon V. Freakley, who became CEO of the newly formed MMC corporate advisory and restructuring unit that was separated from Kroll. Mr. Duperreault also said he is seeking to divest Kroll's mortgage lending and government services businesses.

Whether MMC divests the rest of Kroll—which shareholders have clamored for in the past—or is able to integrate the business with other MMC operating units remains to be seen. Mr. Duperreault said Kroll needs to be better run and operated before he can determine any synergies.

In terms of MMC's largest operating unit and the most heavily damaged by the bid-rigging scandal, Marsh's turnaround is all about increasing revenue and reducing expenses, executives say.

"When I look at Marsh as an organization, I do not find it to be a broken organization at all," said Mr. Glaser, who most recently was managing director of AIG Europe (U.K.) Ltd. and regional president of American International Underwriters' U.K./Ireland division. "There are a lot of strengths. The issue is margins were not good enough and we did not make enough money. If you don't make enough money, you have to grow revenues and reduce expenses."

Although Mr. Glaser declined to give any timetable for a turnaround, he said plans are being implemented. In what he called "the first wave," Mr. Glaser established his own management team and reorganized the bro-

kerage's global structure to include a new international division. He streamlined reporting structures and established better profit-and-loss accountability with managers. He's also made clear Marsh's vision of being the best broker and said everything Marsh does during the next few years will focus on clients, colleagues and improving Marsh's financial performance.

Mr. Glaser said he's now in the early stages of the "second wave," dealing with organizational realignment, placement hubs and expense reductions.

Last month, Marsh announced the formation of Bowring Marsh as its new specialty international placement broker for property/



MARSH

'There are a lot of strengths' at Marsh.

Daniel S. Glaser,
Marsh Inc.

casualty risks. The division, with teams in Bermuda; Dublin, Ireland; London; Miami; Singapore; and Zurich, Switzerland, will better enable Marsh to access capacity and negotiate face-to-face with underwriters to get the best terms and conditions for clients, Marsh said. The name comes from Marsh's 1980 acquisition of international broker C.T. Bowring & Co., giving it access to Lloyd's and a platform for its subsequent global expansion.

In the United States, Mr. Glaser said he is in the process of establishing hubs to centralize the placement process for clients by line of business.

In addition to better segmenting its accounts, Mr. Glaser said he will continue to focus on reducing expenses, including general corporate expense management; looking for ways to better use technology; spending less on advertising; and making smart decisions on real estate as leases come up.

While new-business development at Marsh "is very strong," the "real issue" is the soft pricing environment, which continues to put pressure on revenue growth, Mr. Glaser said. In response, Marsh has started an account-by-account review of its large-account business to make sure the firm is adequately paid.

Marsh also is looking to “enhanced commissions” paid by insurers to add “slight to moderate revenue growth,” Mr. Glaser said. The initiative announced late last year will likely be folded into its placement hub strategy and middle-market business, he said.

But given the continued soft P/C pricing environment, the only way MMC is going to make a real impact on reducing expenses and expanding margins is through a major restructuring that includes large layoffs, said Mark Lane, a research analyst with William Blair & Co. in Chicago.

“I can’t see them getting close to Aon’s margins within the next 12 months without a major restructuring,” Mr. Lane said, referring to Marsh’s main competitor, Chicago-based Aon Corp. MMC’s first-quarter adjusted operating margin was 17.9% in its risk and insurance brokerage segment vs. 19.5% for Aon’s comparable segment, Mr. Lane said. The first quarter historically is MMC’s strongest, while Aon’s is the fourth quarter, he said.

Mr. Glaser would not comment on any specifics of a major restructuring effort at Marsh, but noted a “mild” reduction in workforce in the first half of this year.

‘I do think there is a different mood here today.’

Brian Duperreault,
Marsh & McLennan Cos. Inc.

Executives said 150 positions within Marsh were eliminated in the first quarter and that further reductions are likely.

Margin improvement, “particularly in a market environment of only modest revenue growth, has to come from the expenses,” Mr. Glaser said. “Over the course of 2008, our run-rate expenses will reduce.”

Reacting to the moves, Meyer Shields, an analyst with Stifel, Nicolaus & Co. Inc. in Baltimore, said he’s optimistic about Marsh’s future. “As difficult as this business is in generating revenue growth and expanding margins to normalized levels, there’s no reason in the world why a unit like Marsh U.S. should be losing money,” Mr. Shields said.

“Now that we’ve got a competent and trustworthy management team in place...I don’t see that as an insurmountable chal-

lenge” to fix. “There are plenty of reasons to be optimistic that they will get it done,” Mr. Shields said.

