

Broker Channel Check

Underlying Factors Suggest Organic Moving in Right Direction

Organic Summary

Pressure from rate/exposure headwind has gone from -7% to -2% in the last year. Expectations are that the headwinds will be flat by the end of 2012, which should translate into over a 500-basis-point improvement in organic.

Exposures

- Clients' payrolls are moving in the right direction, but still only experiencing modest improvement.
- Audit premiums have gone from negative to flat. Expectation is that audit premiums will be additive by the end of the year.
- Northeast and Midwest clients are showing moderate growth, but the West Coast, particularly California, is flat with no job growth.
- Material divergence by sector, with health and education growing and construction still flat.

Premium rates

- Overall rates are still declining, but there is more favorable movement in the market than a year ago.
- The pricing difference between renewal and new business appears to be narrowing. New business, which represents 30% plus of commercial risks that are bid out to the market, is typically the most competitive as insurers attempt to gain new business. Last year the spread between renewal and new could be greater than 15%. So far, this year it appears to be less.
- The market is becoming more discerning on accounts with loss history, particularly on workers' compensation, some smaller E&S, and weather-exposed property.

Acquisitions

- The pipeline of potential deals is the strongest in over three years.
- Large deals are very competitive and pricing is much higher.

Financial: Insurance Brokers

March 31, 2011

Aon Corporation

Stock Rating: **Outperform**
 Company Profile: **Established Growth**
 Symbol: AON (NYSE)
 Price: \$52.54 (52-Wk.: \$35-\$53)

Arthur J. Gallagher & Co.

Stock Rating: **Market Perform**
 Company Profile: **Established Growth**
 Symbol: AJG (NYSE)
 Price: \$30.51 (52-Wk.: \$23-\$32)

Brown & Brown, Inc.

Stock Rating: **Market Perform**
 Company Profile: **Established Growth**
 Symbol: BRO (NYSE)
 Price: \$25.64 (52-Wk.: \$18-\$27)

Marsh & McLennan Companies, Inc.

Stock Rating: **Market Perform**
 Company Profile: **Established Growth**
 Symbol: MMC (NYSE)
 Price: \$29.84 (52-Wk.: \$20-\$31)

Willis Group Holdings Public Limited Company

Stock Rating: **Outperform**
 Company Profile: **Established Growth**
 Symbol: WSH (NYSE)
 Price: \$39.98 (52-Wk.: \$29-\$40)

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Benefits brokerage

- The difference between small group and midsize group are becoming more defined.
- Small group is moving to a per-member/per-month basis. Whereas midsize and larger groups are staying on the traditional method.
- Commissions are remaining neutral except on the smallest group side; however, moving to per-member/per-month essentially locks it in as fee revenue. Historically, benefit commissions have partially benefited from increases in health rates—this is not as likely under per member system.

Insurance Brokers
Valuation Comparison

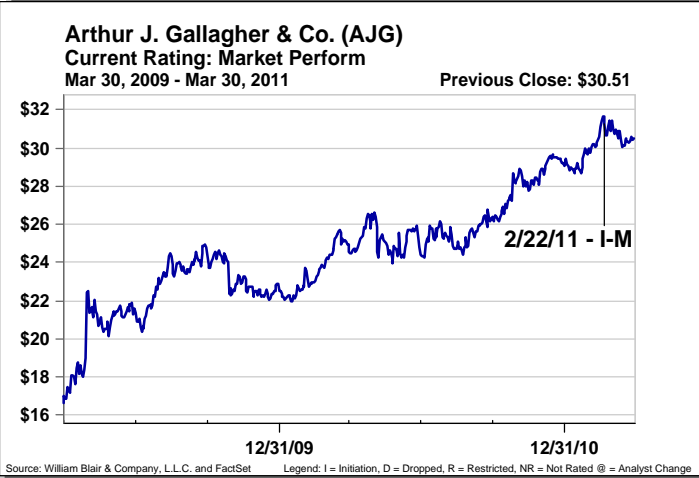
| Ticker | Rating | Price | GAAP EPS | | | GAAP P/E | | | Cash P/E | | | EV / EBITDA | | |
|---------|--------|-------|----------|--------|--------|----------|-------|-------|----------|-------|-------|-------------|-------|-------|
| | | | 2010 | 2011E | 2012E | 2010 | 2011E | 2012E | 2010 | 2011E | 2012E | 2010 | 2011E | 2012E |
| AON | O | 52.54 | \$3.07 | \$3.25 | \$3.84 | 17.1x | 16.2x | 13.7x | 15.9x | 14.5x | 10.1x | 10.1x | 7.4x | 6.8x |
| AJG | M | 30.51 | \$1.41 | \$1.50 | \$1.75 | 21.6x | 20.3x | 17.4x | 15.9x | 16.2x | 14.2x | 10.7x | 9.3x | 8.3x |
| BRO | M | 25.64 | \$1.13 | \$1.17 | \$1.32 | 22.7x | 21.9x | 19.5x | 17.2x | 16.6x | 15.0x | 10.6x | 10.1x | 9.1x |
| MMC | M | 29.84 | \$1.66 | \$1.82 | \$2.04 | 18.0x | 16.4x | 14.6x | 17.3x | 15.7x | 14.1x | 9.3x | 9.0x | 8.5x |
| WSH | O | 39.98 | \$2.69 | \$2.82 | \$3.64 | 14.9x | 14.2x | 11.0x | 13.1x | 16.7x | 10.3x | 9.7x | 9.4x | 8.1x |
| Average | | | | | | 18.9x | 17.8x | 15.2x | 15.9x | 15.9x | 12.7x | 10.1x | 9.0x | 8.1x |
| Median | | | | | | 18.0x | 16.4x | 14.6x | 15.9x | 16.2x | 14.1x | 10.1x | 9.3x | 8.3x |

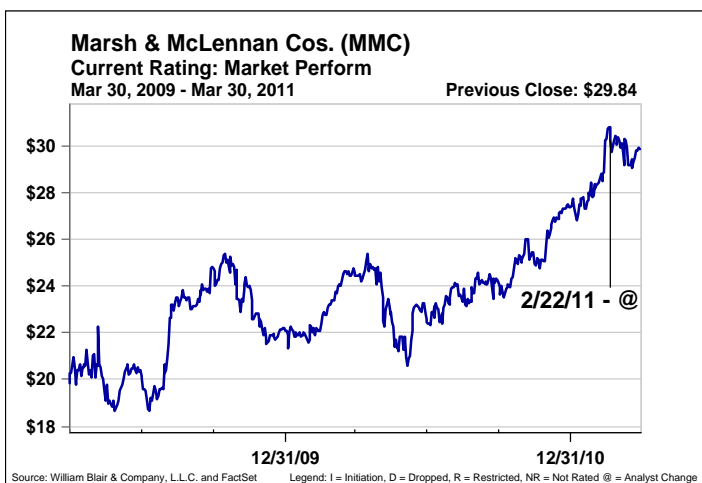
Sources: Company reports, Thomson One, and William Blair & Company L.L.C.

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|-----------------------|---------|-----------------------------|---------|
| Outperform (Buy) | 65 | Outperform (Buy) | 9 |
| Market Perform (Hold) | 34 | Market Perform (Hold) | 1 |
| Underperform (Sell) | 1 | Underperform (Sell) | 0 |

*Percentage of companies in each rating category that are investment banking clients, defined as companies for which William Blair has received compensation for investment banking services within the past 12 months.

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