

# Private Equity Mops Up Brokers

**M**arket consolidation of insurance intermediaries has been an ongoing M&A theme in recent years, and 2021 was no exception. In November, **PIB Group** acquired leading SME broker **Campion Insurance**, the company's third buy in Ireland through 2021.

PIB is funded by private equity and has grown rapidly through 46 acquisitions since 2016. Established in 1997 by **Jim Campion** (60) as a family business, Campion Insurances Ltd was also an acquirer, as it bulked up to 12 locations and turnover of €16.3m in 2019. Operating profit that year, before depreciation and amortisation, was €2.3m.

One of the largest broker deals in 2021 was the **Arachas** takeover of **Hooper Dolan Group**, which rewarded family owners for their enterprise dating back to the 1940s. The Competition and Consumer Protection Commission ran the rule over the deal and gave the go-ahead on the basis that the combined market share will not exceed 20%. Still, the reason why private equity players are mopping up brokers is that intermediaries with entrenched market positions enjoy very generous profit margins.

The Hooper Dolan business was formed in 2007, through the merger of Waterford-based Hooper Dolan, which had been established in 1978, and the broker business owned by the Cavanagh family in Sligo and Donegal. L.C. Cavanagh was the founder of the north-western enterprise in 1943.

The deal structure was complicated for Arachas, led by Conor Brennan, with eight separate share purchase agreements signed off on the same day. Assisting in the endeavour were EY and Beauchamps for Hooper Dolan, and Eversheds, PwC and AIB Corporate Finance for the buyer.

The Arachas background is interesting, too. It was formed in 2016, when Cork broker Tyrrell Coakley merged with Dublin brokers Hodgins Percival and Slattery Jermyn. UK private equity player Sovereign Capital invested in 2017 and flipped the business in 2019 to American PE



**Jim Campion benefitted from the wave of insurance broker consolidation**

*'A feature of insurance-brokering is strong annual recurring revenue'*

firms Madison Dearborn and HPS Investment Partners. They are active in the UK broker market through Ardonagh, the Arachas parent.

**O**ne attractive feature of insurance brokering is strong annual recurring revenue. On the face of it, broker customers don't seem to switch around much for price reasons. Hooper Dolan Insurances Ltd had turnover of €19m in the year to October 2020 and booked an operating profit of €8.5m, for a profit margin of 45%. The margin was the same the year before.

Deal consideration was not disclosed, with press speculation centring on a figure of c.€60m. The

main shareholders in Hooper Dolan Insurances were Paul Dolan (43.2%), Cathal Lowe (15.9%), Tadhg Gallivan (13.0%), Charles Cavanagh (11.0%), Denis Murphy (5.5%) and John Quirke (5.5%).

Conor Brennan, who joined Arachas from Zurich in 2018, was chipper about subsuming the provincial network. "Hooper Dolan has been approached by many investment groups over the last number of years, but there was only one credible partner for their business in their minds, and that was us," Brennan declared. "Despite a hugely competitive M&A market, this transaction illustrates that with resolute commitment to clear strategic direction, there are still accretive deals to be found."

The view from the CCPC was that other insurance distributors, such as PIB, will exert a competitive constraint on the merged entity.