Executives said Marsh is indeed showing signs of recovery.

This year’s first quarter “was the best quarter we’ve had from an earnings standpoint since the third quarter of 2004,” Mr. Glaser said. Although MMC does not break out earnings or margins for Marsh specifically, executives said Marsh’s margins improved 350 basis points in the quarter from the same period last year.

At the same time, Marsh cut \$125 million in expenses and increased revenues by 7% in the quarter to \$1.2 billion, buoyed in large part by its international operations.

Marsh generated \$228 million in new business in the quarter, on top of the \$900 million of new business won in 2007. “We’re winning in the marketplace, which says something about the firm,” Mr. Glaser said.

“Marsh is coming back,” he said.

At the close July 11, MMC stock was \$28.49 per share, closer to its 52-week high of \$31.46 than its 52-week low of \$23.13.

—By Sally Roberts

100 largest brokers of U.S. business (1-50)

Ranked by 2007 brokerage revenues generated by U.S.-based clients*

2007 rank	2006 rank	Company	Headquarters	2007 revenue	% change	Type of agency	% commercial retail brokerage	% employee benefits
1	1	Marsh & McLennan Cos. Inc.	New York, N.Y.	\$5,527,690,000	3.48%	Broker	38.68%	28.95%
2	2	Aon Corp.	Chicago, Ill.	\$2,696,480,000	-0.14%	Broker	64.93%	15.67%
3	3	Arthur J. Gallagher & Co.	Itasca, Ill.	\$1,282,372,080	9.54%	Both	39.29%	14.58%
4	5	Wells Fargo Insurance Services Inc.	Chicago, Ill.	\$1,282,130,000	27.10%	Both	60.97%	12.45%
5	4	Willis Group Holdings Ltd. ¹	London, England	\$1,059,090,000	-3.21%	Broker	56.17%	10.43%
6	7	BB&T Insurance Services Inc.	Raleigh, N.C.	\$877,391,500	4.17%	Both	48.93%	6.97%
7	6	Brown & Brown Inc.	Daytona Beach, Fla.	\$757,642,624	7.06%	Agent	38.52%	12.41%
8	8	Hilb Rogal & Hobbs Co. ¹	Glen Allen, Va.	\$725,353,500	6.23%	Both	58.07%	20.37%
9	9	USI Holdings Corp.	Briarcliff Manor, N.Y.	\$617,083,000	12.96%	Broker	35.45%	45.13%
10	10	Lockton Cos. L.L.C.	Kansas City, Mo.	\$502,460,070 ²	10.81%	Broker	69.40%	19.18%
11	12	Hub International Ltd.	Chicago, Ill.	\$484,675,580	23.70%	Broker	55.74%	12.80%
12	11	Wachovia Insurance Services Inc.	Charlotte, N.C.	\$422,453,748	-6.35%	Broker	39.48%	18.97%
13	13	Alliant Insurance Services Inc.	Newport Beach, Calif.	\$291,343,365	27.64%	Broker	66.79%	22.33%
14	15	Leavitt Group	Cedar City, Utah	\$174,750,450	19.54%	Agent	59.50%	11.01%
15	16	Jardine Lloyd Thompson Group P.L.C.	London, England	\$161,048,888 ³	11.84%	Broker	50.31%	16.43%
16	18	CBIZ Benefits & Insurance Services Inc.	Cleveland, Ohio	\$143,147,000	24.80%	Broker	12.90%	52.21%
17	17	Keenan & Associates	Torrance, Calif.	\$123,332,000	-6.73%	Both	18.95%	22.61%
18	19	Frank Crystal & Co. Inc.	New York, N.Y.	\$119,680,000	6.34%	Broker	78.58%	10.59%
19	20	Bollinger Inc.	Short Hills, N.J.	\$104,613,278	0.71%	Both	34.76%	33.96%
20	21	Meadowbrook Insurance Group Inc.	Southfield, Mich.	\$103,908,000	5.24%	Agent	52.63%	2.07%
21	26	Regions Insurance Group Inc.	Memphis, Tenn.	\$103,485,000	23.87%	Both	59.61%	15.80%
22	22	John L. Wortham & Son L.P.	Houston, Texas	\$99,864,000	5.53%	Agent	83.32%	11.69%
23	25	Hays Group Inc. dba Hays Cos.	Minneapolis, Minn.	\$97,400,000	14.59%	Both	53.83%	40.32%
24	27	J. Smith Lanier & Co.	West Point, Ga.	\$96,572,647	18.86%	Both	59.21%	22.05%
25	24	Hylant Group	Toledo, Ohio	\$90,240,264	0.25%	Both	70.21%	19.25%
26	32	Tanenbaum-Harber Co. Holdings Inc.	New York, N.Y.	\$90,031,489	15.83%	Broker	58.30%	17.26%
27	28	Mesriow Insurance Services Inc.	Chicago, Ill.	\$89,055,876 ⁴	10.74%	Broker	56.26%	36.47%
28	29	Holmes Murphy & Associates Inc.	West Des Moines, Iowa	\$87,959,385	11.18%	Both	49.03%	36.77%
29	33	Allied North America	Jericho, N.Y.	\$85,955,028	13.31%	Broker	90.07%	1.07%
30	39	Neace Lukens Holding Co.	Louisville, Ky.	\$77,541,413	18.77%	Agent	57.97%	19.82%
31	N/A	Conner Strong Cos. Inc. ⁵	Cherry Hill, N.J.	\$76,104,000	N/A	Both	52.60%	34.44%
32	40	Insurance Office of America Inc.	Longwood, Fla.	\$75,492,147	17.93%	Agent	74.14%	9.69%
33	30	NIA Group L.L.C.	Paramus, N.J.	\$74,800,000	-4.83%	Broker	51.87%	24.73%
34	38	BancorpSouth Insurance Services Inc.	Tupelo, Miss.	\$73,553,163	9.75%	Agent	66.94%	16.23%
35	35	IMA Financial Group Inc.	Wichita, Kan.	\$72,655,068	5.08%	Both	67.58%	10.75%
36	44	Beecher Carlson Holdings Inc.	Atlanta, Ga.	\$71,716,400	33.42%	Broker	74.64%	7.11%
37	41	Heffernan Group	Walnut Creek, Calif.	\$69,446,000	10.05%	Broker	64.76%	8.23%
38	42	Rutherford Cos.	Roanoke, Va.	\$69,039,440 ⁶	15.82%	Both	81.30%	6.27%
39	36	Guaranty Insurance Services Inc.	Austin, Texas	\$68,343,205	-0.58%	Agent	60.05%	5.89%
40	34	Huntington Insurance Inc. dba Sky Insurance Inc.	Bowling Green, Ohio	\$63,397,700	-8.94%	Both	37.33%	31.52%
41	51	Trion Group Inc. dba Trion	King of Prussia, Pa.	\$62,600,000	25.70%	Both	N/A	100%
42	45	James B. Oswald Co. dba Oswald Cos.	Cleveland, Ohio	\$61,225,560	13.98%	Both	65.83%	18.31%
43	37	Compass Insurance Agency Inc.	Houston, Texas	\$60,280,752	-10.21%	Agent	57.67%	25.63%
44	47	Woodruff-Sawyer & Co.	San Francisco, Calif.	\$57,000,000	11.84%	Broker	73.47%	22.86%
45	43	Associated Financial Group L.L.C.	Minnetonka, Minn.	\$54,279,428	-1.75%	Agent	12.62%	55%
46	46	InterWest Insurance Services Inc.	Sacramento, Calif.	\$52,166,273	2.25%	Broker	78.34%	15.88%
47	49	Frenkel & Co. Inc.	New York, N.Y.	\$51,434,900	1.56%	Broker	63.68%	25.52%
48	55	Barney & Barney L.L.C.	San Diego, Calif.	\$51,365,160	12.72%	Broker	49.30%	43.72%
49	56	Integro USA Inc.	New York, N.Y.	\$51,300,000	14%	Broker	98.28%	N/A
50	58	Western States Insurance	Missoula, Mont.	\$50,487,817	15.28%	Agent	54.94%	23.54%

*Companies that derive less than 20% of revenues from commercial retail brokerage or employee benefits are not ranked. 1 Willis Group Holdings Ltd. has entered an agreement to purchase Hilb Rogal & Hobbs Co., which is expected to be completed in the fourth quarter of 2008. 2 Fiscal year ending April 30. 3 British pound=\$2.0020 (2007) fiscal year ending Dec. 31. 4 Fiscal year ending March 31. 5 Formerly Commerce Banc Insurance Services Inc. 6 Fiscal year ending June 30. 7 Formerly Bratrud Middleton Insurance Brokers Inc. 8 Fiscal year ending Aug. 31. N/A=Not applicable.

Source: BI survey

Researched by Kevin Edison and Karen Tucker

Visit www.BusinessInsurance.com/Directories for more information and to access the full searchable Directory of Agents and Brokers. *Business Insurance* now offers the option to purchase the entire online directory as an Excel file or as a PDF. For our full 2008 Schedule of Issues including rankings and online directories, visit www.BusinessInsurance.com/EditorialCalendar.